

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 or*
9 *subsection (3) of Section 8 of this Act*, whether in the same or a different
10 office as a legislator, and whether or not it 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 to the contrary 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.

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

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

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

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

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

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

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

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

(2) (a) A member of the Legislators' Retirement Plan may combine his service credit 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) 1. For members contributing on or after June 20, 2005 but prior to January
8 1, 2014, who have service credit in the State Police Retirement System,
9 Kentucky Employees Retirement System, County Employees
10 Retirement System, or Teachers' Retirement System prior to January
11 1, 2019: Upon retirement, a member's accounts under the Legislators'
12 Retirement Plan, State Police Retirement System, Kentucky Employees
13 Retirement System, County Employees Retirement System, and
14 Teachers' Retirement System shall be consolidated for the purpose of
15 determining eligibility and amount of benefits as provided in KRS
16 61.680(2)(a) and in the same manner as for the other retirement systems
17 using the highest salary regardless of the system in which it was earned,
18 except that any salary earned in the State Police Retirement System,
19 Kentucky Employees Retirement System, County Employees
20 Retirement System, or Kentucky Teachers' Retirement System on or
21 after January 1, 2019, shall not be used to determine benefits in the
22 Legislators' Retirement Plan.
- 23 2. The consolidation of accounts as provided by this paragraph shall not
24 apply to accounts in the State Police Retirement System, the Kentucky
25 Employees Retirement System, the County Employees Retirement
26 System, and the Teachers' Retirement System, from which the member
27 is receiving a retirement benefit.

1 3. For purposes of this paragraph, "retirement" means the month in which
2 the member elects to begin receiving benefits or benefits become
3 payable due to the member's death.

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

- 7 1. Eligibility and the amount of benefits; and
- 8 2. Final compensation, provided the member began participating in the
9 Legislators' Retirement Plan prior to January 1, 2014, and except that
10 any salary earned in the Judicial Retirement Plan on or after January
11 1, 2019, shall not be used to determine final compensation in the
12 Legislators' Retirement Plan.

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 and
27 subsection (3) of Section 8 of this Act, whether such service is in the same or a

1 different office, and whether or not it is continuous.

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

3 (1) For purposes of this section:

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

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

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

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

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

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

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

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

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

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

21 (6) This section shall not apply to:

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

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

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

27 Notwithstanding KRS 6.500 to 6.577 and 21.345 to 21.580:

- 1 (1) Subject to the provisions of this section, any member who began participating in the
2 Legislators' Retirement Plan or the Judicial Retirement Plan prior to July 1,
3 2019~~[January 1, 2014]~~, may on or after July 1, 2019, but prior to January 1,
4 2021~~[in lieu of the benefits he or she is currently eligible to receive under the~~
5 ~~plans,]~~ elect to cease participating in the Legislators' Retirement Plan or the
6 Judicial Retirement Plan and participate prospectively in the Kentucky
7 Employees Retirement System as a nonhazardous employee for any future service
8 as a legislator, judge, or justice and be provided the following benefits in lieu of
9 the benefits provided by KRS 6.500 to 6.577 and 21.345 to 21.580:
- 10 (a) Participation in the 401(a) money purchase plan provided by Section 12 of
11 this Act. Members making an election shall not accrue service credit in the
12 Kentucky Employees Retirement System for purposes of determining
13 retirement benefits under the provisions of subsection (14) of Section 14 of
14 this Act or Section 19 or 27 of this Act~~[receive the benefits and rights~~
15 ~~provided to members who began participating in the Legislators' Retirement~~
16 ~~Plan or the Judicial Retirement Plan on or after January 1, 2014, including~~
17 ~~participating in the hybrid cash balance plan created pursuant to KRS 21.402];~~
18 and
- 19 (b) Any other benefits the person would be eligible for in the Kentucky
20 Employees Retirement System based upon the election provided by this
21 section or his or her membership date in the state-administered retirement
22 systems.
- 23 (2) The election provided by this section shall be made in writing and on a form
24 prescribed by the Judicial Form Retirement System board;
- 25 (3) For each member who makes an election provided by this section, ~~[~~
26 ~~(a)]~~any service credit, final compensation, or other benefits the member has
27 accrued prior to the member's effective election date~~[January 1, 2014]~~, in the

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

1 regulations under KRS Chapter 13A in order to carry out this section.

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

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

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

27 **(3) Notwithstanding any other provision of KRS 6.500 to 6.577 or 21.345 to 21.580 to**

the contrary, an individual who retires and begins drawing a retirement allowance from one (1) or more of the systems or plans administered by the Kentucky Retirement Systems, the Teachers' Retirement System, or the Judicial Form Retirement System on or after January 1, 2019, shall not be eligible to earn benefits in the Legislators' Retirement Plan or Judicial Retirement Plan for service as a judge, justice, or legislator that occurs on or after January 1, 2019.

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

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

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

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

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

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

(3) (a) Member contributions and employer pay credits as provided by subsection (2)(a) and (b) of this section shall be credited to the member's account

1 monthly as contributions are reported and posted to the plan.

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

5 (4) (a) On June 30 of each fiscal year, the plan shall determine if the member
6 contributed to the hybrid cash balance plan or another state-administered
7 retirement system during the fiscal year.

8 (b) If the member contributed to the hybrid cash balance plan or another state-
9 administered retirement system during the fiscal year, the interest credit
10 added to the member's account for that fiscal year shall be determined by
11 multiplying the member's accumulated account balance on June 30 of the
12 preceding fiscal year by a percentage increase equal to eighty-five percent
13 (85%)[-

14 1. — Four percent (4%); plus

15 2. — ~~Seventy five percent (75%)~~ of the plan's geometric average net
16 investment return, but in no case shall be less than zero percent (0%)[-
17 ~~in excess of a four percent (4%) rate of return~~].

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

23 (d) For purposes of this subsection, "plan's geometric average net investment
24 return":

25 1. Means the annual average geometric investment return, net of
26 administrative and investment fees and expenses, over the last five (5)
27 fiscal years as of the date the interest is credited to the member's

1 account; and

2 2. Shall be expressed as a percentage and based upon the plan in which the
3 member has an account.

4 (5) (a) Upon termination of employment, a member who has less than five (5) years
5 of service credited under the Legislators' Retirement Plan or the Judicial
6 Retirement Plan, who elects to take a refund of his or her accumulated account
7 balance as provided by KRS 21.460, shall forfeit the accumulated employer
8 credit, and shall only receive a refund of his or her accumulated contributions.

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

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

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

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

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

25 (a) Receive a monthly retirement allowance payable for life by having his or her
26 accumulated account balance annuitized by the retirement plan in accordance
27 with the actuarial assumptions and actuarial methods adopted by the board

1 and in effect on the member's retirement date;

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

5 (c) Take a refund of his or her accumulated account balance as provided by KRS
6 21.460.

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

12 (9) The provisions of this section shall not apply to members who began participating
13 in the Legislators' Retirement Plan or the Judicial Retirement Plan prior to January
14 1, 2014~~], except for those members making an election pursuant to KRS 21.374].~~

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

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

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

1 (2) The member may elect to leave his contributions in the plan, in which event the
2 service credit he had in the plan shall be considered to be service credit for vesting
3 purposes as provided in KRS 21.375 and for service retirement eligibility as
4 provided in KRS 61.680(7), and, in the event he again becomes a member of the
5 Judicial Retirement Plan, shall be counted toward his total service credit in that
6 plan.

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

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

22 (4) If a person who has been refunded his accumulated contribution or accumulated
23 account balance in accordance with subsection (1) of this section thereafter becomes
24 again the holder of an office qualifying him for membership in the Judicial
25 Retirement Plan, he shall not be entitled to credit for his prior period of service
26 unless he has previously repaid his refunded contributions in accordance with
27 subsection (3) of this section or unless within thirty (30) days after again assuming

1 office he repays to the plan the amount that was refunded to him with interest at six
2 percent (6%) per annum. Service purchased under this subsection on or after
3 January 1, 2014, shall not be used to determine the member's participation date in
4 the Judicial Retirement Plan. Members or persons participating in the 401(a)
5 money purchase plan as provided by Section 12 of this Act, shall not be eligible to
6 purchase service under the provisions of this section.

- 7 (5) If the taking of a refund of contributions by a member of the Kentucky Judicial
8 Retirement Plan, when first entitled thereto, would subject the member to a federal
9 excise tax, by reason of the refund's being made before the member has reached an
10 age designated by the federal taxing act, and the member has elected, pursuant to
11 subsection (2) of this section, to defer taking a refund, so much of the contributions
12 as would have been subject to the excise tax shall accrue interest at the rate of six
13 percent (6%) per annum, from the date the member first could have taken a refund
14 until the date the refund is taken or the date as of which the federal excise tax no
15 longer would apply to a refund, whichever is sooner, the interest to be paid by the
16 plan at the time of the refund. The provisions of this subsection shall not apply to
17 members who begin participating in the Judicial Retirement Plan on or after January
18 1, 2014.

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

- 20 (1) For members who begin participating in the Judicial Retirement Plan prior to
21 January 1, 2014, it is hereby declared that in consideration of the contributions by
22 the members, and in further consideration of benefits received by the state through
23 the inducement of qualified and experienced judges and commissioners to continue
24 in service, KRS 21.350 to 21.510, except as provided in KRS 6.696, shall constitute
25 an inviolable contract of the Commonwealth, and the rights and benefits provided
26 therein shall, ~~except as provided in KRS 6.696,~~ not be subject to reduction or
27 impairment by alteration, amendment or 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 21.345 to 21.580 that become
4 effective on or after July 1, 2018.

5 (2) (a) For members who begin participating in the Judicial Retirement Plan on or
6 after January 1, 2014, the General Assembly reserves the right to amend,
7 suspend, or reduce the benefits and rights provided under KRS 21.345 to
8 21.580 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 21.345 to 21.580, for members who begin participating in the Judicial
18 Retirement Plan on or after January 1, 2014, except the benefits specified by
19 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 Judicial Retirement Plan as provided by KRS 21.345 to 21.580 that the General
23 Assembly had the authority to amend, reduce, or suspend, prior to July 1, 2013.

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

- 26 (1) (a) The retirement benefit provided by this section shall be known as the 401(a)
27 money purchase plan and shall operate as an optional benefit tier within

1 the Kentucky Employees Retirement System or the County Employees
2 Retirement System, as applicable, for members in a nonhazardous position.

3 (b) A member participating in a nonhazardous position in the Kentucky
4 Employees Retirement System or the County Employees Retirement System
5 whose participation in the systems begins on or after July 1, 2019, may elect
6 within ninety (90) days of his or her membership date to receive the
7 retirement benefits provided by this section in lieu of the hybrid cash
8 balance retirement benefits provided under Section 19 of this Act. A
9 member in a nonhazardous position whose participation in the Kentucky
10 Employees Retirement System or County Employees Retirement System
11 begins on or after January 1, 2019, but prior to July 1, 2019, may elect
12 within ninety (90) days of July 1, 2019, to receive the benefits provided by
13 this section in lieu of the hybrid cash balance plan retirement benefits
14 provided under Section 19 of this Act and have his or her accumulated
15 account balance in the hybrid cash balance plan transferred to the 401(a)
16 money purchase plan. An election to participate in the 401(a) money
17 purchase plan shall be irrevocable and shall apply to any future service as a
18 nonhazardous member participating in the Kentucky Employees Retirement
19 System or the County Employees Retirement System.

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

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

1 this Act, or Section 19 or 27 of this Act.

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

5 (a) Contributions made by the member as provided by KRS 61.510 to 61.705
6 and 78.510 to 78.852, except for employee contributions prescribed by KRS
7 61.702(2)(b);

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

12 (c) Investment returns on employee and employer contributions. Investment
13 returns on the employee and employer contributions shall be net of
14 administrative expenses and investment fees and expenses.

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

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

25 (4) (a) Upon termination of employment, a member who has less than five (5)
26 years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), or
27 another state-administered retirement system who elects to take a refund of

1 his or her accumulated account balance as provided by KRS 61.625, shall
2 forfeit the accumulated employer contribution, and shall only receive a
3 refund of his or her accumulated contributions.

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

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

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

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

19 (c) Immediately for those members electing to participate in the 401(a) money
20 purchase plan as described by subsection (1)(c) to (d) of this section if he or
21 she is otherwise eligible to retire from the systems administered by Kentucky
22 Retirement Systems.

23 (6) A member eligible to retire under subsection (5) of this section may elect to:

24 (a) Receive a monthly retirement allowance payable for life by having his or
25 her accumulated account balance in the 401(a) defined contribution plan
26 annuitized by the retirement systems in accordance with the actuarial
27 assumptions and actuarial methods adopted by the board and in effect on

1 the member's retirement date;

2 (b) Receive the actuarial equivalent of his or her retirement allowance
3 calculated under paragraph (a) of this subsection payable under one (1) of
4 the options set forth in KRS 61.635, except for the option provided by KRS
5 61.635(11); or

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

7 (7) Members who are participating in the 401(a) defined contribution plan as
8 described by subsection (1)(c) to (d) of this section upon retirement may:

9 (a) Elect to annuitize only the portion of their accumulated account balance
10 that was accrued in the 401(a) money purchase plan; or

11 (b) Elect to take a refund of his or her account balance accrued solely while
12 participating in the 401(a) money purchase plan. The provisions of this
13 paragraph shall not prohibit a member from receiving a monthly benefit
14 under the provisions of Section 27 of this Act for service accrued in the
15 systems prior to participating in the 401(a) money purchase plan.

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

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

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

22 (1) "System" means the State Police Retirement System created by KRS 16.505 to
23 16.652;

24 (2) "Board" means the board of trustees of the Kentucky Retirement Systems;

25 (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its
26 successor;

27 (4) "Current service" means the number of years and completed months of employment

1 as an employee subsequent to July 1, 1958, for which creditable compensation was
2 paid by the employer and employee contributions deducted except as otherwise
3 provided;

4 (5) "Prior service" means the number of years and completed months of employment as
5 an employee prior to July 1, 1958, for which creditable compensation was paid to
6 the employee by the Commonwealth. Twelve (12) months of current service in the
7 system are required to validate prior service;

8 (6) "Service" means the total of current service and prior service;

9 (7) "Accumulated contributions" at any time means the sum of all amounts deducted
10 from the compensation of a member and credited to his individual account in the
11 member's account, including employee contributions picked up after August 1,
12 1982, pursuant to KRS 16.545(4), together with interest credited on such amounts
13 as provided in KRS 16.505 to 16.652, and any other amounts the member shall have
14 contributed, including interest credited. For members who begin participating on or
15 after September 1, 2008, "accumulated contributions" shall not include employee
16 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.
17 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as
18 prescribed by KRS 61.702(2)(b);

19 (8) "Creditable compensation":

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

27 (b) Includes:

- 1 1. Lump-sum bonuses, severance pay, or employer-provided payments for
2 purchase of service credit, which shall be averaged over the employee's
3 total service with the system in which it is recorded if it is equal to or
4 greater than one thousand dollars (\$1,000);
- 5 2. Lump-sum payments for creditable compensation paid as a result of an
6 order of a court of competent jurisdiction, the Personnel Board, or the
7 Commission on Human Rights, or for any creditable compensation paid
8 in anticipation of settlement of an action before a court of competent
9 jurisdiction, the Personnel Board, or the Commission on Human Rights,
10 including notices of violations of state or federal wage and hour statutes
11 or violations of state or federal discrimination statutes, which shall be
12 credited to the fiscal year during which the wages were earned or should
13 have been paid by the employer. This subparagraph shall also include
14 lump-sum payments for reinstated wages pursuant to KRS 61.569,
15 which shall be credited to the period during which the wages were
16 earned or should have been paid by the employer;
- 17 3. Amounts which are not includable in the member's gross income by
18 virtue of the member having taken a voluntary salary reduction provided
19 for under applicable provisions of the Internal Revenue Code; and
- 20 4. Elective amounts for qualified transportation fringes paid or made
21 available on or after January 1, 2001, for calendar years on or after
22 January 1, 2001, that are not includable in the gross income of the
23 employee by reason of 26 U.S.C. sec. 132(f)(4); and
- 24 (c) Excludes:
 - 25 1. *Uniform, equipment, or any other expense allowances paid on or after*
26 *January 1, 2019,* living allowances, expense reimbursements, lump-sum
27 payments for accrued vacation leave, and other items determined by the

1 board; and

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

4 (9) "Final compensation" means:

5 (a) For a member who begins participating prior to~~[before]~~ September 1, 2008,
6 who retires prior to January 1, 2019, the creditable compensation of a
7 member during the three (3) fiscal years he was paid at the highest average
8 monthly rate divided by the number of months of service credit during the
9 three (3) year period, multiplied by twelve (12); the three (3) years may be
10 fractional and need not be consecutive. If the number of months of service
11 credit during the three (3) year period is less than twenty-four (24), one (1) or
12 more additional fiscal years shall be used; or

13 (b) For a member who begins participating on or after September 1, 2008, but
14 prior to January 1, 2014, or for a member who begins participating prior to
15 September 1, 2008, who retires on or after January 1, 2019, the creditable
16 compensation of the member during the three (3) complete fiscal years he or
17 she was paid at the highest average monthly rate divided by three (3). Each
18 fiscal year used to determine final compensation must contain twelve (12)
19 months of service credit. If the member does not have three (3) complete
20 fiscal years that each contain twelve (12) months of service credit, then one
21 (1) or more additional fiscal years, which may contain less than twelve (12)
22 months of service credit, shall be added until the number of months in the
23 final compensation calculation is at least thirty-six (36) months;

24 (10) "Final rate of pay" means the actual rate upon which earnings of a member were
25 calculated during the twelve (12) month period immediately preceding the
26 member's effective retirement date, including employee contributions picked up
27 after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the

1 system by the employer and the following equivalents shall be used to convert the
2 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
3 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-
4 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)
5 months, or one (1) year;

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

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

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

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

22 (15) "Normal retirement date" means:

23 (a) For a member who begins participating before September 1, 2008, the first
24 day of the month following a member's fifty-fifth birthday, except that for
25 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,
26 1959; or

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

- 1 first day of the month following a member's sixtieth birthday;
- 2 (16) "Disability retirement date" means the first day of the month following the last day
3 of paid employment;
- 4 (17) "Dependent child" means a child in the womb and a natural or legally adopted child
5 of the member who has neither attained age eighteen (18) nor married or who is an
6 unmarried full-time student who has not attained age twenty-two (22);
- 7 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member
8 in lieu of all other benefits provided by KRS 16.505 to 16.652;
- 9 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined
10 by the board, was required in the performance of the duties specified in KRS
11 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of
12 duty" shall mean an act occurring which was required in the performance of the
13 principal duties of the position as defined by the job description;
- 14 (20) "Early retirement date" means:
- 15 (a) For a member who begins participating before September 1, 2008, the
16 retirement date declared by a member who is not less than fifty (50) years of
17 age and has fifteen (15) years of service; or
- 18 (b) For a member who begins participating on or after September 1, 2008, but
19 prior to January 1, 2014, the retirement date declared by a member who is not
20 less than fifty (50) years of age and has fifteen (15) years of service credited
21 under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-administered
22 retirement system;
- 23 (21) "Member" means any officer included in the membership of the system as provided
24 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 25 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS
26 16.010;
- 27 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which

- 1 results in an employee's total incapacity to continue as an employee in a hazardous
2 position, but the employee is not necessarily deemed to be totally and permanently
3 disabled to engage in other occupations for remuneration or profit;
- 4 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
5 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
6 pay. The rate shall be certified by the employer;
- 7 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
8 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
9 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not
10 mean an estate, trust, or trustee;
- 11 (26) "Recipient" means the retired member, the person or persons designated as
12 beneficiary by the member and drawing a retirement allowance as a result of the
13 member's death, or a dependent child drawing a retirement allowance. An alternate
14 payee of a qualified domestic relations order shall not be considered a recipient,
15 except for purposes of KRS 61.623;
- 16 (27) "Person" means a natural person;
- 17 (28) "Retirement office" means the Kentucky Retirement Systems office building in
18 Frankfort;
- 19 (29) "Delayed contribution payment" means an amount paid by an employee for
20 purchase of current service. The amount shall be determined using the same formula
21 in KRS 61.5525, and the payment shall not be picked up by the employer. A
22 delayed contribution payment shall be deposited to the member's account and
23 considered as accumulated contributions of the individual member;
- 24 (30) "Last day of paid employment" means the last date employer and employee
25 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
26 78.615 to the retirement office in order for the employee to receive current service
27 credit for the month. Last day of paid employment does not mean a date the

- 1 employee receives payment for accrued leave, whether by lump sum or otherwise, if
2 that date occurs twenty-four (24) or more months after previous contributions;
- 3 (31) "Objective medical evidence" means reports of examinations or treatments; medical
4 signs which are anatomical, physiological, or psychological abnormalities that can
5 be observed; psychiatric signs which are medically demonstrable phenomena
6 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
7 or contact with reality; or laboratory findings which are anatomical, physiological,
8 or psychological phenomena that can be shown by medically acceptable laboratory
9 diagnostic techniques, including but not limited to chemical tests,
10 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 11 (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the
12 following June 30, which shall also be the plan year. The "fiscal year" shall be the
13 limitation year used to determine contribution and benefit limits established by 26
14 U.S.C. sec. 415;
- 15 (33) "Participating" means an employee is currently earning service credit in the system
16 as provided in KRS 16.543;
- 17 (34) "Month" means a calendar month;
- 18 (35) "Membership date" means the date upon which the member began participating in
19 the system as provided by KRS 16.543;
- 20 (36) "Participant" means a member, as defined by subsection (21) of this section, or a
21 retired member, as defined by subsection (11) of this section;
- 22 (37) "Qualified domestic relations order" means any judgment, decree, or order,
23 including approval of a property settlement agreement, that:
- 24 (a) Is issued by a court or administrative agency; and
25 (b) Relates to the provision of child support, alimony payments, or marital
26 property rights to an alternate payee;
- 27 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a

1 participant, who is designated to be paid retirement benefits in a qualified domestic
2 relations order;

3 (39) "Accumulated employer credit" means the employer pay credit deposited to the
4 member's account and interest credited on such amounts as provided by KRS
5 16.583; and

6 (40) "Accumulated account balance" means:

7 (a) For members who began participating in the system prior to January 1, 2014,
8 the member's accumulated contributions; or

9 (b) For members who began participating in the system on or after January 1,
10 2014, in the hybrid cash balance plan as provided by KRS 16.583, the
11 combined sum of the member's accumulated contributions and the member's
12 accumulated employer pay credit.

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

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

15 (1) "System" means the Kentucky Employees Retirement System created by KRS
16 61.510 to 61.705;

17 (2) "Board" means the board of trustees of the system as provided in KRS 61.645;

18 (3) "Department" means any state department or board or agency participating in the
19 system in accordance with appropriate executive order, as provided in KRS 61.520.
20 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the
21 General Assembly and any other body, entity, or instrumentality designated by
22 executive order by the Governor, shall be deemed to be a department,
23 notwithstanding whether said body, entity, or instrumentality is an integral part of
24 state government;

25 (4) "Examiner" means the medical examiners as provided in KRS 61.665;

26 (5) "Employee" means the members, officers, and employees of the General Assembly
27 and every regular full-time, appointed or elective officer or employee of a

- 1 participating department, including the Department of Military Affairs. The term
2 does not include persons engaged as independent contractors, seasonal, emergency,
3 temporary, interim, and part-time workers. In case of any doubt, the board shall
4 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 5 (6) "Employer" means a department or any authority of a department having the power
6 to appoint or select an employee in the department, including the Senate and the
7 House of Representatives, or any other entity, the employees of which are eligible
8 for membership in the system pursuant to KRS 61.525;
- 9 (7) "State" means the Commonwealth of Kentucky;
- 10 (8) "Member" means any employee who is included in the membership of the system or
11 any former employee whose membership has not been terminated under KRS
12 61.535;
- 13 (9) "Service" means the total of current service and prior service as defined in this
14 section;
- 15 (10) "Current service" means the number of years and months of employment as an
16 employee, on and after July 1, 1956, except that for members, officers, and
17 employees of the General Assembly this date shall be January 1, 1960, for which
18 creditable compensation is paid and employee contributions deducted, except as
19 otherwise provided, and each member, officer, and employee of the General
20 Assembly shall be credited with a month of current service for each month he
21 serves in the position;
- 22 (11) "Prior service" means the number of years and completed months, expressed as a
23 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
24 creditable compensation was paid; except that for members, officers, and employees
25 of the General Assembly, this date shall be January 1, 1960. An employee shall be
26 credited with one (1) month of prior service only in those months he received
27 compensation for at least one hundred (100) hours of work; provided, however, that

1 each member, officer, and employee of the General Assembly shall be credited with
2 a month of prior service for each month he served in the position prior to January 1,
3 1960. Twelve (12) months of current service in the system are required to validate
4 prior service;

5 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
6 from the compensation of a member and credited to his individual account in the
7 members' account, including employee contributions picked up after August 1,
8 1982, pursuant to KRS 61.560(4), together with interest credited, or investment
9 returns earned as provided by Section 12 of this Act, on such amounts and any
10 other amounts the member shall have contributed thereto, including interest credited
11 thereon or investment returns earned as provided by Section 12 of this Act. ~~For~~
12 ~~members who begin participating on or after September 1, 2008,~~ "Accumulated
13 contributions" shall not include employee contributions that are deposited into
14 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established
15 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

16 (13) "Creditable compensation":

17 (a) Except as provided by paragraph (b) or (c) of this subsection, means all
18 salary, wages, tips to the extent the tips are reported for income tax purposes,
19 and fees, including payments for compensatory time, paid to the employee as
20 a result of services performed for the employer or for time during which the
21 member is on paid leave, which are includable on the member's federal form
22 W-2 wage and tax statement under the heading "wages, tips, other
23 compensation," including employee contributions picked up after August 1,
24 1982, pursuant to KRS 61.560(4). For members of the General Assembly, it
25 shall mean all amounts which are includable on the member's federal form W-
26 2 wage and tax statement under the heading "wages, tips, other
27 compensation," including employee contributions picked up after August 1,

1 1982, pursuant to KRS 6.505(4) or 61.560(4);

2 (b) Includes:

- 3 1. Lump-sum bonuses, severance pay, or employer-provided payments for
4 purchase of service credit, which shall be averaged over the employee's
5 total service with the system in which it is recorded if it is equal to or
6 greater than one thousand dollars (\$1,000);
- 7 2. Cases where compensation includes maintenance and other perquisites,
8 but the board shall fix the value of that part of the compensation not paid
9 in money;
- 10 3. Lump-sum payments for creditable compensation paid as a result of an
11 order of a court of competent jurisdiction, the Personnel Board, or the
12 Commission on Human Rights, or for any creditable compensation paid
13 in anticipation of settlement of an action before a court of competent
14 jurisdiction, the Personnel Board, or the Commission on Human Rights,
15 including notices of violations of state or federal wage and hour statutes
16 or violations of state or federal discrimination statutes, which shall be
17 credited to the fiscal year during which the wages were earned or should
18 have been paid by the employer. This subparagraph shall also include
19 lump-sum payments for reinstated wages pursuant to KRS 61.569,
20 which shall be credited to the period during which the wages were
21 earned or should have been paid by the employer;
- 22 4. Amounts which are not includable in the member's gross income by
23 virtue of the member having taken a voluntary salary reduction provided
24 for under applicable provisions of the Internal Revenue Code; and
- 25 5. Elective amounts for qualified transportation fringes paid or made
26 available on or after January 1, 2001, for calendar years on or after
27 January 1, 2001, that are not includable in the gross income of the

1 employee by reason of 26 U.S.C. sec. 132(f)(4); and

2 (c) Excludes:

- 3 1. Uniform, equipment, or any other expense allowances paid on or after
4 January 1, 2019, living allowances, expense reimbursements, lump-sum
5 payments for accrued vacation leave, and other items determined by the
6 board;
- 7 2. For employees who begin participating on or after September 1, 2008,
8 lump-sum payments for compensatory time;~~[-and]~~
- 9 3. For employees participating in a nonhazardous position who began
10 participating prior to September 1, 2008, and who retire after July 1,
11 2023, lump-sum payments for compensatory time upon termination of
12 employment; and
- 13 4. For employees who begin participating on or after August 1, 2016,
14 nominal fees paid for services as a volunteer;

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

- 16 (a) For a member who begins participating before September 1, 2008, who is
17 ~~[not]~~ employed in a nonhazardous~~[hazardous]~~ position~~[-, as provided in KRS~~
18 ~~61.592]~~, the creditable compensation of the member during the five (5) fiscal
19 years he was paid at the highest average monthly rate divided by the number
20 of months of service credit during that five (5) year period multiplied by
21 twelve (12). The five (5) years may be fractional and need not be consecutive,
22 except that for members retiring on or after January 1, 2019, the five (5)
23 fiscal years shall be complete fiscal years. If the number of months of service
24 credit during the five (5) year period is less than forty-eight (48) for members
25 retiring prior to January 1, 2019, one (1) or more additional fiscal years shall
26 be used. If a member retiring on or after January 1, 2019, does not have five
27 (5) complete fiscal years that each contain twelve (12) months of service

1 credit, then one (1) or more additional fiscal years, which may contain less
2 than twelve (12) months of service credit, shall be added until the number of
3 months in the final compensation calculation is at least sixty (60) months;

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

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

26 (d) For a member who begins participating on or after September 1, 2008, but
27 prior to January 1, 2014, who is ~~[not]~~ employed in a

1 ~~nonhazardous~~~~[hazardous]~~ position~~[, as provided in KRS 61.592]~~, the
2 creditable compensation of the member during the five (5) complete fiscal
3 years immediately preceding retirement divided by five (5). Each fiscal year
4 used to determine final compensation must contain twelve (12) months of
5 service credit. If the member does not have five (5) complete fiscal years that
6 each contain twelve (12) months of service credit, then one (1) or more
7 additional fiscal years, which may contain less than twelve (12) months of
8 service credit, shall be added until the number of months in the final
9 compensation calculation is at least sixty (60) months; or

10 (e) For a member who begins participating on or after September 1, 2008, but
11 prior to January 1, 2014, who is employed in a hazardous position~~[,]~~ as
12 provided in KRS 61.592, or for a member who begins participating prior to
13 September 1, 2008, who is employed in a hazardous position as provided in
14 KRS 61.592, who retires on or after January 1, 2019, the creditable
15 compensation of the member during the three (3) complete fiscal years he was
16 paid at the highest average monthly rate divided by three (3). Each fiscal year
17 used to determine final compensation must contain twelve (12) months of
18 service credit. If the member does not have three (3) complete fiscal years that
19 each contain twelve (12) months of service credit, then one (1) or more
20 additional fiscal years, which may contain less than twelve (12) months of
21 service credit, shall be added until the number of months in the final
22 compensation calculation is at least thirty-six (36) months;

23 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
24 calculated during the twelve (12) month period immediately preceding the
25 member's effective retirement date, including employee contributions picked up
26 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
27 system by the employer and the following equivalents shall be used to convert the

1 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
2 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
3 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
4 one (1) year;

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

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

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

17 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
18 following June 30, which shall also be the plan year. The "fiscal year" shall be the
19 limitation year used to determine contribution and benefit limits as established by
20 26 U.S.C. sec. 415;

21 (20) "Officers and employees of the General Assembly" means the occupants of those
22 positions enumerated in KRS 6.150. The term shall also apply to assistants who
23 were employed by the General Assembly for at least one (1) regular legislative
24 session prior to July 13, 2004, who elect to participate in the retirement system, and
25 who serve for at least six (6) regular legislative sessions. Assistants hired after July
26 13, 2004, shall be designated as interim employees;

27 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean

1 all positions that average one hundred (100) or more hours per month determined by
2 using the number of months actually worked within a calendar or fiscal year,
3 including all positions except:

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

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

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

13 (d) Part-time positions which are positions which may be permanent in duration,
14 but which require less than a calendar or fiscal year average of one hundred
15 (100) hours of work per month, determined by using the number of months
16 actually worked within a calendar or fiscal year, in the performance of duty;
17 and

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

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

27 (23) "Parted employer" means a department, portion of a department, board, or agency,

1 such as Outwood Hospital and School, which previously participated in the system,
2 but due to lease or other contractual arrangement is now operated by a publicly held
3 corporation or other similar organization, and therefore is no longer participating in
4 the system. The term "parted employer" shall not include a department, board, or
5 agency that ceased participation in the system pursuant to KRS 61.522;

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

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

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

16 (27) "Recipient" means the retired member or the person or persons designated as
17 beneficiary by the member and drawing a retirement allowance as a result of the
18 member's death or a dependent child drawing a retirement allowance. An alternate
19 payee of a qualified domestic relations order shall not be considered a recipient,
20 except for purposes of KRS 61.623;

21 (28) "Level dollar amortization method"~~["Level percentage of payroll amortization~~
22 ~~method"]~~ means a method of determining the annual amortization payment on the
23 unfunded actuarial accrued liability that is set as an equal dollar amount~~[as~~
24 ~~expressed as a percentage of payroll]~~ over the remaining amortization period as of
25 the actuarial valuation date~~[a set period of years]~~. Under this method, ~~[the~~
26 ~~percentage of payroll shall be projected to remain constant for all years remaining in~~
27 ~~the set period and]~~ the unfunded actuarially accrued liability shall be projected to be

1 fully amortized at the conclusion of the amortization period~~[set period]~~;

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

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

6 (31) "Retirement office" means the Kentucky Retirement Systems office building in
7 Frankfort;

8 (32) "Last day of paid employment" means the last date employer and employee
9 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
10 78.615 to the retirement office in order for the employee to receive current service
11 credit for the month. Last day of paid employment does not mean a date the
12 employee receives payment for accrued leave, whether by lump sum or otherwise, if
13 that date occurs twenty-four (24) or more months after previous contributions;

14 (33) "Objective medical evidence" means reports of examinations or treatments; medical
15 signs which are anatomical, physiological, or psychological abnormalities that can
16 be observed; psychiatric signs which are medically demonstrable phenomena
17 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
18 or contact with reality; or laboratory findings which are anatomical, physiological,
19 or psychological phenomena that can be shown by medically acceptable laboratory
20 diagnostic techniques, including but not limited to chemical tests,
21 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

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

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

25 (36) "Membership date" means:

26 (a) The date upon which the member began participating in the system as
27 provided in KRS 61.543; or

1 (b) For a member electing to participate in the system pursuant to KRS
2 196.167(4) who has not previously participated in the system or the Kentucky
3 Teachers' Retirement System, the date the member began participating in a
4 defined contribution plan that meets the requirements of 26 U.S.C. sec.
5 403(b);

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

8 (38) "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 (39) "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 (40) "Accumulated employer credit" mean 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 61.597;

19 (41) "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 and 61.597,
24 the combined sum of the member's accumulated contributions and the
25 member's accumulated employer credit; or

26 (c) For nonhazardous members who are participating in the 401(a) money
27 purchase plan as provided by Section 12 of this Act, the combined sum of

1 the member's accumulated contribution and the member's accumulated
2 employer contribution in the 401(a) money purchase plan;

3 (42) "Volunteer" means an individual who:

4 (a) Freely and without pressure or coercion performs hours of service for an
5 employer participating in one (1) of the systems administered by Kentucky
6 Retirement Systems without receipt of compensation for services rendered,
7 except for reimbursement of actual expenses, payment of a nominal fee to
8 offset the costs of performing the voluntary services, or both; and

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

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

18 (44) "Nonhazardous position" means a position that does not meet the requirements
19 of KRS 61.592 or has not been approved by the board as a hazardous position;
20 and

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

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

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

26 (1) "System" means the County Employees Retirement System;

27 (2) "Board" means the board of trustees of the system as provided in KRS 78.780;

- 1 (3) "County" means any county, or nonprofit organization created and governed by a
2 county, counties, or elected county officers, sheriff and his employees, county clerk
3 and his employees, circuit clerk and his deputies, former circuit clerks or former
4 circuit clerk deputies, or political subdivision or instrumentality, including school
5 boards, charter county government, or urban-county government participating in the
6 system by order appropriate to its governmental structure, as provided in KRS
7 78.530, and if the board is willing to accept the agency, organization, or
8 corporation, the board being hereby granted the authority to determine the eligibility
9 of the agency to participate;
- 10 (4) "School board" means any board of education participating in the system by order
11 appropriate to its governmental structure, as provided in KRS 78.530, and if the
12 board is willing to accept the agency or corporation, the board being hereby granted
13 the authority to determine the eligibility of the agency to participate;
- 14 (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- 15 (6) "Employee" means every regular full-time appointed or elective officer or employee
16 of a participating county and the coroner of a participating county, whether or not he
17 qualifies as a regular full-time officer. The term shall not include persons engaged
18 as independent contractors, seasonal, emergency, temporary, and part-time workers.
19 In case of any doubt, the board shall determine if a person is an employee within the
20 meaning of KRS 78.510 to 78.852;
- 21 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected
22 officials of a county, or any authority of the county having the power to appoint or
23 elect an employee to office or employment in the county;
- 24 (8) "Member" means any employee who is included in the membership of the system or
25 any former employee whose membership has not been terminated under KRS
26 61.535;
- 27 (9) "Service" means the total of current service and prior service as defined in this

1 section;

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

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

11 (12) "Accumulated contributions" means the sum of all amounts deducted from the
12 compensation of a member and credited to his individual account in the members'
13 account, including employee contributions picked up after August 1, 1982, pursuant
14 to KRS 78.610(4), together with interest credited, or investment returns earned as
15 provided by Section 12 of this Act, on the amounts, and any other amounts the
16 member shall have contributed thereto, including interest credited thereon or
17 investment returns earned as provided by Section 12 of this Act. ~~{For members~~
18 ~~who begin participating on or after September 1, 2008, }~~ "Accumulated
19 contributions" shall not include employee contributions that are deposited into
20 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established
21 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

22 (13) "Creditable compensation":

23 (a) Except as provided by paragraph (b) or (c) of this subsection, means all
24 salary, wages, and fees, including payments for compensatory time, paid to the
25 employee as a result of services performed for the employer or for time during
26 which the member is on paid leave, which are includable on the member's
27 federal form W-2 wage and tax statement under the heading "wages, tips,

1 other compensation", including employee contributions picked up after
2 August 1, 1982, pursuant to KRS 78.610(4);

3 (b) Includes:

- 4 1. Lump-sum bonuses, severance pay, or employer-provided payments for
5 purchase of service credit, which shall be averaged over the employee's
6 service with the system in which it is recorded if it is equal to or greater
7 than one thousand dollars (\$1,000);
- 8 2. Cases where compensation includes maintenance and other perquisites,
9 but the board shall fix the value of that part of the compensation not paid
10 in money;
- 11 3. Lump-sum payments for creditable compensation paid as a result of an
12 order of a court of competent jurisdiction, the Personnel Board, or the
13 Commission on Human Rights, or for any creditable compensation paid
14 in anticipation of settlement of an action before a court of competent
15 jurisdiction, the Personnel Board, or the Commission on Human Rights,
16 including notices of violations of state or federal wage and hour statutes
17 or violations of state or federal discrimination statutes, which shall be
18 credited to the fiscal year during which the wages were earned or should
19 have been paid by the employer. This subparagraph shall also include
20 lump-sum payments for reinstated wages pursuant to KRS 61.569,
21 which shall be credited to the period during which the wages were
22 earned or should have been paid by the employer;
- 23 4. Amounts which are not includable in the member's gross income by
24 virtue of the member having taken a voluntary salary reduction provided
25 for under applicable provisions of the Internal Revenue Code; and
- 26 5. Elective amounts for qualified transportation fringes paid or made
27 available on or after January 1, 2001, for calendar years on or after

1 January 1, 2001, that are not includable in the gross income of the
2 employee by reason of 26 U.S.C. sec. 132(f)(4); and

3 (c) Excludes:

- 4 1. Uniform, equipment, or any other expense allowances paid on or after
5 January 1, 2019, living allowances, expense reimbursements, lump-sum
6 payments for accrued vacation leave, sick leave except as provided in
7 KRS 78.616(5), and other items determined by the board;
- 8 2. For employees who begin participating on or after September 1, 2008,
9 lump-sum payments for compensatory time; ~~and~~
- 10 3. Training incentive payments for city officers paid as set out in KRS
11 64.5277 to 64.5279; ~~and~~
- 12 4. For employees who begin participating on or after August 1, 2016,
13 ~~creditable compensation shall exclude~~ nominal fees paid for services
14 as a volunteer; and
- 15 5. For employees who are employed in a nonhazardous position, who
16 began participating prior to September 1, 2008, and who retire after
17 July 1, 2023, lump-sum payments for compensatory time upon
18 termination of employment;

19 (14) "Final compensation" means:

- 20 (a) For a member who begins participating before September 1, 2008, who is
21 ~~not~~ employed in a nonhazardous ~~hazardous~~ position, ~~as provided in KRS~~
22 ~~64.592~~, the creditable compensation of the member during the five (5) fiscal
23 years he was paid at the highest average monthly rate divided by the number
24 of months of service credit during that five (5) year period multiplied by
25 twelve (12). The five (5) years may be fractional and need not be consecutive,
26 except that for members retiring on or after January 1, 2019, the five (5)
27 fiscal years shall be complete fiscal years. If the number of months of service

1 credit during the five (5) year period is less than forty-eight (48) for members
2 retiring prior to January 1, 2019, one (1) or more additional fiscal years shall
3 be used. If a member retiring on or after January 1, 2019, does not have five
4 (5) complete fiscal years that each contain twelve (12) months of service
5 credit, then one (1) or more additional fiscal years, which may contain less
6 than twelve (12) months of service credit, shall be added until the number of
7 months in the final compensation calculation is at least sixty (60) months;

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

21 (c) For a member who begins participating before September 1, 2008, who is
22 employed in a hazardous position, as provided in KRS 61.592, and who
23 retired prior to January 1, 2019, the creditable compensation of the member
24 during the three (3) fiscal years he was paid at the highest average monthly
25 rate divided by the number of months of service credit during that three (3)
26 year period multiplied by twelve (12). The three (3) years may be fractional
27 and need not be consecutive. If the number of months of service credit during

1 the three (3) year period is less than twenty-four (24), one (1) or more
2 additional fiscal years, which may contain less than twelve (12) months of
3 service credit, shall be used;

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

15 (e) For a member who begins participating on or after September 1, 2008, but
16 prior to January 1, 2014, who is employed in a hazardous position~~[,]~~ as
17 provided in KRS 61.592, or for a member who begins participating prior to
18 September 1, 2008, who is employed in a hazardous position as provided in
19 KRS 61.592, who retires on or after January 1, 2019, the creditable
20 compensation of the member during the three (3) complete fiscal years he was
21 paid at the highest average monthly rate divided by three (3). Each fiscal year
22 used to determine final compensation must contain twelve (12) months of
23 service credit. If the member does not have three (3) complete fiscal years that
24 each contain twelve (12) months of service credit, then one (1) or more
25 additional fiscal years, which may contain less than twelve (12) months of
26 service credit, shall be added until the number of months in the final
27 compensation calculation is at least thirty-six (36) months;

- 1 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
2 calculated during the twelve (12) month period immediately preceding the
3 member's effective retirement date, and shall include employee contributions picked
4 up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to
5 the system by the employer and the following equivalents shall be used to convert
6 the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
7 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half
8 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve
9 (12) months, one (1) year;
- 10 (16) "Retirement allowance" means the retirement payments to which a member is
11 entitled;
- 12 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
13 basis of the actuarial tables adopted by the board. In cases of disability retirement,
14 the options authorized by KRS 61.635 shall be computed by adding ten (10) years
15 to the age of the member, unless the member has chosen the Social Security
16 adjustment option as provided for in KRS 61.635(8), in which case the member's
17 actual age shall be used. For members who begin participating in the system prior to
18 January 1, 2014, no disability retirement option shall be less than the same option
19 computed under early retirement;
- 20 (18) "Normal retirement date" means the sixty-fifth birthday of a member unless
21 otherwise provided in KRS 78.510 to 78.852;
- 22 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
23 following June 30, which shall also be the plan year. The "fiscal year" shall be the
24 limitation year used to determine contribution and benefits limits as set out in 26
25 U.S.C. sec. 415;
- 26 (20) "Agency reporting official" means the person designated by the participating agency
27 who shall be responsible for forwarding all employer and employee contributions

1 and a record of the contributions to the system and for performing other
2 administrative duties pursuant to the provisions of KRS 78.510 to 78.852;

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

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

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

16 (c) Temporary positions that are positions of employment with a participating
17 agency for a period of time not to exceed twelve (12) months and not
18 renewable;

19 (d) Probationary positions which are positions of employment with a participating
20 employer that do not exceed twelve (12) months and that are used uniformly
21 by the participating agency on new employees who would otherwise be
22 eligible for participation in the system. Probationary positions shall not be
23 renewable by the participating employer for the same employee, unless the
24 employee has not been employed with the participating employer for a period
25 of at least twelve (12) months; or

26 (e) Part-time positions that are positions that may be permanent in duration, but
27 that require less than a calendar or fiscal year average of one hundred (100)

1 hours of work per month, determined by using the number of months actually
2 worked within a calendar or fiscal year, in the performance of duty, except in
3 case of noncertified employees of school boards, the school term average shall
4 be eighty (80) hours of work per month, determined by using the number of
5 months actually worked in a calendar or school year, in the performance of
6 duty;

7 (22) "Alternate participation plan" means a method of participation in the system as
8 provided for by KRS 78.530(3);

9 (23) "Retired member" means any former member receiving a retirement allowance or
10 any former member who has on file at the retirement office the necessary
11 documents for retirement benefits and is no longer contributing to the system;

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

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

19 (26) "Recipient" means the retired member, the person or persons designated as
20 beneficiary by the member and drawing a retirement allowance as a result of the
21 member's death, or a dependent child drawing a retirement allowance. An alternate
22 payee of a qualified domestic relations order shall not be considered a recipient,
23 except for purposes of KRS 61.623;

24 (27) "Person" means a natural person;

25 (28) "School term or year" means the twelve (12) months from July 1 through the
26 following June 30;

27 (29) "Retirement office" means the Kentucky Retirement Systems office building in

- 1 Frankfort;
- 2 (30) "Delayed contribution payment" means an amount paid by an employee for current
3 service obtained under KRS 61.552. The amount shall be determined using the
4 same formula in KRS 61.5525, except the determination of the actuarial cost for
5 classified employees of a school board shall be based on their final compensation,
6 and the payment shall not be picked up by the employer. A delayed contribution
7 payment shall be deposited to the member's account and considered as accumulated
8 contributions of the individual member. In determining payments under this
9 subsection, the formula found in this subsection shall prevail over the one found in
10 KRS 212.434;
- 11 (31) "Participating" means an employee is currently earning service credit in the system
12 as provided in KRS 78.615;
- 13 (32) "Month" means a calendar month;
- 14 (33) "Membership date" means the date upon which the member began participating in
15 the system as provided in KRS 78.615;
- 16 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
17 retired member, as defined by subsection (23) of this section;
- 18 (35) "Qualified domestic relations order" means any judgment, decree, or order,
19 including approval of a property settlement agreement, that:
- 20 (a) Is issued by a court or administrative agency; and
- 21 (b) Relates to the provision of child support, alimony payments, or marital
22 property rights to an alternate payee;
- 23 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
24 participant, who is designated to be paid retirement benefits in a qualified domestic
25 relations order;
- 26 (37) "Accumulated employer credit" means the employer pay credit deposited to the
27 member's account and interest credited on such amounts as provided by KRS

1 16.583 and 61.597;

2 (38) "Accumulated account balance" means:

3 (a) For members who began participating in the system prior to January 1, 2014,
4 the member's accumulated contributions;~~[-or]~~

5 (b) For members who began participating in the system on or after January 1,
6 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
7 the combined sum of the member's accumulated contributions and the
8 member's accumulated employer credit; or

9 (c) For nonhazardous members who are participating in the 401(a) money
10 purchase plan as provided by Section 12 of this Act, the combined sum of
11 the member's accumulated contributions and the member's accumulated
12 employer contributions in the 401(a) money purchase plan;

13 (39) "Volunteer" means an individual who:

14 (a) Freely and without pressure or coercion performs hours of service for an
15 employer participating in one (1) of the systems administered by Kentucky
16 Retirement Systems without receipt of compensation for services rendered,
17 except for reimbursement of actual expenses, payment of a nominal fee to
18 offset the costs of performing the voluntary services, or both; and

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

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

1 (41) "Nonhazardous position" means a position that does not meet the requirements
2 of KRS 61.592 or has not been approved by the board as a hazardous position;
3 and

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

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

8 (1) Except as otherwise provided by this section, any member of the Kentucky
9 Employees Retirement System or the State Police Retirement System whose
10 retirement date is July 14, 1984, or thereafter, shall receive credit for unused sick
11 leave accrued while contributing to the retirement system from which the retirement
12 benefit is to be paid in accordance with this section.

13 (2) (a) Upon the member's notification of retirement as prescribed in KRS 16.576 or
14 61.590, the employer shall certify the retiring member's unused, accumulated
15 sick leave balance to the system.

16 (b) The member's sick leave balance, expressed in days, shall be divided by the
17 average number of working days per month in the state service and rounded to
18 the nearest number of whole months.

19 (c) Except as provided by subsections (3) and (4) of this section, the member's
20 sick leave balance, expressed in months, shall upon retirement be added to
21 his service credit for the purpose of determining his annual retirement
22 allowance under KRS 16.505 to 16.652 or 61.510 to 61.705 and for the
23 purpose of determining whether the member is eligible to receive a retirement
24 allowance under KRS 16.505 to 16.652 or 61.510 to 61.705~~], except as~~
25 ~~provided by subsection (3) of this section. Accumulated sick leave in excess~~
26 ~~of six (6) months shall be added to the member's service credit, and the last~~
27 ~~participating Kentucky Employees Retirement Systems employer shall pay to~~

1 ~~the retirement system the value of the additional service credit based on the~~
2 ~~formula adopted by the board, except as provided by subsection (3) of this~~
3 ~~section. All of a state policeman's sick leave balance, expressed in months,~~
4 ~~except as provided by subsection (3) of this section, shall be added to his~~
5 ~~service credit for the purposes of determining his annual retirement allowance~~
6 ~~and whether the member is eligible to receive a retirement allowance under~~
7 ~~KRS 16.505 to 16.652].~~

8 (3) For a member who begins participating in the Kentucky Employees Retirement
9 System or the State Police Retirement System on or after September 1, 2008:

10 (a) The member shall receive no more than twelve (12) months of service credit
11 upon retirement for accumulated unused sick leave accrued while contributing
12 to the retirement system or systems from which the retirement benefit is to be
13 paid;

14 (b) The service credited for accumulated unused sick leave as limited by this
15 section and added to the member's service credit shall be used for purposes of
16 determining the member's annual retirement allowance under KRS 16.505 to
17 16.652 and 61.510 to 61.705; and

18 (c) The service credited for accumulated unused sick leave and added to the
19 member's service credit shall not be used to determine whether a member is
20 eligible to receive a retirement allowance under any of the provisions of KRS
21 16.505 to 16.652 and 61.510 to 61.705 or to reduce any applicable actuarial
22 reductions; and

23 ~~(d) Except as provided by subsection (4) of this section, the value of any~~
24 ~~accumulated unused sick leave in excess of six (6) months that is added to the~~
25 ~~member's service credit in the Kentucky Employees Retirement System shall~~
26 ~~be paid to the retirement system by the last participating Kentucky Employees~~
27 ~~Retirement System employer based upon the formula adopted by the board].~~

(4) *For a member who began participating in the Kentucky Employees Retirement System or the State Police Retirement System prior to September 1, 2008, who retires on or after July 1, 2023, the service credited for accumulated unused sick leave and added to the member's service credit shall not be used to determine whether a member is eligible to receive a retirement allowance under any of the provisions of KRS 16.505 to 16.652 and 61.510 to 61.705 or to reduce any applicable actuarial reductions.*

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

~~(6)~~~~(5)~~ The provisions of this section shall not apply to a participating agency whose employees are not employed by the Commonwealth until the agency certifies to the system that a sick leave program has been formally adopted and is universally administered within the agency, *except that any agency participating in the Kentucky Employees Retirement System who has not adopted a sick leave program prior to August 1, 2018, shall not be eligible to adopt a sick leave program under this section.*

~~(7)~~~~(6)~~ This section shall not apply to members who begin participating in the systems administered by Kentucky Retirement Systems on or after January 1, 2014.

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

(1) Any agency participating in the County Employees Retirement System which has formally adopted a sick-leave program that is universally administered to its employees may purchase service credit with the retirement system for up to six (6) months of unused sick leave for each retiring employee.

(2) Participation under this section shall be at the option of each participating employer. The election to participate shall be made by the governing authority of the participating employer and shall be certified in writing to the system on forms prescribed by the board. The certification shall provide for equal treatment of all employees participating under this section. *Any employer in the County Employees Retirement System who has not elected to participate in a sick leave program established by this section prior to August 1, 2018, shall not be eligible to elect to participate in a sick leave program established by this section.*

(3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590, the employer shall certify the retiring employee's unused, accumulated sick-leave balance to the system. The member's sick-leave balance, expressed in days, shall be divided by the average number of working days per month in county service and rounded to the nearest number of whole months. A maximum of six (6) months of the member's sick-leave balance, expressed in months, shall be added to his service credit for the purpose of determining his annual retirement allowance under KRS 78.510 to 78.852 and for the purpose of determining whether the member is eligible to receive a retirement allowance under KRS 78.510 to 78.852, except as provided by *paragraphs*~~paragraph~~ (d) *and (e)* of this subsection. Accumulated sick-leave in excess of six (6) months shall be added to the member's service credit if the member or employer pays to the retirement system the value of the additional service credit based on the formula adopted by the board, subject to the restrictions provided by paragraph (d) of this subsection.

(b) The employer may elect to pay fifty percent (50%) of the cost of the sick leave in excess of six (6) months on behalf of its employees. The employee shall pay the remaining fifty percent (50%). The payment by the employer shall not be deposited to the member's account. Service credit shall not be credited to

1 the member's account until both the employer's and employee's payments are
2 received by the retirement system.

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

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

9 1. The member shall receive no more than twelve (12) months of service
10 credit upon retirement for accumulated unused sick leave accrued while
11 contributing to the retirement system from which the retirement benefit
12 is to be paid;

13 2. The service added to the member's service credit shall be used for
14 purposes of determining the member's annual retirement allowance
15 under KRS 78.510 to 78.852;

16 3. The service added to the member's service credit shall not be used to
17 determine whether a member is eligible to receive a retirement
18 allowance under KRS 78.510 to 78.852 or to reduce any applicable
19 actuarial reductions; and

20 4. The cost of the service provided by this paragraph shall be paid by the
21 employer.

22 (e) For members who began participating in the retirement system prior to
23 September 1, 2008, who retire on or after July 1, 2023, any service added for
24 accumulated sick leave to the member's service credit shall not be used to
25 determine whether a member is eligible to receive a retirement allowance
26 under KRS 78.510 to 78.852 or to reduce any applicable actuarial
27 reductions.

1 (4) The system shall compute the cost of the sick-leave credit of each retiring employee
2 and bill each employer with whom the employee accrued sick leave accordingly.

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

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

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

17 (c) The number of sick-leave days for which the employee is compensated shall
18 be divided by the average number of working days per month in county
19 service and rounded to the nearest number of whole months. This number of
20 months shall be added to the employee's total service credit and to the number
21 of months used to determine creditable compensation, pursuant to KRS
22 78.510, 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, and the additional service shall not be used to determine
27 whether a member is eligible to receive a retirement allowance under KRS

78.510 to 78.852 or to reduce any applicable actuarial reductions.

(d) For members who began participating in the retirement system prior to September 1, 2008, who retire on or after July 1, 2023, any service added for accumulated sick leave to the member's service credit shall not be used to determine whether a member is eligible to receive a retirement allowance under KRS 78.510 to 78.852 or to reduce any applicable actuarial reductions.

(6) Any city of the first class that has two (2) or more sick-leave programs for its employees may purchase service credit with the retirement system for up to six (6) months of unused sick leave for each retiring employee who participates in the sick-leave program administered to a majority of the eligible employees of the city. An employee participating in a sick-leave program administered to a minority of the eligible employees shall become eligible for the purchase of service credit under this subsection when the employee commences participating in the sick-leave program that is administered to a majority of the eligible employees of the city.

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

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

(1) (a) Each employer participating in the State Police Retirement System as provided for in KRS 16.505 to 16.652, ~~each employer participating in~~ the County Employees Retirement System as provided for in KRS 78.510 to 78.852, and ~~each employer participating in~~ the Kentucky Employees Retirement System as provided for in KRS 61.510 to 61.705 shall contribute annually to the respective retirement system an amount determined by the actuarial valuation completed in accordance with KRS 61.670 and as

1 specified by this section. Employer contributions for each respective
2 retirement system shall be equal to the sum of percent, as computed under
3 subsection (2) of this section, of the creditable compensation of its employees
4 to be known as the "normal cost contribution[contributions,]" and [an
5 additional amount to be known as] the "actuarially accrued liability
6 contribution."

7 (b) For purposes of this section, the normal cost contribution shall be
8 computed as a percentage of pay and shall be an annual amount that is
9 sufficient when combined with employee contributions to fund benefits
10 earned during the year in the respective system or plan, including costs for
11 those members who elect to participate in the 401(a) money purchase plan.
12 The amount shall be paid as a percentage of creditable compensation
13 reported for each employee participating in the system or plan and accruing
14 benefits.

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

25 (d) The employer contributions computed under this section shall be
26 determined using:

27 1. The entry age normal cost funding method;

1 2. An asset smoothing method that smooths investment gains and losses
2 over a five (5) year period; and

3 3. Other funding methods and assumptions established by the board in
4 accordance with KRS 61.670.

5 ~~(e)~~~~(b)~~ Effective with the 2019~~[2013]~~ actuarial valuation, the amortization
6 period for the Kentucky Employees Retirement System, the County
7 Employees Retirement System, and the State Police Retirement System shall
8 be reset to a new thirty (30) year closed period for purposes of calculating the
9 actuarially accrued liability contribution prescribed by this subsection.

10 (f) The dollar value of the actuarially accrued liability contribution specified by
11 paragraph (c) of this subsection payable by each individual system employer
12 based upon the 2019 actuarial valuation shall be prorated based upon the
13 individual employer's average percentage of the total creditable
14 compensation reported by all employers in the specific system in fiscal years
15 2014-2015, 2015-2016, and 2016-2017, except that the amount shall:

16 1. Not apply to any employer who ceases participation and pays the full
17 actuarial cost of ceasing participation as provided by KRS 61.522;

18 2. Be adjusted for each remaining employer of a system to reflect any
19 employer who ceases participation and who pays the full actuarial cost
20 of ceasing participation as provided by KRS 61.522; and

21 3. Be a single amount for all executive branch departments, program
22 cabinets and their respective departments and administrative bodies
23 enumerated in KRS 12.020, and any other executive branch agencies
24 administratively attached to a department, program cabinet, or
25 administrative body enumerated in KRS 12.020.

26 ~~[(c) Any significant increase in the actuarially accrued liability due to benefit~~
27 ~~improvements after the 2007 valuation shall be amortized using the level-~~

1 percentage of payroll amortization method over a separate thirty (30) year
2 period commencing in the year of the actuarial valuation in which the benefit
3 improvements are first reflected.]

4 (2) [The normal contribution rate shall be determined by the entry age normal cost
5 funding method. The actuarially accrued liability shall be determined by actuarial
6 method consistent with the methods prescribed for determining the normal
7 contribution rate. Normal contributions and the actuarially accrued liability
8 contribution shall be determined on actuarial bases adopted by the board.

9 (3)—(a) Normal cost contribution rates and the actuarially accrued liability
10 contribution[rates] shall be determined by the board on the basis of the annual
11 actuarial valuation last preceding the July 1 of a new biennium.

12 (b) The board may amend contribution rates as of July 1 of the second year of a
13 biennium[for the County Employees Retirement System], if it is determined
14 on the basis of a subsequent actuarial valuation that amended contribution
15 rates are necessary to satisfy the requirements of [subsections (1) and (2) of
16]this section.

17 (c) Effective for employer contribution rates payable on or after July 1, 2014,
18 through June 30, 2020, the board shall not have the authority to amend
19 contribution rates as of July 1 of the second year of the biennium for the
20 Kentucky Employees Retirement System and the State Police Retirement
21 System.

22 (3)[(4)] The system shall advise each employer prior to the beginning of each
23 biennium, or prior to July 1 of the second year of a biennium for employers
24 participating in the County Employees Retirement System, of any change in the
25 employer contribution rate. Based on the employer contribution rate, each employer
26 shall include in the budget sufficient funds to pay the employer contributions as
27 determined by the board under [subsections (1) to (3) of]this section.

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

4 ~~(5)~~~~(6)~~ Notwithstanding any other provision of KRS Chapter 61 to the contrary, the
5 board shall establish employer contribution rates for the County Employees
6 Retirement System that will phase in to the full actuarially required contribution for
7 the health insurance fund over a ten (10) year period using the 2007-2008 fiscal year
8 employer contribution for the health insurance fund as a base employer rate and
9 incrementally increasing the employer rate from fiscal year 2008-2009 through
10 fiscal year 2017-2018.

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

12 (1) A member of the Kentucky Employees Retirement System or County Employees
13 Retirement System who is ~~not~~ participating in a nonhazardous~~hazardous-duty~~
14 position~~as provided by KRS 61.592~~, whose participation in the systems begins on
15 or after January 1, 2014, except for those members~~for a member~~ making an
16 election pursuant to KRS 61.5955 or Section 12 of this Act, shall receive the
17 retirement benefits provided by this section in lieu of the retirement benefits
18 provided under KRS 61.559 and 61.595. The retirement benefit provided by this
19 section shall be known as the hybrid cash balance plan and shall operate as another
20 benefit tier within the Kentucky Employees Retirement System and the County
21 Employees Retirement System.

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

24 (a) Contributions made by the member as provided by KRS 16.505 to 16.652,
25 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions
26 prescribed by KRS 61.702(2)(b);

27 (b) An employer pay credit of four percent (4%) of the creditable compensation

- 1 earned by the employee for each month the employee is contributing to the
2 hybrid cash balance plan provided by this section; and
- 3 (c) Interest credits added annually to the member's accumulated account balance
4 as provided by this section.
- 5 (3) (a) Member contributions and employer pay credits as provided by subsection
6 (2)(a) and (b) of this section shall be credited to the member's account
7 monthly as contributions are reported and posted to the system in accordance
8 with KRS 61.675 and 78.625.
- 9 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be
10 credited to the member's account annually on June 30 of each fiscal year, as
11 determined by subsection (4) of this section.
- 12 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
13 contributed to the hybrid cash balance plan or another state-administered
14 retirement system during the fiscal year.
- 15 (b) If the member contributed to the hybrid cash balance plan or another state-
16 administered retirement system during the fiscal year, the interest credit
17 added to the member's account for that fiscal year shall be determined by
18 multiplying the member's accumulated account balance on June 30 of the
19 preceding fiscal year by a percentage increase equal to eighty-five percent
20 (85%)~~;~~
21 ~~1. Four percent (4%); plus~~
22 ~~2. seventy five percent (75%)~~ of the system's geometric average net
23 investment return, but in no case shall be less than zero percent (0%)
24 ~~[in excess of a four percent (4%) rate of return].~~
- 25 (c) If the member did not contribute to the hybrid cash balance plan or another
26 state-administered retirement system during the fiscal year, then no~~[the]~~
27 interest credit shall be added to the member's account for that fiscal year~~[~~

1 ~~shall be determined by multiplying the member's accumulated account balance~~
2 ~~on June 30 of the preceding fiscal year by four percent (4%)~~].

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

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

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

11 (e) No employer pay credits or interest credits shall be provided to a member who
12 has taken a refund of contributions as provided by KRS 61.625 or who has
13 retired and annuitized his or her accumulated account balance as prescribed by
14 this section.

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

20 (b) Upon termination of employment, a member who has five (5) or more years of
21 service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to
22 take a refund of his or her accumulated account balance as provided by KRS
23 61.625, shall receive a full refund of his or her accumulated account balance.

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

26 (a) At his or her normal retirement date, provided he or she has earned five (5) or
27 more years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or

1 another state-administered retirement system; or

2 (b) If the member is at least age fifty-seven (57) and has an age and years of
3 service total of at least eighty-seven (87) years. The years of service used to
4 determine eligibility for retirement under this paragraph shall only include
5 years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or
6 another 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 or the County Employees
18 Retirement System prior to January 1, 2014~~], except for those members making an~~
19 ~~election pursuant to KRS 61.5955].~~

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

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

22 (a) All members' contributions, or contributions picked up by the employer after
23 August 1, 1982, and interest allowances or investment returns as provided in
24 KRS 61.510 to 61.692 shall be credited, except as provided by KRS
25 61.702(2)(b);~~and~~

26 (b) For members who begin participating in the system on or after January 1,
27 2014, who are participating in the hybrid cash balance plan, the employer

1 pay credit and interest credited on such amounts as provided by KRS 16.583
2 and 61.597 shall be credited; and

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

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

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

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

16 (a) Each member shall have his individual account credited with interest on June
17 30 of each fiscal year.

18 (b) For a member who begins participating before September 1, 2008, interest
19 shall be credited to his individual account at a rate determined by the board
20 but not less than two percent (2%) per annum on the accumulated account
21 balance of the member on June 30 of the preceding fiscal year.

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

26 (d) For a member who begins participating on or after January 1, 2014, in the
27 hybrid cash balance plan, interest shall be credited in accordance with KRS

1 16.583 and 61.597.

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

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

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

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

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

16 (a) All members' contributions, or contributions picked up by the employer after
17 August 1, 1982, and interest allowances or investment returns as provided in
18 KRS 78.510 to 78.852 shall be credited, except as provided by KRS
19 61.702(2)(b);~~and~~

20 (b) For members who begin participating in the system on or after January 1,
21 2014, who are participating in the hybrid cash balance plan, the employer
22 pay credit and interest credited on such amounts as provided by KRS 16.583
23 and 61.597 shall be credited; and

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

27 Only funds from this account shall be used to return the accumulated contributions

1 or accumulated account balances of a member when required to be returned to him
2 by reason of any provision of KRS 78.510 to 78.852. Prior to the member's
3 retirement, death, or refund in accordance with KRS 61.625, no funds shall be made
4 available from the member account.

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

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

10 (a) Each member shall have his individual account credited with interest on June
11 30 of each year.

12 (b) For a member who begins participating before September 1, 2008, interest
13 shall be credited to his individual account at a rate determined by the board
14 but not less than two percent (2%) per annum on the accumulated account
15 balance of the member on June 30 of the preceding fiscal year.

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

21 (d) For a member who begins participating on or after January 1, 2014, in the
22 hybrid cash balance plan, interest shall be credited in accordance with KRS
23 16.583 and 61.597.

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

26 (4) (a) Upon the retirement of a member who began participating in the system prior
27 to January 1, 2014, his accumulated account balance shall be transferred from

1 the members' account to the retirement allowance account.

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

9 ➔Section 22. KRS 61.580 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 incurred in administration of the
14 system, retirement allowances, and any other benefits payable after a member's retirement
15 and 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 61.510 to 61.705.

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

23 The retirement allowance account shall be the account in which shall be accumulated all
24 employer contributions and amounts transferred from the members' account, and to which
25 all income from the invested assets of the system shall be credited. From this account
26 shall be paid the expenses of the system and the board in administration of the system,
27 retirement allowances, and any other benefits payable after a member's retirement and

1 from this account shall be transferred to the members' account:

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

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

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

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

9 (1) If ~~the death of~~ a member dies ~~in service occurs on or after August 1, 1992,~~ as a
10 direct result of an ~~act in line of duty~~ as defined in subsection (19) of Section
11 13 of this Act and is survived by a spouse; ~~and the member has on file in the~~
12 ~~retirement office at the time of his or her death a written designation of only one (1)~~
13 ~~beneficiary, who is his or her spouse, the beneficiary~~

14 (a) The surviving spouse shall be the beneficiary, and this shall supersede the
15 designation of all previous beneficiaries of the deceased member's
16 retirement account; and

17 (b) The surviving spouse may elect to receive a lump-sum payment of ten
18 thousand dollars (\$10,000) and a monthly payment equal to twenty-five
19 percent (25%) of the member's monthly final rate of pay beginning in the
20 month following the member's death and continuing each month until death.

21 (2) If ~~the death of~~ a member dies ~~in service occurs on or after July 1, 1968,~~ as a
22 direct result of an ~~act in line of duty~~ as defined in subsection (19) of Section
23 13 of this Act and the member has on file in the retirement office at the time of his
24 or her death a written designation of only one (1) beneficiary other than his or her
25 spouse who has not been superseded by the surviving spouse as provided by
26 subsection (1)(a) of this section and; ~~who is a dependent receiving at least one-~~
27 ~~half (1/2) of his or her support from the deceased member, the beneficiary may elect~~

1 to receive a lump-sum payment of ten thousand dollars (\$10,000).

2 (3) In the period of time following a member's death during which dependent children
3 survive, monthly payments shall be made for each dependent child who is alive,
4 equal to ten percent (10%) of the deceased member's monthly final rate of pay;
5 however, total maximum dependent children's benefits shall not be greater than
6 forty percent (40%) of the deceased member's monthly final rate of pay at the time
7 any particular payment is due. The payments shall commence in the month
8 following the date of death of the member and shall be payable to the beneficiaries,
9 or to a legally appointed guardian or as directed by the system. Benefits shall be
10 payable under this subsection notwithstanding an election by a surviving spouse or
11 beneficiary to withdraw the deceased member's accumulated account balance as
12 provided in KRS 61.625 or benefits under any other provisions of KRS 16.510 to
13 16.652.

14 (4) A surviving spouse or beneficiary eligible for benefits under subsection (1) or (2) of
15 this section who is also eligible for benefits under any other provisions of KRS
16 16.510 to 16.652 may elect benefits under this section or any other section of KRS
17 16.510 to 16.652 but cannot elect to receive both.

18 (5) (a) A surviving spouse or beneficiary applying for benefits under subsection (1)
19 or (2) of this section who is also eligible for benefits under KRS 16.578 may
20 elect to receive benefits under KRS 16.578(2)(a) or (b) while the application
21 for benefits under subsection (1) or (2) of this section is pending.

22 (b) If a final determination results in a finding of eligibility for benefits under
23 subsection (1) or (2) of this section, the system shall recalculate the benefits
24 due the surviving spouse or beneficiary in accordance with this subsection.

25 (c) If the surviving spouse or beneficiary has been paid less than the amount of
26 benefits to which the beneficiary was entitled to receive under this section, the
27 system shall pay the additional funds due to the surviving spouse or

1 beneficiary.

2 (d) If the surviving spouse or beneficiary has been paid more than the amount of
3 benefits to which the surviving spouse or beneficiary was entitled to receive
4 under this section, the system shall deduct the amount overpaid to the
5 surviving spouse or beneficiary from the ten thousand dollars (\$10,000)
6 lump-sum payment and from the monthly retirement allowance payments until
7 the amount owed to the systems has been recovered.

8 ➔Section 25. KRS 61.552 is amended to read as follows:

9 (1) (a) Any employee participating in one (1) of the state-administered retirement
10 systems who has been refunded his accumulated account balance under the
11 provisions of KRS 16.645(21), 61.625, or 78.545(15), thereby losing service
12 credit, may regain the credit by paying to the system from which he received
13 the refund or refunds the amount or amounts refunded with interest at a rate
14 determined by the board of the respective retirement system.

15 (b) Service purchased under this subsection shall not be used in determining a
16 retirement allowance until the member has accrued at least six (6) months of
17 service credit in a state-administered retirement system, excluding the service
18 purchased under this subsection. If the member does not accrue at least six (6)
19 months of service credit in a state-administered retirement system, excluding
20 service purchased under this subsection, then the payment plus interest as
21 provided in KRS 61.575 shall be refunded upon retirement, death, or written
22 request following termination of employment. The service requirement shall
23 be waived if the member dies or becomes disabled as provided for by KRS
24 16.582, 61.600, or 61.621.

25 (c) Service purchased under this subsection on or after January 1, 2014, shall not
26 be used to determine the member's participation date in the system. Members
27 participating in the 401(a) money purchase plan as provided by Section 12

1 *of this Act shall not be eligible to purchase service under this subsection.*

- 2 (2) 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, and who did
6 not elect membership in the County Employees Retirement System, as provided in
7 KRS 78.540(2), may purchase service credit in the County Employees Retirement
8 System for the service he would have received had he elected membership.
- 9 (3) 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 the Kentucky Retirement Systems, and who did
13 not elect membership in the Kentucky Employees Retirement System, as provided
14 in KRS 61.525(2), may purchase service credit in the Kentucky Employees
15 Retirement System for the service he would have received had he elected
16 membership.
- 17 (4) An 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 the Kentucky Retirement Systems, may
21 purchase service credit in the Kentucky Employees Retirement System for service
22 between July 1, 1956, and the effective date of participation of his department.
- 23 (5) (a) An employee participating in one (1) of the retirement systems administered
24 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
25 service if age sixty-five (65) or at least sixty (60) months of service if under
26 age sixty-five (65) in the systems administered by the Kentucky Retirement
27 Systems, may purchase service credit in the County Employees Retirement

1 System for service between July 1, 1958, and the effective date of
2 participation of his county.

3 (b) An employee participating in one (1) of the retirement systems administered
4 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
5 service if age sixty-five (65) or at least sixty (60) months of service if under
6 age sixty-five (65) in the systems administered by Kentucky Retirement
7 Systems may purchase service credit for the period of his service with an area
8 development district created pursuant to KRS 147A.050 or with a business
9 development corporation created pursuant to KRS 155.001 to 155.230 if that
10 service was not covered by a state-administered retirement system. The
11 employee may obtain credit for employment with a business development
12 corporation only if the Kentucky Retirement Systems receives a favorable
13 private letter ruling from the United States Internal Revenue Service or a
14 favorable opinion letter from the United States Department of Labor.

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

18 (7) Any employee participating in one (1) of the retirement systems administered by
19 Kentucky Retirement Systems who has at least forty-eight (48) months' service if
20 age sixty-five (65) or at least sixty (60) months' service if under age sixty-five (65)
21 in the retirement systems administered by the Kentucky Retirement Systems, who
22 formerly worked for a state university in a nonteaching position which would have
23 qualified as a regular full-time position had the university been a participating
24 department, and who did not participate in a defined benefit retirement program at
25 the university, may purchase service credit in any of the systems administered by
26 Kentucky Retirement Systems in which the employee is a member for the service he
27 would have received had his period of university employment been covered by the

1 County Employees Retirement System, Kentucky Employees Retirement System, or
2 State Police Retirement System.

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

7 (b) Effective July 1, 1973, any department participating in the Kentucky
8 Employees Retirement System may purchase current service between July 1,
9 1956, and participation date of the department, for present employees of the
10 department who were employees on the participation date of the department
11 and elected coverage under KRS 61.525(2).

12 (c) Cost of the service credit purchased under this subsection shall be determined
13 by computing the discounted value of the additional service credit based on an
14 actuarial formula recommended by the board's consulting actuary and
15 approved by the board. A department shall make payment for the service
16 credit within the same fiscal year in which the option is elected. The county
17 shall establish a payment schedule subject to approval by the board for
18 payment of the service credit. The maximum period allowed in a payment
19 schedule shall be ten (10) years with interest at the rate actuarially assumed by
20 the board; however, a shorter period is desirable and the board may approve
21 any schedule provided it is not longer than a ten (10) year period.

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

27 (e) Any payments made by a county or department under this subsection shall be

1 deposited to the retirement allowance account of the proper retirement system
2 and these funds shall not be considered accumulated contributions of the
3 individual members.

4 (9) Interest paid by a member of the Kentucky Employees Retirement System, County
5 Employees Retirement System, or State Police Retirement System under this
6 section or other similar statutes under KRS 16.505 to 16.652, 61.510 to 61.705, or
7 78.510 to 78.852 prior to June 19, 1976, shall be credited to the individual
8 member's account in the appropriate retirement system and considered as
9 accumulated contributions of the member.

10 (10) Employees who served as assistants to officers and employees of the General
11 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)
12 or at least sixty (60) months of service if under age sixty-five (65) in the systems
13 administered by Kentucky Retirement Systems and who were unable to acquire
14 service under KRS 61.510(20) may purchase credit for the service performed after
15 January 1, 1960.

16 (11) (a) Effective August 1, 1988, any employee participating in one (1) of the
17 retirement systems administered by Kentucky Retirement Systems who has at
18 least forty-eight (48) months of service if age sixty-five (65) or at least sixty
19 (60) months of service if under age sixty-five (65) in the systems administered
20 by Kentucky Retirement Systems may purchase service credit for interim,
21 seasonal, emergency, temporary, probationary, or part-time employment
22 averaging one hundred (100) or more hours of work per month on a calendar
23 or fiscal year basis. If the average number of hours of work is less than one
24 hundred (100) per month, the member shall be allowed credit only for those
25 months he receives creditable compensation for one hundred (100) or more
26 hours of work.

27 (b) Any noncertified employee of a school board who has at least forty-eight (48)

1 months of service if age sixty-five (65) or at least sixty (60) months of service
2 if under age sixty-five (65) in the systems administered by Kentucky
3 Retirement Systems may purchase service credit in the County Employees
4 Retirement System for part-time employment prior to the 1990-91 school year
5 which averaged eighty (80) or more hours of work per month on a calendar or
6 fiscal year basis. If the average number of hours of work is less than eighty
7 (80) per month, the noncertified employee of a school board shall be allowed
8 to purchase service credit only for those months he received creditable
9 compensation for eighty (80) or more hours of work.

10 (12) Any employee participating in one (1) of the systems administered by Kentucky
11 Retirement Systems who has at least forty-eight (48) months of service if age sixty-
12 five (65) or at least sixty (60) months of service if under age sixty-five (65) in the
13 systems administered by Kentucky Retirement Systems may purchase service credit
14 for any period of approved educational leave, or for agency-approved leave to work
15 for a work-related labor organization if the agency subsequently participated in the
16 County Employees Retirement System. The employee may also purchase service
17 credit for agency-approved leave to work for a work-related labor organization if
18 the agency subsequently participated in the County Employees Retirement System,
19 but only if the Kentucky Retirement Systems receives a favorable private letter
20 ruling from the United States Internal Revenue Service or a favorable opinion letter
21 from the United States Department of Labor.

22 (13) Any employee participating in one (1) of the retirement systems administered by
23 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
24 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
25 (65) in the systems administered by Kentucky Retirement Systems may purchase
26 service credit for any period of authorized maternity leave, unpaid leave authorized
27 under the Federal Family and Medical Leave Act, or for any period of authorized

1 sick leave without pay.

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

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

12 2. Entering into an agreement to purchase service credit through an
13 installment purchase of service agreement with the systems as provided
14 by paragraph (c) of this subsection:

15 a. On a before-tax basis in which the service is purchased pursuant to
16 the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or

17 b. On an after-tax basis if the employee is purchasing service credit
18 under subsection (1) or (20) of this section, service available
19 pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this
20 section, or grandfathered service as defined in paragraph (b) of this
21 subsection; or

22 3. Transferring funds to the systems through a direct trustee-to-trustee
23 transfer as permitted under the applicable sections of the Internal
24 Revenue Code and any regulations or rulings issued thereunder, through
25 a direct rollover as contemplated by and permitted under 26 U.S.C. sec.
26 401(a)(31) and any regulations or rulings issued thereunder, or through a
27 rollover of funds pursuant to and permitted under the rules specified in

1 26 U.S.C. secs. 402(c) and 408(d)(3). The Kentucky Retirement Systems
2 shall accept the transfer or rollover to the extent permitted under the
3 rules specified in the applicable provisions of the Internal Revenue Code
4 and any regulations and rulings issued thereunder.

5 (b) For purposes of this subsection, "grandfathered service" means service
6 purchases for which a member, whose membership date in the system is prior
7 to July 1, 1999, is eligible to purchase under KRS 16.505 to 16.652, 61.510 to
8 61.705, or 78.510 to 78.852, that were available for all members of the system
9 to purchase on August 5, 1997.

10 (c) 1. For service purchased under a before-tax or after-tax installment
11 purchase of service agreement as provided by paragraph (a)2. of this
12 subsection, the cost of the service shall be computed in the same manner
13 as for a lump-sum payment which shall be the principal, except that
14 interest compounded annually at the actuarial rate in effect at the time
15 the member elects to make the purchase shall be added for the period
16 that the installments are to be made.

17 2. Multiple service purchases may be combined under a single installment
18 agreement, except that no employee may make more than one (1)
19 installment purchase at the same time.

20 3. For after-tax installment purchase of service agreements, the employee
21 may elect to stop the installment payments by notifying the retirement
22 system; may have the installment purchase recalculated to add one (1) or
23 more additional service purchases; or may pay by lump sum the
24 remaining principal or a portion of the remaining principal.

25 4. Before-tax installment purchase of service agreements shall be
26 irrevocable, and the employee shall not be able to stop installment
27 payments or to pay off the remaining balance of the purchase of service

1 agreement, except upon termination of employment or death.

2 5. One (1) year of installment payments shall be made for each one
3 thousand dollars (\$1,000) or any part thereof of the total cost, except that
4 the total period allowed for installments shall not be less than one (1)
5 year and shall not exceed five (5) years.

6 6. The employee shall pay the installments by payroll deduction for after-
7 tax purchase of service agreements, and the employer shall pick up
8 installments for before-tax purchase of service agreements. Upon
9 notification by the retirement system, the employer shall report the
10 installment payments either monthly or semimonthly continuously over
11 each twelve (12) month period at the same time as, but separate from,
12 regular employee contributions on the forms or by the computer format
13 specified by the board.

14 7. The retirement system shall determine how much of the total cost
15 represents payment for one (1) month of the service to be purchased and
16 shall credit one (1) month of service to the member's account each time
17 this amount has been paid. The first service credited shall represent the
18 first calendar month of the service to be purchased and each succeeding
19 month of service credit shall represent the succeeding months of that
20 service.

21 8. If the employee utilizing an installment purchase of service agreement
22 dies, retires, does not continue employment in a position required to
23 participate in the retirement system, or elects to stop an after-tax
24 installment purchase of service agreement, the member, or in the case of
25 death, the beneficiary, shall have sixty (60) days to pay the remaining
26 principal or a portion of the remaining principal of the installment
27 purchase of service agreement by lump sum, subject to the restrictions of

1 paragraph (a)1. of this subsection, or by transfer of funds under
2 paragraph (a)3. of this subsection, except that payment by the member
3 shall be filed with the system prior to the member's effective retirement
4 date. If the member or beneficiary does not pay the remaining cost, the
5 retirement system shall refund to the member or the beneficiary the
6 payment, payments, or portion of a payment that does not represent a
7 full month of service purchased, except as provided by subsection (22)
8 of this section.

9 9. If the employer does not report installment payments on an employee for
10 sixty (60) days for an after-tax installment purchase of service
11 agreement, except in the case of employees on military leave or sick
12 leave without pay, the installment purchase shall cease and the
13 retirement system shall refund to the employee the payment, payments,
14 or portion of a payment that does not represent a full month of service
15 purchased.

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

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

27 (d) Except as provided by paragraph (a)2.a. of this subsection, the cost of

1 purchasing service shall not be picked up, as described in KRS 16.545(4),
2 61.560(4), or 78.610(4), by the employer.

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

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

9 (15) After August 1, 1998, any employee participating in one (1) of the retirement
10 systems administered by Kentucky Retirement Systems who is age sixty-five (65) or
11 older and has forty-eight (48) months of service credit or, if younger, who has sixty
12 (60) months of service credit in systems administered by Kentucky Retirement
13 Systems may purchase service credit in the system in which the employee has the
14 service credit for up to ten (10) years service in a regular full-time position that was
15 credited to a state or local government-administered public defined benefit plan in
16 another state other than a defined benefit plan for teachers. The employee shall
17 provide proof that he is not eligible for a retirement benefit for the period of service
18 from the other state's plan.

19 (16) After August 1, 1998, any employee participating in one (1) of the retirement
20 systems administered by Kentucky Retirement Systems, who has sixty (60) or more
21 months of service in the State Police Retirement System or in a hazardous position
22 in the Kentucky Employees Retirement System or the County Employees
23 Retirement System, may purchase service credit in the system in which the
24 employee has the sixty (60) months of service credit for up to ten (10) years of
25 service in a regular full-time position that was credited to a defined benefit
26 retirement plan administered by a state or local government in another state, if the
27 service could be certified as hazardous pursuant to KRS 61.592. The employee shall

1 provide proof that he is not eligible for a retirement benefit for the period of service
2 from the other unit of government's plan.

3 (17) Any 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 and who has
7 completed service as a volunteer in the Kentucky Peace Corps, created by KRS
8 154.1-720, may purchase service credit for the time served in the corps.

9 (18) An employee participating in any retirement system administered by Kentucky
10 Retirement Systems who has at least forty-eight (48) months of service if age sixty-
11 five (65), or at least sixty (60) months of service if under age sixty-five (65) in the
12 systems administered by Kentucky Retirement Systems, and who was formerly
13 employed in a regional community services program for mental health and
14 individuals with an intellectual disability, organized and operated under the
15 provisions of KRS 210.370 to 210.480, which does not participate in a state-
16 administered retirement system may purchase service credit for the period of his
17 service in the regional community program for mental health and individuals with
18 an intellectual disability.

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

27 (20) (a) Any person who is entitled to service credit for employment which was not

1 reported in accordance with KRS 16.543, 61.543, or 78.615 may obtain credit
2 for the service by paying the employee contributions due within six (6)
3 months of notification by the system. No interest shall be added to the
4 contributions. The service credit shall not be credited to the member's account
5 until the employer contributions are received. If a retired member makes the
6 payment within six (6) months, the retired member's retirement allowance
7 shall be adjusted to reflect the added service after the employer contributions
8 and any interest or penalties on the delinquent employer contributions are
9 received by the retirement system.

10 (b) Any employee participating in one (1) of the state-administered retirement
11 systems who is entitled to service credit under paragraph (a) of this subsection
12 and who has not repaid the employee contributions due within six (6) months
13 of notification by the system may regain the credit after the six (6) months by
14 paying to the system the employee contributions plus interest at the actuarially
15 assumed rate from the date of initial notification under paragraph (a) of this
16 subsection. Service credit shall not be credited to the member's account until
17 the employer contributions and any interest or penalties on the delinquent
18 employer contributions are received by the retirement system.

19 (c) Service purchased under this subsection by employees who begin participating
20 on or after September 1, 2008, shall be considered service credited under KRS
21 16.543(1), 61.543(1), or 78.615(1) for purposes of determining eligibility for
22 retirement benefits under KRS 16.505 to 16.652, 61.510 to 61.705, and
23 78.510 to 78.852.

24 (d) Employees who begin participating on or after January 1, 2014, in the hybrid
25 cash balance plan provided by KRS 16.583 and 61.597 shall, upon payment of
26 the employee and employer contributions due under this subsection, have their
27 accumulated account balance increased by the employee contributions,

1 employer pay credits, and interest credits that would have been credited to
2 their member's account if the contributions had been paid on time.

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

9 ~~(f)(e)~~ Employer contributions payable under this subsection shall be
10 considered delinquent and the employer shall be required to pay interest and
11 any other penalties on the delinquent contributions in accordance with KRS
12 61.675(3)(b) and 78.625(2)(a) from the date the employee should have been
13 reported and received service credit in accordance with KRS 16.543, 61.543,
14 and 78.615.

15 (21) Any employee participating in one (1) of the retirement systems administered by
16 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
17 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
18 (65) in the systems administered by the Kentucky Retirement Systems may
19 purchase service credit for employment with a public agency that would have been
20 eligible to participate under KRS 61.520 but which did not participate in the
21 Kentucky Employees Retirement System or a political subdivision that would have
22 been eligible to participate under KRS 78.530 but which did not participate in the
23 County Employees Retirement System if the former public agency or political
24 subdivision has merged with or been taken over by a participating department or
25 county.

26 (22) Any employee participating in one (1) of the retirement systems administered by the
27 Kentucky Retirement Systems prior to July 15, 2002, who has accrued at least forty-

1 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of
2 service if under age sixty-five (65) in the systems administered by the Kentucky
3 Retirement Systems and who has total service in all state-administered retirement
4 systems of at least one hundred eighty (180) months of service credit may purchase
5 a combined maximum total of five (5) years of retirement service credit which is
6 not otherwise purchasable under any of the provisions of KRS 16.505 to 16.652,
7 61.510 to 61.705, and 78.510 to 78.852. The purchase shall be made in any of the
8 systems administered by Kentucky Retirement Systems in which the employee is a
9 member. The service purchased under this subsection shall not be used in
10 determining a retirement allowance until the member has accrued at least two
11 hundred forty (240) months of service, excluding service purchased under this
12 subsection. If the member does not accrue at least two hundred forty (240) months
13 of service, excluding service purchased under this subsection, upon retirement,
14 death, or written request following termination, the payment, plus interest as
15 provided in KRS 61.575, shall be refunded.

16 (23) An 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 Kentucky Retirement Systems, may obtain
20 credit in the County Employees Retirement System for the period of that employee's
21 service with a community action agency created under KRS 273.405 to 273.453 if
22 that service was not covered by a state-administered retirement system.

23 (24) An employee may obtain credit for regular full-time service with an agency prior to
24 August 1, 1998, for which the employee did not receive credit due to KRS
25 61.637(1). Service credit obtained under this subsection shall not be used in
26 determining benefits under KRS 61.702. The employee may purchase credit for
27 service prior to August 1, 1998, if:

- 1 (a) The employee retired from one (1) of the retirement systems administered by
2 the Kentucky Retirement Systems and was reemployed prior to August 1,
3 1998, earning less than the maximum permissible earnings under the Federal
4 Social Security Act;
- 5 (b) The employee elected to participate in a second retirement account effective
6 August 1, 1998, in accordance with KRS 61.637(7); and
- 7 (c) The employee has at least forty-eight (48) months of service if age sixty-five
8 (65), or at least sixty (60) months of service if under age sixty-five (65), in a
9 second account in the systems administered by Kentucky Retirement Systems.
- 10 (25) An employee participating in one (1) of the retirement systems administered by the
11 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
12 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
13 (65) in the systems administered by the Kentucky Retirement Systems, may obtain
14 credit for the service in a regular full-time position otherwise creditable under the
15 Kentucky Employees Retirement System, the County Employees Retirement
16 System, or the State Police Retirement System for service in the United States
17 government, other than service in the Armed Forces, for which service is not
18 otherwise given.
- 19 (26) An employee participating in a hazardous position in one (1) of the retirement
20 systems administered by the Kentucky Retirement Systems, who has at least forty-
21 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of
22 service if under age sixty-five (65) in the systems administered by the Kentucky
23 Retirement Systems, may obtain credit for service in a regular full-time position in
24 an urban-county government that would qualify for hazardous duty coverage under
25 KRS 61.592.
- 26 (27) Subsections (2) to (5), (7) to (13), (15) to (19), and (21) to (26) of this section shall
27 not apply to members who begin participating in the systems administered by

1 Kentucky Retirement Systems on or after January 1, 2014, or to members who
2 make an election as provided by Section 7, 12, or 38 of this Act.

3 (28) Service purchases made pursuant to subsections (2) to (5), (7), (10) to (13), (15) to
4 (19), (21) to (23), (25), and (26) of this section shall be purchased by the entire
5 amount of service available pursuant to that subsection or by increments. Service
6 purchases made pursuant to subsections (1), (20), and (24) of this section shall be
7 purchased by the entire amount of service available.

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

9 (1) (a) After August 1, 1998, any employee entering the Armed Forces of the United
10 States after he first participates in the system, who joins the Armed Forces
11 within three (3) months of the last day of paid employment, being on leave of
12 absence from service and not withdrawing his accumulated account balance,
13 shall be credited for retirement purposes with service credit and creditable
14 compensation as provided in 38 U.S.C. sec. 4318 for his period of active
15 military duty in the Armed Forces of the United States, not to exceed six (6)
16 years, if:

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

24 (b) A member eligible for the benefit prescribed by this subsection who
25 participates in the hybrid cash balance plan as provided by KRS 16.583 and
26 61.597 shall also have his or her member account credited with employee
27 contributions, employer pay credits, and interest credits, as provided by KRS

1 16.583 and 61.597, as though the member were employed during the
2 member's period of active military duty described by this subsection.

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

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

12 (2) (a) After August 1, 1998, any employee who, prior to the date he first participated
13 in the system, terminated his employment with an agency participating in one
14 (1) of the systems administered by the Kentucky Retirement Systems and
15 within three (3) months entered the Armed Forces of the United States and
16 who returns to work with an employer participating in one (1) of the
17 retirement systems administered by the Kentucky Retirement Systems within
18 two (2) years after completion of the period of active military duty, or upon
19 the subsequent termination of any total disability which existed at the
20 expiration of the two (2) years after discharge, shall be credited for retirement
21 purposes with service credit and creditable compensation as provided in 38
22 U.S.C. sec. 4318 for his period of active military duty in the Armed Forces,
23 not to exceed six (6) years if his military service was terminated in a manner
24 other than as described in 38 U.S.C. sec. 4304.

25 (b) A member eligible for the benefit prescribed by this subsection who
26 participates in the hybrid cash balance plan as provided by KRS 16.583 and
27 61.597 shall also have his or her member account credited with employee

1 contributions, employer pay credits, and interest credits, as provided by KRS
2 16.583 and 61.597, as though the member were employed during the
3 member's period of active military duty described by this subsection.

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

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

13 (3) Any National Guard technician involuntarily serving on active military duty during
14 the period between January 26, 1968, and January 1, 1970, who completes his eight
15 (8) years' service while on military duty during this period, shall have that portion of
16 his active military duty, necessary to the completion of eight (8) years' current
17 service, credited to his account, as current service without having to meet the
18 reemployment criteria.

19 (4) Any employee eligible for retirement as prescribed in KRS 61.559 or any employee
20 upon completion of five (5) years of service shall receive current service credit for a
21 maximum of four (4) years for his period of active military duty in the Armed
22 Forces of the United States, if his military service was terminated in a manner other
23 than as described in 38 U.S.C. sec. 4304 and he has not been credited with the
24 service under subsections (1) to (3) of this section if he pays thirty-five percent
25 (35%) of the cost of the service based on the formula adopted by the board. The
26 payment by the member shall not be picked up by the employer, as described in
27 KRS 61.560(4), and shall be deposited to his individual member's account. The

1 remaining sixty-five percent (65%) shall be paid by the state from funds
2 appropriated specifically for the purpose and these payments shall be deposited to
3 the respective retirement allowance accounts. If no funds are available in the special
4 appropriation account, the system shall not accept employee payments until funds
5 are available in the account.

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

12 (6) Any employee participating in one (1) of the retirement systems administered by
13 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)
14 months of service, at least twelve (12) of which are current service, or if younger
15 who has sixty (60) months of service, at least twelve (12) of which are current
16 service shall receive current service for his period of active military duty in the
17 Armed Forces of the United States, if his military service was terminated in a
18 manner other than as described in 38 U.S.C. sec. 4304 and he has not been credited
19 with the service under subsections (1) to (4) of this section, by paying the retirement
20 system a delayed contribution payment in accordance with the payment options and
21 restrictions established by KRS 61.552(14). Service purchases made pursuant to this
22 subsection shall be purchased by the entire amount of service available pursuant to
23 this subsection or by increments.

24 (7) Any employee participating in one (1) of the retirement systems administered by the
25 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)
26 months of service, at least twelve (12) of which are current service, or if younger
27 who has sixty (60) months of service, at least twelve (12) of which are current

1 service, shall receive one (1) month of current service for each six (6) months of
2 service in the National Guard or the military reserves of the United States, by
3 paying the retirement system a delayed contribution payment in accordance with the
4 payment options and restrictions established by KRS 61.552(14). The service shall
5 be treated as service earned prior to participation in the system and shall not be
6 included in the member's final compensation. Service purchases made pursuant to
7 this subsection shall be purchased by the entire amount of service available pursuant
8 to this subsection or by increments.

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

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

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

16 (1) Effective July 1, 1990, upon retirement at normal retirement date or subsequent
17 thereto, a member may receive an annual retirement allowance, payable monthly
18 during his lifetime, which shall consist of an amount equal to two and two-tenths
19 percent (2.2%) for the County Employees Retirement System and one and ninety-
20 seven hundredths percent (1.97%) for the Kentucky Employees Retirement System
21 of final compensation multiplied by the number of years of service credit, except
22 that:

23 (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement
24 System who was participating in one (1) of the state-administered retirement
25 systems as of January 1, 1998, and continues to participate through January 1,
26 1999, shall receive an annual retirement allowance, payable monthly during
27 his lifetime, which shall consist of an amount equal to two percent (2%) of

1 final compensation multiplied by the number of years of service credit. Any
2 Kentucky Employees Retirement System member whose effective date of
3 retirement is between February 1, 1999, and January 31, 2009, and who has at
4 least twenty (20) years of service credit in one (1) of the state-administered
5 retirement systems and who was participating in one (1) of the state-
6 administered retirement systems as of January 1, 1998, and continues to
7 participate through January 1, 1999, shall receive an annual retirement
8 allowance, payable monthly during his lifetime, which shall consist of an
9 amount equal to two and two-tenths percent (2.2%) of final compensation
10 multiplied by the number of years of service credit. Notwithstanding the
11 provisions of KRS 61.565, the funding for this paragraph shall be provided
12 from existing funds of the retirement allowance account;

13 (b) For a member of the County Employees Retirement System whose
14 participation begins on or after August 1, 2004, the annual retirement
15 allowance upon retirement at normal retirement date or later shall be equal to
16 two percent (2%) of final compensation multiplied by the number of years of
17 service credit and shall be payable monthly during his lifetime;

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

23 (d) For a member of the Kentucky Employees Retirement System or the County
24 Employees Retirement System who begins participating on or after September
25 1, 2008, the annual retirement allowance upon retirement shall be equal to:

26 1. a. One and one-tenth percent (1.1%) of final compensation for each
27 year of service if the member has earned ten (10) or less years of

- 1 service at retirement;
- 2 b. One and three-tenths percent (1.3%) of final compensation for
- 3 each year of service if the member has earned greater than ten (10)
- 4 but no more than twenty (20) years of service at retirement;
- 5 c. One and one-half percent (1.5%) of final compensation for each
- 6 year of service if the member has earned greater than twenty (20)
- 7 but no more than twenty-six (26) years of service at retirement; or
- 8 d. One and three-quarters percent (1.75%) of final compensation for
- 9 each year of service if the member has earned greater than twenty-
- 10 six (26) but no more than thirty (30) years of service at retirement;
- 11 and
- 12 2. Two percent (2.0%) of final compensation for each year of service
- 13 earned in excess of thirty (30) years of service at retirement;
- 14 (e) The annual normal retirement allowance for members of the General
- 15 Assembly who will have fewer than eight (8) years of service as of December
- 16 31, 1975, shall be as prescribed in Chapter 116, section 36(1), Acts of the
- 17 1972 General Assembly for legislative service prior to January 1, 1974;
- 18 (f) Former members of the General Assembly who have eight (8) or more years
- 19 of legislative service prior to the 1976 Regular Session are eligible for an
- 20 increased retirement allowance of two hundred forty dollars (\$240) times the
- 21 years of legislative service, if the member pays to the Kentucky Employees
- 22 Retirement System thirty-five percent (35%) of the actuarial cost of the higher
- 23 benefit, as determined by the system, except that a former member with
- 24 sixteen (16) or more years of legislative service, or his beneficiary, who is
- 25 receiving a retirement allowance, also is eligible under this section and may
- 26 apply for a recomputation of his retirement allowance. The employer's share
- 27 of sixty-five percent (65%) of the computed actuarial cost shall be paid from

1 the State Treasury to the Kentucky Employees Retirement System upon
2 presentation of a properly documented claim to the Finance and
3 Administration Cabinet. If any member with sixteen (16) or more years of
4 legislative service previously applied for and is receiving a retirement
5 allowance, he may reapply and his retirement allowance shall be recomputed
6 in accordance with this paragraph, and he shall thereafter be paid in
7 accordance with the option selected by him at the time of the reapplication;
8 and

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

13 (2) (a) Upon service retirement prior to normal retirement date, a member may
14 receive an annual retirement allowance payable monthly during his lifetime
15 which shall be determined in the same manner as for retirement at his normal
16 retirement date with years of service and final compensation being determined
17 as of the date of his actual retirement, but the amount of the retirement
18 allowance so determined shall be reduced at an amount determined by the
19 board's actuary to reflect the earlier commencement of benefits.

20 (b) A member of the Kentucky Employees Retirement System or the County
21 Employees Retirement System who begins participating before September 1,
22 2008, who has twenty-seven (27) or more years of service credit, at least
23 fifteen (15) of which are current service, may retire with no reduction in the
24 retirement allowance. A member who begins participating before September
25 1, 2008, who has earned vested service credit in a retirement system, other
26 than the Teachers' Retirement System, sponsored by a Kentucky institution of
27 higher education, the Council on Postsecondary Education, or the Higher

1 Education Assistance Authority, may count the vested service toward attaining
2 the necessary years of service credit as provided in KRS 61.559(2)(c) and (d)
3 to qualify for a retirement allowance. The credit from a Kentucky institution
4 of higher education, the Council on Postsecondary Education, or the Higher
5 Education Assistance Authority shall not be used toward the minimum fifteen
6 (15) years of current service required by KRS 61.559(2)(c) and (d) or to
7 calculate his retirement allowance pursuant to this section. The provisions of
8 this paragraph shall not be construed to limit the use of Teachers' Retirement
9 System credit pursuant to KRS 61.680(2)(a).

10 (c) 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, may retire with no reduction in benefits if the member is fifty-seven
13 (57) years of age or older and has an age and years of service total of at least
14 eighty-seven (87) years. The years of service used to determine eligibility for
15 an unreduced retirement allowance under this paragraph shall only include
16 years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or
17 another state-administered retirement system.

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

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

23 (1) A retired member who is receiving monthly retirement payments under any of the
24 provisions of KRS 61.510 to 61.705 and 78.510 to 78.852 and who is reemployed
25 as an employee by a participating agency prior to August 1, 1998, shall have his
26 retirement payments suspended for the duration of reemployment. Monthly
27 payments shall not be suspended for a retired member who is reemployed if he

1 anticipates that he will receive less than the maximum permissible earnings as
2 provided by the Federal Social Security Act in compensation as a result of
3 reemployment during the calendar year. The payments shall be suspended at the
4 beginning of the month in which the reemployment occurs.

5 (2) Employer and employee contributions shall be made as provided in KRS 61.510 to
6 61.705 and 78.510 to 78.852 on the compensation paid during reemployment,
7 except where monthly payments were not suspended as provided in subsection (1)
8 of this section or would not increase the retired member's last monthly retirement
9 allowance by at least one dollar (\$1), and the member shall be credited with
10 additional service credit.

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

14 (4) (a) Notwithstanding the provisions of this section, the payments suspended in
15 accordance with subsection (1) of this section shall be paid retroactively to the
16 retired member, or his estate, if he does not receive more than the maximum
17 permissible earnings as provided by the Federal Social Security Act in
18 compensation from participating agencies during any calendar year of
19 reemployment.

20 (b) If the retired member is paid suspended payments retroactively in accordance
21 with this section, employee contributions deducted during his period of
22 reemployment, if any, shall be refunded to the retired employee, and no
23 service credit shall be earned for the period of reemployment.

24 (c) If the retired member is not eligible to be paid suspended payments for his
25 period of reemployment as an employee, his retirement allowance shall be
26 recomputed under the plan under which the member was receiving payments
27 prior to reemployment as follows:

- 1 1. The retired member's final compensation shall be recomputed using
2 creditable compensation for his period of reemployment; however, the
3 final compensation resulting from the recalculation shall not be less than
4 that of the member when his retirement allowance was last determined;
 - 5 2. If the retired member initially retired on or subsequent to his normal
6 retirement date, his retirement allowance shall be recomputed by using
7 the formula in KRS 61.595(1);
 - 8 3. If the retired member initially retired prior to his normal retirement date,
9 his retirement allowance shall be recomputed using the formula in KRS
10 61.595(2), except that the member's age used in computing benefits shall
11 be his age at the time of his initial retirement increased by the number of
12 months of service credit earned for service performed during
13 reemployment;
 - 14 4. The retirement allowance payments resulting from the recomputation
15 under this subsection shall be payable in the month following the
16 termination of reemployment in lieu of payments under subparagraph 3.
17 The member shall not receive less in benefits as a result of the
18 recomputation than he was receiving prior to reemployment or would
19 receive as determined under KRS 61.691; and
 - 20 5. Any retired member who was reemployed prior to March 26, 1974, shall
21 begin making contributions to the system in accordance with the
22 provisions of this section on the first day of the month following March
23 26, 1974.
- 24 (5) A retired member, or his estate, shall pay to the retirement fund the total amount of
25 payments which are not suspended in accordance with subsection (1) of this section
26 if the member received more than the maximum permissible earnings as provided
27 by the Federal Social Security Act in compensation from participating agencies

1 during any calendar year of reemployment, except the retired member or his estate
2 may repay the lesser of the total amount of payments which were not suspended or
3 fifty cents (\$0.50) of each dollar earned over the maximum permissible earnings
4 during reemployment if under age sixty-five (65), or one dollar (\$1) for every three
5 dollars (\$3) earned if over age sixty-five (65).

6 (6) (a) "Reemployment" or "reinstatement" as used in this section shall not include a
7 retired member who has been ordered reinstated by the Personnel Board under
8 authority of KRS 18A.095.

9 (b) A retired member who has been ordered reinstated by the Personnel Board
10 under authority of KRS 18A.095 or by court order or by order of the Human
11 Rights Commission and accepts employment by an agency participating in the
12 Kentucky Employees Retirement System or County Employees Retirement
13 System shall void his retirement by reimbursing the system in the full amount
14 of his retirement allowance payments received.

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

24 (b) A retired member whose disability retirement was discontinued pursuant to
25 KRS 61.615 and who is reemployed in one (1) of the systems administered by
26 the Kentucky Retirement Systems prior to his or her normal retirement date
27 shall have his or her accounts combined upon termination for determining

1 eligibility for benefits. If the member is eligible for retirement, the member's
2 service and creditable compensation earned as a result of his or her
3 reemployment shall be used in the calculation of benefits, except that the
4 member's final compensation shall not be less than the final compensation last
5 used in determining his or her retirement allowance. The member shall not
6 change beneficiary or payment option designations. This provision shall apply
7 to members reemployed on or after August 1, 1998.

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

13 (9) If the retired member is under a contract, the member shall submit a copy of that
14 contract to the retirement system, and the retirement system shall determine if the
15 member is an independent contractor for purposes of retirement benefits. The
16 retired member and the participating employer shall submit the information required
17 or requested by the systems to confirm the individual's employment or volunteer
18 status.

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

27 (11) (a) If a member of the Kentucky Employees Retirement System retires from a

1 department which participates in more than one (1) retirement system and is
2 reemployed within one (1) month of his initial retirement date by the same
3 department in a position participating in another retirement system, the retired
4 member's retirement allowance shall be suspended for the first month of his
5 retirement and the member shall repay to the retirement system all benefits
6 received for the month.

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

10 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a
11 nonhazardous member who retired prior to age sixty-five (65), is reemployed
12 within six (6) months of the member's termination by the same employer, the
13 member shall obtain from his previous and current employers a copy of the
14 job description established by the employers for the position and a statement
15 of the duties performed by the member for the position from which he retired
16 and for the position in which he has been reemployed.

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

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

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

25 (b) The retired member shall repay to the retirement system all benefits paid from
26 systems administered by Kentucky Retirement Systems under reciprocity,
27 including medical insurance benefits, that the member received after

1 reemployment began;

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

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

13 (e) Upon termination, the retired member shall be entitled to benefits payable
14 from his second retirement account.

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

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

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

26 (b) Service credit gained after reemployment shall be credited to the second
27 member account. Upon termination, the retired member shall be entitled to

1 benefits payable from the second member account.

2 (16) A retired member who is reemployed and contributing to a second member account
3 shall not be eligible to purchase service credit under any of the provisions of KRS
4 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 which he was eligible to
5 purchase prior to his initial retirement.

6 (17) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (15) of this
7 section, the following shall apply to retired members who retired prior to January
8 1, 2019, and who are reemployed by an agency participating in one (1) of the
9 systems administered by Kentucky Retirement Systems on or after September 1,
10 2008:

11 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a member is
12 receiving a retirement allowance from one (1) of the systems administered by
13 Kentucky Retirement Systems, or has filed the forms required to receive a
14 retirement allowance from one (1) of the systems administered by Kentucky
15 Retirement Systems, and is employed in a regular full-time position required
16 to participate in one (1) of the systems administered by Kentucky Retirement
17 Systems or is employed in a position that is not considered regular full-time
18 with an agency participating in one (1) of the systems administered by
19 Kentucky Retirement Systems within three (3) months following the member's
20 initial retirement date, the member's retirement shall be voided, and the
21 member shall repay to the retirement system all benefits received, including
22 any health insurance benefits. If the member is returning to work in a regular
23 full-time position required to participate in one (1) of the systems
24 administered by Kentucky Retirement Systems:

25 1. The member shall contribute to a member account established for him or
26 her in one (1) of the systems administered by Kentucky Retirement
27 Systems, and employer contributions shall be paid on behalf of the

1 member by the participating employer; and

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

6 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a member is
7 receiving a retirement allowance from one (1) of the systems administered by
8 Kentucky Retirement Systems and is employed in a regular full-time position
9 required to participate in one (1) of the systems administered by Kentucky
10 Retirement Systems after a three (3) month period following the member's
11 initial retirement date, the member may continue to receive his or her
12 retirement allowance during the period of reemployment subject to the
13 following provisions:

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

26 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
27 the contrary, the member shall not contribute to the systems and shall

- 1 not earn any additional benefits for any work performed during the
2 period of reemployment;
- 3 3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
4 shall pay employer contributions as specified by KRS 61.565 and 61.702
5 on all creditable compensation earned by the employee during the period
6 of reemployment. The additional contributions paid shall be used to
7 reduce the unfunded actuarial liability of the systems; and
- 8 4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
9 shall be required to reimburse the systems for the cost of the health
10 insurance premium paid by the systems to provide coverage for the
11 retiree, not to exceed the cost of the single premium. Effective July 1,
12 2015, local school boards shall not be required to pay the reimbursement
13 required by this subparagraph for retirees employed by the board for
14 eighty (80) days or less during the fiscal year;
- 15 (c) If a member is receiving a retirement allowance from the State Police
16 Retirement System or from hazardous duty retirement coverage with the
17 Kentucky Employees Retirement System or the County Employees Retirement
18 System, or has filed the forms required to receive a retirement allowance from
19 the State Police Retirement System or from hazardous duty retirement
20 coverage with the Kentucky Employees Retirement System or the County
21 Employees Retirement System, and is employed in a regular full-time position
22 required to participate in the State Police Retirement System or in a hazardous
23 duty position with the Kentucky Employees Retirement System or the County
24 Employees Retirement System within one (1) month following the member's
25 initial retirement date, the member's retirement shall be voided, and the
26 member shall repay to the retirement system all benefits received, including
27 any health insurance benefits. If the member is returning to work in a regular

1 full-time position required to participate in one (1) of the systems
2 administered by Kentucky Retirement Systems:

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

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

11 (d) If a member is receiving a retirement allowance from the State Police
12 Retirement System or from hazardous duty retirement coverage with the
13 Kentucky Employees Retirement System or the County Employees Retirement
14 System and is employed in a regular full-time position required to participate
15 in the State Police Retirement System or in a hazardous duty position with the
16 Kentucky Employees Retirement System or the County Employees Retirement
17 System after a one (1) month period following the member's initial retirement
18 date, the member may continue to receive his or her retirement allowance
19 during the period of reemployment subject to the following provisions:

20 1. Both the employee and participating agency shall certify in writing on a
21 form prescribed by the board that no prearranged agreement existed
22 between the employee and agency prior to the employee's retirement for
23 the employee to return to work with the participating agency. If an
24 elected official is reelected to a new term of office in the same position
25 and retires following the election but prior to taking the new term of
26 office, he or she shall be deemed by the system as having a prearranged
27 agreement under the provisions of this subparagraph and shall have his

- 1 or her retirement voided. If the participating agency or employer fail to
2 complete the certification, the member's retirement shall be voided and
3 the provisions of paragraph (c) of this subsection shall apply to the
4 member and the employer;
- 5 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
6 the contrary, the member shall not contribute to the systems and shall
7 not earn any additional benefits for any work performed during the
8 period of reemployment;
- 9 3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
10 shall pay employer contributions as specified by KRS 61.565 and 61.702
11 on all creditable compensation earned by the employee during the period
12 of reemployment. The additional contributions paid shall be used to
13 reduce the unfunded actuarial liability of the systems; and
- 14 4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
15 shall be required to reimburse the systems for the cost of the health
16 insurance premium paid by the systems to provide coverage for the
17 retiree, not to exceed the cost of the single premium;
- 18 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
19 who qualifies as a volunteer for an employer participating in one (1) of the
20 systems administered by Kentucky Retirement Systems and who is receiving
21 reimbursement of actual expenses, a nominal fee for his or her volunteer
22 services, or both, shall not be considered an employee of the participating
23 employer and shall not be subject to paragraphs (a) to (d) of this subsection if:
- 24 1. Prior to the retired member's most recent retirement date, he or she did
25 not receive creditable compensation from the participating employer in
26 which the retired member is performing volunteer services;
- 27 2. Any reimbursement or nominal fee received prior to the retired

1 member's most recent retirement date has not been credited as creditable
2 compensation to the member's account or utilized in the calculation of
3 the retired member's benefits;

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

8 4. Other than the status of volunteer, the retired member does not become
9 an employee, leased employee, or independent contractor of the
10 employer for which he or she is performing volunteer services for a
11 period of at least twenty-four (24) months following the retired
12 member's most recent retirement date.

13 If a retired member, who provided volunteer services with a participating
14 employer under this paragraph violates any provision of this paragraph, then
15 he or she shall be deemed an employee of the participating employer as of the
16 date he or she began providing volunteer services and both the retired member
17 and the participating employer shall be subject to paragraphs (a) to (d) of this
18 subsection for the period of volunteer service; and

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

24 1. Required to resign from his or her position as mayor or as a member of
25 the city legislative body in order to begin drawing benefits from the
26 Kentucky Employees Retirement System or the State Police Retirement
27 System; or

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

3 (18) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (17) of this
4 section, the following shall apply to retired members, retirees, or annuitants of
5 the systems or plans administered by the Kentucky Retirement Systems, the
6 Judicial Form Retirement System, and the Teachers' Retirement System, who
7 retire and begin drawing a retirement allowance on or after January 1, 2019, and
8 are reemployed on or after January 1, 2019, by an agency participating in the
9 systems administered by the Kentucky Retirement Systems:

10 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a retired
11 member is receiving a retirement allowance from the systems administered
12 by the Kentucky Retirement Systems and is reemployed in any position with
13 an agency participating in any of the systems administered by the Kentucky
14 Retirement Systems, regardless of whether or not the position is considered
15 regular full-time under KRS 61.510(21), 78.510(21), or paragraph (g) of
16 this subsection, within a three (3) month period following the member's
17 initial retirement date from the systems, the member's retirement shall be
18 voided and the member shall repay to the system all benefits received,
19 including any health insurance benefits. If the member's retirement is
20 voided as provided by this paragraph and the member has returned to work
21 in a position that is considered a regular full-time position in the systems
22 administered by Kentucky Retirement Systems as defined in KRS 61.510(21)
23 or 78.510(21), as applicable:

- 24 1. The member shall contribute to a member account established for him
25 or her in one (1) of the systems administered by the Kentucky
26 Retirement Systems and employer contributions shall be paid on
27 behalf of the member by the participating employer; and

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

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

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

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

1 reemployment;

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

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

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

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

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

22 (c) If a member is receiving a retirement allowance from the State Police
23 Retirement System or from hazardous duty retirement coverage with the
24 Kentucky Employees Retirement System or the County Employees
25 Retirement System or is a certified peace officer as provided in KRS
26 Chapter 15, and is reemployed in any position with an agency participating
27 in the systems or plans administered by the Kentucky Retirement Systems,

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

12 1. The member shall contribute to a member account established for him
13 or her in one (1) of the systems administered by the Kentucky
14 Retirement Systems and employer contributions shall be paid on
15 behalf of the 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, accumulated account
18 balance, and creditable compensation, including any additional
19 service, creditable compensation, or accumulated account balance
20 earned after his or her initial retirement was voided, subject to the
21 limitations of Section 4, 7, 12, or 38 of this Act;

22 (d) If a member is receiving a retirement allowance from the State Police
23 Retirement System or from hazardous duty retirement coverage with the
24 Kentucky Employees Retirement System or the County Employees
25 Retirement System or is a certified peace officer as provided in KRS
26 Chapter 15, and is reemployed with an agency participating in the systems
27 administered by the Kentucky Retirement Systems after a one (1) month

1 period following the member's initial retirement date from the system, the
2 member may continue to receive his or her retirement allowance during the
3 period of reemployment subject to the following provisions:

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

16 2. The member shall not contribute to the systems and shall not earn any
17 additional benefits for any work performed during the period of
18 reemployment; and

19 3. The employer shall pay the employer normal cost contributions as
20 specified by subsection (1)(b) of Section 18 of this Act and Section 30
21 of this Act on all creditable compensation earned by the employee
22 during the period of regular full-time reemployment, based upon the
23 system in which the member is reemployed. The employer normal cost
24 contributions shall be payable on the employee's behalf for the period
25 of regular full-time reemployment and shall be used to pay down the
26 unfunded liability of the systems;

27 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member

1 who qualifies as a volunteer for an employer participating in one (1) of the
2 systems administered by Kentucky Retirement Systems and who is receiving
3 reimbursement of actual expenses, a nominal fee for his or her volunteer
4 services, or both, shall not be considered an employee of the participating
5 employer and shall not be subject to paragraphs (a) to (d) of this subsection
6 if:

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

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

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

19 4. Other than the status of volunteer, the retired member does not
20 become an employee, leased employee, or independent contractor of
21 the employer for which he or she is performing volunteer services for
22 a period of at least twenty-four (24) months following the retired
23 member's most recent retirement date.

24 If a retired member, who provided volunteer services with a participating
25 employer under this paragraph violates any provision of this paragraph,
26 then he or she shall be deemed an employee of the participating employer as
27 of the date he or she began providing volunteer services, and both the

- 1 retired member and the participating employer shall be subject to
2 paragraphs (a) to (d) of this subsection for the period of volunteer service;
3 (f) Notwithstanding any provision of this section, any mayor or member of a
4 city legislative body who has not participated in the County Employees
5 Retirement System prior to retirement, but who is otherwise eligible to retire
6 from the Kentucky Employees Retirement System or the State Police
7 Retirement System, shall not be:
8 1. Required to resign from his or her position as mayor or as a member
9 of the city legislative body in order to begin drawing benefits from the
10 Kentucky Employees Retirement System or the State Police Retirement
11 System; or
12 2. Subject to any provision of this section as it relates solely to his or her
13 service as a mayor or member of the city legislative body; and
14 (g) For purposes of this subsection, "regular full-time" shall mean any
15 position that requires an average of one hundred (100) or more hours per
16 month over a calendar or fiscal year basis, except that in the case of
17 classified school board employees it shall be more than one hundred (100)
18 days of work during the fiscal year. Interim, temporary, or seasonal
19 positions as defined and time limited by subsection (21) of Section 14 of this
20 Act or subsection (21) of Section 15 of this Act shall not be considered
21 regular full-time.
22 (h) Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to the
23 contrary, an individual who retires and begins drawing a retirement
24 allowance from one (1) or more of the systems or plans administered by the
25 Teachers' Retirement System or the Judicial Form Retirement System on or
26 after January 1, 2019, who is reemployed with an agency participating in
27 one (1) of the systems administered by Kentucky Retirement Systems, shall

1 not be eligible to earn benefits in the Kentucky Employees Retirement
2 System, County Employees Retirement System, or the State Police
3 Retirement System for reemployment that occurs on or after January 1,
4 2019.

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

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

7 (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to
8 any deduction from his compensation required by KRS 6.500 to 6.535, 16.505 to
9 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions thereof.
10 Thereafter, employee contributions shall be picked up by the employer pursuant to
11 KRS 61.560(4).

12 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to
13 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:

14 1. Upon death, disability, or service retirement, a member's accounts under
15 the Legislators' Retirement Plan, State Police Retirement System,
16 Kentucky Employees Retirement System, County Employees Retirement
17 System, and Teachers' Retirement System, except for service prohibited
18 by KRS 161.623(2), shall be consolidated for the purpose of determining
19 eligibility and amount of benefits, including those members who
20 participate in the hybrid cash balance plan or 401(a) money purchase
21 plans within the Kentucky Employees Retirement System, the County
22 Employees Retirement System, ~~and the State Police Retirement~~
23 System, or the Teachers' Retirement System ~~[on or after January 1,~~
24 2014];

25 2. Vested service credit in a retirement system, other than the Teachers'
26 Retirement System, sponsored by a Kentucky institution of higher
27 education and accepted by the Kentucky Employees Retirement System

1 or the County Employees Retirement System, may be used to determine
2 eligibility for twenty-seven (27) year retirement for an employee who
3 begins participating before September 1, 2008, but not the amount of
4 benefits;

5 3. The computation of benefits shall be based on the applicable formula in
6 each system and service credit in each system, but the final
7 compensation, excluding compensation earned under KRS 161.155(10),
8 shall be determined as if all service were in one (1) system;

9 4. If the member has prior service in more than one (1) system
10 administered by Kentucky Retirement Systems, he shall obtain at least
11 twelve (12) months' current service in each system in which he has prior
12 service in order to validate the prior service in each system for purposes
13 of determining consolidated benefits under this subsection; and

14 5. Upon the determination of benefits, each system shall pay the applicable
15 amount of benefits due the member.

16 (b) The provisions of paragraph (a) of this subsection shall be waived if the
17 member:

18 1. Notifies the system of his desire to maintain separate retirement
19 accounts in the State Police Retirement System, Kentucky Employees
20 Retirement System, or County Employees Retirement System; or

21 2. Fails to simultaneously retire from all state-administered retirement
22 systems in which the member has an account or fails to retire from any
23 other systems not administered by Kentucky Retirement Systems within
24 one (1) month of the member's effective retirement date in the systems
25 administered by Kentucky Retirement Systems.

26 (c) If the member has not contributed at least one (1) year in a system in which he
27 has prior service, his current service in the system shall be valid for purposes

1 of determining eligibility and in computation of benefits on a consolidated
2 basis.

3 (3) (a) A member with service credit in the Kentucky Employees Retirement System,
4 State Police Retirement System, or the County Employees Retirement System
5 who becomes the holder of an office entitling him to membership in the
6 Judicial Retirement Plan or the Legislators' Retirement Plan, but who does not
7 elect within thirty (30) days after taking office in such service to participate in
8 the plan, in accordance with KRS 6.505 or 21.360, shall be deemed to have
9 elected to retain membership in the system in which he is a member, either the
10 Kentucky Employees Retirement System, State Police Retirement System, or
11 the County Employees Retirement System. In that event, the agency
12 employing the member shall withhold employee contributions, or picked-up
13 employee contributions after August 2, 1982, make employer contributions
14 and remit these contributions to the system in which the member retained his
15 membership.

16 (b) Any person entitled to membership in the Judicial Retirement Plan or the
17 Legislators' Retirement Plan, who does not elect within thirty (30) days after
18 taking office to participate in the plan, in accordance with KRS 6.505 or
19 21.360, and who at the time of taking office is not a contributing member of,
20 or does not have service credit in, any of the retirement systems mentioned in
21 this section, or the Teachers' Retirement System, shall participate in the
22 Kentucky Employees Retirement System.

23 (c) A member of one (1) of the state-administered retirement plans who ceases to
24 contribute to the plan as provided in KRS 21.360 and who is employed in a
25 nonelected position by an agency participating in the Kentucky Retirement
26 Systems or Kentucky Teachers' Retirement System shall be deemed to have
27 elected membership in the system in which the employer of the nonelected

1 position participates. A member of one (1) of the state-administered
2 retirement plans who ceases to contribute to the plan as provided in KRS
3 21.360 and who is not employed in a nonelected position by an agency
4 participating in the Kentucky Retirement Systems shall be deemed to have
5 elected membership in the Kentucky Employees Retirement System.

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

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

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

1 transferred to the Legislators' Retirement Plan, as provided for in KRS 6.535,
2 when the member elects to join the Legislators' Retirement Plan, and service
3 credit in the Legislators' Retirement Plan shall be granted as provided for in
4 KRS 6.505(5).

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

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

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

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

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

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

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

25 (1) (a) 1. The board of trustees of Kentucky Retirement Systems shall arrange by
26 appropriate contract or on a self-insured basis to provide a group
27 hospital and medical insurance plan for present and future recipients of a

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

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

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

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

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

25 c. A medical insurance reimbursement program established by the
26 board through the promulgation of administrative regulation under
27 which members purchase individual health insurance coverage

1 through a health insurance exchange established under 42 U.S.C.
2 sec. 18031 or 18041.

3 (b) The board may authorize present and future recipients of a retirement
4 allowance from any of the three (3) retirement systems to be included in the
5 state employees' group for hospital and medical insurance and shall provide
6 benefits for recipients equal to those provided to state employees having the
7 same Medicare hospital and medical insurance eligibility status, except as
8 provided in subsection (8) of this section. Notwithstanding the provisions of
9 any other statute, recipients shall be included in the same class as current state
10 employees in determining medical insurance policies and premiums.

11 (c) For recipients of a retirement allowance who are not eligible for the same
12 level of hospital and medical benefits as recipients living in Kentucky having
13 the same Medicare hospital and medical insurance eligibility status, the board
14 shall provide a medical insurance reimbursement plan as described in
15 subsection (7) of this section.

16 (d) Notwithstanding anything in KRS Chapter 61 to the contrary, the board of
17 trustees, in its discretion, may take necessary steps to ensure compliance with
18 42 U.S.C. secs. 300bb-1 et seq., including but not limited to receiving
19 contributions and premiums from, and providing benefits pursuant to this
20 section to, persons entitled to continuation coverage under 42 U.S.C. secs.
21 300bb-1 et seq., regardless of whether such persons are recipients of a
22 retirement allowance.

23 (2) (a) Each employer participating in the State Police Retirement System as
24 provided for in KRS 16.505 to 16.652, each employer participating in the
25 County Employees Retirement System as provided in KRS 78.510 to 78.852,
26 and each employer participating in the Kentucky Employees Retirement
27 System as provided for in KRS 61.510 to 61.705 shall contribute to the

1 Kentucky Retirement Systems insurance trust fund the amount necessary to
2 provide hospital and medical insurance as provided for under this section.
3 Such employer contribution rate shall be developed by appropriate actuarial
4 method as a part of the determination of each respective employer
5 contribution rate to each respective retirement system determined under KRS
6 61.565.

- 7 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
8 from the creditable compensation of each member having a membership
9 date on or after September 1, 2008, and effective January 1, 2019, of
10 each member having a membership date on or after July 1, 2003, but
11 prior to September 1, 2008, an amount equal to one percent (1%) of the
12 member's creditable compensation.

13 The deducted amounts shall be credited to accounts established pursuant
14 to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510,
15 61.515, and 78.520.

- 16 2. The employer shall file the contributions as provided by subparagraph 1.
17 of this paragraph at the retirement office in accordance with KRS 61.675
18 and 78.625. Any interest or penalties paid on any delinquent
19 contributions shall be credited to accounts established pursuant to 26
20 U.S.C. sec. 401(h), within the funds established in KRS 16.510, 61.515,
21 and 78.520. Notwithstanding any minimum compensation requirements
22 provided by law, the deductions provided by this paragraph shall be
23 made, and the compensation of the member shall be reduced
24 accordingly.

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

- 1 4. Every member shall be deemed to consent and agree to the deductions
2 made pursuant to this paragraph, and the payment of salary or
3 compensation less the deductions shall be a full and complete discharge
4 of all claims for services rendered by the person during the period
5 covered by the payment, except as to any benefits provided by KRS
6 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. No member
7 may elect whether to participate in, or choose the contribution amount to
8 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
9 established in KRS 16.510, 61.515, and 78.520. The member shall have
10 no option to receive the contribution required by this paragraph directly
11 instead of having the contribution paid to accounts established pursuant
12 to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,
13 61.515, and 78.520. No member may receive a rebate or refund of
14 contributions. If a member establishes a membership date prior to
15 September 1, 2008, pursuant to KRS 61.552(1) or 61.552(20), then this
16 paragraph shall not apply to the member and all contributions previously
17 deducted in accordance with this paragraph shall be refunded to the
18 member without interest. The contribution made pursuant to this
19 paragraph shall not act as a reduction or offset to any other contribution
20 required of a member or recipient under KRS 16.505 to 16.652, 61.510
21 to 61.705, and 78.510 to 78.852.
- 22 5. The board of trustees, at its discretion, may direct that the contributions
23 required by this paragraph be accounted for within accounts established
24 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
25 16.510, 61.515, and 78.520 through the use of separate accounts.
- 26 (3) (a) The premium required to provide hospital and medical benefits under this
27 section shall be paid:

- 1 1. Wholly or partly from funds contributed by the recipient of a retirement
2 allowance, by payroll deduction, or otherwise;
- 3 2. Wholly or partly from funds contributed by the Kentucky Retirement
4 Systems insurance trust fund;
- 5 3. Wholly or partly from funds contributed to 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;
- 8 4. Wholly or partly from funds contributed by another state-administered
9 retirement system under a reciprocal arrangement, except that any
10 portion of the premium paid from the Kentucky Retirement Systems
11 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
12 401(h) within the funds established in KRS 16.510, 61.515, and 78.520
13 under a reciprocal agreement shall not exceed the amount that would be
14 payable under this section if all the member's service were in one (1) of
15 the systems administered by the Kentucky Retirement Systems;
- 16 5. Partly from subparagraphs 1. to 4. of this paragraph, except that any
17 premium for hospital and medical insurance over the amount contributed
18 by the Kentucky Retirement Systems insurance trust fund; accounts
19 established pursuant to 26 U.S.C. sec. 401(h) within the funds
20 established in KRS 16.510, 61.515, and 78.520; or another state-
21 administered retirement system under a reciprocal agreement shall be
22 paid by the recipient by an automatic electronic transfer of funds. If the
23 board provides for cross-referencing of insurance premiums, the
24 employer's contribution for the working member or spouse shall be
25 applied toward the premium, and the Kentucky Retirement Systems
26 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
27 401(h) within the funds established in KRS 16.510, 61.515, and 78.520

1 shall pay the balance, not to exceed the monthly contribution; or

2 6. In full from the Kentucky Retirement Systems insurance trust fund or

3 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds

4 established in KRS 16.510, 61.515, and 78.520 for all recipients of a

5 retirement allowance from any of the three (3) retirement systems where

6 such recipient is a retired former member of one (1) or more of the three

7 (3) retirement systems (not a beneficiary or dependent child receiving

8 benefits) and had two hundred and forty (240) months or more of service

9 upon retirement. Should such recipient have less than two hundred forty

10 (240) months of service but have at least one hundred eighty (180)

11 months of service, seventy-five percent (75%) of such premium shall be

12 paid from the insurance trust fund or accounts established pursuant to 26

13 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,

14 and 78.520, provided such recipient agrees to pay the remaining twenty-

15 five percent (25%) by payroll deduction from his retirement allowance

16 or by another method. Should such recipient have less than one hundred

17 eighty (180) months of service but have at least one hundred twenty

18 (120) months of service, fifty percent (50%) of such premium shall be

19 paid from the insurance trust fund or accounts established pursuant to 26

20 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,

21 and 78.520, provided such recipient agrees to pay the remaining fifty

22 percent (50%) by payroll deduction from his retirement allowance or by

23 another method. Should such recipient have less than one hundred

24 twenty (120) months of service but have at least forty-eight (48) months

25 of service, twenty-five percent (25%) of such premium shall be paid

26 from the insurance trust fund or accounts established pursuant to 26

27 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,

1 and 78.520, provided such recipient agrees to pay the remaining seventy-
2 five percent (75%) by payroll deduction from his retirement allowance
3 or by another method. Notwithstanding the foregoing provisions of this
4 subsection, an employee participating in one (1) of the retirement
5 systems administered by the Kentucky Retirement Systems who
6 becomes disabled in the line of duty as defined in KRS 16.505(19) or
7 61.621, shall have his premium paid in full as if he had two hundred
8 forty (240) months or more of service. Further, an employee
9 participating in one (1) of the retirement systems administered by the
10 Kentucky Retirement Systems who is killed in the line of duty as
11 defined in KRS 16.505(19) or 61.621, shall have the premium for the
12 beneficiary, if the beneficiary is the member's spouse, and for each
13 dependent child paid so long as they individually remain eligible for a
14 monthly retirement benefit. "Months of service" as used in this section
15 shall mean the total months of combined service used to determine
16 benefits under any or all of the three (3) retirement systems, except
17 service added to determine disability benefits shall not be counted as
18 "months of service." For current and former employees of the Council
19 on Postsecondary Education who were employed prior to January 1,
20 1993, and who earn at least fifteen (15) years of service credit in the
21 Kentucky Employees Retirement System, "months of service" shall also
22 include vested service in another retirement system other than the
23 Kentucky Teachers' Retirement System sponsored by the Council on
24 Postsecondary Education.

- 25 (b) 1. For a member electing insurance coverage through the Kentucky
26 Retirement Systems, "months of service" shall include, in addition to
27 service as described in paragraph (a) of this subsection, service credit in

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

1 exceed one hundred percent (100%) of the monthly contribution rate
2 toward hospital and medical insurance coverage approved by the board
3 of trustees of the Kentucky Retirement Systems.

4 (4) (a) Group rates under the hospital and medical insurance plan shall be made
5 available to the spouse, each dependent child, and each disabled child,
6 regardless of the disabled child's age, of a recipient who is a former member
7 or the beneficiary, if the premium for the hospital and medical insurance for
8 the spouse, each dependent child, and each disabled child, or beneficiary is
9 paid by payroll deduction from the retirement allowance or by another
10 method. For purposes of this subsection only, a child shall be considered
11 disabled if he has been determined to be eligible for federal Social Security
12 disability benefits or meets the dependent disability standard established by
13 the Department of Employee Insurance in the Personnel Cabinet.

14 (b) The other provisions of this section notwithstanding, the insurance trust fund
15 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
16 established in KRS 16.510, 61.515, and 78.520 shall pay a percentage of the
17 monthly contribution for the spouse and for each dependent child of a
18 recipient who was a member of the General Assembly and is receiving a
19 retirement allowance based on General Assembly service, of the Kentucky
20 Employees Retirement System and determined to be in a hazardous position,
21 of the County Employees Retirement System, and determined to be in a
22 hazardous position or of the State Police Retirement System. The percentage
23 of the monthly contribution paid for the spouse and each dependent child of a
24 recipient who was in a hazardous position shall be based solely on the
25 member's service with the State Police Retirement System or service in a
26 hazardous position using the formula in subsection (3)(a) of this section,
27 except that for any recipient of a retirement allowance from the County

1 Employees Retirement System who was contributing to the system on January
2 1, 1998, for service in a hazardous position, the percentage of the monthly
3 contribution shall be based on the total of hazardous service and any
4 nonhazardous service as a police or firefighter with the same agency, if that
5 agency was participating in the County Employees Retirement System but did
6 not offer hazardous duty coverage for its police and firefighters at the time of
7 initial participation.

8 (c) The insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
9 401(h) within the funds established in KRS 16.510, KRS 61.515, and 78.520
10 shall continue the same level of coverage for a recipient who was a member of
11 the County Employees Retirement System after the age of sixty-five (65) as
12 before the age of sixty-five (65), if the recipient is not eligible for Medicare
13 coverage. If the insurance trust fund or accounts established pursuant to 26
14 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and
15 78.520 provides coverage for the spouse or each dependent child of a former
16 member of the County Employees Retirement System, the insurance trust fund
17 or 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 shall continue the same level
19 of coverage for the spouse or each dependent child after the age of sixty-five
20 (65) as before the age of sixty-five (65), if the spouse or dependent child is not
21 eligible for Medicare coverage.

22 (5) After July 1, 1998, notwithstanding any other provision to the contrary, a member
23 who holds a judicial office but did not elect to participate in the Judicial Retirement
24 Plan and is participating instead in the Kentucky Employees Retirement System, the
25 County Employees Retirement System, or the State Police Retirement System, as
26 provided in KRS 61.680, and who has at least twenty (20) years of total service,
27 one-half (1/2) of which is in a judicial office, shall receive the same hospital and

1 medical insurance benefits, including paid benefits for spouse and dependents, as
2 provided to persons retiring under the provisions of KRS 21.427. The
3 Administrative Office of the Courts shall pay the cost of the medical insurance
4 benefits provided by this subsection.

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

12 (7) The board shall promulgate an administrative regulation to establish a medical
13 insurance reimbursement plan to provide reimbursement for hospital and medical
14 insurance premiums of recipients of a retirement allowance who are not eligible for
15 the same level of hospital and medical benefits as recipients living in Kentucky and
16 having the same Medicare hospital and medical insurance eligibility status. An
17 eligible recipient shall file proof of payment for hospital and medical insurance at
18 the retirement office. Reimbursement to eligible recipients shall be made on a
19 quarterly basis. The recipient shall be eligible for reimbursement of substantiated
20 medical insurance premiums for an amount not to exceed the total monthly
21 premium determined under subsection (3) of this section. The plan shall not be
22 made available if all recipients are eligible for the same coverage as recipients
23 living in Kentucky.

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

1 administered retirement systems.

2 2. For an employee having a membership date on or after September 1,
3 2008, participation in the insurance benefits provided under this section
4 shall not be allowed until the employee has earned at least one hundred
5 eighty (180) months of service credited under KRS 16.543(1),
6 61.543(1), or 78.615(1) or another state-administered retirement system.

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

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

12 2. For employees who are in a hazardous position or who participate in the
13 State Police Retirement System, a monthly insurance contribution of
14 fifteen dollars (\$15) for each year of service as a participating employee
15 in a hazardous position or as a participating member of the State Police
16 Retirement System. Upon the death of the retired member, the
17 beneficiary, if the beneficiary is the member's spouse, shall be entitled to
18 a monthly insurance contribution of ten dollars (\$10) for each year of
19 service the member attained as a participating employee in a hazardous
20 position or as a participating member of the State Police Retirement
21 System.

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

- 1 2. The minimum service required to participate in benefits as provided by
2 paragraph (a) of this subsection shall be waived for a member who is
3 disabled in the line of duty as defined in KRS 61.621, and the member
4 shall be entitled to the benefits payable under this subsection as though
5 the member has twenty (20) years of service in a nonhazardous position.
- 6 3. The minimum service required to participate in benefits as provided by
7 paragraph (a) of this subsection shall be waived for a member who is
8 killed in the line of duty as described in KRS 61.621, and the member's
9 spouse and eligible dependents shall be entitled to the benefits payable
10 under this subsection as though the member has twenty (20) years of
11 service in a hazardous position.
- 12 (d) The monthly insurance contribution amount shall be increased July 1 of each
13 year by one and one-half percent (1.5%). The increase shall be cumulative and
14 shall continue to accrue after the member's retirement for as long as a monthly
15 insurance contribution is payable to the retired member or beneficiary.
- 16 (e) The benefits of this subsection provided to a member whose participation
17 begins on or after July 1, 2003, shall not be considered as benefits protected
18 by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The
19 General Assembly reserves the right to suspend or reduce the benefits
20 conferred in this subsection if in its judgment the welfare of the
21 Commonwealth so demands.
- 22 (f) An employee whose membership date is on or after September 1, 2008, who
23 retires and is reemployed in a regular full-time position required to participate
24 in one (1) of the systems administered by Kentucky Retirement Systems shall
25 not be eligible for health insurance coverage or benefits provided by this
26 section and shall take coverage with his or her employing agency during the
27 period of reemployment in a regular full-time position.

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

- 2 (1) Upon the death of a retired member of the Kentucky Employees Retirement System,
3 County Employees Retirement System, or State Police Retirement System who was
4 receiving a monthly retirement allowance based on a minimum of forty-eight (48)
5 months of service or whose retirement allowance based on a minimum of forty-
6 eight (48) months was suspended in accordance with KRS 61.637, a death benefit
7 of five thousand dollars (\$5,000) shall be paid. If the retired member had more than
8 one (1) account in the Kentucky Employees Retirement System, County Employees
9 Retirement System, or State Police Retirement System, the system shall pay only
10 one (1) five thousand dollar (\$5,000) death benefit. Application for the death benefit
11 made to the Kentucky Retirement Systems shall include acceptable evidence of
12 death and of the eligibility of the applicant to act on the deceased retired member's
13 behalf.
- 14 (2) The death benefit shall be paid to a beneficiary named by the retired member. Upon
15 retirement or any time thereafter, the retired member may designate on the form
16 prescribed by the board, death benefit designation, a person, the retired member's
17 estate, a trust or trustee, or a licensed funeral home, as the beneficiary of the death
18 benefit. The beneficiary for the death benefit may or may not be the same
19 beneficiary designated in accordance with KRS 61.590(1). If the beneficiary
20 designated under this section is a person and that person dies prior to the member,
21 or if the beneficiary was the retired member's spouse and they were divorced on the
22 date of the retired member's death, then the retired member's estate shall become the
23 beneficiary, unless the retired member has filed a subsequent death benefit
24 designation. If a licensed funeral home is designated as beneficiary and the licensed
25 funeral home cannot be reasonably identified or located by Kentucky Retirement
26 Systems at the time of the retired member's death, then the retired member's estate
27 shall become the beneficiary of the death benefit.

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

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

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

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

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

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

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

23 (2) (a) For members who begin participating in the State Police Retirement System
24 on or after January 1, 2014, the General Assembly reserves the right to amend,
25 suspend, or reduce the benefits and rights provided under KRS 16.505 to
26 16.652 if, in its judgment, the welfare of the Commonwealth so demands,
27 except that the amount of benefits the member has accrued at the time of

1 amendment, suspension, or reduction shall not be affected.

2 (b) For purposes of this subsection, the amount of benefits the member has
3 accrued at the time of amendment, suspension, or reduction shall be limited to
4 the accumulated account balance the member has accrued at the time of
5 amendment, suspension, or reduction.

6 (c) The provisions of this subsection shall not be construed to limit the General
7 Assembly's authority to change any other benefit or right specified by KRS
8 16.505 to 16.652, for members who begin participating in the State Police
9 Retirement System on or after January 1, 2014, except the benefits specified
10 by paragraph (b) of this subsection.

11 (3) The provisions of this section shall not be construed to limit the General Assembly's
12 authority to amend, reduce, or suspend the benefits and rights of members of the
13 State Police Retirement System as provided by KRS 16.505 to 16.652 that the
14 General Assembly had the authority to amend, reduce, or suspend, prior to July 1,
15 2013.

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

17 (1) For members who begin participating in the Kentucky Employees Retirement
18 System prior to January 1, 2014, it is hereby declared that in consideration of the
19 contributions by the members and in further consideration of benefits received by
20 the state from the member's employment, KRS 61.510 to 61.705 shall~~[-, except as~~
21 ~~provided in KRS 6.696 effective September 16, 1993,]~~ constitute an inviolable
22 contract of the Commonwealth, and the benefits provided therein shall~~[-, except as~~
23 ~~provided in KRS 6.696,]~~ not be subject to reduction or impairment by alteration,
24 amendment, or repeal, except:

25 (a) As provided in KRS 6.696; and

26 (b) The General Assembly reserves the right to amend, reduce, or suspend any
27 legislative changes to the provisions of KRS 61.510 to 61.705 that become

1 *effective on or after July 1, 2018.*

- 2 (2) (a) For members who begin participating in the Kentucky Employees Retirement
3 System on or after January 1, 2014, the General Assembly reserves the right to
4 amend, suspend, or reduce the benefits and rights provided under KRS 61.510
5 to 61.705 if, in its judgment, the welfare of the Commonwealth so demands,
6 except that the amount of benefits the member has accrued at the time of
7 amendment, suspension, or reduction shall not be affected.
- 8 (b) For purposes of this subsection, the amount of benefits the member has
9 accrued at the time of amendment, suspension, or reduction shall be limited to
10 the accumulated account balance the member has accrued at the time of
11 amendment, suspension, or reduction.
- 12 (c) The provisions of this subsection shall not be construed to limit the General
13 Assembly's authority to change any other benefit or right specified by KRS
14 61.510 to 61.705, except the benefits specified by paragraph (b) of this
15 subsection, for members who begin participating in the Kentucky Employees
16 Retirement System on or after January 1, 2014.
- 17 (3) The provisions of this section shall not be construed to limit the General Assembly's
18 authority to amend, reduce, or suspend the benefits and rights of members of the
19 Kentucky Employees Retirement System as provided by KRS 61.510 to 61.705 that
20 the General Assembly had the authority to amend, reduce, or suspend, prior to July
21 1, 2013.

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

- 23 (1) For members who begin participating in the County Employees Retirement System
24 prior to January 1, 2014, it is hereby declared that in consideration of the
25 contributions by the members and in further consideration of benefits received by
26 the county from the member's employment, KRS 78.510 to 78.852 shall, ~~except as~~
27 ~~provided in KRS 6.696 effective September 16, 1993,~~ constitute an inviolable

1 contract of the Commonwealth, and the benefits provided therein shall ~~not~~, ~~except as~~
2 ~~provided in KRS 6.696,~~ not be subject to reduction or impairment by alteration,
3 amendment, or repeal, except:

4 (a) As provided in KRS 6.696; and

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

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

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

18 (c) The provisions of this subsection shall not be construed to limit the General
19 Assembly's authority to change any other benefit or right specified by KRS
20 78.510 to 78.852, except the benefits specified by paragraph (b) of this
21 subsection, for members who begin participating in the County Employees
22 Retirement System on or after January 1, 2014.

23 (3) The provisions of this section shall not be construed to limit the General Assembly's
24 authority to amend, reduce, or suspend the benefits and rights of members of the
25 County Employees Retirement System as provided by KRS 78.510 to 78.852 that
26 the General Assembly had the authority to amend, reduce, or suspend, prior to July
27 1, 2013.

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

- 2 (1) Upon disability retirement, except as provided by subsection (2) of this section, an
3 employee may receive an annual retirement allowance payable monthly during his
4 lifetime which shall be determined in the same manner as for retirement at his
5 normal retirement date with years of service and final compensation being
6 determined as of the date of his disability except that service credit shall be added to
7 the person's total service beginning with his last date of paid employment and
8 continuing to his sixty-fifth birthday; however, the maximum service credit added
9 shall not exceed the total service the person had upon his last day of paid
10 employment, and the maximum combined service credit for calculating his
11 disability retirement allowance, including total service and added service shall not
12 exceed twenty-five (25) years. If, however, a person has accumulated twenty-five
13 (25) or more years of total service, he shall receive added service necessary to bring
14 his combined service credit, including total and added service, to twenty-seven (27)
15 years.
- 16 (2) (a) For a member whose participation begins on or after August 1, 2004, but prior
17 to January 1, 2014, the disability retirement allowance shall be the higher of
18 twenty percent (20%) of the member's monthly final rate of pay or the
19 retirement allowance determined in the same manner as for retirement at his
20 normal retirement date with years of service and final compensation being
21 determined as of the date of his disability.
- 22 (b) For a member who begins participating on or after January 1, 2014, in the
23 hybrid cash balance plan as provided by KRS 61.597 or who elects to
24 participate in the 401(a) money purchase plan as provided by Section 7, 12,
25 or 38 of this Act, the disability retirement allowance shall be the higher of
26 twenty percent (20%) of the member's monthly final rate of pay or the
27 retirement allowance determined in the same manner as for retirement at his

1 or her normal retirement date under KRS 61.597 or Section 12 of this Act, as
2 applicable.

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

- 4 (1) If a member dies prior to the first day of the month in which the member would
5 have received his or her first retirement allowance, the member's beneficiary shall
6 be eligible for the benefits provided by this section if the member had on file a
7 written designation of a beneficiary with the retirement office as provided by KRS
8 61.542 and the member met the following conditions at the date of his or her death:
- 9 (a) The member was eligible to retire under KRS 61.559(2) or (3), ~~or~~
10 61.597(6)(a) or (b), or subsection (5)(a) or (b) of Section 12 of this Act;
- 11 (b) The member was in active employment or on authorized leave of absence with
12 five (5) or more years of service credit and died prior to his or her normal
13 retirement date or was normal retirement age or older and had at least four (4)
14 years of service credit; or
- 15 (c) The member was not in active employment or on authorized leave of absence
16 with twelve (12) or more years of service credit and died prior to his or her
17 normal retirement date.
- 18 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
19 a single person, then the beneficiary may elect to receive:
- 20 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
21 benefit that would have been paid had the member retired immediately prior
22 to his or her date of death and elected to receive benefits payable under the
23 survivorship one hundred percent (100%) option as provided in KRS
24 61.635(2);
- 25 (b) A monthly benefit payable for the life of the beneficiary under the beneficiary
26 Social Security adjustment option as provided in KRS 61.635(9) that is the
27 actuarial equivalent to the amount computed under paragraph (a) of this

1 subsection;

2 (c) A monthly benefit payable for a period of sixty (60) months that is the
3 actuarial equivalent to the amount computed under paragraph (a) of this
4 subsection;

5 (d) A monthly benefit payable for a period of one hundred twenty (120) months
6 that is the actuarial equivalent to the amount computed under paragraph (a) of
7 this subsection;

8 (e) If the member began participating in the system prior to January 1, 2014, a
9 monthly benefit payable for a period of one hundred twenty (120) months that
10 is equivalent to the benefit the member would have been entitled to receive
11 based on his or her years of service and final compensation at the date of his
12 or her death reduced by the survivorship fifty percent (50%) factor as provided
13 for in KRS 61.635(4), then reduced by fifty percent (50%), and that is the
14 actuarial equivalent to the amount computed under paragraph (a) of this
15 subsection; or

16 (f) The higher of a refund of the member's accumulated account balance as
17 described in KRS 61.625(1) or one (1) time lump-sum payment which shall be
18 the actuarial equivalent of the amount payable under paragraph (a) of this
19 subsection for a period of sixty (60) months.

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

25 (4) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
26 the member's estate, then the beneficiary shall receive the higher of a refund of the
27 member's accumulated account balance as described in KRS 61.625(1) or the one

1 (1) time lump-sum payment payable under subsection (2)(f) of this section, using
2 the assumption that the beneficiary's age is the same as the member's age.

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

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

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

15 (2) A member who begins participating before September 1, 2008, who is sixty-five
16 (65) years of age or older is eligible for a retirement allowance determined under
17 KRS 61.595 provided such member has forty-eight (48) months of service, at least
18 twelve (12) of which are current service, or a retirement allowance determined
19 under KRS 61.595 prior to age sixty-five (65) provided:

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

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

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

27 (d) The member has thirty (30) or more years of service at least fifteen (15) of

1 which are current service, or the member of the Kentucky Employees
2 Retirement System or the County Employees Retirement System has twenty-
3 seven (27) or more years of service, at least fifteen (15) of which are current
4 service; or

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

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

15 (3) A member who begins participating on or after September 1, 2008, but prior to
16 January 1, 2014, is eligible for a retirement allowance determined under KRS
17 61.595 if:

18 (a) The member is sixty-five (65) years of age or older and has at least five (5)
19 years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or
20 another state-administered retirement system;

21 (b) The member is fifty-seven (57) years of age or older and has an age and years
22 of service total of at least eighty-seven (87) years. The years of service used to
23 determine eligibility for a retirement allowance under this paragraph shall only
24 include years of service credited under KRS 16.543(1), 61.543(1), or
25 78.615(1) or another state-administered retirement system; or

26 (c) The member is sixty (60) years of age or older and has at least ten (10) years
27 of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another

1 state-administered retirement system.

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

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

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

9 (1) Subject to the provisions of this section, any participating member who began
10 participating in a nonhazardous position in the Kentucky Employees Retirement
11 System ~~or~~ the County Employees Retirement System~~, or the State Police~~
12 ~~Retirement System~~ prior to July 1, 2019~~[January 1, 2014]~~, may on or after July 1,
13 2019, but prior to January 1, 2021,~~[in lieu of the benefits he or she is currently~~
14 ~~eligible to receive from the systems,]~~ elect to be provided the following benefits:

15 (a) Participation in the 401(a) money purchase plan provided by Section 12 of
16 this Act in lieu of accruing any additional benefits provided by subsection
17 (14) of Section 14 of this Act, subsection (14) of Section 15 of this Act, or
18 Section 19 or 27 of this Act~~[receive the benefits and rights provided to~~
19 ~~members who began participating in the systems on or after January 1, 2014,~~
20 ~~including participating in the hybrid cash balance plan created pursuant to~~
21 ~~KRS 61.597 for members in nonhazardous duty positions or pursuant to KRS~~
22 ~~16.583 for members in hazardous duty positions, as applicable]; and~~

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

27 (2) The election provided by this section shall be made in writing and on a form

1 prescribed by the Kentucky Retirement Systems board;

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

3 ~~(a) —~~any service credit, *final compensation, or other benefits* the member has
4 accrued prior to *the effective election date* ~~[January 1, 2014]~~, *shall remain but*
5 *the member shall not accrue any additional service, final compensation, or*
6 *any other benefits in a nonhazardous position in the Kentucky Employees*
7 *Retirement System or County Employees Retirement System on or after the*
8 *effective election date for purposes of determining benefits under subsection*
9 *(14) of Section 14 of this Act, subsection (14) of Section 15 of this Act, or*
10 *Section 19 or 27 of this Act* ~~[-~~ shall be considered as service credit earned on or
11 after January 1, 2014, for purposes of determining benefits under KRS 16.505
12 to 16.652, 61.510 to 61.705, and 78.510 to 78.852;

13 ~~(b) — On the member's effective election date, the value of the member's~~
14 ~~accumulated contributions, less any interest, shall be deposited into the~~
15 ~~member's hybrid cash balance account as provided by KRS 16.583[- or]~~
16 ~~61.597, as applicable, and considered part of the member's accumulated~~
17 ~~account balance;~~

18 ~~(c) — On the member's effective election date, an employer pay credit as provided~~
19 ~~by KRS 16.583 or 61.597, as applicable, shall be added to the member's~~
20 ~~accumulated account balance for each month the member contributed to the~~
21 ~~Kentucky Employees Retirement System, the County Employees Retirement~~
22 ~~System, or the State Police Retirement System prior to his or her effective~~
23 ~~election date; and~~

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

27 (4) Before accepting an election provided by this section, the Kentucky Retirement

1 Systems board shall provide the member with information detailing the potential
2 results of the member's election;

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

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

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

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

13 (7) This section shall not apply to retirees who were reemployed on or after September
14 1, 2008, and who are not eligible to participate in the systems during reemployment.

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

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

17 ~~(a)(1)~~ Have any interest, direct or indirect, in the gains or profits of any
18 investment or any other legal, business, or financial transaction made by the
19 board, save insofar as any such trustee or employee may be a member,
20 employee, or beneficiary of the retirement system;

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

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

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

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

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

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

13 (2) No trustee or employee of the board of trustees, who has served as a trustee or
14 employee of the board on or after July 1, 2017, shall have any interest, direct or
15 indirect, in the gains or profits of any investment or any other legal, business, or
16 financial transaction made by the board of trustees for a period of five (5) years
17 following termination of his or her position, except that any such trustee or
18 employee may be a member, employee, or beneficiary of the systems administered
19 by Kentucky Retirement Systems.

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

27 (b) No person who was serving as a member of the General Assembly on or

1 after July 1, 2017, or was serving as a public servant as defined by
2 subsection (9) of Section 83 of this Act on or after July 1, 2017, shall have
3 any interest, direct or indirect, in the gains or profits of any investment or
4 any other legal, business, or financial transaction made by the board of
5 trustees for a period of five (5) years following termination of his or her
6 position, except that any such member or public servant may be a member,
7 employee, or beneficiary of the systems administered by Kentucky
8 Retirement Systems.

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

- 10 (1) A member of the State Police Retirement System, a member of the Kentucky
11 Employees Retirement System in a hazardous duty position covered by this section,
12 or a member of the County Employees Retirement System in a hazardous duty
13 position covered by this section, whose participation begins on or after January 1,
14 2014, ~~for a member making an election pursuant to KRS 61.5955,]~~shall receive the
15 retirement benefits provided by this section in lieu of the retirement benefits
16 provided under KRS 16.576 and 16.577. The retirement benefit provided by this
17 section shall be known as the hybrid cash balance plan and shall operate as another
18 benefit tier within the State Police Retirement System, the Kentucky Employees
19 Retirement System, and the County Employees Retirement System.
- 20 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the
21 member's accumulated account balance, which shall include:
- 22 (a) Contributions made by the member as provided by KRS 16.505 to 16.652,
23 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions
24 prescribed by KRS 61.702(2)(b);
- 25 (b) An employer pay credit of seven and one-half percent (7.5%) of the creditable
26 compensation earned by the employee for each month the employee is
27 contributing to the hybrid cash balance plan provided by this section; and

- 1 (c) Interest credits added annually to the member's accumulated account balance
2 as provided by this section.
- 3 (3) (a) Member contributions and employer pay credits as provided by subsection
4 (2)(a) and (b) of this section shall be credited to the member's account
5 monthly as contributions are reported and posted to the system in accordance
6 with KRS 61.675 and 78.625.
- 7 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be
8 credited to the member's account annually on June 30 of each fiscal year, as
9 determined by subsection (4) of this section.
- 10 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
11 contributed to the hybrid cash balance plan during the fiscal year.
- 12 (b) If the member contributed to the hybrid cash balance plan during the fiscal
13 year, the interest credit added to the member's account for that fiscal year shall
14 be determined by multiplying the member's accumulated account balance on
15 June 30 of the preceding fiscal year by a percentage increase equal to:
- 16 1. Four percent (4%); plus
17 2. Seventy-five percent (75%) of the system's geometric average net
18 investment return in excess of a four percent (4%) rate of return.
- 19 (c) If the member did not contribute to the hybrid cash balance plan during the
20 fiscal year, the interest credit added to the member's account for that fiscal
21 year shall be determined by multiplying the member's accumulated account
22 balance on June 30 of the preceding fiscal year by four percent (4%).
- 23 (d) For purposes of this subsection, "system's geometric average net investment
24 return":
- 25 1. Means the annual average geometric investment return, net of
26 administrative and investment fees and expenses, over the last five (5)
27 fiscal years as of the date the interest is credited to the member's

1 account; and

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

4 (e) No employer pay credits or interest credits shall be provided to a member who
5 has taken a refund of contributions as provided by KRS 61.625 or who has
6 retired and annuitized his or her accumulated account balance as prescribed by
7 this section.

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

13 (b) Upon termination of employment, a member who has five (5) or more years of
14 service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to
15 take a refund of his or her accumulated account balance as provided by KRS
16 61.625, shall receive a full refund of his or her accumulated account balance.

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

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

22 (b) At any age, provided he or she has earned twenty-five (25) or more years of
23 service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another
24 state-administered retirement system.

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

26 (a) Receive a monthly retirement allowance payable for life by having his or her
27 accumulated account balance annuitized by the retirement systems in

1 accordance with the actuarial assumptions and actuarial methods adopted by
2 the board and in effect on the member's retirement date;

3 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
4 under paragraph (a) of this subsection payable under one (1) of the options set
5 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

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

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

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

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

15 (1) Cessation of membership, as provided for by KRS 61.535;

16 (2) Medical examiners and hearing procedures, as provided for by KRS 61.665;

17 (3) Actuarial bases, as provided for by KRS 61.670;

18 (4) Duties of the employer, as provided for by KRS 61.675;

19 (5) Exemption of benefits of the system for taxation and qualified domestic relations
20 orders, as provided for by KRS 61.690;

21 (6) Retirement allowance increase, as provided for by KRS 61.691;

22 (7) Calculation of retirement allowance, as provided for by KRS 61.599;

23 (8) Beneficiaries to be designated by member, change, rights, as provided for by KRS
24 61.542;

25 (9) Year of service credit, as provided for by KRS 61.545;

26 (10) Refund of contributions, death after retirement, as provided by KRS 61.630;

27 (11) Custodian of fund, payments made, when, as provided for by KRS 61.660;

- 1 (12) Credit for service prior to membership date, as provided for by KRS 61.526;
- 2 (13) Member's account, confidential, as provided for by KRS 61.661;
- 3 (14) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- 4 (15) Correction of errors in records, as provided for by KRS 61.685;
- 5 (16) Maximum disability benefit, as provided for by KRS 61.607;
- 6 (17) Retirement application procedure, effective retirement date, as provided for by KRS
- 7 61.590;
- 8 (18) Employer contributions, as provided for by KRS 61.565;
- 9 (19) Reinstatement of lost service credit, purchase of service credit, interest paid, and
- 10 delayed contribution and installment payments, as provided for by KRS 61.552;
- 11 (20) Reciprocal arrangement between systems, as provided by KRS 61.680;
- 12 (21) Refund of contributions, conditions, as provided by KRS 61.625;
- 13 (22) Hospital and medical insurance plan, as provided by KRS 61.702;
- 14 (23) Death benefit, as provided by KRS 61.705;
- 15 (24) Disability retirement allowance, reduction, and discontinuance, as provided by KRS
- 16 61.615;
- 17 (25) Service credit, Armed Forces, as provided by KRS 61.555;
- 18 (26) Reinstated employee, contributions on creditable compensation, as provided for by
- 19 KRS 61.569;
- 20 (27) Statement to be made under oath, good faith reliance, as provided for in KRS
- 21 61.699;
- 22 (28) Retirement of persons in hazardous positions, as provided for by KRS 61.592;
- 23 (29) Direct deposit of recipient's retirement allowance as provided in KRS 61.623;
- 24 (30) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- 25 (31) Payment of small amounts upon death of member, retiree, or recipient without
- 26 formal administration of the estate as provided in KRS 61.703;
- 27 (32) Suspension of retirement payments on reemployment, reinstatement, recomputation

1 of allowance, waiver of provisions in certain instances, reemployment in a different
2 position, as provided for by KRS 61.637;

3 (33) Medical examination and financial review after disability retirement, staff review,
4 as provided in KRS 61.610; and

5 (34) Employer payment of increases in creditable compensation and adjustments to
6 creditable compensation during the last five (5) years of employment as provided by
7 KRS 61.598~~;~~ and

8 ~~(35) Benefit election for members of the Kentucky Retirement Systems who began~~
9 ~~participating prior to January 1, 2014, as provided by KRS 61.5955].~~

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

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

14 (1) Cessation of membership, conditions, as provided for by KRS 61.535;

15 (2) Statement of member and employer, as provided for by KRS 61.540;

16 (3) Beneficiary to be designated by member, change, rights, as provided for by KRS
17 61.542;

18 (4) Service credit determination, as provided for by KRS 61.545;

19 (5) Cessation of membership, loss of benefits, as provided for by KRS 61.550;

20 (6) Service credit, Armed Forces, as provided for by KRS 61.555;

21 (7) Normal and early retirement eligibility requirements, as provided for by KRS
22 61.559;

23 (8) Retirement allowance increases as provided for by KRS 61.691;

24 (9) Retirement application procedure, effective retirement date, as provided for by KRS
25 61.590;

26 (10) Disability retirement, conditions, as provided for by KRS 61.600;

27 (11) Disability retirement, allowance, as provided for by KRS 61.605;

- 1 (12) Medical examination after disability retirement, as provided for by KRS 61.610;
- 2 (13) Disability retirement allowance, reduction, as provided for by KRS 61.615;
- 3 (14) Determination of retirement allowance, as provided for by KRS 61.595;
- 4 (15) Refund of contributions, conditions, as provided for by KRS 61.625;
- 5 (16) Refund of contributions, death after retirement, as provided for by KRS 61.630;
- 6 (17) Optional retirement plans, as provided for by KRS 61.635;
- 7 (18) Suspension of retirement payments on reemployment, reinstatement, as provided for
- 8 by KRS 61.637;
- 9 (19) Death before retirement, beneficiary's options, as provided for by KRS 61.640;
- 10 (20) Board of trustees, conflict of interest, as provided for by KRS 61.655;
- 11 (21) Custodian of funds, payments made, when, as provided for by KRS 61.660;
- 12 (22) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 13 (23) Actuarial bases, as provided for by KRS 61.670;
- 14 (24) Employer's administrative duties, as provided for by KRS 61.675;
- 15 (25) Correction of errors in records, as provided for by KRS 61.685;
- 16 (26) Exemptions of retirement allowances, and qualified domestic relations orders, as
- 17 provided for by KRS 61.690;
- 18 (27) Credit for service prior to membership date, as provided for by KRS 61.526;
- 19 (28) Creditable compensation of fee officers, as provided for by KRS 61.541;
- 20 (29) Members' account, confidential, as provided for by KRS 61.661;
- 21 (30) Retirement plan for employees determined to be in a hazardous position, as
- 22 provided for by KRS 61.592;
- 23 (31) Maximum disability benefit, as provided for by KRS 61.607;
- 24 (32) Consent of employees to deductions and reciprocal arrangement between systems,
- 25 as provided for by KRS 61.680;
- 26 (33) Employer contributions, as provided for by KRS 61.565;
- 27 (34) Recontribution and delayed contribution payments, purchase of service credit,

- 1 interest, and installment payments, as provided for by KRS 61.552;
- 2 (35) Hospital and medical insurance plan, as provided by KRS 61.702;
- 3 (36) Death benefit, as provided by KRS 61.705;
- 4 (37) Reinstated employee, contributions on creditable compensation, as provided for by
- 5 KRS 61.569;
- 6 (38) Statement to be made under oath, good faith reliance, as provided for in KRS
- 7 61.699;
- 8 (39) Disability procedure for members in hazardous positions as provided for in KRS
- 9 16.582;
- 10 (40) Direct deposit of recipient's retirement allowance as provided for in KRS 61.623;
- 11 (41) Death or disability from a duty-related injury as provided in KRS 61.621;
- 12 (42) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- 13 (43) Payment of small accounts upon death of member, retiree, or recipient without
- 14 formal administration of the estate as provided in KRS 61.703;
- 15 (44) Hybrid cash balance plan and 401(a) money purchase plan provided to new
- 16 members as provided by KRS 61.597 and Section 12 of this Act;
- 17 (45) Employer payment of increases in creditable compensation and adjustments to
- 18 creditable compensation during the last five (5) years of employment as provided by
- 19 KRS 61.598;
- 20 (46) Calculation of retirement allowance, as provided by KRS 61.599;
- 21 (47) Voluntary and involuntary cessation of participation by a participating agency as
- 22 provided by KRS 61.522; and
- 23 (48) Benefit election for members of the Kentucky Retirement Systems who began
- 24 participating prior to July 1, 2019~~January 1, 2014~~, as provided by KRS 61.5955.

25 ➔SECTION 43. A NEW SECTION OF KRS 161.220 TO 161.716 IS CREATED

26 TO READ AS FOLLOWS:

27 (1) An individual who becomes a member of the Teachers' Retirement System on or

1 after January 1, 2019, shall receive the retirement benefits provided by this
2 section in lieu of the retirement benefits provided under Sections 69 and 73 of
3 this Act. The retirement benefits provided by this section shall be known as the
4 hybrid cash balance plan and shall operate as another benefit tier within the
5 Teachers' Retirement System.

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

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

11 (b) An employer pay credit for:

12 1. Nonuniversity employees equal to eight percent (8%) of the
13 compensation earned by the employee for each month the employee is
14 contributing to the hybrid cash balance plan provided by this section;
15 and

16 2. University employees equal to four percent (4%) of the compensation
17 earned by the employee for each month the employee is contributing
18 to the hybrid cash balance plan provided by this section; and

19 (c) Regular interest added annually to the member's accumulated account
20 balance as provided by this section.

21 (3) (a) Member contributions and employer pay credits as provided by subsection
22 (2)(a) and (b) of this section shall be credited to the member's account
23 monthly as contributions are reported and posted to the system in
24 accordance with KRS 161.560.

25 (b) Regular interest, 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,
27 as determined by subsection (4) of this section.

1 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
2 contributed to the hybrid cash balance plan or another state-administered
3 retirement system during the fiscal year.

4 (b) If the member contributed to the hybrid cash balance plan or another state-
5 administered retirement system during the fiscal year, the regular interest
6 added to the member's account for that fiscal year shall be determined by
7 multiplying the member's accumulated account balance on June 30 of the
8 preceding fiscal year by a percentage increase equal to eighty-five percent
9 (85%) of the system's geometric average net investment return, but in no
10 case shall be less than zero percent (0%).

11 (c) If the member did not contribute to the hybrid cash balance plan or another
12 state-administered retirement system during the fiscal year, the regular
13 interest added to the member's account for that fiscal year shall be zero
14 percent (0%).

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

17 1. Means the annual average geometric investment return, net of
18 administrative and investment fees and expenses, over the last ten (10)
19 fiscal years as of the date the regular interest is credited to the
20 member's account; and

21 2. Shall be expressed as a percentage.

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

26 (5) (a) Upon termination of employment, a member who has less than five (5)
27 years of service credited under Section 51 of this Act, who elects to take a

1 refund of his or her accumulated account balance as provided by Section 49
2 of this Act, shall forfeit the accumulated employer credit, and shall only
3 receive a refund of his or her accumulated contributions.

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

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

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

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

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

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

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

27 (c) Take a refund of his or her account balance as provided by Section 49 of

1 this Act.

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

5 (9) (a) Subject to the provisions of this subsection, any contributing member who
6 began participating in the Teachers' Retirement System prior to January 1,
7 2019, who has less than five (5) years of service in the system may, in lieu of
8 the benefits he or she is currently eligible to receive from the Teachers'
9 Retirement System, elect to participate in the hybrid cash balance plan
10 provided by this section and receive the other benefits and rights under KRS
11 161.220 to 161.716 provided to members who began participating in the
12 system on or after January 1, 2019. After such election, the member shall
13 for purposes of KRS 161.220 to 161.716 be considered a member who began
14 participating on or after January 1, 2019.

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

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

18 1. Any service credit the member has accrued prior to January 1, 2019,
19 shall be considered as service credit earned on or after January 1,
20 2019; and

21 2. On the member's effective election date, the value of the member's
22 accumulated contributions shall be deposited into the member's
23 hybrid cash balance plan account.

24 (d) Before accepting an election provided by this subsection, the Teachers'
25 Retirement System board shall provide the member with information
26 detailing the potential results of the member's election.

27 (e) An election made pursuant to this subsection shall be irrevocable.

1 (f) 1. A member of the Teachers' Retirement System shall not be eligible to
2 make an election prescribed by this subsection until the board receives
3 a favorable private letter ruling from the Internal Revenue Service
4 regarding this subsection.

5 2. If the Internal Revenue Service denies the request for a private letter
6 ruling as provided by subparagraph 1. of this paragraph, this
7 subsection shall be void.

8 3. The system may promulgate administrative regulations under KRS
9 Chapter 13A in order to carry out this subsection.

10 (g) This subsection does not apply to annuitants who retired on or after
11 January 1, 2019, and who were reemployed on or after January 1, 2019,
12 and who are not eligible to participate in the system during reemployment.

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

14 (1) As used in this section:

15 (a) "Teacher" shall mean any person for whom certification is required as a basis
16 of employment in the common schools of the state;

17 (b) "Employee" shall mean any person, other than a teacher, employed in the
18 public schools, whether on a full or part-time basis;

19 (c) "Immediate family" shall mean the teacher's or employee's spouse, children
20 including stepchildren and foster children, grandchildren, daughters-in-law
21 and sons-in law, brothers and sisters, parents and spouse's parents, and
22 grandparents and spouse's grandparents, without reference to the location or
23 residence of said relative, and any other blood relative who resides in the
24 teacher's or employee's home;

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

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

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

16 (3) A school district shall coordinate among the income and benefits from workers'
17 compensation, temporary disability retirement, and district payroll and benefits so
18 that there is no loss of income or benefits to a teacher or employee for work time
19 lost because of an assault while performing the teacher's or employee's assigned
20 duties for a period of up to one (1) year after the assault. In the event a teacher or
21 employee suffers an assault while performing his or her assigned duties that results
22 in injuries that qualify the teacher or employee for workers' compensation benefits,
23 the district shall provide leave to the teacher or employee for up to one (1) year after
24 the assault with no loss of income or benefits under the following conditions:

25 (a) The district shall pay the salary of the teacher or employee between the time
26 of the assault and the time the teacher's or employee's workers' compensation
27 income benefits take effect, or the time the teacher or employee is certified to

- 1 return to work by a physician or surgeon duly qualified under KRS Chapter
2 342, whichever is sooner;
- 3 (b) The district shall pay, for up to one (1) year from the time of the assault, the
4 difference between the salary of the teacher or employee and any workers'
5 compensation income benefits received by the teacher or employee resulting
6 from the assault. Payments by the district shall include payments for
7 intermittent work time missed as a result of the assault during the one (1) year
8 period. If the teacher's or employee's workers' compensation income benefits
9 cease during the one (1) year period after the assault, the district shall also
10 cease to make payments under this paragraph;
- 11 (c) The Commonwealth, through the Kentucky Department of Education, shall
12 make the employer's health insurance contribution during the period that the
13 district makes payments under paragraphs (a) and (b) of this subsection;
- 14 (d) The Commonwealth, through the Kentucky Department of Education, shall
15 make the employer's contribution to the retirement system in which the
16 teacher or employee is a member during the period that the district makes
17 payments under paragraphs (a) and (b) of this subsection; and
- 18 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this
19 subsection shall be coordinated with workers' compensation benefits under
20 KRS Chapter 342, disability retirement benefits for teachers under KRS
21 161.661 to 161.663, and disability retirement benefits for employees under
22 KRS 61.600 to 61.621 and 78.545 so that the teacher or employee receives
23 income equivalent to his or her full contracted salary, but in no event shall the
24 combined payments exceed one hundred percent (100%) of the teacher's or
25 employee's full contracted salary.
- 26 (4) Days of sick leave not taken by an employee or a teacher during any school year
27 shall accumulate without limitation and be credited to that employee or teacher.

- 1 Accumulated sick leave may be taken in any school year. Any district board of
2 education may, in its discretion, allow employees or teachers in its common school
3 system sick leave in excess of the number of days prescribed in this section and may
4 allow school district employees and teachers to use up to three (3) days' sick leave
5 per school year for emergency leave pursuant to KRS 161.152(3). Any accumulated
6 sick leave days credited to an employee or a teacher shall remain so credited in the
7 event he or she transfers his or her place of employment from one (1) school district
8 to another within the state or to the Kentucky Department of Education or transfers
9 from the Department of Education to a school district.
- 10 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to
11 the opening day of the school year, an affidavit or a certificate of a physician is
12 presented to the district board of education, stating that the teacher or employee is
13 unable to commence his or her duties on the opening day of the school year, but will
14 be able to assume his or her duties within a period of time that the board determines
15 to be reasonable.
- 16 (6) Any school teacher or employee may repurchase previously used sick leave days
17 with the concurrence of the local school board by paying to the district an amount
18 equal to the total of all costs associated with the used sick leave.
- 19 (7) A district board of education may adopt a plan for a sick leave bank. The plan may
20 include limitations upon the number of days a teacher or employee may annually
21 contribute to the bank and limitations upon the number of days a teacher or
22 employee may annually draw from the bank. Only those teachers or employees who
23 contribute to the bank may draw upon the bank. Days contributed will be deducted
24 from the days available to the contributing teacher or employee. The sick leave bank
25 shall be administered in accordance with a policy adopted by the board of
26 education.
- 27 (8) (a) A district board of education shall establish a sick leave donation program to

1 permit teachers or employees to voluntarily contribute sick leave to teachers
2 or employees in the same school district who are in need of an extended
3 absence from school. A teacher or employee who has accrued more than
4 fifteen (15) days' sick leave may request the board of education to transfer a
5 designated amount of sick leave to another teacher or employee who is
6 authorized to receive the sick leave donated. A teacher or employee may not
7 request an amount of sick leave be donated that reduces his or her sick leave
8 balance to less than fifteen (15) days.

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

- 10 1. a. The teacher or employee or a member of his or her immediate
11 family suffers from a medically certified illness, injury,
12 impairment, or physical or mental condition that has caused or is
13 likely to cause the teacher or employee to be absent for at least ten
14 (10) days; or
- 15 b. The teacher or employee suffers from a catastrophic loss to his or
16 her personal or real property, due to either a natural disaster or fire,
17 that either has caused or will likely cause the employee to be
18 absent for at least ten (10) consecutive working days;
- 19 2. The teacher's or employee's need for the absence and use of leave are
20 certified by a licensed physician for leave requested under subparagraph
21 1.a. of this subsection;
- 22 3. The teacher or employee has exhausted his or her accumulated sick
23 leave, personal leave, and any other leave granted by the school district;
24 and
- 25 4. The teacher or employee has complied with the school district's policies
26 governing the use of sick leave.

27 (c) While a teacher or employee is on sick leave provided by this section, he or

1 she shall be considered a school district employee, and his or her salary,
2 wages, and other employee benefits shall not be affected.

3 (d) Any sick leave that remains unused, is not needed by a teacher or employee,
4 and will not be needed in the future shall be returned to the teacher or
5 employee donating the sick leave.

6 (e) The board of education shall adopt policies and procedures necessary to
7 implement the sick leave donation program.

8 (9) A teacher or employee may use up to thirty (30) days of sick leave following the
9 birth or adoption of a child or children. Additional days may be used when the need
10 is verified by a physician's statement.

11 (10) (a) After July 1, 1982, and except as otherwise provided by this subsection, a
12 district board of education may compensate, at the time of retirement or upon
13 the death of a member in active contributing status at the time of death who
14 was eligible to retire by reason of service, an employee or a teacher, or the
15 estate of an employee or teacher, for each unused sick leave day. The rate of
16 compensation for each unused sick leave day shall be based on a percentage of
17 the daily salary rate calculated from the employee's or teacher's last annual
18 salary, not to exceed thirty percent (30%). Payment for unused sick leave
19 days, not to exceed the amount based upon the unused sick leave days
20 accrued as of December 31, 2018, shall be incorporated into the annual
21 compensation ~~[annual salary]~~ of the final year of service for inclusion in the
22 calculation of the employee's or teacher's retirement allowance only at the
23 time of his or her initial retirement; provided that the member makes the
24 regular retirement contribution for members on the sick leave payment. The
25 accumulation of these days includes unused sick leave days held by the
26 employee or teacher at the time of implementation of the program.

27 (b) For a teacher or employee who begins employment with a local school district

1 on or after July 1, 2008, the maximum amount of unused sick leave days a
2 district board of education may recognize in calculating the payment of
3 compensation to the teacher or employee under this subsection shall not
4 exceed three hundred (300) days.

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

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

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

14 As used in KRS 161.220 to 161.716 and 161.990:

15 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to
16 161.716 and 161.990 for payment of allowances to members;

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

19 (3) "Disability allowance" means the amount annually payable to a member retired by
20 reason of disability;

21 (4) "Member" means the commissioner of education, deputy commissioners, associate
22 commissioners, and all division directors in the State Department of Education,
23 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any
24 full-time teacher or professional occupying a position requiring certification or
25 graduation from a four (4) year college or university, as a condition of employment,
26 and who is employed by public boards, institutions, or agencies as follows:

27 (a) Local boards of education;

- 1 (b) Eastern Kentucky University, Kentucky State University, Morehead State
2 University, Murray State University, Western Kentucky University, and any
3 community colleges established under the control of these universities;
- 4 (c) State-operated secondary area vocational education or area technology centers,
5 Kentucky School for the Blind, and Kentucky School for the Deaf;
- 6 (d) The Education Professional Standards Board, other public education agencies
7 as created by the General Assembly, and those members of the administrative
8 staff of the Teachers' Retirement System of the State of Kentucky whom the
9 board of trustees may designate by administrative regulation;
- 10 (e) Regional cooperative organizations formed by local boards of education or
11 other public educational institutions listed in this subsection, for the purpose
12 of providing educational services to the participating organizations;
- 13 (f) All full-time members of the staffs of the Kentucky Association of School
14 Administrators, Kentucky Education Association, Kentucky Vocational
15 Association, Kentucky High School Athletic Association, Kentucky Academic
16 Association, and the Kentucky School Boards Association who were members
17 of the Kentucky Teachers' Retirement System or were qualified for a position
18 covered by the system at the time of employment by the association in the
19 event that the board of directors of the respective association petitions to be
20 included. The board of trustees of the Kentucky Teachers' Retirement System
21 may designate by resolution whether part-time employees of the petitioning
22 association are to be included, except as limited by Section 71 of this Act. The
23 state shall make no contributions on account of these employees, either full-
24 time or part-time. The association shall make the employer's contributions,
25 including any contribution that is specified under KRS 161.550. The
26 provisions of this paragraph shall be applicable to persons in the employ of
27 the associations on or subsequent to July 1, 1972;

- 1 (g) Employees of the Council on Postsecondary Education who were employees
2 of the Department for Adult Education and Literacy and who were members
3 of the Kentucky Teachers' Retirement System at the time the department was
4 transferred to the council pursuant to Executive Order 2003-600;
- 5 (h) The Office of Career and Technical Education, except that the executive
6 director shall not be a member;
- 7 (i) The Office of Vocational Rehabilitation;
- 8 (j) The Kentucky Educational Collaborative for State Agency Children;
- 9 (k) The Governor's Scholars Program;
- 10 (l) Any person who is retired for service from the retirement system and is
11 reemployed by an employer identified in this subsection in a position that the
12 board of trustees deems to be a member, except that any person who retires
13 on or after January 1, 2019, shall upon reemployment after retirement not
14 earn a second retirement account;
- 15 (m) Employees of the former Cabinet for Workforce Development who are
16 transferred to the Kentucky Community and Technical College System and
17 who occupy positions covered by the Kentucky Teachers' Retirement System
18 shall remain in the Teachers' Retirement System. New employees occupying
19 these positions, as well as newly created positions qualifying for Teachers'
20 Retirement System coverage that would have previously been included in the
21 former Cabinet for Workforce Development, shall be members of the
22 Teachers' Retirement System;
- 23 (n) Effective January 1, 1998, employees of state community colleges who are
24 transferred to the Kentucky Community and Technical College System shall
25 continue to participate in federal old age, survivors, disability, and hospital
26 insurance, and a retirement plan other than the Kentucky Teachers' Retirement
27 System offered by Kentucky Community and Technical College System. New

1 employees occupying positions in the Kentucky Community and Technical
2 College System as referenced in KRS 164.5807(5) that would not have
3 previously been included in the former Cabinet for Workforce Development,
4 shall participate in federal old age, survivors, disability, and hospital insurance
5 and have a choice at the time of employment of participating in a retirement
6 plan provided by the Kentucky Community and Technical College System,
7 including participation in the Kentucky Teachers' Retirement System, on the
8 same basis as faculty of the state universities as provided in KRS 161.540,~~f~~
9 ~~and~~ 161.620, and Section 43 of this Act;

10 (o) Employees of the Office of General Counsel, the Office of Budget and
11 Administrative Services, and the Office of Quality and Human Resources
12 within the Office of the Secretary of the former Cabinet for Workforce
13 Development and the commissioners of the former Department for Adult
14 Education and Literacy and the former Department for Technical Education
15 who were contributing to the Kentucky Teachers' Retirement System as of
16 July 15, 2000;

17 (p) Employees of the Kentucky Department of Education only who are graduates
18 of a four (4) year college or university, notwithstanding a substitution clause
19 within a job classification, and who are serving in a professional job
20 classification as defined by the department; and

21 (q) The Governor's School for Entrepreneurs Program.

22 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,
23 and became a member of the retirement system created by 1938 (1st Extra. Sess.)
24 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year
25 after that date, and any teacher who was a member of a local teacher retirement
26 system in the public elementary or secondary schools of the state on or before July
27 1, 1940, and continued to be a member of the system until he, with the membership

1 of the local retirement system, became a member of the state Teachers' Retirement
2 System or who becomes a member under the provisions of KRS 161.470(4);

3 (6) "New teacher" means any member not a present teacher;

4 (7) "Prior service" means the number of years during which the member was a teacher
5 in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior
6 service shall be allowed or credited to any teacher;

7 (8) "Subsequent service" means the number of years during which the teacher is a
8 member of the Teachers' Retirement System after July 1, 1941;

9 (9) "Final average salary" means the average of the five (5) highest annual salaries
10 which the member has received for service in a covered position and on which the
11 member has made contributions, or on which the public board, institution, or
12 agency has picked-up member contributions pursuant to KRS 161.540(2), or the
13 average of the five (5) years of highest salaries as defined in KRS 61.680(2)(a),
14 which shall include picked-up member contributions. Additionally, the board of
15 trustees may approve a final average salary based upon the average of the three (3)
16 highest salaries for members who are at least fifty-five (55) years of age and have a
17 minimum of twenty-seven (27) years of Kentucky service credit. However, if any of
18 the five (5) or three (3) highest annual salaries used to calculate the final average
19 salary was paid within the three (3) years immediately prior to the date of the
20 member's retirement, the amount of salary to be included for each of those three (3)
21 years for the purpose of calculating the final average salary shall be limited to the
22 lesser of:

23 (a) The member's actual salary; or

24 (b) The member's annual salary that was used for retirement purposes during each
25 of the prior three (3) years, plus a percentage increase equal to the percentage
26 increase received by all other members employed by the public board,
27 institution, or agency, or for members of school districts, the highest

1 percentage increase received by members on any one (1) rank and step of the
2 salary schedule of the school district. The increase shall be computed on the
3 salary that was used for retirement purposes.

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

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

12 (10) "Annual compensation" means the total salary received by a member as
13 compensation for all services performed in employment covered by the retirement
14 system during a fiscal year. Annual compensation shall not include payment for any
15 benefit or salary adjustments made by the public board, institution, or agency to the
16 member or on behalf of the member which is not available as a benefit or salary
17 adjustment to other members employed by that public board, institution, or agency.
18 Annual compensation shall not include the salary supplement received by a member
19 under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996. Under no
20 circumstances shall annual compensation include compensation that is earned by a
21 member while on assignment to an organization or agency that is not a public board,
22 institution, or agency listed in subsection (4) of this section. In the event that federal
23 law requires that a member continue membership in the retirement system even
24 though the member is on assignment to an organization or agency that is not a
25 public board, institution, or agency listed in subsection (4) of this section, the
26 member's annual compensation for retirement purposes shall be deemed to be the
27 annual compensation, as limited by subsection (9) of this section, last earned by the

1 member while still employed solely by and providing services directly to a public
2 board, institution, or agency listed in subsection (4) of this section. The board of
3 trustees shall determine if any benefit or salary adjustment qualifies as annual
4 compensation. For an individual who becomes a member on or after July 1, 2008,
5 annual compensation shall not include lump-sum payments upon termination of
6 employment for accumulated annual or compensatory leave;

7 (11) "Age of member" means the age attained on the first day of the month immediately
8 following the birthdate of the member. This definition is limited to retirement
9 eligibility and does not apply to tenure of members;

10 (12) "Employ," and derivatives thereof, means relationships under which an individual
11 provides services to an employer as an employee, as an independent contractor, as
12 an employee of a third party, or under any other arrangement as long as the services
13 provided to the employer are provided in a position that would otherwise be covered
14 by the Kentucky Teachers' Retirement System and as long as the services are being
15 provided to a public board, institution, or agency listed in subsection (4) of this
16 section;

17 (13) "Regular interest" means interest at three percent (3%) per annum, except:

18 (a) For an individual who becomes a member on or after July 1, 2008, ***but prior***
19 ***to January 1, 2019,*** "regular interest" means interest at two and one-half
20 percent (2.5%) per annum for purposes of crediting interest to the teacher
21 savings account or any other contributions made by the employee that are
22 refundable to the employee upon termination of employment; ***and***

23 ***(b) For an individual who becomes a member on or after January 1, 2019, who***
24 ***is participating in the hybrid cash balance plan, "regular interest" means***
25 ***the regular interest credited to the member's accumulated account balance***
26 ***as provided by Section 43 of this Act;***

27 (14) "Accumulated contributions" means the contributions of a member to the teachers'

- 1 savings fund, including picked-up member contributions as described in KRS
2 161.540(2), plus accrued regular interest;
- 3 (15) "Annuitant" means a person who receives a retirement allowance or a disability
4 allowance;
- 5 (16) "Local retirement system" means any teacher retirement or annuity system created
6 in any public school district in Kentucky in accordance with the laws of Kentucky;
- 7 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The
8 retirement plan year is concurrent with this fiscal year. A contract for a member
9 employed by a local board of education may not exceed two hundred sixty-one
10 (261) days in the fiscal year;
- 11 (18) "Public schools" means the schools and other institutions mentioned in subsection
12 (4) of this section;
- 13 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was
14 receiving, at the time of death of the member, at least one-half (1/2) of the support
15 from the member for maintenance, including board, lodging, medical care, and
16 related costs;
- 17 (20) "Active contributing member" means a member currently making contributions to
18 the Teachers' Retirement System, who made contributions in the next preceding
19 fiscal year, for whom picked-up member contributions are currently being made, or
20 for whom these contributions were made in the next preceding fiscal year;
- 21 (21) "Full-time" means employment in a position that requires services on a continuing
22 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year
23 basis;
- 24 (22) "Full actuarial cost," when used to determine the payment that a member must pay
25 for service credit means the actuarial value of all costs associated with the
26 enhancement of a member's benefits or eligibility for benefit enhancements,
27 including health insurance supplement payments made by the retirement system.

1 The actuary for the retirement system shall determine the full actuarial value costs
2 and actuarial cost factor tables as provided in KRS 161.400;

3 (23) "Last annual compensation" means the annual compensation, as defined by
4 subsection (10) of this section and as limited by subsection (9) of this section,
5 earned by the member during the most recent period of contributing service, either
6 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)
7 full year of service credit in the Kentucky Teachers' Retirement System, and which
8 compensation is used in calculating the member's initial retirement allowance,
9 excluding bonuses, retirement incentives, payments for accumulated sick leave
10 authorized by Section 44 of this Act, annual, personal, and compensatory leave, and
11 any other lump-sum payment. For an individual who becomes a member on or after
12 July 1, 2008, payments for annual or compensatory leave shall not be included in
13 determining the member's last annual compensation;

14 (24) "Participant" means a member, as defined by subsection (4) of this section, or an
15 annuitant, as defined by subsection (15) of this section;

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

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

19 (b) Relates to the provision of child support, alimony payments, or marital
20 property rights to an alternate payee;~~and~~

21 (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
22 participant, who is designated to be paid retirement benefits in a qualified domestic
23 relations order;

24 (27) "University member" means an individual who becomes a member through
25 employment with an employer specified in subsection (4)(b) and (n) of this
26 section;

27 (28) "Nonuniversity member" means an individual who becomes a member through

1 employment with an employer specified under subsection (4) of this section,
2 except for those members employed by an employer specified in subsection (4)(b)
3 and (n) of this section;

4 (29) "Accumulated employer credit" means the employer pay credit deposited to the
5 member's account and regular interest credited on such amounts as provided by
6 Section 43 of this Act; and

7 (30) "Accumulated account balance" means:

8 (a) For members who began participating in the system prior to January 1,
9 2019, the member's accumulated contributions; or

10 (b) For members who began participating in the system on or after January 1,
11 2019, in the hybrid cash balance plan as provided by Section 43 of this Act,
12 the combined sum of the member's accumulated contributions and the
13 member's accumulated employer credit.

14 ➔Section 46. KRS 161.400 is amended to read as follows:

15 (1) (a) The board of trustees shall designate as actuary a competent person who shall
16 be a fellow of the Conference of Consulting Actuaries or a member of the
17 American Academy of Actuaries. He shall be the technical adviser of the
18 board on matters regarding the operation of the funds of the system and shall
19 perform such other duties as are required in connection therewith.

20 (b) At least once in each five (5) year period, the actuary shall make an actuarial
21 investigation into the actuarial assumptions and funding methods used,
22 including but not limited to mortality, investment rate of return, and service
23 and compensation of the members and beneficiaries of the retirement system,
24 relative to the actuarial assumptions and funding methods previously adopted
25 by the board. The actuarial investigation shall include at a minimum a
26 summary of the changes in actuarial assumptions and funding methods
27 recommended in the investigation and the projected impact of the

- 1 recommended changes on funding levels, unfunded liabilities, and actuarially
2 recommended contribution rates for employers over a twenty (20) year period.
- 3 (c) At least annually the actuary shall make an actuarial valuation of the
4 retirement system. The valuation shall include:
- 5 1. A description of the actuarial assumptions used, and the assumptions
6 shall be reasonably related to the experience of the system and represent
7 the actuary's best estimate of anticipated experience;
 - 8 2. A description of any funding methods utilized or required by state law in
9 the development of the actuarial valuation results;
 - 10 3. A description of any changes in actuarial assumptions and methods from
11 the previous year's actuarial valuation;
 - 12 4. The actuarially recommended contribution rate for employers for the
13 upcoming budget periods;
 - 14 5. A twenty (20) year projection of the funding levels, unfunded liabilities,
15 and actuarially recommended contribution rates for employers based
16 upon the actuarial assumptions, funding methods, and experience of the
17 system as of the valuation date; and
 - 18 6. A sensitivity analysis that evaluates the impact of changes in system
19 assumptions, including but not limited to the investment return
20 assumption, payroll growth assumption, and medical inflation rates, on
21 employer contribution rates, funding levels, and unfunded liabilities.
- 22 (d) On the basis of the results of the valuations, the board of trustees shall make
23 necessary changes in the retirement system within the provisions of law and
24 shall establish~~recommend~~ the contributions payable by employers and the
25 state~~within the limits~~ specified in KRS 161.550.
- 26 (e) For any change in actuarial assumptions, funding methods, retiree health
27 insurance premiums and subsidies, or any other decisions made by the board

1 that impact system liabilities and actuarially recommended contribution rates
2 for employers and that are not made in conjunction with the actuarial
3 investigation required by paragraph (b) of this subsection, an actuarial analysis
4 shall be completed showing the projected impact of the changes on funding
5 levels, unfunded liabilities, and actuarially recommended contribution rates
6 for employers over a twenty (20) year period.

7 (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for
8 all purposes shall be determined by the actuary of the retirement system and
9 approved by the board of trustees by resolution and implemented without the
10 necessity of an administrative regulation.~~[The assets of the system shall be valued~~
11 ~~at market value, or at a modified market value determined by the board to be a~~
12 ~~prudent measure of asset value.]~~

13 (3) A copy of each five (5) year actuarial investigation, actuarial analysis, and valuation
14 required by subsection (1) of this section shall be forwarded electronically to the
15 Legislative Research Commission no later than ten (10) days after receipt by the
16 board, and the Legislative Research Commission shall distribute the information
17 received to the committee staff and co-chairs of any committee that has jurisdiction
18 over the Kentucky Teachers' Retirement System. The actuarial valuation required by
19 subsection (1)(c) of this section shall be submitted no later than November 15
20 following the close of the fiscal year.

21 ➔Section 47. KRS 161.420 is amended to read as follows:

22 All of the assets of the retirement system are for the exclusive purpose of providing
23 benefits to members and annuitants and defraying reasonable expenses of administering
24 the system. The board of trustees shall be the trustee of all funds of the system and shall
25 have full power and responsibility for administering the funds. ~~[It is hereby declared that~~
26 ~~the restrictions and rights provided herein shall not be subject to reduction or impairment~~
27 ~~by alteration, amendment, or repeal.]~~ All the assets of the retirement system shall be

1 credited according to the purpose for which they are held to one (1) of the following
2 funds:

3 (1) The expense fund shall consist of the funds set aside from year to year by the board
4 of trustees to defray the expenses of the administration of the retirement system.
5 Each fiscal year an amount not greater than four percent (4%) of the dividends and
6 interest income earned from investments during the immediate past fiscal year shall
7 be set aside into the expense fund or expended for the administration of the
8 retirement system;

9 (2) (a) The teachers' savings fund shall consist of:

10 1. The contributions paid by members of the retirement system into this
11 fund and regular interest assigned by the board of trustees from the
12 guarantee fund or established by Section 43 of this Act, as applicable;

13 and

14 2. For individuals who become members of the Teachers' Retirement
15 System on or after January 1, 2019, who are participating in the
16 hybrid cash balance plan, the employer pay credit and regular interest
17 to the hybrid cash balance plan as provided by Section 43 of this Act
18 that is assigned by the board of trustees from the guarantee fund.

19 (b) A member may not borrow any amount of his or her accumulated account
20 balance~~contributions to~~ in the teachers' savings~~[this]~~ fund, or any regular
21 interest earned thereon.

22 (c) The accumulated contributions or accumulated account balance of a member
23 which are returned to him upon his withdrawal or paid to his estate or
24 designated beneficiary in the event of his death shall be paid from the teachers'
25 savings fund.

26 (d) Any accumulated account balance~~contributions~~ in the teachers' savings
27 fund forfeited by a failure of a teacher or his estate to claim these

1 contributions shall be transferred from ~~this~~[the teachers' savings] fund to the
2 guarantee fund.

3 **(e) For an individual who becomes a member of the Teachers' Retirement**
4 **System prior to January 1, 2019,** the accumulated **account**
5 **balance**~~[contributions]~~ of a member **in the teachers' savings fund** shall be
6 transferred from ~~this~~[the teachers' savings] fund to the allowance reserve fund
7 in the event of retirement by reason of service or disability.

8 **(f) For an individual who becomes a member of the Teachers' Retirement**
9 **System on or after January 1, 2019, who is participating in the hybrid cash**
10 **balance plan who elects to annuitize his or her accumulated account**
11 **balance as prescribed by subsection (7)(a) or (b) of Section 43 of this Act,**
12 **the member's accumulated account balance shall be transferred to the**
13 **allowance reserve fund;**

14 (3) The state accumulation fund shall consist of funds **paid by employers and**
15 appropriated by the state for the purpose of providing annuities and survivor
16 benefits, including any sums appropriated for meeting unfunded liabilities, together
17 with regular interest assigned by the board of trustees from the guarantee fund. At
18 the time of retirement or death of a member there shall be transferred from the state
19 accumulation fund to the allowance reserve fund an amount which together with the
20 sum transferred from the teachers' savings fund will be sufficient to provide the
21 member a retirement allowance and provide for benefits under KRS 161.520 and
22 161.525. **There shall also be transferred from the state accumulation fund to the**
23 **teachers' savings fund, the amount needed to fund the employer credits required**
24 **by Section 43 of this Act;**

25 (4) The allowance reserve fund shall be the fund from which shall be paid all retirement
26 allowances and benefits provided under KRS 161.520 and 161.525. In addition,
27 whenever a change in the status of a member results in an obligation on this fund,

1 there shall be transferred to this fund from the teachers' savings fund and the state
2 accumulation fund, the amounts as may be held in those funds for the account or
3 benefit of the member;

4 (5) (a) **Effective January 1, 2019,** the medical insurance fund, which is an account
5 established according to 26 U.S.C. sec. 401(h), shall consist of amounts
6 accumulated for the purpose of providing benefits as provided in KRS
7 161.675, including:

8 1. **The member contributions required by subsections (1)(a)2. and**
9 **(1)(b)2. of Section 57 of this Act**~~[For individuals who become members~~

10 before July 1, 2008, one and one half percent (1.5%) of the gross annual
11 payroll of all members shall be deposited to this fund. Of this amount,
12 three quarters of a percent (0.75%) shall derive from member
13 contributions as provided by KRS 161.540 and three quarters of a
14 percent (0.75%) from a state appropriation];

15 2. **The employer contribution required by subsections (1)(a)1.b.,**
16 **(1)(a)2.b., and (3)(a) of Section 63 of this Act**~~[For individuals who~~

17 become members on or after July 1, 2008, two and one half percent
18 (2.5%) of the gross annual payroll of all members shall be deposited to
19 this fund. Of this amount, one and three quarters percent (1.75%) shall
20 derive from member contributions as provided by KRS 161.540 and
21 three quarters of a percent (0.75%) from a state appropriation;

22 3. ~~Effective July 1, 2010, the member contributions required under KRS~~
23 ~~161.540(1)(c);~~

24 4. ~~Effective July 1, 2010, local board of education, agency, and~~
25 ~~organization contributions required under KRS 161.550(3), unless the~~
26 ~~board of trustees establishes a trust fund under 26 U.S.C. sec. 115 for~~
27 ~~health care purposes, in which case the board may direct those~~

- 1 ~~contributions to that trust fund~~;
- 2 **3. State appropriations**~~[5. — Employer — medical — insurance — fund~~
3 ~~stabilization contributions]~~ as set forth in **subsection (2) of Section 63 of**
4 **this Act**~~[KRS 161.550]~~, unless the contributions are made to a trust fund
5 under 26 U.S.C. sec. 115 established by the board for this purpose; and
6 **4. [6.]** Interest income from the investments of the fund from contributions
7 received by the fund under subparagraphs 1. to **3. [5.]** of this paragraph,
8 and from income earned on those investments.
- 9 (b) All claims for benefits under KRS 161.675 shall be paid from this fund or
10 from any trust fund under 26 U.S.C. sec. 115 as established by the board for
11 this purpose. Any amounts deposited to the fund that are not required to meet
12 current costs shall be maintained as a reserve in the fund for these benefits.
13 The board shall take the necessary and appropriate steps, including
14 promulgating administrative regulations and procedures to maintain the status
15 of the medical insurance fund as an account subject to 26 U.S.C. sec. 401(h);
- 16 (6) The guarantee fund shall be maintained to facilitate the crediting of uniform interest
17 on the amounts of the other funds, except the expense fund, to finance operating
18 expenses directly related to investment management services, and to provide a
19 contingent fund out of which special requirements of any of the other funds may be
20 covered. All income, interest, and dividends derived from the authorized deposits
21 and investments shall be paid into the guarantee fund. Any funds received from
22 gifts and bequests, which the board is hereby authorized to accept and expend
23 without limitation in a manner either expressed by the donor or deemed to be in the
24 best interest of the membership, shall be credited to the guarantee fund. Any funds
25 transferred from the teachers' savings fund by reason of lack of claimant or because
26 of a surplus in any fund and any other moneys whose disposition is not otherwise
27 provided for, shall also be credited to the guarantee fund. The interest allowed by

1 the board of trustees to each of the other funds shall be paid to these funds from the
2 guarantee fund. Any deficit occurring in any fund that would not be automatically
3 covered shall be met by the payments from the guarantee fund to that fund;

4 (7) The school employee annuity fund shall consist of those funds voluntarily
5 contributed under the provisions of Section 403(b) of the Internal Revenue Code by
6 a retired member of the Teachers' Retirement System with accounts that existed on
7 or after July 1, 1996. The contributions shall not be picked up as provided in KRS
8 161.540(2). Separate member accounts shall be maintained for each member. The
9 board of trustees may promulgate administrative regulations pursuant to KRS
10 Chapter 13A to manage this program;

11 (8) The supplemental retirement benefit fund shall consist of those funds contributed by
12 the employer for the purpose of constituting a qualified government excess benefit
13 plan as described in Section 415 of the Internal Revenue Code for accounts that
14 existed on or after July 1, 1996. The board of trustees shall promulgate
15 administrative regulations pursuant to KRS Chapter 13A to administer this
16 program; and

17 (9) The life insurance benefit fund shall consist of amounts accumulated for the
18 purpose of providing benefits provided under KRS 161.655. The board of trustees
19 may allocate to this fund a percentage of the employer and state contributions as
20 provided under KRS 161.550. The allocation to this fund will be in an amount that
21 the actuary determines necessary to fund the obligation of providing the benefits
22 provided under KRS 161.655.

23 ➔Section 48. KRS 161.460 is amended to read as follows:

24 (1) No trustee or employee of the board of trustees shall:

25 (a)~~[(1)]~~ Have any interest, direct or indirect, in the gain or profits of any
26 investment or any other legal, business, or financial transaction made by the
27 board, except that any such trustee or employee may be a member,

1 employee, or beneficiary of the plans administered by the board or
2 authority;

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

6 ~~(c)~~~~(3)~~ Become an endorser, surety, or obligor for moneys loaned to or
7 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 the Kentucky Teachers' Retirement System.

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

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

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

15 ➔Section 49. KRS 161.470 is amended to read as follows:

- 16 (1) The membership of the retirement system shall consist of all new members, all
17 present teachers, and all persons participating under the retirement system as of
18 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.
19 The board of trustees of the Teachers' Retirement System shall be responsible for
20 final determination of membership eligibility and may direct employers to take
21 whatever action that may be necessary to correct any error relating to membership.
- 22 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service
23 it shall be as a new member, except that any teacher who withdraws by claiming his
24 deposits may repay the system the amount withdrawn plus interest and reestablish
25 his service credit as provided in subsection (3) of this section.
- 26 (3) Effective July 1, 1988, and thereafter, an active contributing member of the
27 retirement system with contributing service equal to one (1) year may regain service

1 credit by depositing in the teachers' savings fund the amount withdrawn with
2 interest at the rate to be set by the board of trustees, and computed from the first of
3 the month of withdrawal and including the month of redeposit. *Service credit*
4 *regained pursuant to this subsection on or after January 1, 2019, shall not be*
5 *used to determine the date the individual purchasing the service became a*
6 *member of the Teachers' Retirement System.*

7 (4) Effective July 1, 1974, any active contributing member with at least two (2) years of
8 contributing service credit who declined membership as provided in Acts 1938 (1st
9 Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and for
10 any subsequent service prior to date of membership, by depositing in the teachers'
11 savings fund contributions for each year of subsequent service prior to date of
12 membership, with interest at the rate of eight percent (8%) compounded annually to
13 the date of deposit.

14 (5) Membership in the retirement system shall be terminated:

- 15 (a) By retirement for service;
- 16 (b) By death;
- 17 (c) By withdrawal of the member's accumulated *account balance*~~[contributions]~~;
- 18 (d) When a member, having less than five (5) years of Kentucky service is absent
19 from service for more than three (3) consecutive years; or
- 20 (e) For persons hired on or after August 1, 2000, when a member is convicted, in
21 any state or federal court of competent jurisdiction, of a felony related to his
22 employment as provided in subparagraphs 1. and 2. of this paragraph.

- 23 1. Notwithstanding any provision of law to the contrary, a member hired
24 on or after August 1, 2000, who is convicted, in any state or federal
25 court of competent jurisdiction, of a felony related to his employment
26 shall forfeit rights and benefits earned under the retirement system,
27 except for the return of his accumulated contributions and interest

1 credited on those contributions.

2 2. The payment of retirement benefits ordered forfeited shall be stayed
3 pending any appeal of the conviction. If the conviction is reversed on
4 final judgment, no retirement benefits shall be forfeited.

5 Except for paragraph (e) of this subsection, upon termination of member accounts
6 under this subsection, funds in the account shall be transferred to the guarantee
7 fund. Inactive members may apply for refunds of these funds at any time. The
8 terminated service shall be reinstated, if not withdrawn by the member, in the event
9 that the member returns to active contributing service.

10 (6) In case of withdrawal from service prior to eligibility for retirement, the board of
11 trustees shall on request of the member return all of his accumulated account
12 balance~~[contributions with regular interest]~~, including any payments made by the
13 member to the state accumulation fund, but the member shall have no claim on any
14 contributions made by the state or employer with a view to his retirement, except as
15 provided by Section 43 of this Act, or to contributions made to the medical
16 insurance fund. If the member is eligible for an immediate service retirement
17 allowance as provided in KRS 161.600, no withdrawal and refund shall be
18 permitted, unless the allowance would prohibit the member from qualifying for
19 Social Security benefits or the member elects to withdraw part or all of his service
20 for the purpose of obtaining credit in another retirement plan. Requests for refund of
21 contributions by the member must be filed on forms prescribed by the Teachers'
22 Retirement System and the employer shall be financially responsible for all
23 information that is certified on the prescribed form. A member may not withdraw
24 any part of his or her accumulated account balance in~~[contributions to]~~ the
25 retirement system except as provided by this subsection.

26 (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to
27 retirement, the board of trustees shall pay to the estate of the deceased member,

1 unless a beneficiary was otherwise applicably designated by the deceased member,
2 then to the beneficiary, all of his accumulated account balance~~[contributions, with~~
3 ~~regular interest]~~, including any payments made by the member to the state
4 accumulation fund, but the estate or beneficiary shall have no claim on any
5 contributions made by the state or employer with a view to the retirement of the
6 member, except as provided by Section 43 of this Act, or to contributions made to
7 the medical insurance fund.

8 (8) Any active contributing member of the Kentucky Employees Retirement System,
9 the County Employees Retirement System, the State Police Retirement System, or
10 the Judicial Retirement System may use service, under that retirement system for
11 the purpose of meeting the service requirement of subsections (3) and (4) of this
12 section.

13 ➔Section 50. KRS 161.480 is amended to read as follows:

14 Each person, upon becoming a member of the retirement system, shall file a detailed
15 statement as required by the board of trustees and shall designate a primary beneficiary or
16 two (2) or more cobeneficiaries to receive any benefits accruing from the death of the
17 member. A contingent beneficiary may be designated in addition to the primary
18 beneficiary or cobeneficiaries. The member may name more than one (1) contingent
19 beneficiary. Any beneficiary designation made by the member, including the estate should
20 the estate become the beneficiary by default, shall remain in effect until changed by the
21 member on forms prescribed by the Kentucky Teachers' Retirement System, except in the
22 event of subsequent marriage or divorce. Subsequent marriage by the member shall void
23 the primary beneficiary and any cobeneficiary designation, even that of a trust, and the
24 spouse of the member at death shall be considered as the primary beneficiary, unless the
25 member subsequent to marriage designates another beneficiary. A final divorce decree
26 shall terminate an ex-spouse's status as either primary beneficiary, cobeneficiary, or
27 contingent beneficiary, unless subsequent to divorce the member redesignates the former

1 spouse as primary beneficiary, cobeneficiary, or contingent beneficiary. To the extent
2 permitted by the Internal Revenue Code, a trust may be designated as beneficiary for
3 receipt of a member's accumulated account balance in~~contributions to~~ the retirement
4 system as provided under KRS 161.470(7). A final divorce decree shall not terminate the
5 designation of a trust as beneficiary regardless of who is designated as beneficiary of the
6 trust. In the event that a member fails to designate a beneficiary, or all designated
7 beneficiaries predecease the member, the member's estate shall be deemed to be the
8 beneficiary. Members may designate as beneficiaries only presently identifiable and
9 existing individuals, or trusts where otherwise permitted, without contingency
10 instructions, on forms prescribed by the retirement system. The provisions of this section
11 shall be retroactive as they relate to election of beneficiaries by members still in active
12 status on the effective date of this section. The provisions of this section shall not apply to
13 any account from which a member is drawing a retirement allowance or to the life
14 insurance benefit available under KRS 161.655.

15 ➔Section 51. KRS 161.500 is amended to read as follows:

16 (1) At the close of each fiscal year, the retirement system shall add service credit to the
17 account of each member who made contributions to his or her account during the
18 year. Members shall be entitled to a full year of service credit if their total paid days
19 were not less than one hundred eighty (180) days of a one hundred eighty-five (185)
20 day contract for a regular school or fiscal year. In the event an individual who
21 became a member prior to January 1, 2019, is paid for less than one hundred
22 eighty (180) days, the member may purchase credit according to administrative
23 regulations established by the board of trustees. In no case shall more than one (1)
24 year of service be credited for all service performed in one (1) fiscal year. Members
25 who complete their employment contract prior to the close of a fiscal year and elect
26 to retire prior to the close of a fiscal year shall have their service credit reduced by
27 eight percent (8%) for each calendar month that the retirement becomes effective

1 prior to July 1.

2 (2) Members who are employed and paid for less than the number of days required in
3 their normal employment year shall be entitled to pro rata service credit for the
4 fractional service. Such credit shall be based upon the number of days employed
5 and the number of days in the member's annual employment agreement or normal
6 employment year.

7 (3) Service credit may not exceed the ratio between the school or fiscal year and the
8 number of months or fraction of a month the member is employed during that year.

9 (4) No service credit shall be granted in the Teachers' Retirement System for service
10 that has been or will be used in qualifying for annuity benefit payments from
11 another retirement system financed wholly or in part by public funds.

12 ➔Section 52. KRS 161.507 is amended to read as follows:

13 (1) An active contributing member of the Teachers' Retirement System may receive
14 service credit for active service rendered in the uniformed services of the Armed
15 Forces of the United States, including the commissioned corps of the Public Health
16 Service, subject to the provisions of the Uniformed Services Employment and
17 Reemployment Rights Act of 1994, the provisions of this section as applicable,
18 and ~~the~~to administrative regulations promulgated by the board of trustees. Military
19 service includes service in the uniformed services that occurs before the
20 employment of a member in a position covered by the retirement system or where a
21 member leaves covered employment without giving advance written or verbal
22 notice of performing duty in the uniformed services. Service in the uniformed
23 services also includes uniformed service that occurs after employment in a position
24 covered by the retirement system where the member has given advance written or
25 verbal notice of performing duty in the uniformed services and the member returns
26 directly from uniformed services to covered employment. Military service may be
27 credited only if discharge was honorable or was not terminated upon the occurrence

1 of any of the events listed in 38 U.S.C. sec. 4304. Service shall be considered as
2 Kentucky teaching service, except that service may not be used for meeting the
3 service requirements set forth in KRS 161.600(1)(a) or 161.661(1) unless the
4 service occurred after the member gave written or verbal notice of performing duty
5 in the uniformed services and the member returned directly from uniformed services
6 to covered employment. A maximum of six (6) years of military service may be
7 credited, but in no case a greater number of years than the actual years of
8 contributing service in Kentucky.

9 (2) No credit shall be granted for military service which has been or will be used in
10 qualifying for annuity benefit payments from another retirement system financed
11 wholly or in part by public funds.

12 (3) A member having twenty (20) years or more of active duty in the military service,
13 and who is qualified for regular federal retirement benefits based on this military
14 service, may not receive credit for any military service in the Teachers' Retirement
15 System. This subsection shall apply to service presented for credit on July 1, 1975,
16 and after this date.

17 (4) (a) An individual who became a member prior to January 1, 2019, who desires
18 to receive~~receiving~~ retirement credit for active duty in the armed services of
19 the United States prior to employment in a position covered by the retirement
20 system or where the member leaves covered employment without giving
21 advance written or verbal notice of performing duty in the uniformed services
22 shall pay to the retirement system the full actuarial cost of the service credit
23 purchased as provided under KRS 161.220(22). These contributions shall not
24 be picked up, as described in KRS 161.540(2). In purchasing retirement credit
25 for active duty in the armed services, the latest years of service shall be
26 considered first in allowing credit toward retirement. The board of trustees
27 shall adopt a table of actuarial factors to be used in calculating the amount of

1 contribution required for crediting this service.

2 (b) If military service occurred after the member gave written or verbal notice of
3 performing duty in the uniformed services and the member returns directly
4 from uniformed services to covered employment, the member shall contribute
5 the regular member contribution required by KRS 161.540. The member may
6 make the payment of delayed contributions in a lump sum payment or in
7 installments not to exceed five (5) years beginning with the member's date of
8 reemployment. Interest at the rate of eight percent (8%) per annum shall be
9 charged for delayed contributions beginning with the member's date of
10 reemployment until paid. Members participating in the hybrid cash balance
11 plan as provided by Section 43 of this Act who make the regular member
12 contribution required by this paragraph, shall receive employer credits for
13 the period of service purchased.

14 (5) An active contributing member of the Teachers' Retirement System who became a
15 member of the system prior to January 1, 2019, may receive service credit for
16 service in the military reserves of the United States or the National Guard. The
17 member may purchase one (1) month of service for each six (6) months of service
18 in the reserves or the National Guard. Notwithstanding any other statute, regulation,
19 or policy to the contrary, the system shall provide a member, upon request, the
20 estimated actuarial cost of the National Guard or military reserves service purchase
21 based upon the information available at the time of the request. The member shall
22 be entitled to enter into a contract with the system at the time of the request to
23 purchase the National Guard or military reserve service by paying to the system the
24 estimated actuarial cost, either by installments or in lump sum. The member shall
25 pay the full actuarial cost of this service in the military reserves or the National
26 Guard as provided in KRS 161.220(22). Service in the military reserves or the
27 National Guard shall be treated as service earned prior to participation in the system

1 and shall not be used for meeting the service requirements set forth in KRS
2 161.600(1)(a) or 161.661(1). The payment shall not be picked up by the employer,
3 as described in KRS 161.540(2).

4 ➔Section 53. KRS 161.515 is amended to read as follows:

5 (1) For the purposes of this section, "out-of-state service" shall mean service in any
6 state in a comparable position on a full-time basis, which would be covered if in
7 Kentucky.

8 (2) (a) An active contributing member who has been a contributing member of the
9 retirement system for at least one (1) full scholastic year subsequent to the
10 latest out-of-state service, may present for credit service rendered out of state,
11 not to exceed ten (10) years actually taught as a certified or licensed teacher.
12 All members who elect to purchase this service shall pay to the retirement
13 system the full actuarial cost as provided under KRS 161.220(22). For each
14 year of which the retirement system shall accept payment, one (1) year of
15 service credit shall be given. For members who purchased this service under
16 the cost formula as it existed under this subsection on June 30, 2005, this
17 credit may not be used to meet the service requirements of KRS 161.525,
18 161.600, or 161.661, except as provided in subsection (2)(c) of this section.
19 No credit shall be granted for service which has been or will be used in
20 qualifying for annuity benefit payments from another retirement system
21 financed wholly or in part by public funds.

22 (b) A member of the retirement system having teaching service in the elementary
23 or secondary schools operated by the United States overseas or in this country,
24 or in a public college or university in Kentucky, not included in the Teachers'
25 Retirement System of the State of Kentucky, may present this service for
26 credit in the retirement system on the same basis as provided above for out-of-
27 state service credit; however, no service may be presented which shall be used

1 as a basis for retirement benefits in any program supported wholly or in part
2 by a public institution or governmental agency. This service when added to
3 service credited under subsection (2)(a) of this section shall not exceed a total
4 of ten (10) years' service credit.

5 (c) A member having service referred to in subsection (2)(a) or (2)(b) of this
6 section who purchased this service under the cost formula as it existed under
7 those subsections on June 30, 2005, may elect to use this service for meeting
8 the requirements of KRS 161.600(1)(c) by making an additional contribution
9 to the state accumulation fund equal to a member contribution rate of eight
10 percent (8%) for each year so used. These payments shall not be picked up as
11 described in KRS 161.540(2). The salary base to be used in determining this
12 additional contribution shall be the final average salary which is used in
13 calculating the member's regular retirement annuity.

14 (3) Members entering the Teachers' Retirement System for the first time, July 1, 1976,
15 and after this date, shall not receive credit for service defined in subsections (2)(a)
16 or (2)(b) of this section in excess of one (1) year of credit for each two (2) years of
17 Kentucky service in a covered position or ten (10) years, whichever is the lesser
18 number.

19 (4) A member, having completed service as a volunteer in the Kentucky Peace Corps
20 created by KRS 154.1-720, may purchase service credit for the time served in the
21 corps on the same basis as provided in this section for the purchase of out-of-state
22 service credit. A member, having completed service as a federal Peace Corps
23 volunteer, may purchase up to two (2) years of service credit for time served in the
24 Peace Corps on the same basis as provided in this section for the purchase of out-of-
25 state service credit.

26 (5) Service purchased under this section by members who at the time of purchase are
27 employed by employers other than those described in KRS 161.220(4)(b) or (n)

1 shall be credited, as described in KRS 161.620(1)(a) and (b), with a retirement
2 factor of two and one-half percent (2.5%) for each year of service that was
3 originally performed on or after July 1, 1983, and two percent (2.0%) for each year
4 of service performed before July 1, 1983. Service purchased under this section by
5 members who at the time of purchase are employed by employers described in KRS
6 161.220(4)(b) or (n) shall be credited, as described in KRS 161.620(1)(a), with a
7 retirement factor of two percent (2.0%) for each year of service, regardless of when
8 the service was performed.

9 **(6) Effective January 1, 2019, this section does not apply to individuals who become**
10 **members on or after January 1, 2019.**

11 ➔Section 54. KRS 161.520 is amended to read as follows:

12 Upon the death of an active contributing member or upon the death of a member retired
13 for disability, except as provided in KRS 161.661(6), the survivors of the deceased
14 member in the following named order, may elect to receive a survivor's benefit payable as
15 follows:

16 (1) Where there is a surviving widow or widower who is named as the primary
17 beneficiary of the member's retirement account, the benefit shall be:

18 (a) One hundred eighty dollars (\$180) per month with no restriction on other
19 income;

20 (b) Two hundred forty dollars (\$240) per month when the surviving widow or
21 widower's total income from all sources does not exceed six thousand six
22 hundred dollars (\$6,600) per year or five hundred fifty dollars (\$550) per
23 month; or

24 (c) If the deceased member has a minimum of ten (10) years of service credit with
25 the Teachers' Retirement System, the surviving widow or widower may apply
26 for an annuity actuarially equivalent to the annuity that would have been paid
27 to the deceased member when eligibility conditions were met. Eligibility for

1 payments would begin at the time the age of the deceased member would have
2 met the requirements of KRS 161.600(1) or subsection (6) of Section 43 of
3 this Act, as applicable. In exercising this right, the surviving widow or
4 widower shall be entitled to receive an annuity for life, except as provided in
5 subsection (6) of this section. This subsection applies to surviving spouses of
6 members who die on or after July 1, 1978. A surviving widow or widower of
7 a member who dies after July 1, 1978, shall be eligible for benefit payments
8 provided under paragraphs (a) and (b) of this subsection until they begin
9 receiving payments under this provision;

10 (2) (a) Where there are surviving unmarried children under age eighteen (18) or
11 under age nineteen (19) if a full-time student in high school, the benefit shall
12 be two hundred dollars (\$200) per month in the case of one (1) child, three
13 hundred forty dollars (\$340) per month in the case of two (2) children, four
14 hundred dollars (\$400) per month in the case of three (3) children, and four
15 hundred forty dollars (\$440) per month in the case of four (4) or more
16 children. Benefits under this subsection shall apply in addition to benefits
17 which may be payable under subsections (1) and (3) of this section.

18 (b) Notwithstanding any provision of law to the contrary, the surviving spouse
19 may elect to receive a lump-sum refund of the member's accumulated account
20 balance in lieu of the survivorship benefits payable under this subsection and
21 subsection (1) of this section only if the surviving spouse is designated as the
22 primary beneficiary and:

- 23 1. Is a biological or adoptive parent of all children eligible for a benefit
24 under this subsection and has not had his or her parental rights
25 terminated; or
- 26 2. Has been appointed as legal guardian of all of the children eligible under
27 paragraph (a) of this subsection.

- 1 (c) To elect a lump-sum refund of the member's accumulated account balance
2 under paragraph (b) of this subsection, the surviving spouse who is designated
3 as the primary beneficiary must sign a waiver on forms prescribed by the
4 retirement system of his or her rights and the member's children's rights to the
5 survivorship benefits payable under this subsection and subsection (1) of this
6 section. The surviving spouse shall not waive the survivorship benefits
7 available under this subsection or subsections (1) and (6) of this section if any
8 of the member's children have attained age eighteen (18) or older unless all of
9 those children consent in writing on forms prescribed by the retirement system
10 to waive their survivorship benefits available under this subsection;
- 11 (3) (a) Where the survivor is a child age eighteen (18) or older whose mental or
12 physical condition is sufficient to cause his dependency on the deceased
13 member at the time of the member's death, the benefit shall be two hundred
14 dollars (\$200) per month, payable for the life of the child or until the time as
15 the mental or physical condition creating the dependency no longer exists or
16 the child marries. The mental or physical condition of the adult child shall be
17 revealed by a competent examination by a licensed physician and shall be
18 approved by a majority of a medical review committee as defined in KRS
19 161.661(14). Benefits under this subsection shall apply in addition to benefits
20 which may be payable under subsections (1) and (2) of this section.
- 21 (b) Notwithstanding any provision of law to the contrary, the surviving spouse
22 shall not elect to receive a lump-sum refund of the member's accumulated
23 account balance in lieu of the survivorship benefits payable under this
24 subsection and subsection (1) of this section unless:
- 25 1. The surviving spouse is designated as the primary beneficiary;
 - 26 2. The surviving spouse has been appointed by the court as guardian,
27 conservator, or other fiduciary with sufficient general or specific

1 authority to waive the survivorship benefits available under this
2 subsection for any child or children age eighteen (18) or older who have
3 been adjudicated incompetent to make decisions on their own behalf by
4 a court of law; and

5 3. Any child or children age eighteen (18) or older who are mentally
6 competent to make decisions on their own behalf as attested to by two
7 (2) physicians' statements consent in writing on forms prescribed by the
8 retirement system to waive their survivorship benefits available under
9 this subsection.

10 (c) If eligible to elect a lump-sum refund of the member's accumulated account
11 balance, the surviving spouse shall sign a waiver on forms prescribed by the
12 retirement system of his or her rights and the member's children's rights to the
13 survivorship benefits payable under this subsection and subsections (1) and
14 (2) of this section;

15 (4) Where the sole eligible survivors are dependent parents aged sixty-five (65) or over,
16 the benefit shall be two hundred dollars (\$200) per month for one (1) parent or two
17 hundred ninety dollars (\$290) per month for two (2) parents. Dependency of a
18 parent shall be established as of the date of the death of the member;

19 (5) Where the sole eligible survivor is a dependent brother or sister, the benefit shall be
20 one hundred sixty five dollars (\$165) per month. In order to qualify the brother or
21 sister must have been a resident of the deceased member's household for at least one
22 (1) full year prior to the member's death or must have been receiving care in a
23 hospital, nursing home, or other institution at the member's expense for same
24 period;

25 (6) The benefit to a child as defined in subsection (2) of this section shall terminate
26 upon the attainment of age eighteen (18) or upon reaching age nineteen (19), if a
27 full-time student in high school, or upon marriage, except that benefits shall

- 1 continue until the attainment of age twenty-three (23) for an unmarried child who is
2 a full-time student in a recognized educational program beyond the high school
3 level. The benefit to a widow, widower, dependent parent, or dependent brother or
4 sister or dependent child age eighteen (18) or older shall terminate upon marriage,
5 or upon termination of the condition creating the dependency;
- 6 (7) The board of trustees shall be the sole judge of eligibility or dependency of any
7 beneficiary, and may require formal application or information relating to eligibility
8 or dependency, including proof of annual income satisfactory to the board. The
9 board of trustees may subpoena records and individuals whenever it deems this
10 action necessary;
- 11 (8) No payment of benefits shall be made unless the board of trustees authorizes the
12 payment. The board shall promulgate administrative regulations for the
13 administration of the provisions in this section and in every case the decision of the
14 board of trustees shall be final as to eligibility, dependency, or disability, and the
15 amount of benefits payable;
- 16 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)
17 of this section, or in the event that the surviving spouse elects not to receive
18 survivorship benefits on his or her own behalf or on behalf of any of the member's
19 children as permitted under subsections (2) and (3) of this section, the board of
20 trustees shall pay to the estate or the designated beneficiaries of the deceased
21 member a refund of his accumulated account balance~~[contributions]~~ as provided in
22 KRS 161.470(7). If the benefits paid or payable under subsections (1) to (5) of this
23 section and KRS 161.661 shall amount to a sum less than the member's
24 accumulated account balance~~[contributions]~~ at the time of death, the board of
25 trustees shall pay to the estate or designated beneficiaries of the deceased member
26 the balance of the accumulated account balance~~[contributions]~~;
- 27 (10) Any person who is receiving benefits and becomes disqualified from receiving

1 those benefits under this section shall immediately notify the Teachers' Retirement
2 System of this disqualification in writing and shall return all benefits paid after the
3 date of disqualification. Failure to comply with these provisions shall create an
4 indebtedness of that person to the Teachers' Retirement System. Interest at the rate
5 of eight percent (8%) per annum shall be charged if the debt is not repaid within
6 sixty (60) days after the date of disqualification. Failure to repay this debt creates a
7 lien in favor of the Teachers' Retirement System upon all property of the person
8 who improperly receives benefits and does not repay those benefits; and

9 (11) Benefits under subsections (2) and (3) of this section shall apply to a child who is a
10 legally adopted survivor at the time of the death of the member. This provision shall
11 be retroactive to include a child who was born after January 1, 1990, and is a legally
12 adopted survivor of a member whose death occurred prior to July 15, 2008.

13 ➔Section 55. KRS 161.522 is amended to read as follows:

14 Upon the death of a member retired for disability who had a minimum of twenty-seven
15 (27) years of service at the time of death, except as provided in KRS 161.661(6), the
16 spouse, if named as the primary beneficiary of the member's account, shall be entitled to
17 elect, in lieu of a refund of the member's account, an annuity actuarially equivalent to the
18 annuity that would have been paid to the deceased member had retirement for service
19 been effective on the day immediately preceding the member's death. This option shall be
20 available only during the entitlement period described under KRS 161.661(3) and (4)
21 prior to the recalculation of the member's disability allowance under KRS 161.661(5). In
22 selecting this right, the spouse shall be limited to selecting an option providing a straight
23 life annuity with refundable balance or a term certain option. There shall be a monthly
24 minimum allowance of three hundred dollars (\$300) as the basic straight life annuity.
25 This section applies to surviving spouses of members who were receiving benefit
26 payments under KRS 161.520 as of June 30, 1988, and to surviving spouses of members
27 who die on or after July 1, 1984, except that the member shall have been retired for

1 disability with a minimum of thirty (30) years of service if either of these two (2)
2 conditions were met prior to July 1, 1990. **This section does not apply to individuals who**
3 **become members on or after January 1, 2019.**

4 ➔Section 56. KRS 161.525 is amended to read as follows:

5 (1) Upon death of a member in active contributing status at the time of death, who was
6 eligible to retire by reason of service, the spouse, if named as the primary
7 beneficiary of the member's retirement account, or in the absence of an eligible
8 spouse a legal dependent of the member, if named as the primary beneficiary, shall
9 be entitled to elect, in lieu of a refund of the member's **accumulated** account
10 **balance** or benefits provided in KRS 161.520, an annuity actuarially equivalent at
11 the attained age of the beneficiary to the annuity that would have been paid to the
12 deceased member had retirement been effective on the day immediately preceding
13 the member's death. Under the provisions of KRS 61.680, benefits shall be
14 processed as if the member retired for service. In exercising this right the spouse or
15 legal dependent shall be limited to selecting an option providing either a straight life
16 annuity with refundable balance or a term certain option. A spouse may receive the
17 annuity provided by this section at the same time as children are qualifying for
18 survivors' benefits under the provisions of KRS 161.520; however, a legal
19 dependent, other than a spouse, may not receive these payments if children have
20 qualified for benefits under that section.

21 (2) A spouse qualifying for an annuity under subsection (1) of this section may defer
22 the payments in order to reduce the actuarial discounts to be applied due to age.

23 (3) Upon death of a member in active contributing status at the time of his death, who
24 had a minimum of twenty-seven (27) years of service, the spouse, if named as the
25 primary beneficiary of the member's account shall be entitled to a monthly
26 minimum allowance of three hundred dollars (\$300) as the basic straight life
27 annuity. This provision applies to surviving spouses of members who were

1 receiving benefit payments under KRS 161.520 as of June 30, 1986, and to
2 surviving spouses of members who die on or after July 1, 1986. *This subsection*
3 *does not apply to individuals who become members on or after January 1, 2019.*

4 ➔Section 57. KRS 161.540 is amended to read as follows:

- 5 (1) (a) Effective *January 1, 2019*~~[July 1, 1988]~~, each individual who *is a*
6 *contributing nonuniversity*~~[first becomes a]~~ member~~[before July 1, 2008]~~,
7 shall contribute to the retirement system *twelve and eight hundred fifty-five*
8 *thousandths percent (12.855%)*~~[nine and eight hundred fifty-five thousandths~~
9 ~~percent (9.855%)]~~ of annual compensation, *of which:*

10 *1. Nine and one hundred five thousandths percent (9.105%) of annual*
11 *compensation shall be used to fund pension benefits; and*

12 *2. Three and three-quarters percent (3.75%) of annual compensation*
13 *shall be used to fund retiree health benefits*~~[, except that university~~
14 ~~employees who participate in the Kentucky Teachers' Retirement System~~
15 ~~shall contribute eight and three hundred seventy five thousandths~~
16 ~~percent (8.375%) of annual compensation]~~.

- 17 (b) *Effective January 1, 2019, each individual who is a contributing university*
18 *member, shall contribute to the retirement system ten and four-tenths*
19 *percent (10.4%) of annual compensation, of which:*

20 *1. Seven and six hundred twenty-five thousandths percent (7.625%) of*
21 *annual compensation shall be used to fund pension benefits; and*

22 *2. Two and seven hundred seventy-five thousandths percent (2.775%) of*
23 *annual compensation shall be used to fund retiree health benefits.*~~[~~

24 ~~Each individual who first becomes a member on or after July 1, 2008,~~
25 ~~shall contribute to the retirement system ten and eight hundred fifty-five~~
26 ~~thousandths percent (10.855%) of annual compensation, except that~~
27 ~~university employees who participate in the Kentucky Teachers'~~

1 Retirement System shall contribute nine and three hundred seventy five
2 thousandths percent (9.375%) of annual compensation.]

3 (c) [1.— Effective July 1, 2010, members shall, in addition to those contributions
4 required under paragraphs (a) and (b) of this subsection, make a contribution
5 to the medical insurance fund established under KRS 161.420(5) according to
6 the following schedule:

7 a.— For each individual who first became a member of the retirement system
8 before July 1, 2008, a total amount of annual compensation equal to and
9 effective on:

10 — July 1, 2010.....Twenty five hundredths percent (.25%)

11 — July 1, 2011.....One half percent (0.50%)

12 — July 1, 2012.....One percent (1.0%)

13 — July 1, 2013.....One and one half percent (1.5%)

14 — July 1, 2014.....Two and twenty five hundredths percent (2.25%)

15 — July 1, 2015,

16 — and thereafter.....Three percent (3.0%) for a total of three and

17 seventy five hundredths percent (3.75%)

18 — when added to the contributions required

19 — under KRS 161.420(5)(a); or

20 b.— For each individual who first becomes a member of the retirement
21 system on or after July 1, 2008, a total amount of annual compensation
22 equal to and effective on:

23 — July 1, 2013.....One half percent (0.50%)

24 — July 1, 2014.....One and twenty five hundredths percent (1.25%)

25 — July 1, 2015,

26 — and thereafter.....Two percent (2.0%) for a total of three and

27 seventy five hundredths percent (3.75%)

1 _____ when added to the contributions required

2 _____ under KRS 161.420(5)(a)

3 2. ~~Notwithstanding subparagraph 1. of this paragraph, members employed~~
4 ~~by any employer identified in KRS 161.220(4)(b) or (n) shall contribute,~~
5 ~~as a percentage of their total annual compensation, the actuarial~~
6 ~~equivalent of the percentage contributed by members under~~
7 ~~subparagraph 1. of this paragraph, not to exceed the percentages~~
8 ~~established under the schedules set forth in subparagraph 1. of this~~
9 ~~paragraph. The actuarial equivalent to be contributed under this~~
10 ~~subsection shall be determined by the retirement system's actuary. These~~
11 ~~contributions shall be in lieu of those contributions required under~~
12 ~~subparagraph 1. of this paragraph.~~

13 3. ~~When the medical insurance fund established under KRS 161.420(5)~~
14 ~~achieves a sufficient prefunded status as determined by the retirement~~
15 ~~system's actuary, the board of trustees shall recommend to the General~~
16 ~~Assembly that the contributions required under paragraph~~
17 ~~{subparagraphs} (a)2. or (b)2. of this subsection [1. and 2. of this~~
18 ~~paragraph} shall, in an actuarially accountable manner, be either~~
19 ~~decreased, suspended, or eliminated.~~

20 (d) Payments authorized by statute that are made to retiring members, who
21 became members of the system before July 1, 2008, for not more than sixty
22 (60) days of unused accrued annual leave shall be considered as part of the
23 member's annual compensation, and shall be used only for the member's final
24 year of active service. The contribution of members shall not exceed these
25 applicable percentages on annual compensation. When a member retires, if it
26 is determined that he has made contributions on a salary in excess of the
27 amount to be included for the purpose of calculating his final average salary,

1 any excess contribution shall be refunded to him in a lump sum at the time of
2 the payment of his first retirement allowance. In the event a member is
3 awarded a court-ordered back salary payment the employer shall deduct and
4 remit the member contribution on the salary payment, plus interest to be paid
5 by the employer, to the retirement system unless otherwise specified by the
6 court order.

7 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for
8 the purpose of compliance with Section 414(h) of the United States Internal
9 Revenue Code, pick up the member contributions required by this section for all
10 compensation earned after August 1, 1982, and the contributions so picked up shall
11 be treated as employer contributions in determining tax treatment under the United
12 States Internal Revenue Code and KRS 141.010(10). The picked-up member
13 contribution shall satisfy all obligations to the retirement system satisfied prior to
14 August 1, 1982, by the member contribution, and the picked-up member
15 contribution shall be in lieu of a member contribution. Each employer shall pay
16 these picked-up member contributions from the same source of funds which is used
17 to pay earnings to the member. The member shall have no option to receive the
18 contributed amounts directly instead of having them paid by the employer to the
19 system. Member contributions picked-up after August 1, 1982, shall be treated for
20 all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent
21 as member contributions made prior to August 1, 1982.

22 ➔Section 58. KRS 161.545 is amended to read as follows:

23 (1) (a) Members may make contributions and receive service credit for substitute,
24 part-time, or any service other than regular full-time teaching as provided in
25 the administrative regulations of the board of trustees if contributions were not
26 otherwise made as a result of the service. **This paragraph does not apply to**
27 **members who retired on or after January 1, 2019, and are reemployed on or**

1 after January 1, 2019.

2 **(b)** Members placed on leave of absence during a period of full-time employment
3 as defined in KRS 161.220(21) may make contributions and receive service
4 credit for this leave only if contributions are made by the end of the fiscal year
5 next succeeding the year in which the leave was effective as provided in
6 administrative regulations promulgated by the board of trustees. Contributions
7 permitted after August 1, 1982, shall not be picked-up pursuant to KRS
8 161.540(2).

9 (2) Active contributing members of the Teachers' Retirement System, or former
10 members who are currently participating in a state-administered retirement system,
11 who were granted leaves of absence during a period of full-time employment as
12 defined in KRS 161.220(21) since July 1, 1964, for reasons of health as defined
13 under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs. 2601 et seq.,
14 child rearing, or to improve their educational qualifications, and did not purchase
15 the leave of absence as provided in subsection (1) of this section may obtain credit
16 for the leave of absence as provided under the administrative regulations of the
17 board of trustees and under the following conditions:

18 (a) The leave of absence shall be verified by a copy of the board of education
19 minutes which granted the leave of absence or by other documentation that
20 was generated contemporaneously with the leave that is determined by the
21 retirement system to reasonably establish that a leave of absence was granted;
22 and

23 (b) The member shall contribute the required percentage based on the salary
24 received for the year immediately preceding the leave of absence plus interest
25 at the rate of eight percent (8%) compounded annually from the beginning of
26 the school year following the year of the leave of absence, and by depositing
27 in the state accumulation fund an amount equal to this total.

1 (c) The member shall receive credit for no more than two (2) years under the
2 provisions of this subsection.

3 (3) Contributions permitted under this section after August 1, 1982, shall not be picked-
4 up pursuant to KRS 161.540(2).

5 (4) Notwithstanding any other provisions of this section to the contrary, purchase of
6 service credit under subsection (2) of this section:

7 (a) For individuals who become members on or after July 1, 2008, but prior to
8 January 1, 2019, shall be purchasable only at the full actuarial cost; and

9 (b) Shall not apply to individuals who become members on or after January 1,
10 2019.

11 ➔Section 59. KRS 161.5465 is amended to read as follows:

12 On or after August 1, 1998, a member of the Teachers' Retirement System in active
13 contributing status who has a minimum of twenty (20) years of service credit may
14 purchase up to a maximum of five (5) years of service credit that is not otherwise
15 purchasable under any of the provisions of KRS 161.220 to 161.716 and that meets the
16 definition of nonqualified service as provided in Section 1526 of the Federal Taxpayer
17 Relief Act of 1997. The member shall pay the full actuarial cost of the service credit as
18 provided in KRS 161.220(22). The payment shall not be picked up by the employer as
19 described in KRS 161.540(2), and the member's payment shall be credited to the
20 member's contribution account and shall be considered accumulated contributions of the
21 member. Payment by the member may be by lump sum or by installment payments as
22 provided in KRS 161.597. Notwithstanding any other statute to the contrary, the
23 Kentucky Teachers' Retirement System shall recognize nonqualified service credit
24 purchased with another retirement system only to the extent that the member had an
25 equivalent number of full months of active employment in the position covered by the
26 other retirement system during the period that the nonqualified service was purchased.
27 This section shall not apply to:

1 (1) Individuals who become members on or after July 1, 2008, but prior to January 1,
2 2019, except that a teacher of a local school board may purchase up to ten (10)
3 months of service under this section if the teacher is retiring and has completed the
4 prior school year with at least twenty-six (26) years and two (2) months of service
5 but less than twenty-seven (27) years of service; and

6 (2) Individuals who become members on or after January 1, 2019.

7 ➔Section 60. KRS 161.547 is amended to read as follows:

8 An individual who became a member of the retirement system prior to January 1, 2019,
9 who has~~having~~ service as a Kentucky legislator which is not credited by any retirement
10 system administered by the Commonwealth of Kentucky may present such service, not to
11 exceed four (4) years, for credit in the retirement system by paying the full actuarial cost
12 of the service as determined by the system actuary. The member may purchase all or part
13 of his service as a legislator, but no less than one (1) year of service. The entire payment
14 shall be placed in the teachers' saving fund.

15 ➔Section 61. KRS 161.548 is amended to read as follows:

16 An individual who became a member of the Teachers' Retirement System prior to
17 January 1, 2019, who is in an active contributing status with the system, and who was
18 formerly employed in a regional community service program for mental health and
19 individuals with an intellectual disability, organized and operated under the provisions of
20 KRS 210.370 to 210.480, which does not participate in a state-administered retirement
21 system, may obtain credit for the period of his service in the regional community program
22 for mental health and individuals with an intellectual disability by paying to the Teachers'
23 Retirement System the full actuarial cost of the service credit purchased, as provided in
24 KRS 161.220(22). The service credit purchased may not be used for meeting the service
25 requirements set forth in KRS 161.600(1)(a) or 161.661(1). The payment shall not be
26 picked up, as described in KRS 161.540(2), and the entire payment shall be placed in the
27 teachers' savings fund.

1 ➔ Section 62. KRS 161.549 is amended to read as follows:

2 *An individual who became* a member of the Teachers' Retirement System *prior to*
3 *January 1, 2019,* who is in an active contributing status with the system, and who was
4 formerly employed by a Federal Head Start agency, operated under 42 U.S.C. secs. 9831
5 et seq., which does not participate in a state-administered retirement system, may obtain
6 credit for the period of the member's service in the Head Start program by purchasing this
7 service credit under the same conditions that out-of-state service credit may be purchased
8 under KRS 161.515. The service credit purchased may not be used for meeting the
9 service requirements set forth in KRS 161.600(1)(a) or 161.661(1). Payment for the
10 service credit purchased may be made in installments in lieu of a lump-sum payment. The
11 payment shall not be picked up, as described in KRS 161.540(2), and the entire payment
12 shall be placed in the teachers' savings fund.

13 ➔ Section 63. KRS 161.550 is amended to read as follows:

14 (1) (a) ~~[Beginning with July 1,]~~*Effective July 1, 2020, and for each fiscal year*
15 *occurring thereafter,* each employer, except as provided under KRS 161.555,
16 shall contribute annually to the ~~[Kentucky]~~Teachers' Retirement System a
17 *base* permanent *employer contribution*~~[amount]~~ equal to:

18 *1. Thirteen and one hundred five thousandths percent (13.105%) of the*
19 *total annual compensation of nonuniversity members it employs, of*
20 *which:*

21 *a. Twelve and three hundred fifty-five thousandths percent*
22 *(12.355%) of the total annual compensation shall be used to*
23 *fund pension and life insurance benefits;*~~[that contributed by~~
24 ~~members of the retirement system it employs less the amount~~
25 ~~contributed by employees under KRS 161.540(1)(c), plus an~~
26 ~~additional three and one fourths percent (3.25%) of the total of~~
27 ~~salaries of members of the retirement system it employs to~~

1 discharge the system's unfunded obligations with interest assumed
2 by the state] and

3 *b. Three-quarters of a percent (0.75%) of annual compensation*
4 *shall be used* to provide funding to the medical insurance fund as
5 provided under KRS 161.420(5). If the board of trustees
6 establishes a trust fund under 26 U.S.C. sec. 115, the board may
7 deposit the employer contribution *provided in this*
8 *subparagraph* [dedicated to retiree health] in that trust fund[-]; *and*

9 *2. Thirteen and sixty-five hundredths percent (13.65%) of the total*
10 *annual compensation of university members of the retirement system*
11 *it employs, of which:*

12 *a. Ten and eight hundred seventy-five thousandths percent*
13 *(10.875%) of the total annual compensation shall be used to*
14 *fund pension and life insurance benefits; and*

15 *b. Two and seven hundred seventy-five thousandths percent*
16 *(2.775%) of annual compensation shall be used to provide*
17 *funding to the medical insurance fund as provided under*
18 *subsection (5) of Section 47 of this Act. If the board of trustees*
19 *establishes a trust fund under 26 U.S.C. sec. 115, the board may*
20 *deposit the employer contribution provided in this subparagraph*
21 *in that trust fund.*

22 *(b) Effective July 1, 2020, and for each year thereafter, each employer shall pay*
23 *the additional contributions needed to fund the Teachers' Retirement*
24 *System pension fund and life insurance fund on an actuarially sound basis*
25 *as determined by the system's actuarial valuation completed in accordance*
26 *with Section 46 of this Act and as specified by this section. The amount*
27 *payable under the provisions of this paragraph shall:*

- 1 1. Be in addition to the amounts provided under paragraph (a)1.a. and
- 2 (a)2.a. of this subsection;
- 3 2. Not include the cost or funding of benefits established by KRS
- 4 161.553; and
- 5 3. Shall be prorated to each employer based upon the individual
- 6 employer's average percentage of the total compensation reported by
- 7 all employers in the system in fiscal years 2014-2015, 2015-2016, and
- 8 2016-2017, except that the amount shall be paid by state appropriation
- 9 only for those employers who cover memberships specified by
- 10 subsection (4)(a) of Section 45 of this Act.
- 11 (c) The contributions payable under paragraphs (a)1.a., (a)2.a., and (b) of this
- 12 subsection by employers and the state shall be equal to the sum of the
- 13 "normal cost" contribution and the "actuarially accrued liability
- 14 contribution," except that the minimum contribution to fund pension and
- 15 life insurance benefits shall not be less than the combined employer
- 16 contribution to fund pension and life insurance benefits specified by
- 17 paragraph (a) of this subsection and subsection (3) of this section.
- 18 (d) For purposes of this subsection, the normal cost contribution shall be
- 19 computed as a percentage of payroll and shall be an annual amount that is
- 20 sufficient when combined with employee contributions to fund pension and
- 21 life insurance benefits earned during the year, including costs for members
- 22 participating in the hybrid cash balance plan.
- 23 (e) For purposes of this subsection, the actuarially accrued liability
- 24 contribution shall be an annual amount that is sufficient to amortize the
- 25 total unfunded actuarially accrued liability over a closed period of thirty
- 26 (30) years using:
- 27 1. The level percentage of payroll amortization method in the 2018

1 actuarial valuation with a payroll growth assumption of two and six
2 hundred twenty-five thousandths percent (2.625%);

3 2. The level percentage of payroll amortization method in the 2019
4 actuarial valuation with a payroll growth assumption of one and
5 seventy-five hundredths percent (1.75%);

6 3. The level percentage of payroll amortization method in the 2020
7 actuarial valuation with a payroll growth assumption of eight hundred
8 seventy-five thousandths percent (0.875%); and

9 4. The level dollar amortization method in the 2021 actuarial valuation
10 and for each valuation occurring thereafter.

11 The amortization period shall be reset to a new thirty (30) year closed period
12 beginning with the 2018 actuarial valuation.

13 (f) Effective with the 2018 actuarial valuation, which determines the employer
14 rates payable on or after July 1, 2020, the employer contributions computed
15 under this section shall be determined using:

16 1. The entry age normal cost funding method;

17 2. An asset smoothing method that smooths gains and losses over a five
18 (5) year period; and

19 3. Other funding methods and assumptions established by the board in
20 accordance with Section 46 of this Act.

21 (2) In addition to the required contributions in subsection (1) of this section, the state
22 shall contribute annually to the Kentucky Teachers' Retirement System a percentage
23 of the total salaries of the state-funded and federally funded members it employs to
24 pay the cost of health insurance coverage for retirees who are not eligible for
25 Medicare and who retire on or after July 1, 2010, less the amounts that are
26 otherwise required to be paid by the retirees under KRS 161.675. The Kentucky
27 Teachers' Retirement System may also request an additional amount necessary to

1 ensure payment of medical insurance costs through fiscal year 2015-2016 which
2 shall not be subject to the limitations of paragraph (c) of this subsection. The board
3 shall deposit funds in the medical insurance fund unless the board of trustees has
4 established a trust fund under 26 U.S.C. sec. 115 for this purpose. In this case, the
5 board may deposit the employer contribution in that trust fund. This contribution
6 shall be known as the state medical insurance fund stabilization contribution. The
7 percentage to be contributed by the state under this subsection:

- 8 (a) Shall be determined by the retirement system's actuary for each biennial
9 budget period;
- 10 (b) May be suspended or adjusted by the General Assembly if in its judgment the
11 welfare of the Commonwealth so demands; and
- 12 (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible for
13 Medicare who retire on or after July 1, 2010, or the amount contributed by
14 employers under subsection (3) of this section.

15 (3) ~~[Effective July 1, 2010,]~~**Effective January 1, 2019,** all **employers who employ**
16 **nonuniversity members**~~[local boards of education, agencies, and organizations~~
17 ~~identified in KRS 161.220(4), with the exception of those institutions identified~~
18 ~~under paragraphs (b) and (n) of KRS 161.220(4),]~~ shall make a contribution for
19 each payroll on behalf of their active employees who participate in the ~~[Kentucky]~~
20 Teachers' Retirement System in an amount equal to:

- 21 **(a) Three percent (3%)**~~[the percentage]~~ of payroll of those active employees. **The**
22 **contribution specified by this paragraph that is paid on or after January 1,**
23 **2019, shall be used to fund retiree health benefits; and**
- 24 **(b) Two percent (2%) of payroll for those members who participate in the**
25 **hybrid cash balance plan as provided by Section 43 of this Act. The amount**
26 **of funding provided by this paragraph shall be used to offset any additional**
27 **costs paid under subsection (1)(b) of this section.**~~[, according to the schedule~~

1 as follows:

2 July 1, 2010..... Twenty five hundredths percent (.25%)

3 July 1, 2011..... One half percent (.50%)

4 July 1, 2012..... One percent (1.0%)

5 July 1, 2013..... One and one half percent (1.5%)

6 July 1, 2014..... Two and twenty five hundredths percent (2.25%)

7 July 1, 2015, and thereafter..... Three percent (3.0%)}

8 (4) ~~{Institutions identified under KRS 161.220(4)(b) and (n) shall make a contribution~~
9 ~~for each payroll on behalf of their active employees who participate in the Kentucky~~
10 ~~Teachers' Retirement System of an amount equal to a percentage of these~~
11 ~~employees' payroll that is actuarially equivalent to the percentage contributed by~~
12 ~~local boards of education, agencies, and organizations identified under subsection~~
13 ~~(3) of this section, not to exceed the percentages established under the schedule set~~
14 ~~forth in subsection (3) of this section. The actuarial equivalent to be contributed~~
15 ~~under this subsection shall be determined by the Kentucky Teachers' Retirement~~
16 ~~System's actuary.~~

17 (5) ~~When the medical insurance fund established under KRS 161.420(5) achieves a~~
18 ~~sufficient prefunded status as determined by the Kentucky Teachers' Retirement~~
19 ~~System's actuary, the board of trustees shall recommend to the General Assembly~~
20 ~~that the contributions required under subsections (3) and (4) of this section shall, in~~
21 ~~an actuarially accountable manner, be either decreased, suspended, or eliminated.~~

22 (6) ~~Each employer shall remit the required employer contributions to the retirement~~
23 ~~system under the terms and conditions specified for member contributions under~~
24 ~~KRS 161.560. The state shall provide annual appropriations based upon estimated~~
25 ~~funds needed to meet the requirements of KRS 161.155; 161.168; 161.507(4);~~
26 ~~161.515; 161.545; 161.553; 161.605; 161.612; and 161.620(1), (3), (5), (6), and (7).~~

27 ~~{In the event an annual appropriation for the amounts specified by subsection~~

1 **(1)(a)1. of this section** is less than the amount of these requirements, the state shall
2 make up the deficit in the next biennium budget appropriation to the retirement
3 system. Employer contributions to the retirement system are for the exclusive
4 purpose of providing benefits to members and annuitants and these contributions
5 shall be considered deferred compensation to the members.

6 ➔Section 64. KRS 161.568 is amended to read as follows:

7 (1) Eligibility to participate in the optional retirement plan shall be determined by the
8 board of regents of each of the state public postsecondary education institutions
9 identified in KRS 161.220(4)(b). The employees of these institutions of higher
10 education who are initially employed on or after the implementation date of the
11 optional retirement plan may make an election to participate in the optional
12 retirement plan within thirty (30) days after their employment date. This election
13 shall be irrevocable except as otherwise provided in this subsection. No member of
14 the Kentucky Teachers' Retirement System who terminates employment and is
15 subsequently reemployed by the same or another public postsecondary education
16 institution which participates in the Kentucky Teachers' Retirement System may be
17 eligible to elect to participate in the optional retirement plan unless the date of
18 reemployment is at least six (6) months after the date of termination. All elections
19 made under this subsection shall be in writing and shall be filed with the
20 appropriate officer of the employer institution. Persons who originally elected to
21 participate in the optional retirement plan may later change their elections only as
22 follows:

23 (a) Any person otherwise eligible for membership in the Kentucky Teachers'
24 Retirement System may irrevocably elect one (1) time during his or her
25 lifetime to change his or her election and to prospectively participate in the
26 Kentucky Teachers' Retirement System. This election to change from the
27 optional retirement plan to Kentucky Teachers' Retirement System shall be

1 effective beginning on the first day of the first month immediately following
2 the date that written application for the election is received in the retirement
3 system's office on forms prescribed by the system. Any person exercising this
4 election shall not be entitled to purchase as service credit in the Kentucky
5 Teachers' Retirement System any prior service with his or her postsecondary
6 education institution employer;

7 (b) Any person otherwise eligible for membership in the Kentucky Teachers'
8 Retirement System who previously elected to participate in the optional
9 retirement plan may irrevocably elect one (1) time within his or her first six
10 (6) years and six (6) months of continuous service in any one (1) or more of
11 the institutions identified in KRS 161.220(4)(b), to change his or her election
12 and to prospectively participate in the Kentucky Teachers' Retirement System
13 and also become eligible to purchase as service credit his or her prior service
14 with his or her postsecondary education employer. This election to change
15 from the optional retirement plan to the Kentucky Teachers' Retirement
16 System shall be effective beginning on the first day of the first month
17 immediately following the date that written application for the election is
18 received in the retirement system's office on forms prescribed by the
19 retirement system. Persons electing to change from the optional retirement
20 plan to the Kentucky Teachers' Retirement System may purchase service
21 credit only for their prior years of service for a postsecondary education
22 institution identified in KRS 161.220(4)(b) during which they participated in
23 the optional retirement plan. The election to purchase prior service as service
24 credit shall be received in the retirement system's office on forms prescribed
25 by the retirement system within the six (6) year and six (6) month period
26 provided to make the election to begin participation in the Kentucky Teachers'
27 Retirement System. The cost of purchasing this service shall be calculated by

1 adding both the employer and member contributions that would have been
2 paid to the Kentucky Teachers' Retirement System had the individual
3 purchasing this service participated in the Kentucky Teachers' Retirement
4 System instead of the optional retirement plan, less the amount contributed to
5 the Kentucky Teachers' Retirement System by the postsecondary education
6 institution as provided by KRS 161.569(5), or KRS 161.569(5)(a)2. as it
7 existed on June 30, 2007. Interest at Kentucky Teachers' Retirement System's
8 actuarially assumed rate shall be paid on these net contributions by the person
9 electing to change to the Kentucky Teachers' Retirement System from the
10 optional retirement plan. These payments shall not be picked up as described
11 in KRS 161.540(2). Persons who elect to change from the optional retirement
12 plan to the Kentucky Teachers' Retirement System may elect to purchase as
13 service credit, beginning with the most recent years, any portion of their prior
14 years of service during which time they participated in the optional retirement
15 plan, or none of those years. Members may purchase service credit for prior
16 years of service by rolling over funds from their optional retirement plan
17 account as provided under KRS 161.5461, or by rolling over or transferring
18 other plan funds as permitted by the rules set forth in the Internal Revenue
19 Code, or by making an after-tax lump-sum cash payment. *This paragraph*
20 *does not apply to individuals who become members on or after January 1,*
21 *2019;*

- 22 (c) Effective July 1, 2008, persons otherwise eligible for membership in the
23 Kentucky Teachers' Retirement System may irrevocably elect one (1) time to
24 change their election and to prospectively participate in the Kentucky
25 Teachers' Retirement System and purchase service credit for their prior years
26 of service during which they participated in the optional retirement plan. This
27 election shall be filed in writing with the Kentucky Teachers' Retirement

1 System no later than December 31, 2008. Persons who change their election
2 prior to July 1, 2008, to prospectively participate in the Kentucky Teachers'
3 Retirement System may purchase service credit for their prior years of service
4 during which they participated in the optional retirement plan. The purchase
5 of prior years of service under this paragraph shall be subject to the same
6 conditions and purchase costs as described in paragraph (b) of this subsection,
7 except that the election to purchase service credit shall be on file with the
8 Kentucky Teachers' Retirement System no later than December 31, 2008. *This*
9 *paragraph does not apply to individuals who become members on or after*
10 *January 1, 2019*; and

11 (d) Persons electing to change to the Kentucky Teachers' Retirement System
12 under paragraphs (a), (b), and (c) of this subsection shall be eligible to
13 participate, based upon their age and allowable service credit, in the disability,
14 survivorship, and medical insurance programs under the conditions and in the
15 degree as they exist on the date that they file their election with the retirement
16 system, but shall be subject to any changes to those programs from that date
17 forward, including any changes that may affect their eligibility for or degree of
18 participation in those programs. Prior service purchased as service credit as
19 permitted under paragraphs (b) and (c) of this subsection shall not be
20 considered for meeting eligibility requirements or determining the extent of
21 participation in these programs. Persons electing to change to the Kentucky
22 Teachers' Retirement System shall not be eligible for the survivorship or
23 disability programs based upon medical conditions that existed prior to the
24 filing of their elections.

25 (2) Elections of eligible employees hired on or after the implementation date of the
26 optional retirement plan at their employer institution shall be effective on the date
27 of their employment. If an eligible employee hired subsequent to the

1 implementation date at the employer institution fails to make the election provided
2 for in this section, the employee shall become a member of the regular retirement
3 plan of the Kentucky Teachers' Retirement System.

4 ➔Section 65. KRS 161.580 is amended to read as follows:

5 (1) The board of trustees shall provide for the maintenance of an individual account for
6 each member showing the amount of the member's accumulated account
7 balance~~[contribution and interest accumulations]~~. Such individual accounts shall be
8 identified in the records of the system by name, date of birth, and Social Security
9 number. It shall collect and keep in convenient form such data as is necessary for
10 the preparation of the required mortality and service tables and for the compilation
11 of such other information as is required for the actuarial valuation of the assets and
12 liabilities of the various funds of the retirement system.

13 (2) The board shall prepare and furnish to all active contributing members a summary
14 plan description, written in a manner calculated to be understood by the average
15 member or annuitant, and sufficiently accurate and comprehensive to reasonably
16 apprise them of their rights and obligations under the Teachers' Retirement System.
17 The board may furnish the summary plan description by posting it on the retirement
18 system's Web site.

19 (3) The summary plan description shall include:

- 20 (a) The name of the retirement system, the name and address of the executive
21 secretary, and the name, address, and title of each member of the board of
22 trustees;
- 23 (b) The name and address of the person designated for the service of legal
24 process;
- 25 (c) The system's requirements for participation and benefits;
- 26 (d) A description of retirement formulas for normal, early, and disability
27 retirement, and survivor benefits;

- 1 (e) A description of the requirements for vesting of pension benefits;
- 2 (f) A list of circumstances which would result in disqualification, ineligibility, or
- 3 denial or loss of benefits;
- 4 (g) The sources of financing retirement benefits, and statutory requirements for
- 5 funding;
- 6 (h) A statement after each actuarial valuation as to whether funding requirements
- 7 are being met; and
- 8 (i) The procedures to be followed in presenting claims for benefits under the
- 9 plan, and the remedies available under the plan for the redress of claims which
- 10 are denied in whole or in part.
- 11 (4) The board may publish the summary plan description in the form of a
- 12 comprehensive pamphlet or booklet, or in the form of periodic newsletters which
- 13 shall incorporate all the information required in the summary plan description
- 14 within a period of two (2) years. Any changes in statutory requirements or
- 15 administrative practices which alter the provisions of the plan as described in the
- 16 summary plan description shall be summarized as required in subsection (2) of this
- 17 section and furnished to active contributing members in the form of a supplement to
- 18 a comprehensive booklet, or reported in the periodic newsletter.
- 19 (5) The board shall provide to annuitants so much of the summary plan description as
- 20 they need to understand changes in benefits which apply to them.
- 21 ➔Section 66. KRS 161.585 is amended to read as follows:
- 22 (1) Each member's or annuitant's account shall be administered in a confidential
- 23 manner, and specific data regarding a member or annuitant shall not be released for
- 24 publication, except that:
- 25 (a) The member or annuitant may authorize the release of his or her account
- 26 information;
- 27 (b) The board of trustees may release member or annuitant account information to

1 the employer or to other state and federal agencies as it deems necessary or in
2 response to a lawful subpoena or order issued by a court of law; or

3 (c) 1. Upon request by any person, the system shall release the following
4 information from the accounts of any member or annuitant of the
5 Kentucky Teachers' Retirement System, if the member or annuitant is a
6 current or former officeholder in the Kentucky General Assembly:

7 a. The first and last name of the member or annuitant;

8 b. The status of the member or annuitant, including but not limited to
9 whether he or she is a contributing member, a member who is not
10 contributing but has not retired, a retiree receiving a monthly
11 retirement allowance, or a retiree who has returned to work
12 following retirement with an agency participating in the system;

13 c. If the individual is an annuitant, the monthly retirement allowance
14 that he or she was receiving at the end of the most recently
15 completed fiscal year;

16 d. If the individual is a member who has not yet retired, the estimated
17 monthly retirement allowance that he or she is eligible to receive
18 on the first date he or she would be eligible for an unreduced
19 retirement allowance, using his or her service credit, accumulated
20 account balance, and final average salary at the end of the most
21 recently completed fiscal year; and

22 e. The current or last participating employer of the member or
23 annuitant, if applicable.

24 2. No information shall be disclosed under this paragraph from an account
25 that is paying benefits to a beneficiary due to the death of a member or
26 annuitant.

27 (2) The release of information under subsection (1)(c) of this section shall not

1 constitute a violation of the Open Records Act, KRS 61.870 to 61.884.

2 (3) Medical records which are included in a member's or annuitant's file maintained by
3 the Teachers' Retirement System are confidential and shall not be released unless
4 authorized by the member or annuitant in writing or as otherwise provided by law or
5 in response to a lawful subpoena or order issued by a court of law.

6 (4) (a) When a subpoena is served upon any employee of the Kentucky Teachers'
7 Retirement System requiring the production of any data, information, or
8 records, it is sufficient if the employee of the Kentucky Teachers' Retirement
9 System charged with the responsibility of being custodian of the original, or
10 his or her designated staff, delivers within five (5) working days by certified
11 mail or by personal delivery to the person specified in the subpoena either of
12 the following:

- 13 1. Legible and durable copies of records certified by the employee or
14 designated staff; or
- 15 2. An affidavit stating the information required by the subpoena.

16 (b) The production of records or an affidavit shall be in lieu of any personal
17 testimony of any employee of the Kentucky Teachers' Retirement System
18 unless, after the production of records or an affidavit, a separate subpoena is
19 served upon the retirement system specifically directing the testimony of an
20 employee of the retirement system. When a subpoena is served on any
21 employee of the retirement system requiring the employee to give testimony
22 or produce records for any purpose, in the absence of a court order requiring
23 the testimony of or production of records by a specific employee, the system
24 may designate an employee to give testimony or produce records upon the
25 matter referred to in the subpoena. The board of trustees may promulgate an
26 administrative regulation for the recovery of reasonable travel and
27 administrative expenses for those occasions when an employee of the

1 retirement system is required to travel from his or her home or office to
2 provide testimony or records. Recoverable expenses may include the wages,
3 salary, and overtime paid to the employee by the retirement system for the
4 period of time that the employee is away from the office. The cost of these
5 expenses shall be borne by the party issuing the subpoena compelling the
6 employee's travel. The board of trustees may also promulgate an
7 administrative regulation establishing a reasonable fee for the copying,
8 compiling, and mailing of requested records.

9 (c) The certification required by this subsection shall be signed before a notary
10 public by the employee and shall include the full name of the member or
11 annuitant, the member or annuitant identification number assigned to the
12 member or annuitant by the retirement system, and a legend substantially to
13 the following effect: "The records are true and complete reproductions of the
14 original, microfiched, or electronically stored records which are housed in the
15 retirement system's office. This certification is given in lieu of the
16 undersigned's personal appearance."

17 (d) When an affidavit or copies of records are personally delivered, a receipt shall
18 be presented to the person receiving the records for his or her signature and
19 shall be immediately signed and returned to the person delivering the records.
20 When an affidavit or copies of records are sent via certified mail, the receipt
21 used by the postal authorities shall be sufficient to prove receipt of the
22 affidavit or copies of records.

23 (e) When the affidavit or copies of records are delivered to a party for use in
24 deposition they shall, after termination of the deposition, be delivered
25 personally or by certified mail to the clerk of the court or other body before
26 which the action or proceeding is pending.

27 (f) Upon completion of delivery by the retirement system of copies of records by

1 their deposit in the mail or by their personal delivery to the requesting party,
2 the retirement system shall cease to have any responsibility or liability for the
3 records and their continued maintenance in a confidential manner.

4 (g) Records of the Kentucky Teachers' Retirement System that are susceptible to
5 reproduction may be proved as to foundation, identity, and authenticity
6 without preliminary testimony, by use of legible and durable copies, certified
7 in accordance with the provisions of this subsection.(h) The provisions of
8 this subsection shall not be construed to prohibit the Kentucky Teachers'
9 Retirement System from asserting any exemption, exception, or relief
10 provided under the Kentucky Rules of Civil Procedure or other applicable
11 law.

12 (5) For purposes of this section, "records" includes retirement estimates, affidavits, and
13 other documents prepared by the Kentucky Teachers' Retirement System in
14 response to information requested in a lawful subpoena or order issued by a court of
15 law.

16 ➔Section 67. KRS 161.590 is amended to read as follows:

17 (1) At retirement the total service credited to a teacher shall consist of prior and
18 subsequent service rendered by him for which service credit has been allowed.

19 (2) Kentucky service, presented at the time of retirement, may not be used in
20 calculating benefits under Section 43 of this Act, KRS 161.525, 161.620, or
21 161.661, if such service has been used to increase benefits in another retirement
22 system, not including Old Age and Survivors Insurance Benefits under the Social
23 Security Administration.

24 (3) No service credit shall be added to a member's account after the effective date of
25 retirement for service.

26 ➔Section 68. KRS 161.595 is amended to read as follows:

27 (1) Upon service retirement, an individual who becomes a member of the Teachers'

1 Retirement System prior to January 1, 2019, may obtain credit for all or any part of
2 the service otherwise creditable under the Kentucky Employees Retirement System,
3 the County Employees Retirement System, or in the service of the United States
4 government for which service credit is not otherwise given, upon the payment by
5 the member of the full actuarial cost of the service credit purchased as defined in
6 KRS 161.220(22). Such payments shall not be picked up, as described in KRS
7 161.540(2).

8 (2) The amount paid under this section shall be considered as accumulated
9 contributions of the individual member.

10 (3) No person shall be allowed credit for the same period of service in more than one
11 (1) of these three (3) retirement systems.

12 ➔Section 69. KRS 161.600 is amended to read as follows:

13 (1) Effective July 1, 1988, a member of the retirement system may qualify for service
14 retirement by meeting one (1) of the following requirements:

15 (a) Attainment of age sixty (60) years and completion of five (5) years of
16 Kentucky service;

17 (b) 1. For an individual who becomes a member before July 1, 2008,
18 attainment of age fifty-five (55) years and completion of a minimum of
19 five (5) years of Kentucky service with an actuarial reduction of the
20 basic allowance of five percent (5%) for each year the member's age is
21 less than sixty (60) years or for each year the member's years of
22 Kentucky service credit is less than twenty-seven (27), whichever is the
23 lesser number; and

24 2. For an individual who becomes a member on or after July 1, 2008,
25 attainment of age fifty-five (55) years and completion of a minimum of
26 ten (10) years of Kentucky service with an actuarial reduction of the
27 basic retirement allowance of six percent (6%) for each year the

1 member's age is less than sixty (60) years or for each year the member's
2 years of Kentucky service credit is less than twenty-seven (27),
3 whichever is the lesser number;

4 (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state
5 service earned in accordance with the provisions of KRS 161.515(2) may be
6 used to meet this requirement; or

7 (d) Completion of the necessary years of service under provisions of KRS
8 61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS
9 61.680. A member retiring under this paragraph who has not attained age
10 fifty-five (55) shall incur an actuarial reduction of the basic allowance
11 determined by the system's actuary for each year the member's service credit is
12 less than twenty-seven (27).

13 (2) Any person who has been a member in Kentucky for twenty-seven (27) years or
14 more and who withdraws from covered employment may continue to pay into the
15 fund each year until the end of the fiscal year in which he reaches the age of sixty-
16 five (65) years, the current contribution rate based on the annual compensation
17 received during the member's last full year in covered employment, less any
18 payment received for accrued sick leave or accrued leave from an employer. The
19 member shall be entitled to receive a retirement allowance as provided in KRS
20 161.620 at any time after withdrawing from covered employment and payment of
21 contributions under this subsection. No member shall make contributions as
22 provided for in this subsection if the member is at the same time making
23 contributions to another retirement system in Kentucky supported wholly or in part
24 by public funds.

25 (3) Service credit in the Kentucky Employees Retirement System, the State Police
26 Retirement System, the Legislators' Retirement Plan, the County Employees
27 Retirement System, or the Judicial Retirement System may be used in meeting the

1 service requirements of subsection (1)(a), (b), and (c) of this section, provided the
2 service is subsequent to July 1, 1956.

3 **(4)** Upon death, disability, or service retirement, a member's accounts under all state
4 supported retirement systems shall be consolidated, as provided by this section and
5 by KRS 61.680, for the purpose of determining eligibility and amount of benefits,
6 which shall include medical benefits. Upon determination of benefits, each system
7 shall pay the applicable percentage of total benefits. The effective date of retirement
8 under this subsection shall be determined by each retirement system for the portion
9 of the payments that will be made.

10 ~~(5)(4)~~ No retirement annuity shall be effective until written application and option
11 election forms are filed with the retirement office in accordance with administrative
12 regulations of the board of trustees. A member may withdraw his or her retirement
13 application, postpone his or her effective retirement date, or change his or her
14 retirement option if these elections are made no later than the fifteenth day of the
15 month in which the member has made application for retirement.

16 ~~(6)(5)~~ The surviving spouse of an active contributing member, if named as
17 beneficiary of the member's account, may purchase retirement credit that the
18 member was eligible to purchase prior to the member's death.

19 **(7) Effective January 1, 2019, subsections (1) to (3) of this section do not apply to**
20 **individuals who become members of the Teachers' Retirement System on or after**
21 **January 1, 2019. Individuals who become members of the Teachers' Retirement**
22 **System on or after January 1, 2019, shall receive the retirement benefits**
23 **prescribed by Section 43 of this Act.**

24 ➔Section 70. KRS 161.605 is amended to read as follows:

25 Any member retired by reason of service may return to work in a position covered by the
26 Kentucky Teachers' Retirement System and continue to receive his or her retirement
27 allowance under the following conditions:

- 1 (1) Any member who is retired with thirty (30) or more years of service may return to
2 work in a full-time or a part-time position covered by the Kentucky Teachers'
3 Retirement System and earn up to a maximum of seventy-five percent (75%) of the
4 member's last annual compensation measured on a daily rate to be determined by
5 the board of trustees. For purposes of determining whether the salary of a member
6 returning to work is seventy-five percent (75%) or less of the member's last annual
7 compensation, all remuneration paid and benefits provided to the member, on an
8 actual dollar or fair market value basis as determined by the retirement system, shall
9 be considered. Members who were retired on or before June 30, 2002, shall be
10 entitled to return to work under the provisions of this section as if they had retired
11 with thirty (30) years of service. Nonqualified service credit purchased under the
12 provisions of KRS 161.5465 or elsewhere with any state-administered retirement
13 system shall not be used to meet the thirty (30) year requirement set forth in this
14 subsection. Out-of state teaching service provided in public schools for kindergarten
15 through grade twelve (12) may count toward the thirty (30) year requirement set
16 forth in this subsection even if it is not purchased as service credit, if the member
17 obtains from his or her out-of-state employer certification of this service on forms
18 prescribed by the retirement system;
- 19 (2) Any member who is retired with less than thirty (30) years of service after June 30,
20 2002, may return to work in a full-time or part-time position covered by the
21 Kentucky Teachers' Retirement System and earn up to a maximum of sixty-five
22 percent (65%) of the member's last annual compensation measured on a daily rate to
23 be determined by the board of trustees. For purposes of determining whether the
24 salary of a member returning to work is sixty-five percent (65%) or less of the
25 member's last annual compensation, all remuneration paid and benefits provided to
26 the member, on an actual dollar or fair market value basis as determined by the
27 retirement system, shall be considered;

- 1 (3) Reemployment of a retired member under subsection (1) or (2) of this section in a
2 full-time teaching or nonteaching position in a local school district shall be
3 permitted only if the employer certifies to the Kentucky Teachers' Retirement
4 System that there are no other qualified applicants available to fill the teaching or
5 nonteaching position. The employer may use any source considered reliable
6 including but not limited to data provided by the Education Professional Standards
7 Board and the Department of Education to determine whether other qualified
8 applicants are available to fill the teaching or nonteaching position. The Kentucky
9 Board of Education shall promulgate administrative regulations to establish
10 procedures to determine whether other qualified applicants are available to fill a
11 teaching or nonteaching position and, if not, for filling the position with a retired
12 member who will then be permitted to return to work in that position under
13 subsection (1) or (2) of this section. The administrative regulations shall assure that
14 a retired member shall not be hired in a teaching or nonteaching position by a local
15 school district until the superintendent of the school district assures the Kentucky
16 Teachers' Retirement System that every reasonable effort has been made to recruit
17 other qualified applicants for the position on an annual basis;
- 18 (4) Under this section, an employer may employ full-time a number of retired members
19 not to exceed three percent (3%) of the membership actively employed full-time by
20 that employer. The board of trustees may reduce this three percent (3%) cap upon
21 recommendation of the retirement system's actuary if a reduction is necessary to
22 maintain the actuarial soundness of the retirement system. The board of trustees
23 may increase the three percent (3%) cap upon a determination that an increase is
24 warranted to help address a shortage in the number of available teachers and upon
25 the determination of the retirement system's actuary that the proposed cap increase
26 allows the actuarial soundness of the retirement system to be maintained. For
27 purposes of this subsection, "full-time" means the same as defined by KRS

1 161.220(21). A local school district may exceed the quota established by this
2 subsection by making an annual written request to the Kentucky Department of
3 Education which the department may approve on a year-by-year basis if the
4 statewide quota has not been met. A district's written request to exceed its quota
5 shall be submitted no sooner than two (2) weeks after the start of the school year;

6 (5) (a) **Except as provided by subsection (10) of this section,** a member returning to
7 work in a full-time or part-time position under subsection (1) or (2) of this
8 section will contribute to an account with the retirement system that will be
9 administered independently from and with no reciprocal impact with the
10 member's original retirement account, or any other account from which the
11 member is eligible to draw a retirement allowance.

12 (b) **Except as provided by subsection (10) of this section,** a member returning to
13 work under subsection (1) or (2) of this section shall make contributions to the
14 retirement system at the rate provided under KRS 161.540. The new account
15 shall independently meet the five (5) year vesting requirement as well as all
16 other conditions set forth in KRS 161.600(1) before any retirement allowance
17 is payable from this account. The retirement allowance accruing under this
18 new account shall be calculated pursuant to KRS 161.620(1)(b). This new
19 account shall not entitle the member to a duplication of the benefits offered
20 under KRS 161.620(7) or 161.675, nor shall this new account provide the
21 benefits offered by KRS 161.520, 161.525, 161.620(3), 161.655, 161.661, or
22 161.663.

23 (c) A member returning to work under subsection (1) or (2) of this section shall
24 waive his or her medical insurance with the Kentucky Teachers' Retirement
25 System during the period of reemployment and shall receive the medical
26 insurance coverage that is generally provided by the member's active employer
27 to the other members of the retirement system that the active employer

1 employs. If medical insurance coverage is not available from the employer,
2 the Kentucky Teachers' Retirement System may provide coverage for the
3 member.

4 (d) A member returning to work under subsection (1) or (2) of this section shall
5 not be eligible to purchase service credit for any service provided after the
6 member's effective date of retirement but prior to the date that the member
7 returns to work. A member returning to work under subsection (1) or (2) of
8 this section shall not be eligible to purchase service credit that the member
9 would have otherwise been eligible to purchase prior to the member's initial
10 retirement.

11 (e) A member who returns to work under subsection (1) or (2) of this section, or
12 in the event of the death of the member, the member's estate or applicably
13 designated beneficiary, shall be entitled, within ninety (90) days of the posting
14 of the annual report submitted by the employer, to a refund of contributions as
15 permitted and limited by KRS 161.470;

16 (6) The board of trustees may annually, on July 1, adjust the current daily rate of a
17 member's last annual compensation, for each full twelve (12) month period that has
18 elapsed subsequent to the member earning his or her last annual compensation, by
19 the percentage increase in the annual average of the consumer price index for all
20 urban consumers for the calendar year preceding the adjustment as published by the
21 Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each
22 annual adjustment shall become part of the member's daily rate base. Failure to
23 comply with the salary limitations set forth in subsections (1) and (2) of this section
24 as may be adjusted by this subsection shall result in a reduction of the member's
25 retirement allowance or any other benefit to which the member would otherwise be
26 entitled on a dollar-for-dollar basis for each dollar that the member exceeds these
27 salary limitations. Notwithstanding any other provision of law to the contrary, a

1 member retiring from a local school district who returns to work for a local school
2 district under subsection (1) or (2) of this section shall be entitled, without any
3 reduction to his or her retirement allowance or any other retirement benefit, to earn
4 a minimum amount equal to one hundred seventy dollars (\$170) per day;

5 (7) (a) A retired member returning to work under subsection (1) or (2) of this section
6 shall have separated from service for a period of at least one (1) year if
7 returning to work for the same employer on a full-time basis, and at least three
8 (3) months if returning to work for a different employer on a full-time basis. A
9 retired member returning to work under subsection (1) or (2) of this section on
10 a part-time basis shall have separated from service for a period of at least three
11 (3) months before returning to work for any employer.

12 (b) As an alternative to the separation-from-service requirements in paragraph (a)
13 of this subsection, a retired member who is returning to work for the same
14 employer in a full-time position under subsections (1) and (2) of this section
15 may elect a separation-from-service of not less than two (2) months followed
16 by a forfeiture of the retired member's retirement allowance on a month-to-
17 month basis for each month that the member has separated from service for
18 less than twelve (12) full months. A retired member returning to work for the
19 same employer in a part-time position, or for a different employer in a full-
20 time position, may elect an alternative separation-from-service requirement of
21 at least two (2) months followed by a forfeiture of the member's retirement
22 allowance for one (1) month. During the period that the member forfeits his or
23 her retirement allowance and thereafter, member and employer contributions
24 shall be made to the retirement system as a result of employment in any
25 position subject to membership in the retirement system. The member shall
26 contribute to an account with the retirement system subject to the conditions
27 set forth in subsection (5) of this section. For purposes of measuring the

1 separation-from-service requirements set forth throughout this section, a
2 member's separation-from-service begins on the first day following the last
3 day of paid employment for the member prior to retirement.

4 (c) Failure to comply with the separation-from-service requirements in this
5 subsection voids a member's retirement and the member shall be required to
6 return all the retirement benefits he or she received, with interest, for the
7 period of time that the member returned to work without a sufficient
8 separation from service;

9 (8) (a) Effective July 1, 2004, local school districts may employ retired members in
10 full-time or part-time teaching or administrative positions without limitation
11 on the compensation of the retired members that is otherwise required by
12 subsections (1) and (2) of this section. Under provisions of this subsection, a
13 local school district may only employ retired members to fill critical shortage
14 positions for which there are no other qualified applicants as determined by
15 the local superintendent. The number of retired members that a local school
16 district may employ under this subsection shall be no more than two (2)
17 members per local school district or one percent (1%) of the total active
18 members employed by the local school district on a full-time basis as defined
19 under KRS 161.220(21), whichever number is greater. Retired members
20 returning to work under this subsection shall be subject to the separation-
21 from-service requirements set forth in subsection (7) of this section. Retired
22 members returning to work under this subsection shall waive their medical
23 insurance coverage with the retirement system during their period of
24 reemployment and receive medical insurance coverage that is offered to other
25 full-time members employed by the local school district. Retired members
26 returning to work under this subsection shall contribute to an account subject
27 to the conditions set forth in subsection (5) of this section. Retired members

1 returning to work under this subsection shall make contributions to the
2 retirement system at the rate provided under KRS 161.540. The employer
3 shall make contributions at the rate provided under KRS 161.550. Local
4 school districts shall make annual payments to the retirement system on the
5 compensation paid to the reemployed retirees at the rates determined by the
6 retirement system's actuary that reflect any accrued liability resulting from the
7 reemployment of these members.

8 (b) The Department of Education may employ retired members in full-time or
9 part-time teaching or nonteaching positions without the limitations on
10 compensation otherwise required by subsections (1) and (2) of this section to
11 fill critical shortage areas in the schools it operates, including the Kentucky
12 School for the Blind, the Kentucky School for the Deaf, and the Kentucky
13 Virtual High School, and to serve on audit teams. The department shall be
14 subject to the same requirements as local school districts as provided in
15 paragraph (a) of this subsection, except the Kentucky Teachers' Retirement
16 System shall determine the maximum number of employees that may be
17 employed under this paragraph;

18 (9) The return to work limitations set forth in this section shall apply to retired
19 members who are returning to work in the same position from which they retired, or
20 a position substantially similar to the one from which they retired, or a position
21 described in KRS 161.046 or any position listed in KRS 161.220(4) which requires
22 membership in the retirement system. Positions which generally require certification
23 or graduation from a four (4) year college or university as a condition of
24 employment which are created, or changed to remove the position from coverage
25 under KRS 161.220(4) are also subject to the return to work limitations set forth in
26 this section. The board of trustees shall determine whether employment in a
27 nonteaching position is subject to this subsection;

1 (10) (a) Notwithstanding the provisions of this section, individuals who retire and
2 begin drawing a retirement allowance from one (1) or more of the systems
3 or plans administered by the Kentucky Retirement Systems, the Teachers'
4 Retirement System, or the Judicial Form Retirement System on or after
5 January 1, 2019, who are reemployed on or after January 1, 2019, with an
6 employer participating in the Teachers' Retirement System shall not be
7 eligible to contribute to or earn benefits in a second retirement account
8 during the period of reemployment. Employers shall be required to pay the
9 employer normal cost for pension benefits established by Section 63 of this
10 Act for any period of full-time reemployment to help pay down the
11 unfunded liability of the Teachers' Retirement System pension fund.

12 (b) The provisions of subsections (1) to (8) of this section are not subject to KRS
13 161.714;

14 (11) Any member retired by reason of service may waive his or her annuity and return to
15 full-time employment in a position covered by the Kentucky Teachers' Retirement
16 System under the following conditions:

17 (a) The member shall receive no annuity payments while employed in a covered
18 position, shall waive his or her medical insurance coverage with the Kentucky
19 Teachers' Retirement System during the period of reemployment, and shall
20 receive the medical insurance coverage that is generally offered by the
21 member's active employer to the other members of the retirement system
22 employed by the active employer. The member's estate or, if there is a
23 beneficiary applicably designated by the member, then the beneficiary, shall
24 continue to be eligible for life insurance benefits as provided in KRS 161.655.
25 Service subsequent to retirement shall not be used to improve an annuity,
26 except as provided in paragraphs (b) and (c) of this subsection;

27 (b) Any member who waives regular annuity benefits and returns to teaching or

1 covered employment shall be entitled to make contributions on the salaries
2 received for this service and have his retirement annuity recalculated as
3 provided in the regular retirement formula in KRS 161.620(1), less any
4 applicable actuarial discount applied to the original retirement allowance due
5 to the election of a joint and last survivor option. Retirement option and
6 beneficiary designation on original retirement shall not be altered by
7 postretirement employment, and dependents and spouses of the members shall
8 not become eligible for benefits under KRS 161.520, 161.525, or 161.661
9 because of postretirement employment;

10 (c) When a member returns to full-time teaching or covered employment as
11 provided in subsection (b) of this section, the employer is required to withhold
12 and remit regular retirement contributions. The member must be employed
13 full-time for at least one (1) consecutive contract year to be eligible to
14 improve an annuity. The member shall be returned to the annuity rolls on July
15 1 following completion of the contract year or on the first day of the month
16 following the month of termination of service if full-time employment
17 exceeds one (1) consecutive contract year. Any discounts applied at the time
18 of the original retirement due to service or age may be reduced or eliminated
19 due to additional employment if full-time employment is for one (1)
20 consecutive contract year or longer; and

21 (d) A member retired by reason of service who has been employed the equivalent
22 of twenty-five (25) days or more during a school year under KRS 161.605
23 may waive the member's retirement annuity and return to regular employment
24 covered by the Kentucky Teachers' Retirement System during that school year
25 a maximum of one (1) time during any five (5) year period, beginning with
26 that school year;

27 (12) Retired members may be employed in a part-time teaching capacity by an agency

1 described in KRS 161.220(4)(b) or (n), not to exceed the equivalent of twelve (12)
2 teaching hours in any one (1) fiscal year. Retired members may be employed for a
3 period not to exceed the equivalent of one hundred (100) days in any one (1) fiscal
4 year in a part-time administrative or nonteaching capacity by an agency described in
5 KRS 161.220(4)(b) or (n) in a position that would otherwise be covered by the
6 retirement system. The return to work provisions set forth in subsections (1) to (8)
7 of this section shall not apply to retired members who return to work solely for an
8 agency described in KRS 161.220(4)(b) or (n). Calculation of the number of days
9 and teaching hours for part-time teaching, substitute teaching, or part-time
10 employment in a nonteaching capacity under this section shall not exceed the ratio
11 between a school year and the actual months of retirement for the member during
12 that school year. The board of trustees by administrative regulation may establish
13 fractional equivalents of a day of teaching service. Any member who exceeds the
14 twelve (12) hour or one hundred (100) day limitations of this subsection shall be
15 subject to having his or her retirement voided and be required to return all
16 retirement allowances and other benefits paid to the member or on the member's
17 behalf since the effective date of retirement. In lieu of voiding a member's
18 retirement, the system may reduce the member's retirement allowance or any other
19 benefit to which the member would otherwise be entitled on a dollar-for-dollar basis
20 for each dollar of compensation that the member earns in employment exceeding
21 twelve (12) hours, one hundred (100) days, or any apportionment of the two (2)
22 combined;

23 (13) When a retired member returns to employment in a part-time teaching capacity or in
24 a nonteaching capacity as provided in subsection (12) of this section, the employer
25 shall contribute annually to the retirement system on the compensation paid to the
26 retired member at rates determined by the retirement system actuary that reflect
27 accrued liability for retired members who return to work under subsection (12) of

1 this section; and

2 (14) For retired members who return to work during any one (1) fiscal year in both a
3 position described in KRS 161.220(4)(b) or (n) and in a position described under
4 another provision under KRS 161.220(4), and for retired members who return to
5 work in a position described under KRS 161.220(4)(b) or (n) in both a teaching and
6 an administrative or nonteaching capacity, the board of trustees shall adopt a
7 methodology for a pro rata apportionment of days and hours that the retired member
8 may work in each position.

9 ➔Section 71. KRS 161.612 is amended to read as follows:

10 Effective July 1, 2002, any individual occupying a position on a part-time basis that
11 requires certification or graduation from a four (4) year college or university as a
12 condition of employment and any individual providing part-time or substitute teaching
13 services that are the same or similar to those teaching services provided by certified, full-
14 time teachers shall be a member of the Kentucky Teachers' Retirement System, according
15 to the conditions and only to the extent set forth in this section, if the individual is
16 employed by one (1) of the public boards, institutions, or agencies set forth in KRS
17 161.220, excluding those public boards, institutions, and agencies described in KRS
18 161.220(4)(b) and (n). Members providing part-time and substitute services shall
19 participate in the retirement system as follows:

20 (1) Members providing part-time and substitute services shall accrue service credit as
21 provided under KRS 161.500 and be entitled to a retirement allowance upon
22 meeting the service retirement conditions of KRS 161.600 or Section 43 of this
23 Act, as applicable. The board of trustees shall adopt a methodology for accrediting
24 service credit to these members on a pro rata basis. The methodology adopted by
25 the board of trustees may be amended as necessary to ensure its actuarial soundness.
26 The retirement allowance for members providing part-time and substitute services
27 shall be calculated pursuant to KRS 161.620 or Section 43 of this Act, as

1 applicable, except that the provisions of KRS 161.620(3) shall not apply. Members
2 providing part-time and substitute services who meet the service retirement
3 conditions of KRS 161.600 or Section 43 of this Act, as applicable, may also be
4 eligible to participate as approved by the board of trustees in the medical insurance
5 program provided by the retirement system under KRS 161.675. Members
6 providing part-time and substitute services shall make contributions to the Kentucky
7 Teachers' Retirement System at the rate provided under KRS 161.540. A member
8 who provides part-time or substitute services, or in the event of the death of the
9 member, the member's estate or applicably designated beneficiary, will be entitled,
10 within ninety (90) days of the posting of the annual report submitted by the
11 member's employer, to a refund of contributions as permitted and limited by KRS
12 161.470;

13 (2) The board of trustees shall adopt eligibility conditions under which members
14 providing part-time and substitute services may participate in the benefits provided
15 under KRS 161.520, 161.655, 161.661, and 161.663. The board of trustees may
16 permit members providing part-time or substitute services to participate in other
17 benefits offered by the retirement system by promulgating administrative
18 regulations that establish eligibility conditions for participation in these benefits. All
19 eligibility conditions adopted by the board of trustees pursuant to this subsection
20 may be amended as necessary to ensure their actuarial soundness;

21 (3) In addition to the pro rata methodology adopted by the board of trustees under
22 subsection (1) of this section, members providing part-time and substitute services
23 shall be subject to all limitations and conditions regarding the accrual, retention,
24 accreditation, and use of service credit that apply to members providing full-time
25 services. In addition to the eligibility conditions set forth by the board of trustees
26 under subsection (2) of this section, members providing part-time and substitute
27 services shall be subject to all limitations and conditions regarding both the

- 1 eligibility to participate and the extent of participation in any benefit offered under
2 KRS 161.220 to 161.716 that apply to members providing full-time services;
- 3 (4) Notwithstanding any other provisions of this section to the contrary, instructional
4 assistants who provide teaching services in the local school districts on a full-time
5 basis in positions covered by the County Employees Retirement System who are
6 used as substitute teachers on an emergency basis for five (5) days or less during
7 any one (1) fiscal year shall not be considered members of the Teachers' Retirement
8 System during that period in which they are serving as substitute teachers for five
9 (5) days or less;
- 10 (5) The board of trustees may adopt a pro rata methodology to determine the annual
11 compensation of members providing part-time and substitute services in order to
12 determine benefits provided under KRS 161.661 and 161.663. Members providing
13 part-time and substitute services who had retirement contributions posted to their
14 accounts during the previous fiscal year and who have not had those contributions
15 refunded to them are eligible to vote for the board of trustees;
- 16 (6) The board of trustees of the Teachers' Retirement System shall be responsible for
17 final determination of membership eligibility and may direct employers to take
18 whatever action that may be necessary to correct any error relating to membership;{
19 and}
- 20 (7) Effective January 1, 2019, this section does not apply to any individual who
21 retires on or after January 1, 2019, and is reemployed on or after January 1,
22 2019; and
- 23 (8) The provisions of this section are not subject to KRS 161.714.
- 24 ➔Section 72. KRS 161.615 is amended to read as follows:
- 25 (1) The board of trustees is authorized to implement a limited defined contribution plan
26 for the sole purpose of providing retirement allowance payments for retired
27 members who have been approved by the retirement system for full-time

1 reemployment as provided in KRS 161.605.

2 (2) The defined contribution plan shall be administered separately from the regular
3 benefits provided for members of the retirement system, except that the
4 contributions to the plan shall be invested in the same manner as other contributions
5 to the retirement system.

6 (3) The provisions of this section apply only to those retired members who were
7 permitted to return to work under the critical shortage provisions of KRS
8 161.605(7) as they existed on June 30, 2002. The provisions of this section shall not
9 apply to any retired member returning to work on or after July 1, 2002.

10 (4) Separate member accounts shall be maintained for participants in this plan which
11 shall reflect the annual contributions made to the participant's account based on the
12 rates and interest levels specified in KRS 161.605.

13 (5) When the retiree's reemployment terminates, the total contributions and accrued
14 interest in the participant's account will be paid in a lump-sum payment or on an
15 actuarial straight life monthly basis to the retiree. If the member dies prior to
16 making application for a retirement allowance under this plan, the beneficiary
17 designated by the participant for this plan shall receive a refund of the funds in the
18 account. If there is a remaining balance in the account at the death of the participant
19 after retirement from this plan, it shall be paid to the beneficiary designated by the
20 participant for this benefit.

21 (6) Retired members shall be eligible to receive their retirement annuity when approved
22 for reemployment and participation in this plan. Service as a reemployed retiree
23 may not be used in any manner for credit under the regular retirement benefit plans
24 provided by the retirement system.

25 (7) Notwithstanding the provisions of subsections (1) to (6) of this section, any plan
26 established pursuant to this section shall, effective January 1, 2019, be closed to
27 any future employee or employer contributions.

1 ➔ Section 73. KRS 161.620 is amended to read as follows:

2 (1) The retirement allowance, in the form of a life annuity with refundable balance, of a
3 member retiring for service shall be calculated as follows:

4 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise
5 provided by this section, the annual allowance for each year of service shall be
6 two percent (2%) of the final average salary for service performed prior to
7 July 1, 1983, and two and one-half percent (2.5%) of the final average salary
8 for service performed after July 1, 1983, for all nonuniversity members~~[not~~
9 ~~employed by a state college or university]~~. The annual retirement allowance
10 for each year of service performed by members of the Teachers' Retirement
11 System who are university members~~[under the provisions of KRS~~
12 ~~161.220(4)(b) or (n)]~~ shall be two percent (2%) of the final average salary.
13 Actuarial discounts due to age or service credit at retirement may be applied
14 as provided in this section;

15 (b) For individuals who become nonuniversity members of the ~~[Kentucky~~
16 ~~]Teachers' Retirement System on or after July 1, 2002, and before July 1,~~
17 ~~2008, [except those persons who become members under KRS 161.220(4)(b)~~
18 ~~or (n), and]~~who upon retirement have earned less than ten (10) full years of
19 service credit, the retirement allowance shall be two percent (2%) of the
20 member's final average salary for each year of service. For individuals who
21 become nonuniversity members of the ~~[Kentucky]Teachers' Retirement~~
22 ~~System on or after July 1, 2002, and before July 1, 2008, [except those~~
23 ~~persons who become members under KRS 161.220(4)(b) or (n)]~~, and who
24 upon retirement have earned at least ten (10) full years of service credit, the
25 annual allowance for each year of service shall be two and one-half percent
26 (2.5%) of the member's final average salary;

27 (c) The board of trustees may approve for members who initially retire on or after

July 1, 2004, and who become nonuniversity members before July 1, 2008~~],~~
~~except those persons who are members under KRS 161.220(4)(b) or (n)],~~ a
retirement allowance of three percent (3%) of the member's final average
salary for each year of service credit earned in excess of thirty (30) years.

This three percent (3%) factor shall be in lieu of the two and one-half percent
(2.5%) factor provided for in paragraph (b) of this subsection for every year or
fraction of a year of service in excess of thirty (30) years. Upon approval of
this three percent (3%) retirement factor, the board of trustees may establish
conditions of eligibility regarding the type of service credit that will qualify
for meeting the requirements of this subsection. This subsection is optional
with the board of trustees and shall not be subject to KRS 161.714;

(d) For individuals who become nonuniversity members of the ~~[Kentucky~~
~~]Teachers' Retirement System on or after July 1, 2008~~], except those persons~~~~
~~who become members under KRS 161.220(4)(b) or (n)],~~ the retirement
allowance shall be:

1. a. One and seven-tenths percent (1.7%) of the member's final average
salary for each year of service if the member has earned ten (10) or
less years of service at retirement;
- b. Two percent (2%) of the member's final average salary for each
year of service if the member has earned greater than ten (10) but
no more than twenty (20) years of service at retirement;
- c. Two and three-tenths percent (2.3%) of the member's final average
salary for each year of service if the member has earned greater
than twenty (20) but no more than twenty-six (26) years of service
at retirement; or
- d. Two and one-half percent (2.5%) of the member's final average
salary for each year of service if the member has earned greater

1 than twenty-six (26) but no more than thirty (30) years of service at
2 retirement; and

3 2. Three percent (3%) of the member's final average salary for each year of
4 service earned in excess of thirty (30) years of service at retirement
5 subject to the same terms and conditions as set forth in paragraph (c)2.
6 of this subsection;

7 (e) For individuals who become university members of the ~~[Kentucky]~~ Teachers'
8 Retirement System on or after July 1, 2008~~[, who are members under KRS~~
9 ~~161.220(4)(b) or (n)]~~, the retirement allowance shall be:

10 1. One and one-half percent (1.5%) of the member's final average salary for
11 each year of service if the member has earned ten (10) or less years of
12 service at retirement;

13 2. One and seven-tenths percent (1.7%) of the member's final average
14 salary for each year of service if the member has earned greater than ten
15 (10) but no more than twenty (20) years of service at retirement;

16 3. One and eighty-five hundredths percent (1.85%) of the member's final
17 average salary for each year of service if the member has earned greater
18 than twenty (20) but less than twenty-seven (27) years of service at
19 retirement; or

20 4. Two percent (2%) of the member's final average salary for each year of
21 service if the member has earned twenty-seven (27) or more years of
22 service at retirement; and

23 (f) The retirement allowance of a member at retirement, as measured on a life
24 annuity, shall not exceed the member's last yearly salary or the member's final
25 average salary, whichever is the greater amount. For purposes of this section,
26 "yearly salary" means the compensation earned by a member during the most
27 recent period of contributing service, either consecutive or nonconsecutive,

1 preceding the member's effective retirement date and shall be subject to the
2 provisions of KRS 161.220(9) and (10).

3 (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance
4 of each retired member and of each beneficiary of a retirement option shall be
5 increased in the amount of one and one-half percent (1.5%), provided the retired
6 member had been retired for at least the full twelve (12) months immediately
7 preceding the date that the increase is effective. In the event that the retired member
8 had been retired for less than the full twelve (12) months immediately preceding the
9 date that the increase is effective, then the increase shall be reduced on a pro rata
10 basis by each month that the retired member had not been retired for the full twelve
11 (12) months immediately preceding the effective date of the increase.

12 (3) Any member qualifying for retirement under a life annuity with refundable balance
13 shall be entitled to receive an annual allowance amounting to not less than four
14 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty
15 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the
16 member. These minimums shall apply to the retired members receiving annuity
17 payments and to those members retiring on or subsequent to the effective dates
18 listed in this subsection, except the following:

19 (a) Individuals who become members of the Kentucky Teachers' Retirement
20 System on or after July 1, 2008; or

21 (b) Members whose retirement allowance payment is reduced below the
22 minimum allowance as a result of its division in a qualified domestic relations
23 order or any other provision permitted under KRS 161.700.

24 (4) The minimum retirement allowance provided in this section shall apply in the case
25 of members retired or retiring under an option other than a life annuity with
26 refundable balance in the same proportion to the benefits of the member and his
27 beneficiary or beneficiaries as provided in the duly-adopted option tables at the time

1 of the member's retirement.

2 (5) Effective July 1, 2008, the monthly allowance of each retired member and each
3 recipient of a retirement option of the retired member may be increased in an
4 amount not to exceed three and one-half percent (3.5%) of the monthly allowance in
5 effect the previous month, provided the retired member had been retired for at least
6 the full twelve (12) months immediately preceding the date that the increase is
7 effective. In the event that the retired member had been retired for less than the full
8 twelve (12) months immediately preceding the date that the increase is effective,
9 then the increase shall be reduced on a pro rata basis by each month that the retired
10 member had not been retired for the full twelve (12) months immediately preceding
11 the effective date of the increase. The level of increase provided for in this
12 subsection shall be determined by the funding provided in the 2008-2010 biennium
13 budget appropriation.

14 (6) Effective July 1, 2009, the monthly allowance of each retired member and each
15 recipient of a retirement option of the retired member may be increased in an
16 amount not to exceed seven-tenths of one percent (0.7%) of the monthly allowance
17 in effect the previous month, provided the retired member had been retired for at
18 least the full twelve (12) months immediately preceding the date that the increase is
19 effective. In the event that the retired member had been retired for less than the full
20 twelve (12) months immediately preceding the date that the increase is effective,
21 then the increase shall be reduced on a pro rata basis by each month that the retired
22 member had not been retired for the full twelve (12) months immediately preceding
23 the effective date of the increase. The level of increase provided for in this
24 subsection shall be determined by the funding provided in the 2008-2010 biennium
25 budget appropriation.

26 (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be
27 payable for the benefit of an adult child of a member retired for service when the

1 child's mental or physical condition is sufficient to cause dependency on the
2 member at the time of retirement. Eligibility for this payment shall continue for the
3 life of the child or until the time the mental or physical condition creating the
4 dependency no longer exists or the child marries. Benefits under this subsection
5 shall apply to legally adopted survivors provided the proceedings for the adoption
6 were initiated at least one (1) year prior to the death of the member. The board of
7 trustees shall be the sole judge of eligibility or dependency and may require formal
8 application or information relating thereto.

9 (8) Members of the Teachers' Retirement System shall be subject to the annuity income
10 limitations imposed by Section 415 of the Internal Revenue Service Code.

11 (9) Compensation in excess of the limitations imposed by Section 401(a)(17) of the
12 Internal Revenue Code shall not be used in determining a member's retirement
13 annuity. The limitation on compensation for eligible members shall not be less than
14 the amount which was allowed to be taken into account by the retirement system in
15 effect on July 1, 1993. For this purpose, an eligible member is an individual who
16 was a member of the retirement system before the first plan year beginning after
17 December 31, 1995.

18 **(10) Effective January 1, 2019, subsections (1) to (7) of this section do not apply to**
19 **individuals who become members of the Teachers' Retirement System on or after**
20 **January 1, 2019.**

21 ➔Section 74. KRS 161.623 is amended to read as follows:

22 (1) Effective July 1, 1982, and thereafter, a district board of education or other
23 employer of members of the Teachers' Retirement System may compensate, at the
24 time of retirement for service, an active contributing member for unused sick-leave
25 days in accordance with this section.

26 (2) Upon the member's application for service retirement, the employer shall certify the
27 retiring member's unused accumulated sick-leave balance to the board of trustees of

1 the Kentucky Teachers' Retirement System. The member's sick-leave balance,
2 expressed in days, shall be divided by one hundred eighty-five (185) days to
3 determine the amount of service credit that may be considered for addition to the
4 member's retirement account for the purpose of determining the retirement
5 allowance under KRS 161.620, subject to the limitation of subsection (9)(a) of this
6 section. Notwithstanding any statute to the contrary, sick-leave credit that is
7 accredited under this section or by one (1) of the other state-administered retirement
8 systems shall not be used for the purpose of determining whether the member is
9 eligible to receive a retirement allowance from the Kentucky Teachers' Retirement
10 System.

11 (3) The board shall compute the cost to the retirement system of the sick-leave credit
12 for each retiring member and shall bill the last employer of the retiring member for
13 such cost. The employer shall pay the cost of such service credit to the retirement
14 system within fifteen (15) days after receiving notification of the cost from the
15 board.

16 (4) Retiring members who receive service credit under this section shall not be eligible
17 to receive compensation for accrued sick leave under KRS 161.155(10) or any other
18 statutory provision.

19 (5) Employer participation is optional and the employer may opt to purchase less
20 service credit than the member is eligible to receive provided the same percentage
21 of reduction is made applicable to all retiring members of the employer during a
22 school fiscal year.

23 (6) The board of trustees shall formulate and adopt necessary rules and regulations for
24 the administration of the foregoing provisions.

25 (7) Payments to the retirement system for service credit obtained under this section or
26 for compensation credit obtained under KRS 161.155(10) shall be based on the full
27 actuarial cost as defined in KRS 161.220(22).

(8) For an individual who becomes a member on or after July 1, 2008, the maximum amount of unused accumulated sick leave that may be considered for addition to the member's retirement account for purposes of determining the retirement allowance under KRS 161.620 shall not exceed three hundred (300) days or the amount specified by subsection (9)(a) of this section.

(9) Notwithstanding any other provision of KRS 161.220 to 161.716 to the contrary:

(a) The maximum amount of sick leave converted to additional service credit under the provisions of this section shall not exceed the service credit based upon the level of sick leave accumulated on December 31, 2018, by a member whose employer participates in the sick leave program authorized by this section; and

(b) On or after August 1, 2018, no employers may opt to participate in the sick leave program authorized by this section.

➔Section 75. KRS 161.630 is amended to read as follows:

(1) (a) An individual who became a member prior to January 1, 2019, upon retirement, shall receive a retirement allowance in the form of a life annuity, with refundable balance, as provided in KRS 161.620, unless an election is made before the effective date of retirement to receive actuarially equivalent benefits under options which the board of trustees approves.

(b) An individual who is participating in the hybrid cash balance plan as provided by Section 43 of this Act may, before the effective date of retirement, elect to receive his or her accumulated account balance annuitized into a monthly payment under one (1) of the actuarial equivalent payment options approved by the board of trustees.

(c) No option shall provide for a benefit with an actuarial value at the age of retirement greater than that provided in KRS 161.620 or subsection (7)(a) of Section 43 of this Act, as applicable. This section does not apply to disability

1 allowances as provided in KRS 161.661(1).

2 (2) The retirement option chosen by a retiree at the time of service retirement shall
3 remain in force unless the retiree became a member prior to January 1, 2019, and
4 elects to make a change under the following conditions:

5 (a) A divorce, annulment, or marriage dissolution following retirement shall, at
6 the election of the retiree, cancel any optional plan selected at retirement that
7 provides continuing benefits to a spousal beneficiary and return the retiree to a
8 single lifetime benefit equivalent as determined by the board; or

9 (b) Following marriage or remarriage, or the death of the designated beneficiary, a
10 retiree may elect a new optional plan of payment based on the actuarial
11 equivalent of a single lifetime benefit at the time of the election, as determined
12 by the board. The plan shall become effective the first of the month following
13 receipt of an application on a form approved by the board.

14 (3) Except as otherwise provided in this section, a beneficiary designation shall not be
15 changed after the effective date of retirement except for retirees who elect the life
16 annuity with refundable balance or the predetermined years certain and life
17 thereafter option. A member may remove a beneficiary at any time, but shall not
18 designate a substitute beneficiary. If a member elects to remove a beneficiary, the
19 member's retirement allowance shall not change regardless of the retirement option
20 selected by the member, even if the removed beneficiary predeceases the member.

21 (4) A member who experiences a qualifying event under subsection (2) of this section
22 and who elects a new optional plan of payment shall make that election within sixty
23 (60) days of the qualifying event.

24 ➔Section 76. KRS 161.655 is amended to read as follows:

25 (1) Effective July 1, 2000, the Teachers' Retirement System shall for those individuals
26 who became members prior to January 1, 2019:

27 (a) Provide a life insurance benefit in a minimum amount of five thousand dollars

1 (\$5,000) for its members who are retired for service or disability. This life
2 insurance benefit shall be payable upon the death of a member retired for
3 service or disability to the member's estate or to a party designated by the
4 member on a form prescribed by the retirement system; and

5 (b) Provide a life insurance benefit in a minimum amount of two thousand dollars
6 (\$2,000) for its active contributing members. This life insurance benefit shall
7 be payable upon the death of an active contributing member to the member's
8 estate or to a party designated by the member on a form prescribed by the
9 retirement system.

10 (2) The member may name one (1) primary and one (1) contingent beneficiary for
11 receipt of the life insurance benefit. To the extent permitted by the Internal Revenue
12 Code, a trust may be designated as beneficiary for receipt of the life insurance
13 benefit. Members may designate as beneficiaries only presently identifiable and
14 existing individuals, or trusts where otherwise permitted, without contingency
15 instructions, on forms prescribed by the retirement system. In the event that a
16 member fails to designate a beneficiary, or all designated beneficiaries predecease
17 the member, the member's estate shall be deemed to be the beneficiary. Any
18 beneficiary designation made by the member, including the estate should the estate
19 become the beneficiary by default, shall remain in effect until changed by the
20 member on forms prescribed by the retirement system, except in the event of
21 subsequent marriage or divorce. A valid marriage license shall terminate any
22 previously designated beneficiary, even that of a trust, and establish the spouse as
23 beneficiary unless, subsequent proof of the marriage, the member or retired member
24 redesignates someone other than the new spouse as the beneficiary. A final divorce
25 decree shall terminate the beneficiary status of an ex-spouse unless, subsequent to
26 divorce, the member redesignates the former spouse as a beneficiary. A final
27 divorce decree shall not terminate the designation of a trust as beneficiary regardless

1 of who is designated as beneficiary of the trust.

2 (3) Application for payment of life insurance proceeds shall be made to the Teachers'
3 Retirement System together with acceptable evidence of death and eligibility. The
4 reciprocal provisions of KRS 61.680(2)(a) shall not apply to the coverage and
5 payment of proceeds by the life insurance benefit under this section.

6 (4) Suit or civil action shall not be required for the collection of the proceeds of the life
7 insurance benefit provided for by this section, but nothing in this section shall
8 prevent the maintenance of suit or civil action against the beneficiary or legal
9 representative receiving the proceeds of the life insurance benefit.

10 (5) Upon the death of a member of the Teachers' Retirement System, the life insurance
11 provided pursuant to subsection (1) of this section may be assigned by the
12 designated beneficiary to a bank or licensed funeral home.

13 ➔Section 77. KRS 161.661 is amended to read as follows:

14 (1) Any member who has completed five (5) or more years of accredited service in the
15 public schools of Kentucky after July 1, 1941, may retire for disability and be
16 granted a disability allowance if found to be eligible as provided in this section.
17 Application for disability benefits shall be made within one (1) year of the last
18 contributing service in Kentucky, and the disability must have occurred during the
19 most recent period of employment in a position covered by the Teachers' Retirement
20 System and subsequent to the completion of five (5) years of teaching service in
21 Kentucky. A disability occurring during the regular vacation immediately following
22 the last period of active service in Kentucky or during an official leave for which
23 the member is entitled to make regular contributions to the retirement system, shall
24 be considered as having occurred during a period of active service. The annual
25 disability allowance shall be equal to sixty percent (60%) of the member's final
26 average salary. Individuals who became members prior to January 1, 2019, who
27 have~~[with]~~ twenty-seven (27) or more years of service credit are eligible for service

1 retirement only. Individuals who become members on or after January 1, 2019,
2 who have met the requirements of subsection (6)(b) of Section 43 of this Act shall
3 be eligible for service retirement only.

4 (2) The provisions of KRS 161.520, 161.525, and subsections (3), (4), and (5) of this
5 section shall not apply to disability retirees whose benefits were calculated on the
6 service retirement formula nor to survivors of these members.

7 (3) Members shall earn one (1) year of entitlement to disability retirement, at sixty
8 percent (60%) of the member's final average salary, for each four (4) years of
9 service in a covered position, but any member meeting the service requirement for
10 disability retirement shall be credited with no less than five (5) years of eligibility.

11 (4) A member retired by reason of disability shall continue to earn service credit at the
12 rate of one (1) year for each year retired for disability. This service shall be credited
13 to the member's account at the expiration of entitlement as defined in subsection (3)
14 of this section, or when the member's eligibility for disability benefits is terminated
15 upon recommendation of a medical review committee, and this service shall be used
16 in calculating benefits as provided in subsection (5) of this section, but under no
17 circumstances shall this service be used to provide the member with more than
18 twenty-seven (27) years of total service credit or the level of service credit needed
19 to meet the requirements of subsection (6)(b) of Section 43 of this Act, as
20 applicable. The service credit shall be valued at the same level as service earned by
21 active members as provided under KRS 161.600, ~~and~~ 161.620, or Section 43 of
22 this Act, as applicable. Members participating in the hybrid cash balance plan as
23 provided by Section 43 of this Act shall also be credited with employer credits and
24 interest credits for each year of service earned under the provisions of this
25 subsection based upon the salary in which the last employer credit was paid.
26 Payments during the entitlement period as specified by subsection (3) of this
27 section shall not reduce the accumulated account balance of a member

- 1 *participating in the hybrid cash balance plan.*
- 2 (5) Any member retired by reason of disability and remaining disabled at the expiration
- 3 of the entitlement period shall have his disability benefits recalculated using the
- 4 service retirement formula with service credit *and any additional accumulated*
- 5 *account balance earned* as set out in subsection (4) of this section. *For persons*
- 6 *who became members prior to January 1, 2019,* the retirement allowance shall be
- 7 calculated as set forth in KRS 161.620, except that those persons less than sixty
- 8 (60) years of age shall be considered as sixty (60) years of age. *For persons who*
- 9 *become members on or after January 1, 2019, the retirement allowance or benefit*
- 10 *shall be calculated as set forth in Section 43 of this Act, except that those persons*
- 11 *less than age sixty-five (65) shall be considered as sixty-five (65) years of age.*
- 12 Members having their disability benefits recalculated under this subsection shall not
- 13 be entitled to a benefit based upon an average of their three (3) highest salaries as
- 14 set forth in KRS 161.220(9), unless approved otherwise by the board of trustees.
- 15 (6) Members who have their disability retirement allowance recalculated at the
- 16 expiration of the entitlement period shall continue to have coverage under the post-
- 17 retirement medical insurance program. Restrictions on employment shall remain in
- 18 effect until the member attains age seventy (70) or until the member's eligibility is
- 19 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability
- 20 retirees whose retirement allowances have been recalculated at the expiration of the
- 21 entitlement period. Members who have their disability retirement allowance
- 22 recalculated at the expiration of their entitlement period shall be entitled to a
- 23 minimum monthly allowance of five hundred dollars (\$500) as the basic straight life
- 24 annuity. The minimum allowance shall be effective July 1, 1992, and shall apply to
- 25 those members who have had their allowance recalculated prior to that date and to
- 26 disability retirees who will have their benefit allowance recalculated on or after that
- 27 date.

- 1 (7) Effective July 1, 1992, members retired for disability prior to July 1, 1964, shall be
2 entitled to a minimum monthly allowance of five hundred dollars (\$500) as their
3 basic straight life annuity and their surviving spouse shall be eligible for survivor
4 benefits as provided in KRS 161.520(1)(a) and (b).
- 5 (8) Any member retired by reason of disability may voluntarily waive disability benefits
6 and return to teaching or any individual who became a member prior to January 1,
7 2019, who is age sixty (60) years or older, may elect to waive disability benefits and
8 retire for service on the basis of service credited to the member on the effective date
9 of the disability retirement, or any individual who becomes a member on or after
10 January 1, 2019, who is sixty-five (65) years of age or older, may elect to waive
11 disability benefits and retire for service on the basis of his or her accumulated
12 account balance and service credited to the member on the effective date of
13 disability retirement.
- 14 (9) In order to qualify for retirement by reason of disability a member must suffer from
15 a physical or mental condition presumed to be permanent in duration and of a nature
16 as to render the member incapable of being gainfully employed in a covered
17 position. The incapability must be revealed by a competent examination by a
18 licensed physician or physicians and must be approved by a majority of a medical
19 review committee.
- 20 (10) A member retired by reason of disability shall be required to undergo periodic
21 examinations at the discretion of the board of trustees to determine whether the
22 disability allowance shall be continued. When examination and recommendation of
23 a medical review committee indicate the disability no longer exists, the allowance
24 shall be discontinued.
- 25 (11) Eligibility for payment shall begin on the first day of the month following receipt of
26 the application in the Teachers' Retirement System office, or the first of the month
27 next following the last payment of salary or sick leave benefits by the employer,

1 whichever is the later date.

2 (12) No person who receives a disability allowance may be employed in a position that
3 entails duties or qualification requirements similar to positions subject to
4 participation in the retirement system either within or without the State of
5 Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the
6 allowance from the first date of this service. A member who applies for and is
7 approved for disability retirement on or after July 1, 2002, and whose annual
8 disability benefit is less than forty thousand dollars (\$40,000) may earn income in
9 any occupation other than covered employment only to the extent that the annual
10 income from the other employment when added to the annual disability benefit does
11 not exceed forty thousand dollars (\$40,000). For any member who exceeds this
12 limit as a result of income from other employment, the Kentucky Teachers'
13 Retirement System shall reduce the member's disability benefit on a dollar-for-
14 dollar basis for each dollar that the member's combined annual disability benefit and
15 annual income from other employment exceeds forty thousand dollars (\$40,000).
16 The board of trustees may annually increase the forty thousand dollar (\$40,000)
17 limit by the percentage increase in the annual average of the consumer price index
18 for all urban consumers for the most recent calendar year as published by the
19 Federal Bureau of Labor Statistics, not to exceed five percent (5%).

20 (13) All members who applied for disability retirement before July 1, 2002, and were
21 approved as a result of that application shall be subject to the income limitations as
22 they existed on June 30, 2002, until July 1, 2006. Effective July 1, 2006, the twenty-
23 seven thousand dollar (\$27,000) limitation shall be increased to forty thousand
24 dollars (\$40,000) and may be adjusted by the board of trustees by the consumer
25 price index in the manner described in subsection (12) of this section. The recipient
26 of a disability allowance who engages in any gainful occupation other than covered
27 employment must make a report of the duties involved, compensation received, and

1 any other pertinent information required by the board of trustees.

2 (14) The board of trustees shall designate medical review committees, each consisting of
3 three (3) licensed physicians. A medical review committee shall pass upon all
4 applications for disability retirement and upon all applicant statements, medical
5 certifications, and examinations submitted in connection with disability
6 applications. The disposition of each case shall be recommended by a medical
7 review committee in writing to the retirement system. Members of a medical review
8 committee shall follow administrative regulations regarding procedures as the board
9 of trustees may enact and shall be paid reasonable fees and expenses as authorized
10 by the board of trustees in compliance with the provisions of KRS 161.330 and
11 161.340. The retirement system may secure additional medical examinations and
12 information as it deems necessary. A member may appeal any final agency decision
13 denying his or her disability retirement application pursuant to the provisions of
14 KRS 161.250(2).

15 (15) A disability may be presumed to be permanent if the condition creating the
16 disability may be reasonably expected to continue for one (1) year or more from the
17 date of application for disability benefits.

18 (16) Any member who has voluntarily waived disability benefits or whose disability
19 benefits have been discontinued on recommendation of a medical review
20 committee, may apply for reinstatement of disability benefits. The application for
21 reinstatement must be made to the retirement system within twelve (12) months of
22 the date disability benefits terminated. If the termination of benefits were voluntary,
23 the reinstatement may be made without medical examination if application is made
24 within three (3) months of the termination date. Other applications for reinstatement
25 will be processed in the same manner as new applications for benefits.

26 (17) No person who is receiving disability benefits under this section may be employed
27 in a position which qualifies the person for membership in a retirement system

1 financed wholly or in part with public funds. Employment in a position prohibited
2 by this subsection shall result in disqualification for those disability benefits from
3 the date of employment in the prohibited position.

4 (18) Any person who is receiving benefits and becomes disqualified from receiving
5 those benefits under this section, or becomes disqualified from receiving a portion
6 of those benefits due to income from other than covered employment, shall
7 immediately notify the Teachers' Retirement System of this disqualification in
8 writing and shall return all benefits paid after the date of disqualification. Failure to
9 comply with these provisions shall create an indebtedness of that person to the
10 Teachers' Retirement System. Interest at the rate of eight percent (8%) per annum
11 shall be charged if the debt is not repaid within sixty (60) days after the date of
12 disqualification. Failure to repay this debt creates a lien in favor of the Teachers'
13 Retirement System upon all property of the person who improperly receives benefits
14 and does not repay those benefits. The Kentucky Teachers' Retirement System may,
15 in order to collect an outstanding debt, reduce or terminate any benefit that a
16 member is otherwise entitled to receive.

17 ➔Section 78. KRS 161.650 is amended to read as follows:

18 (1) In the case of death of a member who has retired by reason of service or disability,
19 any portion of the member's accumulated contributions, including member
20 contributions to the state accumulation fund and regular interest to the date of
21 retirement, that has not, and will not be paid as an allowance or benefit shall be paid
22 to the member's beneficiary in such manner as the board of trustees elects.

23 (2) The member may designate a primary beneficiary or two (2) or more cobeneficiaries
24 to receive any remaining accumulated member contributions payable under this
25 section. A contingent beneficiary may be designated in addition to the primary
26 beneficiary or the cobeneficiaries. The member may designate two (2) or more
27 contingent beneficiaries. To the extent permitted by the Internal Revenue Code, a

1 trust may be designated as beneficiary for receipt of any remaining funds of the
2 member's accumulated ~~{member}~~ contributions. Members may designate as
3 beneficiaries only presently identifiable and existing individuals, or trusts where
4 otherwise permitted, without contingency instructions, on forms prescribed by the
5 retirement system. Cobeneficiaries shall be composed of a single class of
6 individuals, or trusts where permitted, who will share in equal proportions in any
7 payment that may become available under this section. Any beneficiary designation
8 made by the member shall remain in effect until changed by the member on forms
9 prescribed by the retirement system, except in the event of subsequent divorce. A
10 final divorce decree shall terminate the beneficiary status of an ex-spouse unless,
11 subsequent to divorce, the member redesignates the former spouse as a beneficiary.
12 A final divorce decree shall not terminate the designation of a trust as beneficiary
13 regardless of who is designated as beneficiary of the trust. In the event that the
14 member fails to designate a beneficiary or all designated beneficiaries predecease
15 the member, any remaining accumulated member contributions shall be payable to
16 the member's estate.

17 ➔Section 79. KRS 161.700 is amended to read as follows:

- 18 (1) Except as otherwise provided by this section and KRS 161.655(5), the right of a
19 member to a retirement allowance and to the return of contributions, any benefit or
20 right accrued or accruing to any person under KRS 161.220 to 161.716, and the
21 money in the various funds established pursuant to KRS 161.220 to 161.716 are
22 hereby exempt from any state or municipal tax, and shall not be subject to
23 execution, garnishment, attachment, or other process, and shall not be assigned.
- 24 (2) Notwithstanding subsection (1) of this section, retirement benefits accrued or
25 accruing to any person under this retirement system on or after January 1, 1998,
26 shall be subject to the tax imposed by KRS 141.020, to the extent provided in KRS
27 141.010 and 141.0215.

- 1 (3) Retirement allowance, disability allowance, accumulated account
2 balance~~[contributions]~~, or any other benefit under the retirement system shall not be
3 classified as marital property pursuant to KRS 403.190(1), except to the extent
4 permitted under KRS 403.190(4). Retirement allowance, disability allowance,
5 accumulated contributions, or any other benefit under the retirement system shall
6 not be considered as an economic circumstance during the division of marital
7 property in an action for dissolution of marriage pursuant to KRS 403.190(1)(d),
8 except to the extent permitted under KRS 403.190(4).
- 9 (4) Qualified domestic relations orders issued by a court or administrative agency shall
10 be honored by the retirement system if:
- 11 (a) The benefits payable pursuant to the order meet the requirements of a
12 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The
13 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)
14 in administering qualified domestic relations orders;
- 15 (b) The order meets the requirements established by the retirement system and by
16 subsections (4) to (12) of this section. The board of trustees of the retirement
17 system shall establish the requirements, procedures, and forms necessary for
18 the administration of qualified domestic relations order by promulgation of
19 administrative regulations in accordance with KRS Chapter 13A; and
- 20 (c) The order is on the form established by the retirement system pursuant to the
21 retirement system's authority provided under paragraph (b) of this subsection.
- 22 (5) A qualified domestic relations order shall not:
- 23 (a) Require the retirement system to take any action not authorized under state or
24 federal law;
- 25 (b) Require the retirement system to provide any benefit, allowance, or other
26 payment not authorized under state or federal law;
- 27 (c) Grant or be construed to grant the alternate payee any separate right, title, or

1 interest in or to any retirement benefit other than to receive payments from the
2 participant's account in accordance with the administrative regulations
3 promulgated by the system and as provided by subsections (4) to (12) of this
4 section; or

5 (d) Grant any separate interest to any person other than the participant.

6 (6) Any qualified domestic relations order submitted to the retirement system shall
7 specify the dollar amount or percentage amount of the participant's benefit to be
8 paid to the alternate payee. In calculating the amount to be paid to the alternate
9 payee, the court or administrative agency that is responsible for issuing the order
10 shall follow the requirements set forth in the administrative regulations promulgated
11 by the board of trustees. Notwithstanding any other statute to the contrary, the board
12 shall not be required to honor a qualified domestic relations order that does not
13 follow the requirements set forth in the administrative regulations promulgated by
14 the board of trustees.

15 (7) If the qualified domestic relations order meets the requirements established by the
16 system and by subsections (4) to (12) of this section, payments to the alternate
17 payee shall be distributed under the following conditions:

18 (a) If the participant is retired and is receiving a monthly retirement
19 allowance~~[benefit]~~, the month following the date the retirement system
20 receives a qualified domestic relations order that complies with the
21 administrative regulations promulgated by the retirement system and
22 subsections (4) to (12) of this section; or

23 (b) If the participant is not retired, the month of the participant's effective
24 retirement date in which the first retirement allowance is payable to the
25 participant or the month in which the participant receives a refund of his or
26 her accumulated account balance~~[contributions]~~ as provided by KRS
27 161.470(6).

- 1 (8) An alternate payee's benefits and rights under a qualified domestic relations order
2 shall terminate upon the earlier of:
- 3 (a) The death of the participant;
- 4 (b) The death of the alternate payee; or
- 5 (c) The termination of benefits to the participant under any provision of KRS
6 161.220 to 161.716.
- 7 (9) An alternate payee shall not receive a monthly payment under a qualified domestic
8 relations order if the participant is not receiving a monthly retirement allowance.
- 9 (10) The cost of living adjustment provided to the participant pursuant to KRS 161.620
10 shall be divided between the participant and alternate payee in a qualified domestic
11 relations order as follows:
- 12 (a) If the order specifies the alternate payee is to receive a percentage of the
13 participant's benefit, then the cost of living adjustment shall be divided
14 between the participant and the alternate payee based upon the percentage of
15 the total benefit each is receiving upon the participant's retirement or upon the
16 date the order is approved by the retirement system, whichever is later; or
- 17 (b) If the order specifies that the alternate payee is to receive a set dollar amount
18 of the participant's benefit, then the order shall specify that:
- 19 1. The cost of living adjustment shall be divided between the participant
20 and the alternate payee based upon the percentage of the total benefit
21 each is receiving upon the participant's retirement or upon the date the
22 order is approved by the retirement system, whichever is later; or
- 23 2. The alternate payee shall receive no cost of living adjustment.
- 24 If the order does not specify the division of the cost of living adjustment as
25 required by this paragraph, then no cost of living adjustment shall be payable
26 to the alternate payee. If no cost of living adjustment is provided to the
27 alternate payee, then the participant shall receive the full cost of living

1 adjustment he or she would have received if the order had not been applied to
2 the participant's account.

3 (11) Except in cases involving child support payments, the retirement system may charge
4 reasonable and necessary fees and expenses to the recipient and the alternate payee
5 of a qualified domestic relations order for the administration of the qualified
6 domestic relations order by retirement system. All fees and expenses shall be
7 established by the administrative regulations promulgated by the board of trustees
8 of the retirement system. The qualified domestic relations order shall specify
9 whether the fees and expenses provided by this subsection shall be paid:

- 10 (a) Solely by the participant;
11 (b) Solely by the alternate payee; or
12 (c) Equally shared by the participant and alternate payee.

13 (12) The retirement system shall honor a qualified domestic relations order issued prior
14 to July 15, 2010, for prospective benefit payments if the order or an amended
15 version of the order meets the requirements established by this section and the
16 administrative regulations promulgated by the retirement system. The order shall
17 not apply to benefit payments issued by the retirement system prior to the date the
18 order was approved by the retirement system.

19 ➔Section 80. KRS 161.714 is amended to read as follows:

20 **(1) For persons who became members in the Teachers' Retirement System prior to**
21 **January 1, 2019,** it is hereby declared that in consideration of the contributions by
22 members and in further consideration of benefits received by the state from the
23 member's employment, KRS 161.220 to 161.710 shall constitute~~[-, except as~~
24 ~~provided in KRS 6.696,]~~ an inviolable contract of the Commonwealth, and the
25 benefits provided herein shall~~[-, except as provided in KRS 6.696,]~~ not be subject to
26 reduction or impairment by alteration, amendment, or repeal, **except:**

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

1 **(b) The General Assembly reserves the right to amend, reduce, or suspend any**
2 **legislative changes to the provisions of KRS 161.220 to 161.716 that become**
3 **effective on or after July 1, 2018.**

4 **(2) (a) For persons who become members in the Teachers' Retirement System on**
5 **or after January 1, 2019, the General Assembly reserves the right to amend,**
6 **suspend, or reduce the benefits and rights provided under KRS 161.220 to**
7 **161.716 if, in its judgment, the welfare of the Commonwealth so demands,**
8 **except that the amount of benefits the member has accrued at the time of**
9 **amendment, suspension, or reduction shall not be affected.**

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

14 **(c) The provisions of this subsection shall not be construed to limit the General**
15 **Assembly's authority to change any other benefit or right specified by KRS**
16 **161.220 to 161.716, except the benefits specified by paragraph (b) of this**
17 **subsection for members who begin participating in the Teachers'**
18 **Retirement System on or after January 1, 2019.**

19 **(3) The provisions of this section shall not be construed to limit the General**
20 **Assembly's authority to amend, reduce, or suspend the benefits and rights of**
21 **members of the Teachers' Retirement System as provided by KRS 161.220 to**
22 **161.716 that the General Assembly had the authority to amend, reduce, or**
23 **suspend, prior to July 1, 2018.**

24 ➔Section 81. KRS 7A.250 is amended to read as follows:

25 The Public Pension Oversight Board:

26 (1) Shall, from time to time, conduct an impartial review of all the laws governing the
27 state-administered retirement systems and recommend any changes it may find

- 1 desirable with respect to benefits and administration, funding of benefits,
2 investments of funds, and the improvement of language, structure, and organization
3 of the statutes;
- 4 (2) ~~May~~~~[Shall]~~, once every five (5) years, review the benefits provided to employees
5 who begin participating in the systems administered by Kentucky Retirement
6 Systems on or after January 1, 2014, and the Teachers' Retirement System on or
7 after January 1, 2019, and recommend any changes to the provisions affecting
8 these employees that are necessary to maintain the actuarial soundness of the
9 systems;
- 10 (3) Shall review semiannually the investment programs of the state-administered
11 retirement systems, including a review of asset allocation targets and ranges, risk
12 factors, asset class benchmarks, total return objectives, relative volatility,
13 performance evaluation guidelines, investment policies, and securities litigation
14 policies and recoveries from fraud or other corporate malfeasance. The board may
15 establish an advisory committee, as provided by KRS 7A.260, which may include
16 investment professionals to assist in complying with the provisions of this
17 subsection;
- 18 (4) May review any benefits, bylaws, policies, or charters established by the state-
19 administered retirement systems;
- 20 (5) Shall, at the request of the Speaker of the House of Representatives or the President
21 of the Senate, evaluate proposed changes to laws affecting the state-administered
22 retirement systems and report to the Speaker or the President on the probable costs,
23 actuarial implications, and desirability as a matter of public policy;
- 24 (6) May review all new or amended administrative regulations of the state-administered
25 retirement systems and provide comments to the Administrative Regulation Review
26 Subcommittee established by KRS 13A.020;
- 27 (7) Shall research issues related to the state-administered retirement systems as directed

- 1 by the Legislative Research Commission;
- 2 (8) Shall at least once every five (5) years have an actuarial audit performed for the
- 3 state-administered retirement systems to evaluate the reliability of each system's
- 4 actuarial assumptions and methods. The actuarial audit shall be performed by an
- 5 actuary retained by the Public Pension Oversight Board;
- 6 (9) ~~May[Shall]~~ prior to each budget biennium occurring on or after July 1, 2020, have
- 7 an actuarial review of the funding requests and needs submitted by the state-
- 8 administered retirement systems. The review shall be performed by an actuary
- 9 retained by the Public Pension Oversight Board; and
- 10 (10) Shall publish an annual report covering the board's evaluation and recommendations
- 11 with respect to the operations of the state-administered retirement systems. The
- 12 report shall be submitted to the Legislative Research Commission no later than
- 13 December 31 of each year and shall include at a minimum any legislative
- 14 recommendations made by the board, a summary of the financial and actuarial
- 15 condition of the state-administered retirement systems, and an analysis of the
- 16 adequacy of the current levels of funding.

17 ➔SECTION 82. A NEW SECTION OF KRS 18A.230 TO 18A.275 IS

18 CREATED TO READ AS FOLLOWS:

19 (1) No trustee or employee of the board or authority shall:

20 (a) Have any interest, direct or indirect, in the gains or profits of any

21 investment or any other legal, business, or financial transaction made by

22 the board or authority, except that any such trustee or employee may be a

23 member, employee, or beneficiary of the plans administered by the board or

24 authority;

25 (b) Directly or indirectly, for himself or herself or as an agent, use the assets of

26 the plans administered by the board or authority, except to make current

27 and necessary payments authorized by the board or authority;

- 1 (c) Become an endorser or surety or in any manner an obligor for moneys
2 loaned by or borrowed from the board or authority;
- 3 (d) Have a contract or agreement with the board or authority, individually or
4 through a business owned by the trustee or the employee;
- 5 (e) Use his or her official position with the board or authority to obtain a
6 financial gain or benefit or advantage for himself or herself or a family
7 member;
- 8 (f) Use confidential information acquired during his or her tenure with the
9 board or authority to further his or her own economic interests or that of
10 another person; or
- 11 (g) Hold outside employment with, or accept compensation from, any person or
12 business with which he or she has involvement as part of his or her official
13 position with the board or authority. The provisions of this paragraph shall
14 not prohibit a trustee from serving as an employee of an agency
15 participating in the plans.
- 16 (2) No trustee or employee of the board or authority, who has served as a trustee or
17 employee of the board or authority on or after July 1, 2017, shall have any
18 interest, direct or indirect, in the gains or profits of any investment or any other
19 legal, business, or financial transaction made by the board or authority for a
20 period of five (5) years following termination of his or her position, except that
21 any such trustee or employee may be a member, employee, or beneficiary of the
22 plans administered by the board or authority.
- 23 (3) (a) No person who is serving as a member of the General Assembly or is a
24 public servant as defined by subsection (9) of Section 83 of this Act shall
25 have any interest, direct or indirect, in the gains or profits of any investment
26 or any other legal, business, or financial transaction made by the board or
27 authority, except that any such trustee or public servant may be a member,

1 employee, or beneficiary of the plans administered by the board or
2 authority.

3 (b) No person who was serving as a member of the General Assembly on or
4 after July 1, 2017, or was serving as a public servant as defined by
5 subsection (9) of Section 83 of this Act on or after July 1, 2017, shall have
6 any interest, direct or indirect, in the gains or profits of any investment or
7 any other legal, business, or financial transaction made by the board or
8 authority for a period of five (5) years following termination of his or her
9 position, except that any such member or public servant may be a member,
10 employee, or beneficiary of the plans administered by the board or
11 authority.

12 ➔Section 83. KRS 11A.010 is amended to read as follows:

13 As used in this chapter, unless the context otherwise requires:

- 14 (1) "Business" means any corporation, limited liability company, partnership, limited
15 partnership, sole proprietorship, firm, enterprise, franchise, association,
16 organization, self-employed individual, holding company, joint stock company,
17 receivership, trust, or any legal entity through which business is conducted, whether
18 or not for profit;
- 19 (2) "Commission" means the Executive Branch Ethics Commission;
- 20 (3) "Compensation" means any money, thing of value, or economic benefit conferred
21 on, or received by, any person in return for services rendered, or to be rendered, by
22 himself or another;
- 23 (4) "Family" means spouse and children, as well as a person who is related to a public
24 servant as any of the following, whether by blood or adoption: parent, brother,
25 sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-
26 in-law, son-in-law, daughter-in-law, stepfather, stepmother, stepson, stepdaughter,
27 stepbrother, stepsister, half brother, half sister;

- 1 (5) "Gift" means a payment, loan, subscription, advance, deposit of money, services, or
2 anything of value, unless consideration of equal or greater value is received; "gift"
3 does not include gifts from family members, campaign contributions, the waiver of
4 a registration fee for a presenter at a conference or training described in KRS
5 45A.097(5), or door prizes available to the public;
- 6 (6) "Income" means any money or thing of value received or to be received as a claim
7 on future services, whether in the form of a fee, salary, expense allowance,
8 forbearance, forgiveness, interest, dividend, royalty, rent, capital gain, or any other
9 form of compensation or any combination thereof;
- 10 (7) "Officer" means all major management personnel in the executive branch of state
11 government, including the secretary of the cabinet, the Governor's chief executive
12 officers, cabinet secretaries, deputy cabinet secretaries, general counsels,
13 commissioners, deputy commissioners, executive directors, principal assistants,
14 division directors, members and full-time chief administrative officers of the Parole
15 Board, Kentucky Claims Commission, Kentucky Retirement Systems board of
16 trustees, Kentucky Teachers' Retirement System board of trustees, the Kentucky
17 Public Employees Deferred Compensation Authority board of trustees, Public
18 Service Commission, Worker's Compensation Board and its administrative law
19 judges, the Kentucky Occupational Safety and Health Review Commission, the
20 Kentucky Board of Education, the Council on Postsecondary Education, and any
21 person who holds a personal service contract to perform on a full-time basis for a
22 period of time not less than six (6) months a function of any position listed in this
23 subsection;
- 24 (8) "Official duty" means any responsibility imposed on a public servant by virtue of
25 his or her position in the state service;
- 26 (9) "Public servant" means:
27 (a) The Governor;

- 1 (b) The Lieutenant Governor;
- 2 (c) The Secretary of State;
- 3 (d) The Attorney General;
- 4 (e) The Treasurer;
- 5 (f) The Commissioner of Agriculture;
- 6 (g) The Auditor of Public Accounts; and
- 7 (h) All employees in the executive branch including officers as defined in
- 8 subsection (7) of this section and merit employees;
- 9 (10) "Agency" means every state office, cabinet, department, board, commission, public
- 10 corporation, or authority in the executive branch of state government. A public
- 11 servant is employed by the agency by which his or her appointing authority is
- 12 employed, unless his or her agency is attached to the appointing authority's agency
- 13 for administrative purposes only, or unless the agency's characteristics are of a
- 14 separate independent nature distinct from the appointing authority and it is
- 15 considered an agency on its own, such as an independent department;
- 16 (11) "Lobbyist" means any person employed as a legislative agent as defined in KRS
- 17 6.611(23) or any person employed as an executive agency lobbyist as defined in
- 18 KRS 11A.201(8);
- 19 (12) "Lobbyist's principal" means the entity in whose behalf the lobbyist promotes,
- 20 opposes, or acts;
- 21 (13) "Candidate" means those persons who have officially filed candidacy papers or who
- 22 have been nominated by their political party pursuant to KRS 118.105, 118.115,
- 23 118.325, or 118.760 for any of the offices enumerated in subsections (9)(a) to (g) of
- 24 this section;
- 25 (14) "Does business with" or "doing business with" means contracting, entering into an
- 26 agreement, leasing, or otherwise exchanging services or goods with a state agency
- 27 in return for payment by the state, including accepting a grant, but not including

1 accepting a state entitlement fund disbursement;

2 (15) "Public agency" means any governmental entity;

3 (16) "Appointing authority" means the agency head or any person whom he or she has
4 authorized by law to act on behalf of the agency with respect to employee
5 appointments;

6 (17) "Represent" means to attend an agency proceeding, write a letter, or communicate
7 with an employee of an agency on behalf of someone else;

8 (18) "Directly involved" means to work on personally or to supervise someone who
9 works on personally;

10 (19) "Sporting event" means any professional or amateur sport, athletic game, contest,
11 event, or race involving machines, persons, or animals, for which admission tickets
12 are offered for sale and that is viewed by the public; and

13 (20) "Person" means an individual, proprietorship, firm, partnership, limited partnership,
14 joint venture, joint stock company, syndicate, business or statutory trust, donative
15 trust, estate, company, corporation, limited liability company, association, club,
16 committee, organization, or group of persons acting in concert.

17 ➔Section 84. KRS 18A.245 is amended to read as follows:

18 (1) The authority shall be administered by a board of trustees composed of seven (7)
19 members, who shall be as follows:

20 (a) Secretary, Finance and Administration Cabinet, ex officio;

21 (b) Secretary of personnel, ex officio;

22 (c) The state controller, ex officio; and

23 (d) Four (4) at-large members appointed by the Governor, *who do not have a*
24 *conflict of interest as provided by Section 82 of this Act,* one (1) of whom
25 shall have at least five (5) years of investment or banking experience and one
26 (1) of whom shall be a representative of a nonstate government employer.

27 (2) The members of the board appointed by the Governor shall serve for a period of

1 four (4) years and the ex officio members of the board shall serve only for the
2 period of their term of office. Each ex officio member may designate a proxy by
3 written notice to the authority prior to call of order of each meeting, and the proxy
4 shall be entitled to participate as a full voting member.

5 (3) Any vacancy which may occur shall be filled in the same manner provided for the
6 selection of the particular member for a full term. Vacancies shall be filled for the
7 unexpired term only.

8 (4) Membership on the board of trustees shall not be incompatible with any other office
9 unless a constitutional incompatibility exists, and no member shall be subject to
10 removal from office, except upon conviction of a felony, or of a misdemeanor
11 involving moral turpitude.

12 (5) Board members who do not otherwise receive a salary or compensation from the
13 State Treasury shall receive a per diem of one hundred dollars (\$100) for each day
14 they are in session or on official duty, and they shall be reimbursed for their actual
15 and necessary expenses in accordance with state administrative regulations and
16 standards applicable to state employees.

17 (6) The board shall meet at least once in each quarter of the year, and may meet in
18 special session upon the call of the chairman. It shall elect a chairman and a vice
19 chairman. A majority of the members shall constitute a quorum, and all actions
20 taken by the board shall be by affirmative vote of a majority of the members
21 present.

22 (7) The authority shall be attached to the Personnel Cabinet for administrative purposes
23 only. The board may take but is not limited to the following actions:

24 (a) Appoint such employees as it deems necessary and fix the compensation for
25 all employees of the board, subject to the approval of the secretary. The
26 authority shall be headed by an executive director who shall be appointed by
27 the board of directors of the authority without the limitations imposed by KRS

- 1 12.040 and KRS Chapter 18A. The executive director of the authority and
2 employees appointed by the board shall serve at its will and pleasure. All
3 other staff of the authority shall be employed under KRS 18A.005 to 18A.200;
- 4 (b) Require such employees as it thinks proper to execute bonds for the faithful
5 performance of their duties;
- 6 (c) Establish a system of accounting;
- 7 (d) Contract for such services as may be necessary for the operation or
8 administration of deferred compensation plans authorized in KRS 18A.230 to
9 18A.275, including annual audits;
- 10 (e) Do all things, take all actions, and adopt plans for participation consistent with
11 federal law and with the provisions of KRS 18A.230 to 18A.275, including
12 but not limited to:
- 13 1. Amending the board's plan for the Kentucky Public Employees 401(k)
14 Deferred Compensation Plan or the Kentucky Employees 457 Deferred
15 Compensation Plan, or both such plans, to adopt, maintain, and
16 terminate a deemed IRA program under Internal Revenue Code Section
17 408;
- 18 2. Amending the board's plan for the Kentucky Public Employees 401(k)
19 Deferred Compensation Plan to adopt, maintain, and terminate a
20 qualified Roth contribution program under Internal Revenue Code
21 Section 402A;~~and~~
- 22 3. Adopting, maintaining, and terminating an Internal Revenue Code
23 Section 403(b) plan for qualified employees; and
- 24 **4. Upon the request of the Kentucky Retirement Systems board of**
25 **trustees, establishing an investment program for the 401(a) defined**
26 **contribution plan as provided by Section 12 of this Act; and**
- 27 (f) Contract with persons or companies duly licensed by the state of Kentucky

1 and applicable federal regulatory agencies, at the cost of the trust fund, to
2 provide investment advice to participants in the plans, with respect to their
3 selection of permitted investments in the plans.

4 (8) The Attorney General, or an assistant designated by him, may act as legal adviser
5 and attorney for the board. The board may also appoint legal counsel in accordance
6 with KRS Chapter 12.

7 (9) The board shall prepare an annual financial report showing all receipts,
8 disbursements, assets, and liabilities and shall submit a copy to the Governor and
9 the Legislative Research Commission. All board meetings and records shall be open
10 for inspection by the public.

11 ➔Section 85. KRS 61.598 is amended to read as follows:

12 (1) For purposes of this section, "bona fide promotion or career advancement":

13 (a) Means a professional advancement in substantially the same line of work held
14 by the employee in the four (4) years immediately prior to the final five (5)
15 fiscal years preceding retirement or a change in employment position based on
16 the training, skills, education, or expertise of the employee that imposes a
17 significant change in job duties and responsibilities to clearly justify the
18 increased compensation to the member; and

19 (b) Does not include any circumstance where an elected official participating in
20 the Kentucky Employees Retirement System or the County Employees
21 Retirement System takes a position of employment with a different employer
22 participating in any of the state-administered retirement systems.

23 (2) (a) For employees retiring from the Kentucky Employees Retirement System, the
24 County Employees Retirement System, or the State Police Retirement System
25 on or after January 1, 2018, the systems shall, for each of the retiring
26 employee's last five (5) fiscal years of employment, identify any fiscal year in
27 which the creditable compensation increased at a rate of ten percent (10%) or

1 more annually over the immediately preceding fiscal year's creditable
2 compensation. The employee's creditable compensation in the fiscal year
3 immediately prior to the employee's last five (5) fiscal years of employment
4 shall be utilized to compare the initial fiscal year in the five (5) fiscal year
5 period.

6 (b) Except as limited or excluded by subsections (3) and (4) of this section, any
7 amount of increase in creditable compensation for a fiscal year identified
8 under paragraph (a) of this subsection that exceeds ten percent (10%) more
9 than the employee's creditable compensation from the immediately preceding
10 fiscal year shall not be included in the creditable compensation used to
11 calculate the retiring employee's monthly retirement allowance. If the
12 creditable compensation for a specific fiscal year identified under paragraph
13 (a) of this subsection as exceeding the ten percent (10%) increase limitation is
14 not used to calculate the retiring employee's monthly retirement allowance,
15 then no reduction in creditable compensation shall occur for that fiscal year.

16 (c) If the creditable compensation of the retiring employee is reduced as provided
17 by paragraph (b) of this subsection, the retirement systems:

- 18 1. Shall refund the employee contributions and interest attributable to the
19 reduction in creditable compensation; and
- 20 2. Shall not refund the employer contributions paid but shall utilize those
21 funds to pay down the unfunded liability of the pension fund in which
22 the retiring employee participated.

23 (3) In order to ensure the prospective application of the limitations on increases in
24 creditable compensation contained in subsection (2) of this section, only the
25 creditable compensation earned by the retiring employee on or after July 1, 2017,
26 shall be subject to reduction under subsection (2) of this section. Creditable
27 compensation earned by the retiring employee prior to July 1, 2017, shall not be

1 subject to reduction under subsection (2) of this section.

2 (4) Subsection (2) of this section shall not apply to:

3 (a) A bona fide promotion or career advancement as defined by subsection (1) of
4 this section;

5 (b) A lump-sum payment for compensatory time paid to an employee upon
6 termination of employment;

7 (c) A lump-sum payment made pursuant to an alternate sick leave program under
8 KRS 78.616(5) that is paid to an employee upon termination of employment;

9 (d) Increases in creditable compensation in a fiscal year over the immediately
10 preceding fiscal year, where in the immediately preceding fiscal year the
11 employer reported the employee as being on leave without pay for any reason,
12 including but not limited to sick leave without pay, maternity leave, leave
13 authorized under the Family Medical Leave Act, and any period of time where
14 the employee received workers' compensation benefit payments that were not
15 reported to the plan as creditable compensation;

16 (e) Increases in creditable compensation directly attributable to an employee's
17 receipt of compensation for overtime hours worked while serving as a
18 participating employee under any state or federal grant, grant pass-through, or
19 similar program that requires overtime as a condition or necessity of the
20 employer's receipt of the grant; and

21 (f) Increases in creditable compensation directly attributable to an employee's
22 receipt of compensation for overtime performed during a state of emergency
23 declared by the President of the United States or the Governor of the
24 Commonwealth of Kentucky.

25 (5) (a) For employees retiring on or after January 1, 2014, but prior to July 1, 2017,
26 the last participating employer shall be required to pay for any additional
27 actuarial costs resulting from annual increases in an employee's creditable

- 1 compensation greater than ten percent (10%) over the employee's last five (5)
2 fiscal years of employment that are not the direct result of a bona fide
3 promotion or career advancement. The cost shall be determined by the
4 retirement systems.
- 5 (b) Lump-sum payments for compensatory time paid to an employee upon
6 termination of employment shall be exempt from this subsection.
- 7 (c) Kentucky Retirement Systems shall be required to answer inquiries from
8 participating employers regarding this subsection. Upon request of the
9 employer prior to the employee's change of position or hiring, the systems
10 shall make a determination that is binding to the systems as to whether or not
11 a change of position or hiring constitutes a bona fide promotion or career
12 advancement.
- 13 (d) For any additional actuarial costs charged to the employer under this
14 subsection, the systems shall allow the employer to pay the costs without
15 interest over a period of one (1) year from the date of receipt of the employer's
16 final invoice.
- 17 (6) The Kentucky Retirement Systems shall determine whether increases in creditable
18 compensation during the last five (5) fiscal years of employment prior to retirement
19 constitute a bona fide promotion or career advancement and may promulgate
20 administrative regulations in accordance with KRS Chapter 13A to administer this
21 section. All state-administered retirement systems shall cooperate to implement this
22 section.
- 23 (7) Any employer who disagrees with a determination made by the system in
24 accordance with this section regarding whether an increase in compensation
25 constitutes a bona fide promotion or career advancement for purposes of subsection
26 (5) of this section may request a hearing and appeal the decision in accordance with
27 KRS 61.645(16).

1 (8) For the fiscal year beginning July 1, 2017, and subsequent years, the Kentucky
2 Retirement Systems shall provide a means for employers to separately report the
3 specific exceptions provided in subsection (4) of this section within the reporting
4 system utilized by the employers for making employer reports under KRS 16.645,
5 61.675, and 78.545. The Kentucky Retirement Systems shall continually provide
6 communication, instructions, training, and educational opportunities for employers
7 regarding how to appropriately report exemptions established by subsection (4) of
8 this section.

9 (9) This section shall not apply to employees participating in the hybrid cash balance
10 plan as provided by KRS 16.583 and 61.597 or to service in the 401(a) money
11 purchase plan as provided by Section 12 of this Act.

12 ➔Section 86. Pursuant to the Public Pension Oversight Board's authority under
13 KRS 7A.260, the board shall establish an advisory committee to study the benefits and
14 drawbacks of separating the County Employees Retirement System from the Kentucky
15 Retirement Systems or restructuring the administration of the systems administered by the
16 Kentucky Retirement Systems. The advisory committee shall submit recommendations to
17 the Public Pension Oversight Board no later than December 1, 2019. Notwithstanding the
18 provisions of this section, the Legislative Research Commission shall have the authority
19 to alternatively assign the issues identified herein to an interim joint committee or
20 subcommittee thereof and to designate a study completion date.

21 ➔Section 87. The Kentucky Retirement Systems and Teachers' Retirement
22 System shall provide an update on the development of the system, including any issues as
23 it relates to state or federal law, to the Public Pension Oversight Board no later than
24 August 1, 2018.

25 ➔Section 88. Notwithstanding KRS 16.500 to 16.652, 61.510 to 61.705, 78.510
26 to 78.852, 161.220 to 161.716, or any provision of Sections 1 to 85 of this Act to the
27 contrary, in the month following the effective date of this section, a surviving spouse who

1 was married to the deceased member at the time of death but who was ineligible for
2 monthly benefits payable to the surviving spouse under KRS 16.601 as codified prior to
3 the effective date of this section, shall receive the monthly benefit payable to the
4 surviving spouse in Section 24 of this Act, if the member's death occurred on or after
5 January 1, 2017.

6 ➔Section 89. If any section, any subsection, or any provision of this Act is found
7 by a court of competent jurisdiction in a final, unappealable order to be invalid or
8 unconstitutional, the decision of the courts shall not affect or impair any of the remaining
9 sections, subsections, or provisions of this Act.