

1 AN ACT relating to retirement and declaring an emergency.

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

3 ➔Section 1. KRS 6.505 is repealed, reenacted, and amended to read as follows: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 to
10 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 legislative
8 changes to the provisions of KRS 6.500 to 6.577 that become effective
9 on or after January 1, 2019~~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 KRS ~~21.374~~ or
 9 21.385(3), whether in the same or a different office as a legislator, and
 10 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 KRS
14 6.500 to 6.577 that become effective on or after January 1, 2019~~[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. The
16 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 repealed, reenacted, and 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 as provided by KRS~~
25 ~~21.402 or 61.597~~ ~~or~~

26 ~~(b) Service earned in the 401(a) money purchase plan as provided by KRS~~
27 ~~61.5956~~.

1 ➔Section 3. KRS 6.520 is repealed and reenacted 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.

- 1 (4) Notwithstanding any other provision of KRS 6.500 to 6.577 or 21.345 to 21.580 to
2 the contrary, a member of the Legislators' Retirement Plan with a service entrance
3 date after July 1, 1982 but prior to January 1, 2014, who retires on or after his
4 normal retirement date, shall receive a service retirement allowance, payable
5 monthly during his lifetime, in an amount per month equal to:
- 6 (a) Two and seventy-five one-hundredths percent (2.75%) of his final
7 compensation multiplied by the number of years of his service accrued prior to
8 January 1, 2019; and
- 9 (b) One and ninety-seven one-hundredths percent (1.97%) of his or her final
10 compensation multiplied by the number of years of his or her service accrued
11 on or after January 1, 2019.

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

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

19 ➔Section 4. KRS 6.525 is repealed and reenacted to read as follows:

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

- 24 (1) Five (5) years of service as a legislator will be sufficient for vesting; and
- 25 (2) (a) A member of the Legislators' Retirement Plan may combine his service credit
26 with his service credit in the Teachers' Retirement System, Kentucky
27 Employees Retirement System, County Employees Retirement System, and

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

- 6 (b) 1. For members contributing on or after June 20, 2005 but prior to January
7 1, 2014, who have service credit in the State Police Retirement System,
8 Kentucky Employees Retirement System, County Employees Retirement
9 System, or Teachers' Retirement System prior to January 1, 2019: Upon
10 retirement, a member's accounts under the Legislators' Retirement Plan,
11 State Police Retirement System, Kentucky Employees Retirement
12 System, County Employees Retirement System, and Teachers'
13 Retirement System shall be consolidated for the purpose of determining
14 eligibility and amount of benefits as provided in KRS 61.680(2)(a) and
15 in the same manner as for the other retirement systems using the highest
16 salary regardless of the system in which it was earned, except that any
17 salary earned in the State Police Retirement System, Kentucky
18 Employees Retirement System, County Employees Retirement System,
19 or Kentucky Teachers' Retirement System on or after January 1, 2019,
20 shall not be used to determine benefits in the Legislators' Retirement
21 Plan.
- 22 2. The consolidation of accounts as provided by this paragraph shall not
23 apply to accounts in the State Police Retirement System, the Kentucky
24 Employees Retirement System, the County Employees Retirement
25 System, and the Teachers' Retirement System, from which the member
26 is receiving a retirement benefit.
- 27 3. For purposes of this paragraph, "retirement" means the month in which

1 the member elects to begin receiving benefits or benefits become
2 payable due to the member's death.

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

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

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

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

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

26 ➔Section 5. KRS 21.360 is repealed, reenacted, and amended to read as follows:

27 (1) (a) Each Judge of the District Court in office on July 1, 1978, may within thirty

1 (30) days after that date, and any judge or justice of any court entitled to be a
2 member thereafter taking office may within thirty (30) days after taking office,
3 elect to make monthly contributions to the retirement system in an amount
4 equal to:

- 5 1. Five percent (5%) of his or her monthly official salary, if the judge or
6 justice became a member of the Kentucky Judicial Retirement Plan prior
7 to September 1, 2008;
- 8 2. Six percent (6%) of his or her monthly official salary, if the judge or
9 justice became a member of the Kentucky Judicial Retirement Plan on
10 or after September 1, 2008, but prior to January 1, 2014; or
- 11 3. Six percent (6%) of his or her monthly official salary, if the judge or
12 justice who becomes a member of the Kentucky Judicial Retirement
13 Plan on or after January 1, 2014, which shall be used to fund benefits as
14 follows:
 - 15 a. Five percent (5%) of the monthly official salary shall be used to
16 provide funding for benefits provided under KRS 21.402; and
 - 17 b. One percent (1%) of the monthly official salary to be used
18 exclusively to help fund retiree health benefits as provided by KRS
19 21.427 and which shall not be refunded to the member if the
20 member withdraws his or her accumulated account balance as
21 provided by KRS 21.460. The deducted amounts under this
22 subdivision shall be credited to an account established pursuant to
23 26 U.S.C. sec. 401(h), within the fund established by KRS 21.347.

- 24 (b) The election shall be effective to establish membership in the system as of
25 July 1, 1978, or as of the date the judge or justice took office, as the case may
26 be. The election shall be addressed to and filed with the secretary of the
27 Finance and Administration Cabinet, and shall constitute an authorization by

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

10 (2) A judge or justice entitled to elect membership in the retirement system who failed
11 to elect membership within thirty (30) days after taking office in 1980 or who
12 elected membership in the Kentucky Employees Retirement System may elect
13 membership not later than August 31, 2005. An election, upon being made pursuant
14 to this section, shall operate to create an inviolable contract between the member
15 entitled to elect membership under this subsection and the Commonwealth,
16 guaranteeing to and vesting in the member the rights and benefits provided for
17 under the terms and conditions of KRS 21.350 to 21.510, except that the General
18 Assembly reserves the right to amend, reduce, or suspend any legislative changes to
19 the provisions of KRS 21.345 to 21.580 that become effective on or after January
20 1, 2019~~[July 1, 2018]~~.

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

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

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

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

24 (4) Membership and benefit rights for judges and justices (other than Judges of the
25 District Court), and for the commissioners and administrative director, who took
26 office prior to July 1, 1978, shall be dependent upon valid elections having been
27 made under this section (and KRS 21.355 and 21.365) prior to the 1978 amendment

1 to this section. The terms of such elections, including the contribution rate, shall
2 continue to govern for the duration of the member's service.

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

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

23 (7) An election once made under this section, either to participate or not to participate
24 in the Judicial Retirement Plan, shall be considered to apply, to all future service in
25 any office covered by the plan, except as provided by KRS ~~21.374 and~~ 21.385(3),
26 whether such service is in the same or a different office, and whether or not it is
27 continuous.

1 ➔Section 6. KRS 21.372 is repealed, reenacted, and amended to read as follows:

2 (1) For purposes of this section:

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

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

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

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

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

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

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

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

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

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

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

19 (6) This section shall not apply to ~~the~~
 20 ~~(a) employees participating in the hybrid cash balance plans as provided by KRS~~
 21 ~~21.402 or 61.597~~; ~~or~~
 22 ~~(b) Service earned in the 401(a) money purchase plan as provided by KRS~~
 23 ~~61.5956~~.

24 ➔Section 7. KRS 21.374 is repealed, reenacted, and amended to read as follows:

25 Notwithstanding KRS 6.500 to 6.577 and 21.345 to 21.580:

26 (1) Subject to the provisions of this section, any member who began participating in the
 27 Legislators' Retirement Plan or the Judicial Retirement Plan prior to January 1,

1 2014~~[July 1, 2019]~~, may *in lieu of the benefits he or she is currently eligible to*
 2 *receive under the plans*~~[on or after July 1, 2019, but prior to January 1, 2021]~~, elect
 3 to *receive the benefits and rights provided to members who began participating in*
 4 *the Legislators' Retirement Plan or the Judicial Retirement Plan on or after*
 5 *January 1, 2014, including participating in the hybrid cash balance plan created*
 6 *pursuant to KRS 21.402*~~[cease participating in the Legislators' Retirement Plan or~~
 7 ~~the Judicial Retirement Plan and participate prospectively in the Kentucky~~
 8 ~~Employees Retirement System as a nonhazardous employee for any future service~~
 9 ~~as a legislator, judge, or justice and be provided the following benefits in lieu of the~~
 10 ~~benefits provided by KRS 6.500 to 6.577 and 21.345 to 21.580:~~

11 ~~(a) Participation in the 401(a) money purchase plan provided by KRS 61.5956.~~

12 ~~Members making an election shall not accrue service credit in the Kentucky~~
 13 ~~Employees Retirement System for purposes of determining retirement benefits~~
 14 ~~under KRS 61.510(14), 61.595, or 61.597; and~~

15 ~~(b) Any other benefits the person would be eligible for in the Kentucky~~
 16 ~~Employees Retirement System based upon the election provided by this~~
 17 ~~section or his or her membership date in the state administered retirement~~
 18 ~~systems].~~

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

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

22 (a) Any service credit~~[, final compensation, or other benefits]~~ the member has
 23 accrued prior to the member's effective election date, in the Judicial
 24 Retirement Plan or Legislators' Retirement Plan, shall *be considered service*
 25 *credit earned on or after January 1, 2014, for purposes of determining*
 26 *benefits under KRS 6.500 to 6.577 and 21.345 to 21.580*~~[remain, but the~~
 27 ~~member shall not accrue any additional service, final compensation, or any~~

1 ~~other benefits in the Judicial Retirement Plan or the Legislators' Retirement~~
 2 ~~Plan on or after the effective election date];~~

3 **(b) On the member's effective election date, the value of the member's**
 4 **accumulated contributions, less any interest, shall be deposited into the**
 5 **member's hybrid cash balance account as provided by KRS 21.402 and**
 6 **considered part of the member's accumulated account balance;**

7 **(c) On the member's effective election date, an employer pay credit as provided**
 8 **by KRS 21.402 shall be added to the member's accumulated account**
 9 **balance for each month the member contributed to the Legislators'**
 10 **Retirement Plan or the Judicial Retirement Plan prior to his or her effective**
 11 **election date; and**

12 **(d) Interest credits as provided by KRS 21.402 shall only be applied for periods**
 13 **occurring on or after the member's effective election date;**

14 (4) Before accepting an election provided by this section, the Judicial Form Retirement
 15 System board shall provide the member with information detailing the potential
 16 results of the member's election;

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

18 (6) (a) A member of the Legislators' Retirement Plan or the Judicial Retirement Plan
 19 shall not be eligible to make an election prescribed by this section until the
 20 Judicial Form Retirement System receives a favorable private letter ruling
 21 from the Internal Revenue Service regarding this section.

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

24 (c) The Judicial Form Retirement System may promulgate administrative
 25 regulations under KRS Chapter 13A in order to carry out this section.

26 ➔Section 8. KRS 21.385 is repealed and reenacted to read as follows:

27 (1) In a situation in which, by reason of federal tax law, the failure to commence the

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

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

24 (3) Notwithstanding any other provision of KRS 6.500 to 6.577 or 21.345 to 21.580 to
25 the contrary, an individual who retires and begins drawing a retirement allowance
26 from one (1) or more of the systems or plans administered by the Kentucky
27 Retirement Systems, the Teachers' Retirement System, or the Judicial Form

1 Retirement System on or after January 1, 2019, shall not be eligible to earn benefits
2 in the Legislators' Retirement Plan or Judicial Retirement Plan for service as a
3 judge, justice, or legislator that occurs on or after January 1, 2019.

4 ➔Section 9. KRS 21.402 is repealed, reenacted, and amended to read as follows:

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

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

15 (a) Contributions made by the member as provided by KRS 6.500 to 6.577 and
16 21.345 to 21.580, except for employee contributions prescribed by KRS
17 6.505(1)(d)2.b. and 21.360(1)(a)3.b.;

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

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

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

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

1 determined by subsection (4) of this section.

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

5 (b) If the member contributed to the hybrid cash balance plan or another state-
6 administered retirement system during the fiscal year, the interest credit added
7 to the member's account for that fiscal year shall be determined by multiplying
8 the member's accumulated account balance on June 30 of the preceding fiscal
9 year by a percentage increase equal to eighty-five percent (85%) of the plan's
10 geometric average net investment return, but in no case shall be less than zero
11 percent (0%).

12 (c) If the member did not contribute to the hybrid cash balance plan or another
13 state-administered retirement system during the fiscal year, then no interest
14 credit shall be added to the member's account for that fiscal year.

15 (d) For purposes of this subsection, "plan'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 five (5)
19 fiscal years as of the date the interest is credited to the member's
20 account; and

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

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

- 1 (b) Upon termination of employment, a member who has five (5) or more years of
2 service credited under the Legislators' Retirement Plan or the Judicial
3 Retirement Plan, who elects to take a refund of his or her accumulated account
4 balance as provided by KRS 21.460, shall receive a full refund of his or her
5 accumulated account balance.
- 6 (6) A member participating in the hybrid cash balance plan provided by this section
7 may retire:
- 8 (a) Upon reaching normal retirement age, provided he or she has earned five (5)
9 or more years of service credited under the Legislators' Retirement Plan or the
10 Judicial Retirement Plan, or another state-administered retirement system; or
- 11 (b) If the member is at least age fifty-seven (57) and has an age and years of
12 service total of at least eighty-seven (87) years. The years of service used to
13 determine eligibility for retirement under this paragraph shall only include
14 years of service credited under the Legislators' Retirement Plan or the Judicial
15 Retirement Plan, or another state-administered retirement system.
- 16 (7) A member eligible to retire under subsection (6) of this section may elect to:
- 17 (a) Receive a monthly retirement allowance payable for life by having his or her
18 accumulated account balance annuitized by the retirement plan in accordance
19 with the actuarial assumptions and actuarial methods adopted by the board
20 and in effect on the member's retirement date;
- 21 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
22 under paragraph (a) of this subsection payable under one (1) of the options set
23 forth in KRS 21.420(8)(b); or
- 24 (c) Take a refund of his or her accumulated account balance as provided by KRS
25 21.460.
- 26 (8) The board of the Judicial Form Retirement System shall establish individual
27 members' accounts for each member participating in the hybrid cash balance plan as

1 provided by this section. The Judicial Form Retirement System may promulgate
2 administrative regulations in accordance with KRS Chapter 13A to administer the
3 provisions of this section.

4 (9) The provisions of this section shall not apply to members who began participating
5 in the Legislators' Retirement Plan or the Judicial Retirement Plan prior to January
6 1, 2014, *except for those members making an election pursuant to Section 7 of*
7 *this Act.*

8 ➔Section 10. KRS 21.460 is repealed, reenacted, and amended to read as follows:

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

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

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

27 (3) ~~{(a)}~~If a person who has been refunded his accumulated contributions or

1 accumulated account balance in accordance with subsection (1) of this section
2 subsequently becomes a member of the Legislators' Retirement Plan, the Kentucky
3 Employees Retirement System, County Employees Retirement System, State Police
4 Retirement System, or Teachers' Retirement System, he may while holding such
5 membership repurchase the service credit he previously had in the Judicial
6 Retirement Plan by repaying to that plan the amount that was refunded to him with
7 interest at six percent (6%) per annum, in which event such service credit shall have
8 operative effect to the same limited extent as provided in subsection (2) of this
9 section. Service purchased under this subsection on or after January 1, 2014, shall
10 not be used to determine the member's participation date in the Judicial Retirement
11 Plan. ~~[(b) Members or persons participating in the 401(a) money purchase plan as
12 provided by KRS 61.5956 shall not be eligible to purchase service under the
13 provisions of this section].~~

14 (4) If a person who has been refunded his accumulated contribution or accumulated
15 account balance in accordance with subsection (1) of this section thereafter becomes
16 again the holder of an office qualifying him for membership in the Judicial
17 Retirement Plan, he shall not be entitled to credit for his prior period of service
18 unless he has previously repaid his refunded contributions in accordance with
19 subsection (3) of this section or unless within thirty (30) days after again assuming
20 office he repays to the plan the amount that was refunded to him with interest at six
21 percent (6%) per annum. Service purchased under this subsection on or after
22 January 1, 2014, shall not be used to determine the member's participation date in
23 the Judicial Retirement Plan. ~~Members or persons participating in the 401(a)
24 money purchase plan as provided by KRS 61.5956 shall not be eligible to purchase
25 service under the provisions of this section].~~

26 (5) If the taking of a refund of contributions by a member of the Kentucky Judicial
27 Retirement Plan, when first entitled thereto, would subject the member to a federal

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

11 ➔Section 11. KRS 21.480 is repealed, reenacted, and amended to read as follows:

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

20 (a) As provided in KRS 6.696; and

21 (b) The General Assembly reserves the right to amend, reduce, or suspend any
22 legislative changes to the provisions of KRS 21.345 to 21.580 that become
23 effective on or after January 1, 2019~~[July 1, 2018]~~.

24 (2) (a) For members who begin participating in the Judicial Retirement Plan on or
25 after January 1, 2014, the General Assembly reserves the right to amend,
26 suspend, or reduce the benefits and rights provided under KRS 21.345 to
27 21.580 if, in its judgment, the welfare of the Commonwealth so demands,

1 except that the amount of benefits the member has accrued at the time of
2 amendment, suspension, or reduction shall not be affected.

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

7 (c) The provisions of this subsection shall not be construed to limit the General
8 Assembly's authority to change any other benefit or right specified by KRS
9 21.345 to 21.580, for members who begin participating in the Judicial
10 Retirement Plan on or after January 1, 2014, except the benefits specified by
11 paragraph (b) of this subsection.

12 (3) The provisions of this section shall not be construed to limit the General Assembly's
13 authority to amend, reduce, or suspend the benefits and rights of members of the
14 Judicial Retirement Plan as provided by KRS 21.345 to 21.580 that the General
15 Assembly had the authority to amend, reduce, or suspend, prior to July 1, 2013.

16 ➔Section 12. The following KRS section is repealed:

17 61.5956 Optional 401(a) money purchase plan for new nonhazardous members who
18 begin participating in KERS or CERS on or after January 1, 2019.

19 ➔Section 13. KRS 16.505 is repealed, reenacted, and amended to read as follows:

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

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

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

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

26 (4) "Current service" means the number of years and completed months of employment
27 as an employee subsequent to July 1, 1958, for which creditable compensation was

1 paid by the employer and employee contributions deducted except as otherwise
2 provided;

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

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

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

18 (8) "Creditable compensation":

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

26 (b) Includes:

27 1. Lump-sum bonuses, severance pay, or employer-provided payments for

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

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

3 (9) "Final compensation" means:

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

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

23 (10) "Final rate of pay" means the actual rate upon which earnings of a member 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 16.545(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, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-
3 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)
4 months, or one (1) year;

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

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

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

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

21 (15) "Normal retirement date" means:

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

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

- 1 (16) "Disability retirement date" means the first day of the month following the last day
2 of paid employment;
- 3 (17) "Dependent child" means a child in the womb and a natural or legally adopted child
4 of the member who has neither attained age eighteen (18) nor married or who is an
5 unmarried full-time student who has not attained age twenty-two (22) . Solely in the
6 case of a member who dies as a direct result of an act in line of duty as defined in
7 this section or who dies as a result of a duty-related injury as defined in KRS
8 61.621, "dependent child" also means a naturally or legally adopted disabled child
9 of the member, regardless of the child's age, if the child has been determined to be
10 eligible for federal Social Security disability benefits or is being claimed as a
11 qualifying child for tax purposes due to the child's total and permanent disability;
- 12 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member
13 in lieu of all other benefits provided by KRS 16.505 to 16.652;
- 14 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined
15 by the board, was required in the performance of the duties specified in KRS
16 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of
17 duty" shall mean an act occurring which was required in the performance of the
18 principal duties of the position as defined by the job description;
- 19 (20) "Early retirement date" means:
- 20 (a) For a member who begins participating before September 1, 2008, the
21 retirement date declared by a member who is not less than fifty (50) years of
22 age and has fifteen (15) years of service; or
- 23 (b) For a member who begins participating on or after September 1, 2008, but
24 prior to January 1, 2014, the retirement date declared by a member who is not
25 less than fifty (50) years of age and has fifteen (15) years of service credited
26 under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-administered
27 retirement system;

- 1 (21) "Member" means any officer included in the membership of the system as provided
2 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 3 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS
4 16.010;
- 5 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which
6 results in an employee's total incapacity to continue as an employee in a hazardous
7 position, but the employee is not necessarily deemed to be totally and permanently
8 disabled to engage in other occupations for remuneration or profit;
- 9 (24) "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 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
13 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
14 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not
15 mean an estate, trust, or trustee;
- 16 (26) "Recipient" means the retired member, 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 (27) "Person" means a natural person;
- 22 (28) "Retirement office" means the Kentucky Retirement Systems office building in
23 Frankfort;
- 24 (29) "Delayed contribution payment" means an amount paid by an employee for
25 purchase of current service. The amount shall be determined using the same formula
26 in KRS 61.5525, and the payment shall not be picked up by the employer. A
27 delayed contribution payment shall be deposited to the member's account and

- 1 considered as accumulated contributions of the individual member;
- 2 (30) "Last day of paid employment" means the last date employer and employee
3 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
4 78.615 to the retirement office in order for the employee to receive current service
5 credit for the month. Last day of paid employment does not mean a date the
6 employee receives payment for accrued leave, whether by lump sum or otherwise, if
7 that date occurs twenty-four (24) or more months after previous contributions;
- 8 (31) "Objective medical evidence" means reports of examinations or treatments; medical
9 signs which are anatomical, physiological, or psychological abnormalities that can
10 be observed; psychiatric signs which are medically demonstrable phenomena
11 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
12 or contact with reality; or laboratory findings which are anatomical, physiological,
13 or psychological phenomena that can be shown by medically acceptable laboratory
14 diagnostic techniques, including but not limited to chemical tests,
15 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 16 (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the
17 following June 30, which shall also be the plan year. The "fiscal year" shall be the
18 limitation year used to determine contribution and benefit limits established by 26
19 U.S.C. sec. 415;
- 20 (33) "Participating" means an employee is currently earning service credit in the system
21 as provided in KRS 16.543;
- 22 (34) "Month" means a calendar month;
- 23 (35) "Membership date" means the date upon which the member began participating in
24 the system as provided by KRS 16.543;
- 25 (36) "Participant" means a member, as defined by subsection (21) of this section, or a
26 retired member, as defined by subsection (11) of this section;
- 27 (37) "Qualified domestic relations order" means any judgment, decree, or order,

1 including approval of a property settlement agreement, that:

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

3 (b) Relates to the provision of child support, alimony payments, or marital
4 property rights to an alternate payee;

5 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
6 participant, who is designated to be paid retirement benefits in a qualified domestic
7 relations order;

8 (39) "Accumulated employer credit" means the employer pay credit deposited to the
9 member's account and interest credited on such amounts as provided by KRS
10 16.583; and

11 (40) "Accumulated account balance" means:

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

14 (b) For members who began participating in the system on or after January 1,
15 2014, in the hybrid cash balance plan as provided by KRS 16.583, the
16 combined sum of the member's accumulated contributions and the member's
17 accumulated employer pay credit; and

18 (41) "Monthly average pay" means the higher of the member's monthly final rate of
19 pay or the average monthly creditable compensation earned by the deceased
20 member during his or her last twelve (12) months of employment.

21 ➔Section 14. KRS 61.510 is repealed, reenacted, and amended to read as follows:

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

23 (1) "System" means the Kentucky Employees Retirement System created by KRS
24 61.510 to 61.705;

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

26 (3) "Department" means any state department or board or agency participating in the
27 system in accordance with appropriate executive order, as provided in KRS 61.520.

1 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the
2 General Assembly and any other body, entity, or instrumentality designated by
3 executive order by the Governor, shall be deemed to be a department,
4 notwithstanding whether said body, entity, or instrumentality is an integral part of
5 state government;

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

7 (5) "Employee" means the members, officers, and employees of the General Assembly
8 and every regular full-time, appointed or elective officer or employee of a
9 participating department, including the Department of Military Affairs. The term
10 does not include persons engaged as independent contractors, seasonal, emergency,
11 temporary, interim, and part-time workers. In case of any doubt, the board shall
12 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;

13 (6) "Employer" means a department or any authority of a department having the power
14 to appoint or select an employee in the department, including the Senate and the
15 House of Representatives, or any other entity, the employees of which are eligible
16 for membership in the system pursuant to KRS 61.525;

17 (7) "State" means the Commonwealth of Kentucky;

18 (8) "Member" means any employee who is included in the membership of the system or
19 any former employee whose membership has not been terminated under KRS
20 61.535;

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

23 (10) "Current service" means the number of years and months of employment as an
24 employee, on and after July 1, 1956, except that for members, officers, and
25 employees of the General Assembly this date shall be January 1, 1960, for which
26 creditable compensation is paid and employee contributions deducted, except as
27 otherwise provided, and each member, officer, and employee of the General

1 Assembly shall be credited with a month of current service for each month he
2 serves in the position;

3 (11) "Prior service" means the number of years and completed months, expressed as a
4 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
5 creditable compensation was paid; except that for members, officers, and employees
6 of the General Assembly, this date shall be January 1, 1960. An employee shall be
7 credited with one (1) month of prior service only in those months he received
8 compensation for at least one hundred (100) hours of work; provided, however, that
9 each member, officer, and employee of the General Assembly shall be credited with
10 a month of prior service for each month he served in the position prior to January 1,
11 1960. Twelve (12) months of current service in the system are required to validate
12 prior service;

13 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
14 from the compensation of a member and credited to his individual account in the
15 members' account, including employee contributions picked up after August 1,
16 1982, pursuant to KRS 61.560(4), together with interest credited~~[, or investment~~
17 ~~returns earned as provided by KRS 61.5956,]~~ on such amounts and any other
18 amounts the member shall have contributed thereto, including interest credited
19 thereon~~[, or investment returns earned as provided by KRS 61.5956,]~~. "Accumulated
20 contributions" shall not include employee contributions that are deposited into
21 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established
22 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

23 (13) "Creditable compensation":

24 (a) Except as provided by paragraph (b) or (c) of this subsection, means all salary,
25 wages, tips to the extent the tips are reported for income tax purposes, and
26 fees, including payments for compensatory time, paid to the employee as a
27 result of services performed for the employer or for time during which the

1 member is on paid leave, which are includable on the member's federal form
2 W-2 wage and tax statement under the heading "wages, tips, other
3 compensation," including employee contributions picked up after August 1,
4 1982, pursuant to KRS 61.560(4). For members of the General Assembly, it
5 shall mean all amounts which are includable on the member's federal form W-
6 2 wage and tax statement under the heading "wages, tips, other
7 compensation," including employee contributions picked up after August 1,
8 1982, pursuant to KRS 6.505(4) or 61.560(4);

9 (b) Includes:

- 10 1. Lump-sum bonuses, severance pay, or employer-provided payments for
11 purchase of service credit, which shall be averaged over the employee's
12 total service with the system in which it is recorded if it is equal to or
13 greater than one thousand dollars (\$1,000);
- 14 2. Cases where compensation includes maintenance and other perquisites,
15 but the board shall fix the value of that part of the compensation not paid
16 in money;
- 17 3. Lump-sum payments for creditable compensation paid as a result of an
18 order of a court of competent jurisdiction, the Personnel Board, or the
19 Commission on Human Rights, or for any creditable compensation paid
20 in anticipation of settlement of an action before a court of competent
21 jurisdiction, the Personnel Board, or the Commission on Human Rights,
22 including notices of violations of state or federal wage and hour statutes
23 or violations of state or federal discrimination statutes, which shall be
24 credited to the fiscal year during which the wages were earned or should
25 have been paid by the employer. This subparagraph shall also include
26 lump-sum payments for reinstated wages pursuant to KRS 61.569,
27 which shall be credited to the period during which the wages were

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

9 (c) Excludes:

- 10 1. ~~{Uniform, equipment, or any other expense allowances paid on or after~~
- 11 ~~January 1, 2019, }~~Living allowances, expense reimbursements, lump-
- 12 sum payments for accrued vacation leave, and other items determined by
- 13 the board;
- 14 2. For employees who begin participating on or after September 1, 2008,
- 15 lump-sum payments for compensatory time; and
- 16 3. ~~{For employees participating in a nonhazardous position who began~~
- 17 ~~participating prior to September 1, 2008, and who retire after July 1,~~
- 18 ~~2023, lump-sum payments for compensatory time upon termination of~~
- 19 ~~employment; and~~
- 20 4. ~~—~~For employees who begin participating on or after August 1, 2016,
- 21 nominal fees paid for services as a volunteer;

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

- 23 (a) For a member who begins participating before September 1, 2008, who is
- 24 employed in a nonhazardous position, the creditable compensation of the
- 25 member during the five (5) fiscal years he was paid at the highest average
- 26 monthly rate divided by the number of months of service credit during that
- 27 five (5) year period multiplied by twelve (12). The five (5) years may be

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

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

24 (c) For a member who begins participating before September 1, 2008, who is
25 employed in a hazardous position, as provided in KRS 61.592~~[-and who~~
26 ~~retired prior to January 1, 2019], the creditable compensation of the member~~
27 during the three (3) fiscal years he was paid at the highest average monthly

1 rate divided by the number of months of service credit during that three (3)
2 year period multiplied by twelve (12). The three (3) years may be fractional
3 and need not be consecutive. If the number of months of service credit during
4 the three (3) year period is less than twenty-four (24), one (1) or more
5 additional fiscal years shall be used;

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

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

- 1 least thirty-six (36) months;
- 2 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
3 calculated during the twelve (12) month period immediately preceding the
4 member's effective retirement date, including employee contributions picked up
5 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
6 system by the employer and the following equivalents shall be used to convert the
7 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
8 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
9 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
10 one (1) year;
- 11 (16) "Retirement allowance" means the retirement payments to which a member is
12 entitled;
- 13 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
14 basis of the actuarial tables that are adopted by the board. In cases of disability
15 retirement, the options authorized by KRS 61.635 shall be computed by adding ten
16 (10) years to the age of the member, unless the member has chosen the Social
17 Security adjustment option as provided for in KRS 61.635(8), in which case the
18 member's actual age shall be used. For members who began participating in the
19 system prior to January 1, 2014, no disability retirement option shall be less than the
20 same option computed under early retirement;
- 21 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless
22 otherwise provided in KRS 61.510 to 61.705;
- 23 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
24 following June 30, which shall also be the plan year. The "fiscal year" shall be the
25 limitation year used to determine contribution and benefit limits as established by
26 26 U.S.C. sec. 415;
- 27 (20) "Officers and employees of the General Assembly" means the occupants of those

1 positions enumerated in KRS 6.150. The term shall also apply to assistants who
2 were employed by the General Assembly for at least one (1) regular legislative
3 session prior to July 13, 2004, who elect to participate in the retirement system, and
4 who serve for at least six (6) regular legislative sessions. Assistants hired after July
5 13, 2004, shall be designated as interim employees;

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

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

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

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

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

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

26 (22) "Delayed contribution payment" means an amount paid by an employee for
27 purchase of current service. The amount shall be determined using the same formula

1 in KRS 61.5525, and the payment shall not be picked up by the employer. A
2 delayed contribution payment shall be deposited to the member's account and
3 considered as accumulated contributions of the individual member. In determining
4 payments under this subsection, the formula found in this subsection shall prevail
5 over the one found in KRS 212.434;

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

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

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

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

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

27 (28) "Level percentage of payroll~~[dollar]~~ amortization method" means a method of

1 determining the annual amortization payment on the unfunded actuarial accrued
2 liability as expressed as a percentage of payroll~~[that is set as an equal dollar~~
3 ~~amount]~~ over a set period of years~~[the remaining amortization period as of the~~
4 ~~actuarial valuation date]~~. Under this method, the percentage of payroll shall be
5 projected to remain constant for all years remaining in the set period, and the
6 unfunded actuarially accrued liability shall be projected to be fully amortized at the
7 conclusion of the set~~[amortization]~~ period;

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

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

12 (31) "Retirement office" means the Kentucky Retirement Systems office building in
13 Frankfort;

14 (32) "Last day of paid employment" means the last date employer and employee
15 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
16 78.615 to the retirement office in order for the employee to receive current service
17 credit for the month. Last day of paid employment does not mean a date the
18 employee receives payment for accrued leave, whether by lump sum or otherwise, if
19 that date occurs twenty-four (24) or more months after previous contributions;

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

- 1 (34) "Participating" means an employee is currently earning service credit in the system
2 as provided in KRS 61.543;
- 3 (35) "Month" means a calendar month;
- 4 (36) "Membership date" means:
- 5 (a) The date upon which the member began participating in the system as
6 provided in KRS 61.543; or
- 7 (b) For a member electing to participate in the system pursuant to KRS
8 196.167(4) who has not previously participated in the system or the Kentucky
9 Teachers' Retirement System, the date the member began participating in a
10 defined contribution plan that meets the requirements of 26 U.S.C. sec.
11 403(b);
- 12 (37) "Participant" means a member, as defined by subsection (8) of this section, or a
13 retired member, as defined by subsection (24) of this section;
- 14 (38) "Qualified domestic relations order" means any judgment, decree, or order,
15 including approval of a property settlement agreement, that:
- 16 (a) Is issued by a court or administrative agency; and
- 17 (b) Relates to the provision of child support, alimony payments, or marital
18 property rights to an alternate payee;
- 19 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
20 participant, who is designated to be paid retirement benefits in a qualified domestic
21 relations order;
- 22 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
23 member's account and interest credited on such amounts as provided by KRS
24 16.583 and 61.597;
- 25 (41) "Accumulated account balance" means:
- 26 (a) For members who began participating in the system prior to January 1, 2014,
27 the member's accumulated contributions; **or**

1 (b) For members who began participating in the system on or after January 1,
2 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
3 the combined sum of the member's accumulated contributions and the
4 member's accumulated employer credit~~]; or~~

5 ~~(c) For nonhazardous members who are participating in the 401(a) money~~
6 ~~purchase plan as provided by KRS 61.5956, the combined sum of the~~
7 ~~member's accumulated contribution and the member's accumulated employer~~
8 ~~contribution in the 401(a) money purchase plan];~~

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

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

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

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

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

26 ~~(45) ["Accumulated employer contribution" means the employer contribution deposited~~
27 ~~to the member's account and any investment returns on such amounts as provided~~

1 by ~~KRS 61.5956~~; and

2 (46) "Monthly average pay" means the higher of the member's monthly final rate of pay
3 or the average monthly creditable compensation earned by the deceased member
4 during his or her last twelve (12) months of employment.

5 ➔Section 15. KRS 78.510 is repealed, reenacted, and amended to read as follows:

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

- 7 (1) "System" means the County Employees Retirement System;
- 8 (2) "Board" means the board of trustees of the system as provided in KRS 78.780;
- 9 (3) "County" means any county, or nonprofit organization created and governed by a
10 county, counties, or elected county officers, sheriff and his employees, county clerk
11 and his employees, circuit clerk and his deputies, former circuit clerks or former
12 circuit clerk deputies, or political subdivision or instrumentality, including school
13 boards, charter county government, or urban-county government participating in the
14 system by order appropriate to its governmental structure, as provided in KRS
15 78.530, and if the board is willing to accept the agency, organization, or
16 corporation, the board being hereby granted the authority to determine the eligibility
17 of the agency to participate;
- 18 (4) "School board" means any board of education participating in the system by order
19 appropriate to its governmental structure, as provided in KRS 78.530, and if the
20 board is willing to accept the agency or corporation, the board being hereby granted
21 the authority to determine the eligibility of the agency to participate;
- 22 (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- 23 (6) "Employee" means every regular full-time appointed or elective officer or employee
24 of a participating county and the coroner of a participating county, whether or not he
25 qualifies as a regular full-time officer. The term shall not include persons engaged
26 as independent contractors, seasonal, emergency, temporary, and part-time workers.
27 In case of any doubt, the board shall determine if a person is an employee within the

- 1 meaning of KRS 78.510 to 78.852;
- 2 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected
3 officials of a county, or any authority of the county having the power to appoint or
4 elect an employee to office or employment in the county;
- 5 (8) "Member" means any employee who is included in the membership of the system or
6 any former employee whose membership has not been terminated under KRS
7 61.535;
- 8 (9) "Service" means the total of current service and prior service as defined in this
9 section;
- 10 (10) "Current service" means the number of years and months of employment as an
11 employee, on and after July 1, 1958, for which creditable compensation is paid and
12 employee contributions deducted, except as otherwise provided;
- 13 (11) "Prior service" means the number of years and completed months, expressed as a
14 fraction of a year, of employment as an employee, prior to July 1, 1958, for which
15 creditable compensation was paid. An employee shall be credited with one (1)
16 month of prior service only in those months he received compensation for at least
17 one hundred (100) hours of work. Twelve (12) months of current service in the
18 system shall be required to validate prior service;
- 19 (12) "Accumulated contributions" means the sum of all amounts deducted from the
20 compensation of a member and credited to his individual account in the members'
21 account, including employee contributions picked up after August 1, 1982, pursuant
22 to KRS 78.610(4), together with interest credited~~[, or investment returns earned as~~
23 ~~provided by KRS 61.5956,]~~ on the amounts, and any other amounts the member
24 shall have contributed thereto, including interest credited thereon~~[, or investment~~
25 ~~returns earned as provided by KRS 61.5956].~~ "Accumulated contributions" shall not
26 include employee contributions that are deposited into accounts established
27 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,

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

2 (13) "Creditable compensation":

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

10 (b) Includes:

- 11 1. Lump-sum bonuses, severance pay, or employer-provided payments for
12 purchase of service credit, which shall be averaged over the employee's
13 service with the system in which it is recorded if it is equal to or greater
14 than one thousand dollars (\$1,000);
- 15 2. Cases where compensation includes maintenance and other perquisites,
16 but the board shall fix the value of that part of the compensation not paid
17 in money;
- 18 3. Lump-sum payments for creditable compensation paid as a result of an
19 order of a court of competent jurisdiction, the Personnel Board, or the
20 Commission on Human Rights, or for any creditable compensation paid
21 in anticipation of settlement of an action before a court of competent
22 jurisdiction, the Personnel Board, or the Commission on Human Rights,
23 including notices of violations of state or federal wage and hour statutes
24 or violations of state or federal discrimination statutes, which shall be
25 credited to the fiscal year during which the wages were earned or should
26 have been paid by the employer. This subparagraph shall also include
27 lump-sum payments for reinstated wages pursuant to KRS 61.569,

1 which shall be credited to the period during which the wages were
2 earned or should have been paid by the employer;

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

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

10 (c) Excludes:

11 1. ~~{Uniform, equipment, or any other expense allowances paid on or after~~
12 ~~January 1, 2019, }~~Living allowances, expense reimbursements, lump-
13 sum payments for accrued vacation leave, sick leave except as provided
14 in KRS 78.616(5), and other items determined by the board;

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

17 3. Training incentive payments for city officers paid as set out in KRS
18 64.5277 to 64.5279; ***and***

19 4. For employees who begin participating on or after August 1, 2016,
20 nominal fees paid for services as a volunteer~~}; and~~

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

25 (14) "Final compensation" means:

26 (a) For a member who begins participating before September 1, 2008, who is
27 employed in a nonhazardous position, the creditable compensation of the

1 member during the five (5) fiscal years he was paid at the highest average
2 monthly rate divided by the number of months of service credit during that
3 five (5) year period multiplied by twelve (12). The five (5) years may be
4 fractional and need not be consecutive~~[-except that for members retiring on or~~
5 ~~after January 1, 2019, the five (5) fiscal years shall be complete fiscal years].~~
6 If the number of months of service credit during the five (5) year period is less
7 than forty-eight (48)~~[-for members retiring prior to January 1, 2019],~~ one (1)
8 or more additional fiscal years shall be used~~[-If a member retiring on or after~~
9 ~~January 1, 2019, does not have five (5) complete fiscal years that each contain~~
10 ~~twelve (12) months of service credit, then one (1) or more additional fiscal~~
11 ~~years, which may contain less than twelve (12) months of service credit, shall~~
12 ~~be added until the number of months in the final compensation calculation is~~
13 ~~at least sixty (60) months];~~

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

27 (c) For a member who begins participating before September 1, 2008, who is

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

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

20 (e) For a member who begins participating on or after September 1, 2008, but
21 prior to January 1, 2014, who is employed in a hazardous position as provided
22 in KRS 61.592~~], or for a member who begins participating prior to September~~
23 ~~1, 2008, who is employed in a hazardous position as provided in KRS 61.592,~~
24 ~~who retires on or after January 1, 2019]~~, the creditable compensation of the
25 member during the three (3) complete fiscal years he was paid at the highest
26 average monthly rate divided by three (3). Each fiscal year used to determine
27 final compensation must contain twelve (12) months of service credit. If the

1 member does not have three (3) complete fiscal years that each contain twelve
2 (12) months of service credit, then one (1) or more additional fiscal years,
3 which may contain less than twelve (12) months of service credit, shall be
4 added until the number of months in the final compensation calculation is at
5 least thirty-six (36) months;

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

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

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

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

27 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the

1 following June 30, which shall also be the plan year. The "fiscal year" shall be the
2 limitation year used to determine contribution and benefits limits as set out in 26
3 U.S.C. sec. 415;

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

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

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

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

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

24 (d) Probationary positions which are positions of employment with a participating
25 employer that do not exceed twelve (12) months and that are used uniformly
26 by the participating agency on new employees who would otherwise be
27 eligible for participation in the system. Probationary positions shall not be

- 1 renewable by the participating employer for the same employee, unless the
2 employee has not been employed with the participating employer for a period
3 of at least twelve (12) months; or
- 4 (e) Part-time positions that are positions that may be permanent in duration, but
5 that require less than a calendar or fiscal year average of one hundred (100)
6 hours of work per month, determined by using the number of months actually
7 worked within a calendar or fiscal year, in the performance of duty, except in
8 case of noncertified employees of school boards, the school term average shall
9 be eighty (80) hours of work per month, determined by using the number of
10 months actually worked in a calendar or school year, in the performance of
11 duty;
- 12 (22) "Alternate participation plan" means a method of participation in the system as
13 provided for by KRS 78.530(3);
- 14 (23) "Retired member" means any former member receiving a retirement allowance or
15 any former member who has on file at the retirement office the necessary
16 documents for retirement benefits and is no longer contributing to the system;
- 17 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
18 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
19 pay. The rate shall be certified by the employer;
- 20 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
21 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
22 in the event of the member's death. As used in KRS 61.702, beneficiary shall not
23 mean an estate, trust, or trustee;
- 24 (26) "Recipient" means the retired member, the person or persons designated as
25 beneficiary by the member and drawing a retirement allowance as a result of the
26 member's death, or a dependent child drawing a retirement allowance. An alternate
27 payee of a qualified domestic relations order shall not be considered a recipient,

- 1 except for purposes of KRS 61.623;
- 2 (27) "Person" means a natural person;
- 3 (28) "School term or year" means the twelve (12) months from July 1 through the
4 following June 30;
- 5 (29) "Retirement office" means the Kentucky Retirement Systems office building in
6 Frankfort;
- 7 (30) "Delayed contribution payment" means an amount paid by an employee for current
8 service obtained under KRS 61.552. The amount shall be determined using the
9 same formula in KRS 61.5525, except the determination of the actuarial cost for
10 classified employees of a school board shall be based on their final compensation,
11 and the payment shall not be picked up by the employer. A delayed contribution
12 payment shall be deposited to the member's account and considered as accumulated
13 contributions of the individual member. In determining payments under this
14 subsection, the formula found in this subsection shall prevail over the one found in
15 KRS 212.434;
- 16 (31) "Participating" means an employee is currently earning service credit in the system
17 as provided in KRS 78.615;
- 18 (32) "Month" means a calendar month;
- 19 (33) "Membership date" means the date upon which the member began participating in
20 the system as provided in KRS 78.615;
- 21 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
22 retired member, as defined by subsection (23) of this section;
- 23 (35) "Qualified domestic relations order" means any judgment, decree, or order,
24 including approval of a property settlement agreement, that:
- 25 (a) Is issued by a court or administrative agency; and
- 26 (b) Relates to the provision of child support, alimony payments, or marital
27 property rights to an alternate payee;

- 1 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
2 participant, who is designated to be paid retirement benefits in a qualified domestic
3 relations order;
- 4 (37) "Accumulated employer credit" means the employer pay credit deposited to the
5 member's account and interest credited on such amounts as provided by KRS
6 16.583 and 61.597;
- 7 (38) "Accumulated account balance" means:
- 8 (a) For members who began participating in the system prior to January 1, 2014,
9 the member's accumulated contributions; or
- 10 (b) For members who began participating in the system on or after January 1,
11 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
12 the combined sum of the member's accumulated contributions and the
13 member's accumulated employer credit; ~~or~~
- 14 ~~(c) For nonhazardous members who are participating in the 401(a) money~~
15 ~~purchase plan as provided by KRS 61.5956, the combined sum of the~~
16 ~~member's accumulated contributions and the member's accumulated employer~~
17 ~~contributions in the 401(a) money purchase plan];~~
- 18 (39) "Volunteer" means an individual who:
- 19 (a) Freely and without pressure or coercion performs hours of service for an
20 employer participating in one (1) of the systems administered by Kentucky
21 Retirement Systems without receipt of compensation for services rendered,
22 except for reimbursement of actual expenses, payment of a nominal fee to
23 offset the costs of performing the voluntary services, or both; and
- 24 (b) If a retired member, does not become an employee, leased employee, or
25 independent contractor of the employer for which he or she is performing
26 volunteer services for a period of at least twenty-four (24) months following
27 the retired member's most recent retirement date;

- 1 (40) "Nominal fee" means compensation earned for services as a volunteer that does not
 2 exceed five hundred dollars (\$500) per month. Compensation earned for services as
 3 a volunteer from more than one (1) participating employer during a month shall be
 4 aggregated to determine whether the compensation exceeds the five hundred dollars
 5 (\$500) per month maximum provided by this subsection;
- 6 (41) "Nonhazardous position" means a position that does not meet the requirements of
 7 KRS 61.592 or has not been approved by the board as a hazardous position; **and**
- 8 (42) ~~["Accumulated employer contribution" means the employer contribution deposited~~
 9 ~~to the member's account and any investment returns on such amounts as provided~~
 10 ~~by KRS 61.5956; and~~
- 11 ~~(43)~~ "Monthly average pay" means the higher of the member's monthly final rate of pay
 12 or the average monthly creditable compensation earned by the deceased member
 13 during his or her last twelve (12) months of employment.
- 14 ➔Section 16. KRS 61.597 is repealed, reenacted, and amended to read as follows:
- 15 (1) A member of the Kentucky Employees Retirement System or County Employees
 16 Retirement System who is participating in a nonhazardous position, whose
 17 participation in the systems begins on or after January 1, 2014, **or a member**~~except~~
 18 ~~for those members~~ making an election pursuant to KRS 61.5955~~[or 61.5956]~~, shall
 19 receive the retirement benefits provided by this section in lieu of the retirement
 20 benefits provided under KRS 61.559 and 61.595. The retirement benefit provided
 21 by this section shall be known as the hybrid cash balance plan and shall operate as
 22 another benefit tier within the Kentucky Employees Retirement System and the
 23 County Employees Retirement System.
- 24 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the
 25 member's accumulated account balance, which shall include:
- 26 (a) Contributions made by the member as provided by KRS 16.505 to 16.652,
 27 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions

- 1 prescribed by KRS 61.702(2)(b);
- 2 (b) An employer pay credit of four percent (4%) of the creditable compensation
3 earned by the employee for each month the employee is contributing to the
4 hybrid cash balance plan provided by this section; and
- 5 (c) Interest credits added annually to the member's accumulated account balance
6 as provided by this section.
- 7 (3) (a) Member contributions and employer pay credits as provided by subsection
8 (2)(a) and (b) of this section shall be credited to the member's account
9 monthly as contributions are reported and posted to the system in accordance
10 with KRS 61.675 and 78.625.
- 11 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be
12 credited to the member's account annually on June 30 of each fiscal year, as
13 determined by subsection (4) of this section.
- 14 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
15 contributed to the hybrid cash balance plan or another state-administered
16 retirement system during the fiscal year.
- 17 (b) If the member contributed to the hybrid cash balance plan or another state-
18 administered retirement system during the fiscal year, the interest credit added
19 to the member's account for that fiscal year shall be determined by multiplying
20 the member's accumulated account balance on June 30 of the preceding fiscal
21 year by a percentage increase equal to eighty-five percent (85%) of the
22 system's geometric average net investment return, but in no case shall be less
23 than zero percent (0%).
- 24 (c) If the member did not contribute to the hybrid cash balance plan or another
25 state-administered retirement system during the fiscal year, then no interest
26 credit shall be added to the member's account for that fiscal year.
- 27 (d) For purposes of this subsection, "system's geometric average net investment

1 return":

2 1. Means the annual average geometric investment return, net of
3 administrative and investment fees and expenses, over the last ten (10)
4 fiscal years as of the date the interest is credited to the member's
5 account; and

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

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

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

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

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

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

26 (b) If the member is at least age fifty-seven (57) and has an age and years of
27 service total of at least eighty-seven (87) years. The years of service used to

1 determine eligibility for retirement under this paragraph shall only include
 2 years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or
 3 another state-administered retirement system.

- 4 (7) A member eligible to retire under subsection (6) of this section may elect to:
- 5 (a) Receive a monthly retirement allowance payable for life by having his or her
 6 accumulated account balance annuitized by the retirement systems in
 7 accordance with the actuarial assumptions and actuarial methods adopted by
 8 the board and in effect on the member's retirement date;
- 9 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
 10 under paragraph (a) of this subsection payable under one (1) of the options set
 11 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or
- 12 (c) Take a refund of his or her account balance as provided by KRS 61.625.
- 13 (8) The provisions of this section shall not apply to members who began participating
 14 in the Kentucky Employees Retirement System or the County Employees
 15 Retirement System prior to January 1, 2014, *except for those members making an*
 16 *election pursuant to KRS 61.5955.*

17 ➔Section 17. KRS 61.575 is repealed, reenacted, and amended to read as follows:

- 18 (1) The members' account shall be the account to which:
- 19 (a) All members' contributions, or contributions picked up by the employer after
 20 August 1, 1982, and interest allowances~~[or investment returns]~~ as provided in
 21 KRS 61.510 to 61.692 shall be credited, except as provided by KRS
 22 61.702(2)(b); *and*
- 23 (b) For members who begin participating in the system on or after January 1,
 24 2014, who are participating in the hybrid cash balance plan, the employer pay
 25 credit and interest credited on such amounts as provided by KRS 16.583 and
 26 61.597 shall be credited~~[- and~~
- 27 ~~(c) For members who elect to participate in the 401(a) money purchase plan as~~

1 ~~provided by KRS 21.374, 61.5955, or 61.5956, the employer contribution and~~
2 ~~investment return on such amounts as provided by KRS 61.5956].~~

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

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

11 (3) ~~[Except for the portion of the member's account balance in the 401(a) money~~
12 ~~purchase plan as provided by KRS 61.5956:~~

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

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

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

23 (d) For a member who begins participating on or after January 1, 2014, in the
24 hybrid cash balance plan, interest shall be credited in accordance with KRS
25 16.583 and 61.597.

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

- 1 (4) (a) Upon the retirement of a member who began participating in the system prior
 2 to January 1, 2014, his or her accumulated account balance shall be
 3 transferred from the members' account to the retirement allowance account.
- 4 (b) Upon the retirement of a member who began participating in the system on or
 5 after January 1, 2014~~[, or who elects to participate in the 401(a) money~~
 6 ~~purchase plan]~~, who elects to annuitize his or her accumulated account
 7 balance in the hybrid cash balance plan~~[or 401(a) money purchase plan]~~ as
 8 prescribed by KRS 16.583(7)(a) or (b)~~[, 61.5956(6)(a) or (b),]~~ or 61.597(7)(a)
 9 or (b), the member's accumulated account balance shall be transferred to the
 10 retirement allowance account.

11 ➔Section 18. KRS 78.640 is repealed, reenacted, and amended to read as follows:

- 12 (1) The members' account shall be the account to which:
- 13 (a) All members' contributions, or contributions picked up by the employer after
 14 August 1, 1982, and interest allowances~~[or investment returns]~~ as provided in
 15 KRS 78.510 to 78.852 shall be credited, except as provided by KRS
 16 61.702(2)(b); ***and***
- 17 (b) For members who begin participating in the system on or after January 1,
 18 2014, who are participating in the hybrid cash balance plan, the employer pay
 19 credit and interest credited on such amounts as provided by KRS 16.583 and
 20 61.597 shall be credited~~[; and~~
- 21 ~~(c) For members who elect to participate in the 401(a) money purchase plan~~
 22 ~~provided by KRS 21.374, 61.5955, or 61.5956, the employer contribution and~~
 23 ~~investment return on such amounts as provided by KRS 61.5956].~~

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

1 available from the member account.

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

5 (3) ~~[Except for the portion of the member's account balance in the 401(a) money
6 purchase plan as provided by KRS 61.5956:]~~

7 (a) Each member shall have his individual account credited with interest on June
8 30 of each year.

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

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

18 (d) For a member who begins participating on or after January 1, 2014, in the
19 hybrid cash balance plan, interest shall be credited in accordance with KRS
20 16.583 and 61.597.

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

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

26 (b) Upon the retirement of a member who began participating in the system on or
27 after January 1, 2014, ~~[or who elects to participate in the 401(a) money~~

1 ~~purchase plan~~, who elects to annuitize his or her accumulated account
 2 balance in the hybrid cash balance plan ~~or 401(a) money purchase plan~~ as
 3 prescribed by KRS 16.583(7)(a) or (b)~~, 61.5956(6)(a) or (b),~~ or 61.597(7)(a)
 4 or (b), the member's accumulated account balance shall be transferred to the
 5 retirement allowance account.

6 ➔Section 19. KRS 61.580 is repealed, reenacted, and amended to read as follows:

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

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

15 (2) ~~The employer contribution for the 401(a) money purchase plan as provided by~~
 16 ~~KRS 61.5956; and~~

17 (3) ~~The interest credited annually to a member's individual account as provided by~~
 18 KRS 61.510 to 61.705.

19 ➔Section 20. KRS 78.650 is repealed, reenacted, and amended to read as follows:

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

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

1 (2) ~~[The employer contribution for the 401(a) money purchase plan as provided by~~
2 ~~KRS 61.5956; and~~

3 ~~(3) [The interest credited annually to a member's individual account as provided by~~
4 ~~KRS 78.510 to 78.852.~~

5 ➔Section 21. KRS 61.552 is repealed, reenacted, and amended to read as follows:

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

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

22 (c) Service purchased under this subsection on or after January 1, 2014, shall not
23 be used to determine the member's participation date in the system~~[. Members~~
24 ~~participating in the 401(a) money purchase plan as provided by KRS 61.5956~~
25 ~~shall not be eligible to purchase service under this subsection].~~

26 (2) Any employee participating in one (1) of the retirement systems administered by
27 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if

1 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
2 (65) in the systems administered by the Kentucky Retirement Systems, and who did
3 not elect membership in the County Employees Retirement System, as provided in
4 KRS 78.540(2), may purchase service credit in the County Employees Retirement
5 System for the service he would have received had he elected membership.

6 (3) Any employee participating in one (1) of the retirement systems administered by
7 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
8 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
9 (65) in the systems administered by the Kentucky Retirement Systems, and who did
10 not elect membership in the Kentucky Employees Retirement System, as provided
11 in KRS 61.525(2), may purchase service credit in the Kentucky Employees
12 Retirement System for the service he would have received had he elected
13 membership.

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

20 (5) (a) An employee participating in one (1) of the retirement systems administered
21 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
22 service if age sixty-five (65) or at least sixty (60) months of service if under
23 age sixty-five (65) in the systems administered by the Kentucky Retirement
24 Systems, may purchase service credit in the County Employees Retirement
25 System for service between July 1, 1958, and the effective date of
26 participation of his county.

27 (b) An employee participating in one (1) of the retirement systems administered

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

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

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

27 (8) (a) Effective August 1, 1980, any county participating in the County Employees

1 Retirement System may purchase current service, between July 1, 1958, and
2 participation date of the county, for present employees of the county who have
3 obtained coverage under KRS 78.540(2).

4 (b) Effective July 1, 1973, any department participating in the Kentucky
5 Employees Retirement System may purchase current service between July 1,
6 1956, and participation date of the department, for present employees of the
7 department who were employees on the participation date of the department
8 and elected coverage under KRS 61.525(2).

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

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

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

- 1 (9) Interest paid by a member of the Kentucky Employees Retirement System, County
2 Employees Retirement System, or State Police Retirement System under this
3 section or other similar statutes under KRS 16.505 to 16.652, 61.510 to 61.705, or
4 78.510 to 78.852 prior to June 19, 1976, shall be credited to the individual
5 member's account in the appropriate retirement system and considered as
6 accumulated contributions of the member.
- 7 (10) Employees who served as assistants to officers and employees of the General
8 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)
9 or at least sixty (60) months of service if under age sixty-five (65) in the systems
10 administered by Kentucky Retirement Systems and who were unable to acquire
11 service under KRS 61.510(20) may purchase credit for the service performed after
12 January 1, 1960.
- 13 (11) (a) Effective August 1, 1988, any employee participating in one (1) of the
14 retirement systems administered by Kentucky Retirement Systems who has at
15 least forty-eight (48) months of service if age sixty-five (65) or at least sixty
16 (60) months of service if under age sixty-five (65) in the systems administered
17 by Kentucky Retirement Systems may purchase service credit for interim,
18 seasonal, emergency, temporary, probationary, or part-time employment
19 averaging one hundred (100) or more hours of work per month on a calendar
20 or fiscal year basis. If the average number of hours of work is less than one
21 hundred (100) per month, the member shall be allowed credit only for those
22 months he receives creditable compensation for one hundred (100) or more
23 hours of work.
- 24 (b) Any noncertified employee of a school board who has at least forty-eight (48)
25 months of service if age sixty-five (65) or at least sixty (60) months of service
26 if under age sixty-five (65) in the systems administered by Kentucky
27 Retirement Systems may purchase service credit in the County Employees

1 Retirement System for part-time employment prior to the 1990-91 school year
2 which averaged eighty (80) or more hours of work per month on a calendar or
3 fiscal year basis. If the average number of hours of work is less than eighty
4 (80) per month, the noncertified employee of a school board shall be allowed
5 to purchase service credit only for those months he received creditable
6 compensation for eighty (80) or more hours of work.

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

19 (13) Any 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 Kentucky Retirement Systems may purchase
23 service credit for any period of authorized maternity leave, unpaid leave authorized
24 under the Federal Family and Medical Leave Act, or for any period of authorized
25 sick leave without pay.

26 (14) (a) Any employee participating in one (1) of the retirement systems administered
27 by Kentucky Retirement Systems may purchase service credit under any of the

1 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852,
2 or as otherwise required by 38 U.S.C. ch. 43, by:

- 3 1. Making a lump-sum payment on a before-tax basis as provided in
4 subparagraph 3. of this paragraph, or on an after-tax basis if the
5 employee is purchasing service credit under subsection (1) or (20) of this
6 section, service available pursuant to 38 U.S.C. ch. 43 not otherwise
7 provided for in this section, or grandfathered service as defined in
8 paragraph (b) of this subsection;
- 9 2. Entering into an agreement to purchase service credit through an
10 installment purchase of service agreement with the systems as provided
11 by paragraph (c) of this subsection:
 - 12 a. On a before-tax basis in which the service is purchased pursuant to
13 the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or
 - 14 b. On an after-tax basis if the employee is purchasing service credit
15 under subsection (1) or (20) of this section, service available
16 pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this
17 section, or grandfathered service as defined in paragraph (b) of this
18 subsection; or
- 19 3. Transferring funds to the systems through a direct trustee-to-trustee
20 transfer as permitted under the applicable sections of the Internal
21 Revenue Code and any regulations or rulings issued thereunder, through
22 a direct rollover as contemplated by and permitted under 26 U.S.C. sec.
23 401(a)(31) and any regulations or rulings issued thereunder, or through a
24 rollover of funds pursuant to and permitted under the rules specified in
25 26 U.S.C. secs. 402(c) and 408(d)(3). The Kentucky Retirement Systems
26 shall accept the transfer or rollover to the extent permitted under the
27 rules specified in the applicable provisions of the Internal Revenue Code

1 and any regulations and rulings issued thereunder.

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

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

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

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

22 4. Before-tax installment purchase of service agreements shall be
23 irrevocable, and the employee shall not be able to stop installment
24 payments or to pay off the remaining balance of the purchase of service
25 agreement, except upon termination of employment or death.

26 5. One (1) year of installment payments shall be made for each one
27 thousand dollars (\$1,000) or any part thereof of the total cost, except that

- 1 the total period allowed for installments shall not be less than one (1)
2 year and shall not exceed five (5) years.
- 3 6. The employee shall pay the installments by payroll deduction for after-
4 tax purchase of service agreements, and the employer shall pick up
5 installments for before-tax purchase of service agreements. Upon
6 notification by the retirement system, the employer shall report the
7 installment payments either monthly or semimonthly continuously over
8 each twelve (12) month period at the same time as, but separate from,
9 regular employee contributions on the forms or by the computer format
10 specified by the board.
- 11 7. The retirement system shall determine how much of the total cost
12 represents payment for one (1) month of the service to be purchased and
13 shall credit one (1) month of service to the member's account each time
14 this amount has been paid. The first service credited shall represent the
15 first calendar month of the service to be purchased and each succeeding
16 month of service credit shall represent the succeeding months of that
17 service.
- 18 8. If the employee utilizing an installment purchase of service agreement
19 dies, retires, does not continue employment in a position required to
20 participate in the retirement system, or elects to stop an after-tax
21 installment purchase of service agreement, the member, or in the case of
22 death, the beneficiary, shall have sixty (60) days to pay the remaining
23 principal or a portion of the remaining principal of the installment
24 purchase of service agreement by lump sum, subject to the restrictions of
25 paragraph (a)1. of this subsection, or by transfer of funds under
26 paragraph (a)3. of this subsection, except that payment by the member
27 shall be filed with the system prior to the member's effective retirement

1 date. If the member or beneficiary does not pay the remaining cost, the
2 retirement system shall refund to the member or the beneficiary the
3 payment, payments, or portion of a payment that does not represent a
4 full month of service purchased, except as provided by subsection (22)
5 of this section.

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

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

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

24 (d) Except as provided by paragraph (a)2.a. of this subsection, the cost of
25 purchasing service shall not be picked up, as described in KRS 16.545(4),
26 61.560(4), or 78.610(4), by the employer.

27 (e) The cost of purchasing service credit under any provision of this section,

1 except as provided by subsections (1) and (20) of this section, shall be
2 determined by the delayed contribution method as provided by KRS 61.5525.

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

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

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

27 (17) Any employee participating in one (1) of the retirement systems administered by

1 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
2 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
3 (65) in the systems administered by Kentucky Retirement Systems and who has
4 completed service as a volunteer in the Kentucky Peace Corps, created by KRS
5 154.1-720, may purchase service credit for the time served in the corps.

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

16 (19) 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 the Kentucky Retirement Systems, who was
20 employed by a vocational technical school in a noncertified part-time position
21 averaging eighty (80) or more hours per month, determined by using the number of
22 months actually worked within a calendar or fiscal year, may purchase service credit
23 in the Kentucky Employees Retirement System.

24 (20) (a) Any person who is entitled to service credit for employment which was not
25 reported in accordance with KRS 16.543, 61.543, or 78.615 may obtain credit
26 for the service by paying the employee contributions due within six (6)
27 months of notification by the system. No interest shall be added to the

1 contributions. The service credit shall not be credited to the member's account
2 until the employer contributions are received. If a retired member makes the
3 payment within six (6) months, the retired member's retirement allowance
4 shall be adjusted to reflect the added service after the employer contributions
5 and any interest or penalties on the delinquent employer contributions are
6 received by the retirement system.

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

16 (c) Service purchased under this subsection by employees who begin participating
17 on or after September 1, 2008, shall be considered service credited under KRS
18 16.543(1), 61.543(1), or 78.615(1) for purposes of determining eligibility for
19 retirement benefits under KRS 16.505 to 16.652, 61.510 to 61.705, and
20 78.510 to 78.852.

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

27 (e) ~~An employee participating in the 401(a) money purchase plan as provided by~~

1 ~~KRS 61.5956 shall, upon payment of the employee and employer~~
2 ~~contributions due under this subsection, have his or her accumulated account~~
3 ~~balance increased by the employee contributions and employer contributions~~
4 ~~that would have been credited to his or her member account if the~~
5 ~~contributions had been paid on time.~~

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

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

23 (22) Any employee participating in one (1) of the retirement systems administered by the
24 Kentucky Retirement Systems prior to July 15, 2002, who has accrued at least forty-
25 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of
26 service if under age sixty-five (65) in the systems administered by the Kentucky
27 Retirement Systems and who has total service in all state-administered retirement

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

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

20 (24) An employee may obtain credit for regular full-time service with an agency prior to
21 August 1, 1998, for which the employee did not receive credit due to KRS
22 61.637(1). Service credit obtained under this subsection shall not be used in
23 determining benefits under KRS 61.702. The employee may purchase credit for
24 service prior to August 1, 1998, if:

25 (a) The employee retired from one (1) of the retirement systems administered by
26 the Kentucky Retirement Systems and was reemployed prior to August 1,
27 1998, earning less than the maximum permissible earnings under the Federal

- 1 Social Security Act;
- 2 (b) The employee elected to participate in a second retirement account effective
3 August 1, 1998, in accordance with KRS 61.637(7); and
- 4 (c) The employee has at least forty-eight (48) months of service if age sixty-five
5 (65), or at least sixty (60) months of service if under age sixty-five (65), in a
6 second account in the systems administered by Kentucky Retirement Systems.
- 7 (25) An employee participating in one (1) of the retirement systems administered by the
8 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
9 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
10 (65) in the systems administered by the Kentucky Retirement Systems, may obtain
11 credit for the service in a regular full-time position otherwise creditable under the
12 Kentucky Employees Retirement System, the County Employees Retirement
13 System, or the State Police Retirement System for service in the United States
14 government, other than service in the Armed Forces, for which service is not
15 otherwise given.
- 16 (26) An employee participating in a hazardous position in one (1) of the retirement
17 systems administered by the Kentucky Retirement Systems, who has at least forty-
18 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of
19 service if under age sixty-five (65) in the systems administered by the Kentucky
20 Retirement Systems, may obtain credit for service in a regular full-time position in
21 an urban-county government that would qualify for hazardous duty coverage under
22 KRS 61.592.
- 23 (27) Subsections (2) to (5), (7) to (13), (15) to (19), and (21) to (26) of this section shall
24 not apply to members who begin participating in the systems administered by
25 Kentucky Retirement Systems on or after January 1, 2014~~, or to members who~~
26 ~~make an election as provided by KRS 21.374, 61.5955, or 61.5956].~~
- 27 (28) Service purchases made pursuant to subsections (2) to (5), (7), (10) to (13), (15) to

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

5 ➔Section 22. KRS 61.555 is repealed, reenacted, and amended to read as follows:

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

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

21 (b) A member eligible for the benefit prescribed by this subsection who
22 participates in the hybrid cash balance plan as provided by KRS 16.583 and
23 61.597 shall also have his or her member account credited with employee
24 contributions, employer pay credits, and interest credits, as provided by KRS
25 16.583 and 61.597, as though the member were employed during the
26 member's period of active military duty described by this subsection.

27 (c) ~~[A member eligible for the benefit prescribed by this subsection who~~

1 ~~participates in the 401(a) money purchase plan as provided by KRS 61.5956~~
2 ~~shall also have his or her member account credited with employee and~~
3 ~~employer contributions, as provided by KRS 61.5956, as though the member~~
4 ~~were employed during the member's period of active military duty described~~
5 ~~by this subsection.~~

6 ~~(d)~~—]The employer shall remit to the retirement systems the employer
7 contributions that would have been due under KRS 61.565 and 61.702 for
8 periods of service credited under this subsection.

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

22 (b) A member eligible for the benefit prescribed by this subsection who
23 participates in the hybrid cash balance plan as provided by KRS 16.583 and
24 61.597 shall also have his or her member account credited with employee
25 contributions, employer pay credits, and interest credits, as provided by KRS
26 16.583 and 61.597, as though the member were employed during the
27 member's period of active military duty described by this subsection.

1 (c) ~~[A member eligible for the benefit prescribed by this subsection who~~
2 ~~participates in the 401(a) money purchase plan as provided by KRS 61.5956~~
3 ~~shall also have his or her member account credited with employee and~~
4 ~~employer contributions, as provided by KRS 61.5956, as though the member~~
5 ~~were employed during the member's period of active military duty described~~
6 ~~by this subsection.~~

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

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

16 (4) Any employee eligible for retirement as prescribed in KRS 61.559 or any employee
17 upon completion of five (5) years of service shall receive current service credit for a
18 maximum of four (4) years for his period of active military duty in the Armed
19 Forces of the United States, if his military service was terminated in a manner other
20 than as described in 38 U.S.C. sec. 4304 and he has not been credited with the
21 service under subsections (1) to (3) of this section if he pays thirty-five percent
22 (35%) of the cost of the service based on the formula adopted by the board. The
23 payment by the member shall not be picked up by the employer, as described in
24 KRS 61.560(4), and shall be deposited to his individual member's account. The
25 remaining sixty-five percent (65%) shall be paid by the state from funds
26 appropriated specifically for the purpose and these payments shall be deposited to
27 the respective retirement allowance accounts. If no funds are available in the special

1 appropriation account, the system shall not accept employee payments until funds
2 are available in the account.

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

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

21 (7) Any employee participating in one (1) of the retirement systems administered by the
22 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)
23 months of service, at least twelve (12) of which are current service, or if younger
24 who has sixty (60) months of service, at least twelve (12) of which are current
25 service, shall receive one (1) month of current service for each six (6) months of
26 service in the National Guard or the military reserves of the United States, by
27 paying the retirement system a delayed contribution payment in accordance with the

1 payment options and restrictions established by KRS 61.552(14). The service shall
2 be treated as service earned prior to participation in the system and shall not be
3 included in the member's final compensation. Service purchases made pursuant to
4 this subsection shall be purchased by the entire amount of service available pursuant
5 to this subsection or by increments.

6 (8) For members who begin participating in the systems administered by Kentucky
7 Retirement Systems on or after January 1, 2014, in the hybrid cash balance plan
8 prescribed by KRS 16.583 and 61.597~~], and for members who make an election to~~
9 ~~participate in the 401(a) money purchase plan as provided by KRS 21.374, 61.5955,~~
10 ~~or 61.5956],~~ the provisions of subsections (4) to (7) of this section shall not apply.

11 ➔Section 23. KRS 61.595 is repealed, reenacted, and amended to read as follows:

12 ~~[Except as limited by KRS 61.5955 or 61.5956:]~~

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

20 (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement
21 System who was participating in one (1) of the state-administered retirement
22 systems as of January 1, 1998, and continues to participate through January 1,
23 1999, shall receive an annual retirement allowance, payable monthly during
24 his lifetime, which shall consist of an amount equal to two percent (2%) of
25 final compensation multiplied by the number of years of service credit. Any
26 Kentucky Employees Retirement System member whose effective date of
27 retirement is between February 1, 1999, and January 31, 2009, and who has at

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

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

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

20 (d) For a member of the Kentucky Employees Retirement System or the County
21 Employees Retirement System who begins participating on or after September
22 1, 2008, the annual retirement allowance upon retirement shall be equal to:

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

26 b. One and three-tenths percent (1.3%) of final compensation for
27 each year of service if the member has earned greater than ten (10)

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

1 legislative service previously applied for and is receiving a retirement
2 allowance, he may reapply and his retirement allowance shall be recomputed
3 in accordance with this paragraph, and he shall thereafter be paid in
4 accordance with the option selected by him at the time of the reapplication;
5 and

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

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

17 (b) A member of the Kentucky Employees Retirement System or the County
18 Employees Retirement System who begins participating before September 1,
19 2008, who has twenty-seven (27) or more years of service credit, at least
20 fifteen (15) of which are current service, may retire with no reduction in the
21 retirement allowance. A member who begins participating before September
22 1, 2008, who has earned vested service credit in a retirement system, other
23 than the Teachers' Retirement System, sponsored by a Kentucky institution of
24 higher education, the Council on Postsecondary Education, or the Higher
25 Education Assistance Authority, may count the vested service toward attaining
26 the necessary years of service credit as provided in KRS 61.559(2)(c) and (d)
27 to qualify for a retirement allowance. The credit from a Kentucky institution

1 of higher education, the Council on Postsecondary Education, or the Higher
2 Education Assistance Authority shall not be used toward the minimum fifteen
3 (15) years of current service required by KRS 61.559(2)(c) and (d) or to
4 calculate his retirement allowance pursuant to this section. The provisions of
5 this paragraph shall not be construed to limit the use of Teachers' Retirement
6 System credit pursuant to KRS 61.680(2)(a).

7 (c) A member of the Kentucky Employees Retirement System or the County
8 Employees Retirement System who begins participating on or after September
9 1, 2008, may retire with no reduction in benefits if the member is fifty-seven
10 (57) years of age or older and has an age and years of service total of at least
11 eighty-seven (87) years. The years of service used to determine eligibility for
12 an unreduced retirement allowance under this paragraph shall only include
13 years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or
14 another state-administered retirement system.

15 (3) Subsections (1) and (2) of this section shall not apply to members who begin
16 participating in the system on or after January 1, 2014. Members who begin
17 participating in the system on or after January 1, 2014, shall receive the retirement
18 benefits prescribed by KRS ~~[61.5956 or]61.597[as applicable].~~

19 ➔Section 24. KRS 61.637 is repealed, reenacted, and amended to read as follows:

20 (1) A retired member who is receiving monthly retirement payments under any of the
21 provisions of KRS 61.510 to 61.705 and 78.510 to 78.852 and who is reemployed
22 as an employee by a participating agency prior to August 1, 1998, shall have his
23 retirement payments suspended for the duration of reemployment. Monthly
24 payments shall not be suspended for a retired member who is reemployed if he
25 anticipates that he will receive less than the maximum permissible earnings as
26 provided by the Federal Social Security Act in compensation as a result of
27 reemployment during the calendar year. The payments shall be suspended at the

1 beginning of the month in which the reemployment occurs.

2 (2) Employer and employee contributions shall be made as provided in KRS 61.510 to
3 61.705 and 78.510 to 78.852 on the compensation paid during reemployment,
4 except where monthly payments were not suspended as provided in subsection (1)
5 of this section or would not increase the retired member's last monthly retirement
6 allowance by at least one dollar (\$1), and the member shall be credited with
7 additional service credit.

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

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

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

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

25 1. The retired member's final compensation shall be recomputed using
26 creditable compensation for his period of reemployment; however, the
27 final compensation resulting from the recalculation shall not be less than

- 1 that of the member when his retirement allowance was last determined;
- 2 2. If the retired member initially retired on or subsequent to his normal
3 retirement date, his retirement allowance shall be recomputed by using
4 the formula in KRS 61.595(1);
- 5 3. If the retired member initially retired prior to his normal retirement date,
6 his retirement allowance shall be recomputed using the formula in KRS
7 61.595(2), except that the member's age used in computing benefits shall
8 be his age at the time of his initial retirement increased by the number of
9 months of service credit earned for service performed during
10 reemployment;
- 11 4. The retirement allowance payments resulting from the recomputation
12 under this subsection shall be payable in the month following the
13 termination of reemployment in lieu of payments under subparagraph 3.
14 The member shall not receive less in benefits as a result of the
15 recomputation than he was receiving prior to reemployment or would
16 receive as determined under KRS 61.691; and
- 17 5. Any retired member who was reemployed prior to March 26, 1974, shall
18 begin making contributions to the system in accordance with the
19 provisions of this section on the first day of the month following March
20 26, 1974.
- 21 (5) A retired member, or his estate, shall pay to the retirement fund the total amount of
22 payments which are not suspended in accordance with subsection (1) of this section
23 if the member received more than the maximum permissible earnings as provided
24 by the Federal Social Security Act in compensation from participating agencies
25 during any calendar year of reemployment, except the retired member or his estate
26 may repay the lesser of the total amount of payments which were not suspended or
27 fifty cents (\$0.50) of each dollar earned over the maximum permissible earnings

1 during reemployment if under age sixty-five (65), or one dollar (\$1) for every three
2 dollars (\$3) earned if over age sixty-five (65).

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

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

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

21 (b) A retired member whose disability retirement was discontinued pursuant to
22 KRS 61.615 and who is reemployed in one (1) of the systems administered by
23 the Kentucky Retirement Systems prior to his or her normal retirement date
24 shall have his or her accounts combined upon termination for determining
25 eligibility for benefits. If the member is eligible for retirement, the member's
26 service and creditable compensation earned as a result of his or her
27 reemployment shall be used in the calculation of benefits, except that the

1 member's final compensation shall not be less than the final compensation last
2 used in determining his or her retirement allowance. The member shall not
3 change beneficiary or payment option designations. This provision shall apply
4 to members reemployed on or after August 1, 1998.

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

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

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

24 (11) (a) If a member of the Kentucky Employees Retirement System retires from a
25 department which participates in more than one (1) retirement system and is
26 reemployed within one (1) month of his initial retirement date by the same
27 department in a position participating in another retirement system, the retired

1 member's retirement allowance shall be suspended for the first month of his
2 retirement and the member shall repay to the retirement system all benefits
3 received for the month.

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

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

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

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

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

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

26 (c) Upon termination, or subsequent to expiration of the six (6) month period
27 from the date of termination, the retired member's retirement allowance based

1 on his initial retirement account shall no longer be suspended and the member
2 shall receive the amount to which he is entitled, including an increase as
3 provided by KRS 61.691;

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

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

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

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

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

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

26 (16) A retired member who is reemployed and contributing to a second member account
27 shall not be eligible to purchase service credit under any of the provisions of KRS

1 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 which he was eligible to
2 purchase prior to his initial retirement.

3 (17) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (15) of this
4 section, the following shall apply to retired members ~~who retired prior to January~~
5 ~~1, 2019~~, ~~and~~ who are reemployed by an agency participating in one (1) of the
6 systems administered by Kentucky Retirement Systems on or after September 1,
7 2008:

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

- 22 1. The member shall contribute to a member account established for him or
23 her in one (1) of the systems administered by Kentucky Retirement
24 Systems, and employer contributions shall be paid on behalf of the
25 member by the participating employer; and
- 26 2. Upon subsequent retirement, the member shall be eligible for a
27 retirement allowance based upon total service and creditable

1 compensation, including any additional service or creditable
2 compensation earned after his or her initial retirement was voided;

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

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

23 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
24 the contrary, the member shall not contribute to the systems and shall
25 not earn any additional benefits for any work performed during the
26 period of reemployment;

27 3. Except as provided by KRS 70.291 to 70.293 and 95.022 and except for

1 any retiree employed as a school resource officer as defined by KRS
2 158.441, the employer shall pay employer contributions as specified by
3 KRS 61.565 and 61.702 on all creditable compensation earned by the
4 employee during the period of reemployment. The additional
5 contributions paid shall be used to reduce the unfunded actuarial liability
6 of the systems; and

7 4. Except as provided by KRS 70.291 to 70.293 and 95.022 and except for
8 any retiree employed as a school resource officer as defined by KRS
9 158.441, the employer shall be required to reimburse the systems for the
10 cost of the health insurance premium paid by the systems to provide
11 coverage for the retiree, not to exceed the cost of the single premium.
12 Effective July 1, 2015, local school boards shall not be required to pay
13 the reimbursement required by this subparagraph for retirees employed
14 by the board for 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 and except for
10 any retiree employed as a school resource officer as defined by KRS
11 158.441, the employer shall pay employer contributions as specified by
12 KRS 61.565 and 61.702 on all creditable compensation earned by the
13 employee during the period of reemployment. The additional
14 contributions paid shall be used to reduce the unfunded actuarial liability
15 of the systems; and
- 16 4. Except as provided by KRS 70.291 to 70.293 and 95.022 and except for
17 any retiree employed as a school resource officer as defined by KRS
18 158.441, the employer shall be required to reimburse the systems for the
19 cost of the health insurance premium paid by the systems to provide
20 coverage for the retiree, not to exceed the cost of the single premium;
- 21 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
22 who qualifies as a volunteer for an employer participating in one (1) of the
23 systems administered by Kentucky Retirement Systems and who is receiving
24 reimbursement of actual expenses, a nominal fee for his or her volunteer
25 services, or both, shall not be considered an employee of the participating
26 employer and shall not be subject to paragraphs (a) to (d) of this subsection if:
- 27 1. Prior to the retired member's most recent retirement date, he or she did

- 1 not receive creditable compensation from the participating employer in
2 which the retired member is performing volunteer services;
- 3 2. Any reimbursement or nominal fee received prior to the retired
4 member's most recent retirement date has not been credited as creditable
5 compensation to the member's account or utilized in the calculation of
6 the retired member's benefits;
- 7 3. The retired member has not purchased or received service credit under
8 any of the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852 for
9 service with the participating employer for which the retired member is
10 performing volunteer services; and
- 11 4. Other than the status of volunteer, the retired member does not become
12 an employee, leased employee, or independent contractor of the
13 employer for which he or she is performing volunteer services for a
14 period of at least twenty-four (24) months following the retired
15 member's most recent retirement date.

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

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

- 27 1. Required to resign from his or her position as mayor or as a member of

1 the city legislative body in order to begin drawing benefits from the
2 Kentucky Employees Retirement System or the State Police Retirement
3 System; or

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

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

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

27 1. The member shall contribute to a member account established for him or

1 her in one (1) of the systems administered by the Kentucky Retirement
2 Systems and employer contributions shall be paid on behalf of the
3 member by the participating employer; and

4 2. Upon subsequent retirement, the member shall be eligible for a
5 retirement allowance based upon total service, accumulated account
6 balance, and creditable compensation, including any additional service,
7 creditable compensation, or accumulated account balance earned after
8 his or her initial retirement was voided, subject to the limitations of KRS
9 6.525, 21.374, 61.5955, or 61.5956;

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

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

- 1 ~~2.—The member shall not contribute to the systems and shall not earn any~~
2 ~~additional benefits for any work performed during the period of~~
3 ~~reemployment;~~
- 4 ~~3.—The retired member may continue to draw his or her retirement~~
5 ~~allowance during the period of reemployment if:~~
- 6 ~~a.—The period of reemployment is not considered regular full time as~~
7 ~~defined by paragraph (g) of this subsection; or~~
- 8 ~~b.—The period of reemployment is considered regular full time but the~~
9 ~~member has not returned to reemployment for at least a twelve~~
10 ~~(12) month period following his or her initial retirement. If the~~
11 ~~member returns to reemployment in a regular full time position~~
12 ~~after a three (3) month but prior to a twelve (12) month period~~
13 ~~following his or her initial retirement, then the member's~~
14 ~~retirement allowance shall be suspended until twelve (12) months~~
15 ~~following his or her initial retirement; and~~
- 16 ~~4.—The employer shall pay the employer normal cost contributions as~~
17 ~~specified by KRS 61.565(1)(b) and 61.702, on all creditable~~
18 ~~compensation earned by the employee during the period of regular full-~~
19 ~~time reemployment, based upon the system in which the member is~~
20 ~~reemployed. The employer normal cost contributions shall be payable on~~
21 ~~the employee's behalf for the period of regular full time reemployment~~
22 ~~and shall be used to pay down the unfunded liability of the systems;~~
- 23 ~~(e)—If a member is receiving a retirement allowance from the State Police~~
24 ~~Retirement System or from hazardous duty retirement coverage with the~~
25 ~~Kentucky Employees Retirement System or the County Employees Retirement~~
26 ~~System or is a certified peace officer as provided in KRS Chapter 15, and is~~
27 ~~reemployed in any position with an agency participating in the systems or~~

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

12 ~~1. The member shall contribute to a member account established for him or~~
13 ~~her in one (1) of the systems administered by the Kentucky Retirement~~
14 ~~Systems and employer contributions shall be paid on behalf of the~~
15 ~~member by the participating employer; and~~

16 ~~2. Upon subsequent retirement, the member shall be eligible for a~~
17 ~~retirement allowance based upon total service, accumulated account~~
18 ~~balance, and creditable compensation, including any additional service,~~
19 ~~creditable compensation, or accumulated account balance earned after~~
20 ~~his or her initial retirement was voided, subject to the limitations of KRS~~
21 ~~6.525, 21.374, 61.5955, or 61.5956;~~

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 Retirement~~
25 ~~System or is a certified peace officer as provided in KRS Chapter 15, and is~~
26 ~~reemployed with an agency participating in the systems administered by the~~
27 ~~Kentucky Retirement Systems after a one (1) month period following the~~

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

4 1. Both the employee and participating agency shall certify in writing on a
5 form prescribed by the board that no prearranged agreement existed
6 between the employee and agency prior to the employee's retirement for
7 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 prearranged
11 agreement under the provisions of this subparagraph and shall have his
12 or her retirement voided. If the participating agency or employer fails to
13 complete the certification, the member's retirement shall be voided and
14 the provisions of paragraph (c) of this subsection shall apply to the
15 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 KRS 61.565(1)(b) and 61.702 on all creditable
21 compensation earned by the employee during the period of regular full-
22 time reemployment, based upon the system in which the member is
23 reemployed. The employer normal cost contributions shall be payable on
24 the employee's behalf for the period of regular full-time reemployment
25 and shall be used to pay down the unfunded liability of the systems;

26 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
27 who qualifies as a volunteer for an employer participating in one (1) of the

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

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

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

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

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

21 ~~— If a retired member, who provided volunteer services with a participating~~
22 ~~employer under this paragraph violates any provision of this paragraph, then~~
23 ~~he or she shall be deemed an employee of the participating employer as of the~~
24 ~~date he or she began providing volunteer services, and both the retired~~
25 ~~member and the participating employer shall be subject to paragraphs (a) to~~
26 ~~(d) of this subsection for the period of volunteer service;~~

27 ~~(f) Notwithstanding any provision of this section, any mayor or member of a city~~

1 ~~legislative body who has not participated in the County Employees Retirement~~
2 ~~System prior to retirement, but who is otherwise eligible to retire from the~~
3 ~~Kentucky Employees Retirement System or the State Police Retirement~~
4 ~~System, shall not be:~~

5 1. ~~Required to resign from his or her position as mayor or as a member of~~
6 ~~the city legislative body in order to begin drawing benefits from the~~
7 ~~Kentucky Employees Retirement System or the State Police Retirement~~
8 ~~System; or~~

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

11 ~~(g) For purposes of this subsection, "regular full-time" shall mean any position~~
12 ~~that requires an average of one hundred (100) or more hours per month over a~~
13 ~~calendar or fiscal year basis, except that in the case of classified school board~~
14 ~~employees it shall be more than one hundred (100) days of work during the~~
15 ~~fiscal year. Interim, temporary, or seasonal positions as defined and time~~
16 ~~limited by KRS 61.510(21) or 78.510(21) shall not be considered regular full-~~
17 ~~time; and~~

18 ~~(h) Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to the~~
19 ~~contrary, an individual who retires and begins drawing a retirement allowance~~
20 ~~from one (1) or more of the systems or plans administered by the Teachers'~~
21 ~~Retirement System or the Judicial Form Retirement System on or after~~
22 ~~January 1, 2019, who is reemployed with an agency participating in one (1) of~~
23 ~~the systems administered by Kentucky Retirement Systems, shall not be~~
24 ~~eligible to earn benefits in the Kentucky Employees Retirement System,~~
25 ~~County Employees Retirement System, or the State Police Retirement System~~
26 ~~for reemployment that occurs on or after January 1, 2019.]~~

27 ➔ Section 25. KRS 61.680 is repealed, reenacted, and amended to read as follows:

1 Except as limited by KRS 6.525~~[, 21.374, 61.5955, or 61.5956]~~:

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

7 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to
8 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:

9 1. Upon death, disability, or service retirement, a member's accounts under
10 the Legislators' Retirement Plan, State Police Retirement System,
11 Kentucky Employees Retirement System, County Employees Retirement
12 System, and Teachers' Retirement System, except for service prohibited
13 by KRS 161.623(2), shall be consolidated for the purpose of determining
14 eligibility and amount of benefits, including those members who
15 participate in the hybrid cash balance plan ~~for 401(a) money purchase~~
16 ~~plans~~ within the Kentucky Employees Retirement System, the County
17 Employees Retirement System, the State Police Retirement System, or
18 the Teachers' Retirement System;

19 2. Vested service credit in a retirement system, other than the Teachers'
20 Retirement System, sponsored by a Kentucky institution of higher
21 education and accepted by the Kentucky Employees Retirement System
22 or the County Employees Retirement System, may be used to determine
23 eligibility for twenty-seven (27) year retirement for an employee who
24 begins participating before September 1, 2008, but not the amount of
25 benefits;

26 3. The computation of benefits shall be based on the applicable formula in
27 each system and service credit in each system, but the final

1 compensation, excluding compensation earned under KRS 161.155(10),
2 shall be determined as if all service were in one (1) system;

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

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

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

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

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

20 (c) If the member has not contributed at least one (1) year in a system in which he
21 has prior service, his current service in the system shall be valid for purposes
22 of determining eligibility and in computation of benefits on a consolidated
23 basis.

24 (3) (a) A member with service credit in the Kentucky Employees Retirement System,
25 State Police Retirement System, or the County Employees Retirement System
26 who becomes the holder of an office entitling him to membership in the
27 Judicial Retirement Plan or the Legislators' Retirement Plan, but who does not

1 elect within thirty (30) days after taking office in such service to participate in
2 the plan, in accordance with KRS 6.505 or 21.360, shall be deemed to have
3 elected to retain membership in the system in which he is a member, either the
4 Kentucky Employees Retirement System, State Police Retirement System, or
5 the County Employees Retirement System. In that event, the agency
6 employing the member shall withhold employee contributions, or picked-up
7 employee contributions after August 2, 1982, make employer contributions
8 and remit these contributions to the system in which the member retained his
9 membership.

10 (b) Any person entitled to membership in the Judicial Retirement Plan or the
11 Legislators' Retirement Plan, who does not elect within thirty (30) days after
12 taking office to participate in the plan, in accordance with KRS 6.505 or
13 21.360, and who at the time of taking office is not a contributing member of,
14 or does not have service credit in, any of the retirement systems mentioned in
15 this section, or the Teachers' Retirement System, shall participate in the
16 Kentucky Employees Retirement System.

17 (c) A member of one (1) of the state-administered retirement plans who ceases to
18 contribute to the plan as provided in KRS 21.360 and who is employed in a
19 nonelected position by an agency participating in the Kentucky Retirement
20 Systems or Kentucky Teachers' Retirement System shall be deemed to have
21 elected membership in the system in which the employer of the nonelected
22 position participates. A member of one (1) of the state-administered
23 retirement plans who ceases to contribute to the plan as provided in KRS
24 21.360 and who is not employed in a nonelected position by an agency
25 participating in the Kentucky Retirement Systems shall be deemed to have
26 elected membership in the Kentucky Employees Retirement System.

27 (4) (a) Prior to July 1, 1976, a person entering the service of an employer

1 participating in the Kentucky Employees Retirement System or the County
2 Employees Retirement System with service credit in the Teachers' Retirement
3 System and who desires to retain membership in the Teachers' Retirement
4 System, and who is permitted by that system to continue, shall be exempt
5 from participating in the Kentucky Employees Retirement System or the
6 County Employees Retirement System.

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

11 (c) Any member of the General Assembly who upon election is a contributing
12 member of the Teachers' Retirement System and who does not elect within
13 thirty (30) days after taking office to participate in the Legislators' Retirement
14 Plan, in accordance with KRS 6.505, shall during his term of office participate
15 in the Kentucky Employees Retirement System unless an election to retain
16 membership in the Teachers' Retirement System is filed in writing within
17 ninety (90) days after his term of office begins. No contributions may be made
18 to the Teachers' Retirement System for the same period of service under the
19 Legislators' Retirement Plan or the Kentucky Employees Retirement System
20 as a member of the General Assembly, but contributions made to the Teachers'
21 Retirement System while a member of the General Assembly shall be
22 transferred to the Legislators' Retirement Plan, as provided for in KRS 6.535,
23 when the member elects to join the Legislators' Retirement Plan, and service
24 credit in the Legislators' Retirement Plan shall be granted as provided for in
25 KRS 6.505(5).

26 (5) Any member of the Kentucky Employees Retirement System or County Employees
27 Retirement System who is working in a position covered by one (1) of these

1 retirement systems and his employee contributions, service credit and employer
2 contributions made on his behalf are being transferred to the other retirement
3 system shall contribute to the system in which his employer participates, or after
4 August 1, 1982, the employer shall pick up the employee contributions, and no
5 further contributions or service credit shall be transferred to the system in which he
6 elected to retain membership, as subsection (2) of this section eliminates the
7 necessity of the transfers.

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

14 (7) (a) Notwithstanding the provisions of subsection (2) of this section, a person who
15 does not have the amount of service required for service retirement in the
16 State Police Retirement System, Kentucky Employees Retirement System,
17 County Employees Retirement System, Legislators' Retirement Plan, or
18 Teachers' Retirement System, but who is a member of one (1) of the systems
19 or is a former member of one (1) or more of the systems with valid service
20 credit therein, shall become eligible for service retirement benefits attributable
21 to the amount of his actual service credit in each system in which he has
22 service credit when his combined service credit in all the systems, plus any
23 service credit he has in the Judicial Retirement Plan, is equal to that required
24 for service retirement in each respective system. The computation of benefits
25 shall be based on the applicable formula in each system and service credit in
26 each system, except that total service in all systems, unless prohibited by KRS
27 161.623(2), shall be used to determine the reduction for early retirement, if

1 any. Except as provided in KRS 21.360, the final compensation shall be
2 determined by using the creditable compensation reported to the State Police
3 Retirement System, Kentucky Employees Retirement System, County
4 Employees Retirement System, Legislators' Retirement Plan, or Teachers'
5 Retirement System and only as much of the compensation earned in the
6 Judicial Retirement Plan as is needed to satisfy the final compensation
7 requirement applicable in the respective retirement systems.

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

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

18 ➔Section 26. KRS 61.702 is repealed, reenacted, and amended to read as follows:

19 (1) (a) 1. The board of trustees of Kentucky Retirement Systems shall arrange by
20 appropriate contract or on a self-insured basis to provide a group
21 hospital and medical insurance plan for present and future recipients of a
22 retirement allowance from the Kentucky Employees Retirement System,
23 County Employees Retirement System, and State Police Retirement
24 System, except as provided in subsection (8) of this section. The board
25 shall also arrange to provide health care coverage through an insurer
26 licensed pursuant to Subtitle 38 of KRS Chapter 304 and offering a
27 managed care plan as defined in KRS 304.17A-500, as an alternative to

1 group hospital and medical insurance for any person eligible for hospital
2 and medical benefits under this section.

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

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

10 a. Any hospital and medical expense policy or certificate, provider-
11 sponsored integrated health delivery network, self-insured medical
12 plan, health maintenance organization contract, or other health
13 benefit plan;

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

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

24 (b) The board may authorize present and future recipients of a retirement
25 allowance from any of the three (3) retirement systems to be included in the
26 state employees' group for hospital and medical insurance and shall provide
27 benefits for recipients equal to those provided to state employees having the

1 same Medicare hospital and medical insurance eligibility status, except as
2 provided in subsection (8) of this section. Notwithstanding the provisions of
3 any other statute, recipients shall be included in the same class as current state
4 employees in determining medical insurance policies and premiums.

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

10 (d) Notwithstanding anything in KRS Chapter 61 to the contrary, the board of
11 trustees, in its discretion, may take necessary steps to ensure compliance with
12 42 U.S.C. secs. 300bb-1 et seq., including but not limited to receiving
13 contributions and premiums from, and providing benefits pursuant to this
14 section to, persons entitled to continuation coverage under 42 U.S.C. secs.
15 300bb-1 et seq., regardless of whether such persons are recipients of a
16 retirement allowance.

17 (2) (a) Each employer participating in the State Police Retirement System as
18 provided for in KRS 16.505 to 16.652, each employer participating in the
19 County Employees Retirement System as provided in KRS 78.510 to 78.852,
20 and each employer participating in the Kentucky Employees Retirement
21 System as provided for in KRS 61.510 to 61.705 shall contribute to the
22 Kentucky Retirement Systems insurance trust fund the amount necessary to
23 provide hospital and medical insurance as provided for under this section.
24 Such employer contribution rate shall be developed by appropriate actuarial
25 method as a part of the determination of each respective employer
26 contribution rate to each respective retirement system determined under KRS
27 61.565.

- 1 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
2 from the creditable compensation of each member having a membership
3 date on or after September 1, 2008~~, and effective January 1, 2019, of~~
4 ~~each member having a membership date on or after July 1, 2003, but~~
5 ~~prior to September 1, 2008~~, an amount equal to one percent (1%) of the
6 member's creditable compensation. The deducted amounts shall be
7 credited to accounts established pursuant to 26 U.S.C. sec. 401(h),
8 within the funds established in KRS 16.510, 61.515, and 78.520.
- 9 2. The employer shall file the contributions as provided by subparagraph 1.
10 of this paragraph at the retirement office in accordance with KRS 61.675
11 and 78.625. Any interest or penalties paid on any delinquent
12 contributions shall be credited to 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. Notwithstanding any minimum compensation requirements
15 provided by law, the deductions provided by this paragraph shall be
16 made, and the compensation of the member shall be reduced
17 accordingly.
- 18 3. Each employer shall submit payroll reports, contributions lists, and other
19 data as may be required by administrative regulation promulgated by the
20 board of trustees pursuant to KRS Chapter 13A.
- 21 4. Every member shall be deemed to consent and agree to the deductions
22 made pursuant to this paragraph, and the payment of salary or
23 compensation less the deductions shall be a full and complete discharge
24 of all claims for services rendered by the person during the period
25 covered by the payment, except as to any benefits provided by KRS
26 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. No member
27 may elect whether to participate in, or choose the contribution amount to

1 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
2 established in KRS 16.510, 61.515, and 78.520. The member shall have
3 no option to receive the contribution required by this paragraph directly
4 instead of having the contribution paid to accounts established pursuant
5 to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,
6 61.515, and 78.520. No member may receive a rebate or refund of
7 contributions. If a member establishes a membership date prior to
8 September 1, 2008, pursuant to KRS 61.552(1) or 61.552(20), then this
9 paragraph shall not apply to the member and all contributions previously
10 deducted in accordance with this paragraph shall be refunded to the
11 member without interest. The contribution made pursuant to this
12 paragraph shall not act as a reduction or offset to any other contribution
13 required of a member or recipient under KRS 16.505 to 16.652, 61.510
14 to 61.705, and 78.510 to 78.852.

15 5. The board of trustees, at its discretion, may direct that the contributions
16 required by this paragraph be accounted for within accounts established
17 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
18 16.510, 61.515, and 78.520 through the use of separate accounts.

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

- 21 1. Wholly or partly from funds contributed by the recipient of a retirement
22 allowance, by payroll deduction, or otherwise;
- 23 2. Wholly or partly from funds contributed by the Kentucky Retirement
24 Systems insurance trust fund;
- 25 3. Wholly or partly from funds contributed to accounts established
26 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
27 16.510, 61.515, and 78.520;

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

1 benefits) and had two hundred and forty (240) months or more of service
2 upon retirement. Should such recipient have less than two hundred forty
3 (240) months of service but have at least one hundred eighty (180)
4 months of service, seventy-five percent (75%) of such premium shall be
5 paid from the insurance trust fund or accounts established pursuant to 26
6 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
7 and 78.520, provided such recipient agrees to pay the remaining twenty-
8 five percent (25%) by payroll deduction from his retirement allowance
9 or by another method. Should such recipient have less than one hundred
10 eighty (180) months of service but have at least one hundred twenty
11 (120) months of service, fifty percent (50%) 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 fifty
15 percent (50%) by payroll deduction from his retirement allowance or by
16 another method. Should such recipient have less than one hundred
17 twenty (120) months of service but have at least forty-eight (48) months
18 of service, twenty-five percent (25%) of such premium shall be paid
19 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 seventy-
22 five percent (75%) by payroll deduction from his retirement allowance
23 or by another method. Notwithstanding the foregoing provisions of this
24 subsection, an employee participating in one (1) of the retirement
25 systems administered by the Kentucky Retirement Systems who
26 becomes disabled as a direct result of an act in line of duty as defined in
27 KRS 16.505 or as a result of a duty-related injury as defined in KRS

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

- 20 (b) 1. For a member electing insurance coverage through the Kentucky
21 Retirement Systems, "months of service" shall include, in addition to
22 service as described in paragraph (a) of this subsection, service credit in
23 one (1) of the other state-administered retirement plans.
- 24 2. Effective August 1, 1998, the Kentucky Retirement Systems shall
25 compute the member's combined service, including service credit in
26 another state-administered retirement plan, and calculate the portion of
27 the member's premium to be paid by the insurance trust fund accounts

1 established pursuant to 26 U.S.C. sec. 401(h) within the funds
2 established in KRS 16.510, 61.515, and 78.520, according to the criteria
3 established in paragraph (a) of this subsection. Each state-administered
4 retirement plan annually shall pay to the insurance trust fund the
5 percentage of the system's cost of the retiree's monthly contribution for
6 single coverage for hospital and medical insurance which shall be equal
7 to the percentage of the member's number of months of service in the
8 other state-administered retirement plan divided by his total combined
9 service. The amounts paid by the other state-administered retirement
10 plans and the insurance trust fund or accounts established pursuant to 26
11 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
12 and 78.520 shall not be more than one hundred percent (100%) of the
13 monthly contribution adopted by the respective boards of trustees.

14 3. A member may not elect coverage for hospital and medical benefits
15 under this subsection through more than one (1) of the state-
16 administered retirement plans.

17 4. A state-administered retirement plan shall not pay any portion of a
18 member's monthly contribution for medical insurance unless the member
19 is a recipient or annuitant of the plan.

20 5. The premium paid by the Kentucky Retirement Systems insurance trust
21 fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within
22 the funds established in KRS 16.510, 61.515, and 78.520 shall not
23 exceed one hundred percent (100%) of the monthly contribution rate
24 toward hospital and medical insurance coverage approved by the board
25 of trustees of the Kentucky Retirement Systems.

26 (4) (a) Group rates under the hospital and medical insurance plan shall be made
27 available to the spouse, each dependent child, and each disabled child,

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

9 (b) The other provisions of this section notwithstanding, the insurance trust fund
10 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
11 established in KRS 16.510, 61.515, and 78.520 shall pay a percentage of the
12 monthly contribution for the spouse and for each dependent child of a
13 recipient who was a member of the General Assembly and is receiving a
14 retirement allowance based on General Assembly service, of the Kentucky
15 Employees Retirement System and determined to be in a hazardous position,
16 of the County Employees Retirement System, and determined to be in a
17 hazardous position or of the State Police Retirement System. The percentage
18 of the monthly contribution paid for the spouse and each dependent child of a
19 recipient who was in a hazardous position shall be based solely on the
20 member's service with the State Police Retirement System or service in a
21 hazardous position using the formula in subsection (3)(a) of this section,
22 except that for any recipient of a retirement allowance from the County
23 Employees Retirement System who was contributing to the system on January
24 1, 1998, for service in a hazardous position, the percentage of the monthly
25 contribution shall be based on the total of hazardous service and any
26 nonhazardous service as a police or firefighter with the same agency, if that
27 agency was participating in the County Employees Retirement System but did

1 not offer hazardous duty coverage for its police and firefighters at the time of
2 initial participation.

3 (c) The insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
4 401(h) within the funds established in KRS 16.510, KRS 61.515, and 78.520
5 shall continue the same level of coverage for a recipient who was a member of
6 the County Employees Retirement System after the age of sixty-five (65) as
7 before the age of sixty-five (65), if the recipient is not eligible for Medicare
8 coverage. If the insurance trust fund or accounts established pursuant to 26
9 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and
10 78.520 provides coverage for the spouse or each dependent child of a former
11 member of the County Employees Retirement System, the insurance trust fund
12 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
13 established in KRS 16.510, 61.515, and 78.520 shall continue the same level
14 of coverage for the spouse or each dependent child after the age of sixty-five
15 (65) as before the age of sixty-five (65), if the spouse or dependent child is not
16 eligible for Medicare coverage.

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

27 (6) Premiums paid for hospital and medical insurance coverage procured under

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

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

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

24 2. For an employee having a membership date on or after September 1,
25 2008, participation in the insurance benefits provided under this section
26 shall not be allowed until the employee has earned at least one hundred
27 eighty (180) months of service credited under KRS 16.543(1),

- 1 61.543(1), or 78.615(1) or another state-administered retirement system.
- 2 (b) An employee who meets the minimum service requirements as provided by
- 3 paragraph (a) of this subsection shall be eligible for benefits as follows:
- 4 1. For employees who are not in a hazardous position, a monthly insurance
- 5 contribution of ten dollars (\$10) for each year of service as a
- 6 participating employee.
- 7 2. For employees who are in a hazardous position or who participate in the
- 8 State Police Retirement System, a monthly insurance contribution of
- 9 fifteen dollars (\$15) for each year of service as a participating employee
- 10 in a hazardous position or as a participating member of the State Police
- 11 Retirement System. Upon the death of the retired member, the
- 12 beneficiary, if the beneficiary is the member's spouse, shall be entitled to
- 13 a monthly insurance contribution of ten dollars (\$10) for each year of
- 14 service the member attained as a participating employee in a hazardous
- 15 position or as a participating member of the State Police Retirement
- 16 System.
- 17 (c) 1. The minimum service requirement to participate in benefits as provided
- 18 by paragraph (a) of this subsection shall be waived for a member who is
- 19 disabled as a direct result of an act in line of duty as defined in KRS
- 20 16.505, and the member or his spouse and eligible dependents shall be
- 21 entitled to the benefits payable under this subsection as though the
- 22 member had twenty (20) years of service in a hazardous position.
- 23 2. The minimum service required to participate in benefits as provided by
- 24 paragraph (a) of this subsection shall be waived for a member who is
- 25 disabled by a duty-related injury as defined in KRS 61.621, and the
- 26 member shall be entitled to the benefits payable under this subsection as
- 27 though the member has twenty (20) years of service in a nonhazardous

1 position.

2 3. Notwithstanding the provisions of this section, the minimum service
3 required to participate in benefits as provided by paragraph (a) of this
4 subsection shall be waived for a member who dies as a direct result of an
5 act in line of duty as defined in KRS 16.505 or who dies as a result of a
6 duty-related injury as defined in KRS 61.621, and the premium for the
7 member's spouse and for each dependent child as defined in KRS 16.505
8 shall be paid in full by the systems so long as they individually remain
9 eligible for a monthly retirement benefit.

10 (d) Except as provided by paragraph (c)3. of this subsection, the monthly
11 insurance contribution amount shall be increased July 1 of each year by one
12 and one-half percent (1.5%). The increase shall be cumulative and shall
13 continue to accrue after the member's retirement for as long as a monthly
14 insurance contribution is payable to the retired member or beneficiary.

15 (e) The benefits of this subsection provided to a member whose participation
16 begins on or after July 1, 2003, shall not be considered as benefits protected
17 by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The
18 General Assembly reserves the right to suspend or reduce the benefits
19 conferred in this subsection if in its judgment the welfare of the
20 Commonwealth so demands.

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

27 ➔Section 27. KRS 61.705 is repealed and reenacted to read as follows:

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

1 Systems remains on his or her account, the balance owed shall be deducted from the
2 five thousand dollars (\$5,000) death benefit.

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

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

9 ➔Section 28. KRS 16.652 is repealed, reenacted, and amended to read as follows:

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

16 (a) As provided in KRS 6.696; and

17 (b) The General Assembly reserves the right to amend, reduce, or suspend any
18 legislative changes to the provisions of KRS 16.505 to 16.652 that become
19 effective on or after January 1, 2019~~[July 1, 2018]~~.

20 (2) (a) For members who begin participating in the State Police Retirement System
21 on or after January 1, 2014, the General Assembly reserves the right to amend,
22 suspend, or reduce the benefits and rights provided under KRS 16.505 to
23 16.652 if, in its judgment, the welfare of the Commonwealth so demands,
24 except that the amount of benefits the member has accrued at the time of
25 amendment, suspension, or reduction shall not be affected.

26 (b) For purposes of this subsection, the amount of benefits the member has
27 accrued at the time of amendment, suspension, or reduction shall be limited to

1 the accumulated account balance the member has accrued at the time of
2 amendment, suspension, or reduction.

3 (c) The provisions of this subsection shall not be construed to limit the General
4 Assembly's authority to change any other benefit or right specified by KRS
5 16.505 to 16.652, for members who begin participating in the State Police
6 Retirement System on or after January 1, 2014, except the benefits specified
7 by paragraph (b) of this subsection.

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

13 ➔Section 29. KRS 61.692 is repealed, reenacted, and amended to read as follows:

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

21 (a) As provided in KRS 6.696; and

22 (b) The General Assembly reserves the right to amend, reduce, or suspend any
23 legislative changes to the provisions of KRS 61.510 to 61.705 that become
24 effective on or after January 1, 2019~~[July 1, 2018]~~.

25 (2) (a) For members who begin participating in the Kentucky Employees Retirement
26 System on or after January 1, 2014, the General Assembly reserves the right to
27 amend, suspend, or reduce the benefits and rights provided under KRS 61.510

1 to 61.705 if, in its judgment, the welfare of the Commonwealth so demands,
2 except that the amount of benefits the member has accrued at the time of
3 amendment, suspension, or reduction shall not be affected.

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

8 (c) The provisions of this subsection shall not be construed to limit the General
9 Assembly's authority to change any other benefit or right specified by KRS
10 61.510 to 61.705, except the benefits specified by paragraph (b) of this
11 subsection, for members who begin participating in the Kentucky Employees
12 Retirement System on or after January 1, 2014.

13 (3) The provisions of this section shall not be construed to limit the General Assembly's
14 authority to amend, reduce, or suspend the benefits and rights of members of the
15 Kentucky Employees Retirement System as provided by KRS 61.510 to 61.705 that
16 the General Assembly had the authority to amend, reduce, or suspend, prior to July
17 1, 2013.

18 ➔Section 30. KRS 78.852 is repealed, reenacted, and amended to read as follows:

19 (1) For members who begin participating in the County Employees Retirement System
20 prior to January 1, 2014, it is hereby declared that in consideration of the
21 contributions by the members and in further consideration of benefits received by
22 the county from the member's employment, KRS 78.510 to 78.852 shall constitute
23 an inviolable contract of the Commonwealth, and the benefits provided therein shall
24 not be subject to reduction or impairment by alteration, amendment, or repeal,
25 except:

26 (a) As provided in KRS 6.696; and

27 (b) The General Assembly reserves the right to amend, reduce, or suspend any

1 legislative changes to the provisions of KRS 78.510 to 78.852 that become
2 effective on or after January 1, 2019~~[July 1, 2018]~~.

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

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

13 (c) The provisions of this subsection shall not be construed to limit the General
14 Assembly's authority to change any other benefit or right specified by KRS
15 78.510 to 78.852, except the benefits specified by paragraph (b) of this
16 subsection, for members who begin participating in the County Employees
17 Retirement System on or after January 1, 2014.

18 (3) The provisions of this section shall not be construed to limit the General Assembly's
19 authority to amend, reduce, or suspend the benefits and rights of members of the
20 County Employees Retirement System as provided by KRS 78.510 to 78.852 that
21 the General Assembly had the authority to amend, reduce, or suspend, prior to July
22 1, 2013.

23 ➔Section 31. KRS 61.605 is repealed, reenacted, and amended to read as follows:

24 (1) Upon disability retirement, except as provided by subsection (2) of this section, an
25 employee may receive an annual retirement allowance payable monthly during his
26 lifetime which shall be determined in the same manner as for retirement at his
27 normal retirement date with years of service and final compensation being

1 determined as of the date of his disability except that service credit shall be added to
2 the person's total service beginning with his last date of paid employment and
3 continuing to his sixty-fifth birthday; however, the maximum service credit added
4 shall not exceed the total service the person had upon his last day of paid
5 employment, and the maximum combined service credit for calculating his
6 disability retirement allowance, including total service and added service shall not
7 exceed twenty-five (25) years. If, however, a person has accumulated twenty-five
8 (25) or more years of total service, he shall receive added service necessary to bring
9 his combined service credit, including total and added service, to twenty-seven (27)
10 years.

11 (2) (a) For a member whose participation begins on or after August 1, 2004, but prior
12 to January 1, 2014, the disability retirement allowance shall be the higher of
13 twenty percent (20%) of the member's monthly final rate of pay or the
14 retirement allowance determined in the same manner as for retirement at his
15 normal retirement date with years of service and final compensation being
16 determined as of the date of his disability.

17 (b) For a member who begins participating on or after January 1, 2014, in the
18 hybrid cash balance plan as provided by KRS 61.597~~[- or who elects to~~
19 ~~participate in the 401(a) money purchase plan as provided by KRS 21.374],~~
20 61.5955, or 61.5956, the disability retirement allowance shall be the higher of
21 twenty percent (20%) of the member's monthly final rate of pay or the
22 retirement allowance determined in the same manner as for retirement at his
23 or her normal retirement date under KRS ~~{61.5956 or }61.597~~~~[- as applicable].~~

24 ➔Section 32. KRS 61.640 is repealed, reenacted, and amended to read as follows:

25 (1) If a member dies prior to the first day of the month in which the member would
26 have received his or her first retirement allowance, the member's beneficiary shall
27 be eligible for the benefits provided by this section if the member had on file a

1 written designation of a beneficiary with the retirement office as provided by KRS
2 61.542 and the member met the following conditions at the date of his or her death:

3 (a) The member was eligible to retire under KRS 61.559(2) or (3) ~~or 61.5956(5)(a)~~
4 ~~or (b),~~ or 61.597(6)(a) or (b);

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

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

12 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
13 a single person, then the beneficiary may elect to receive:

14 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
15 benefit that would have been paid had the member retired immediately prior
16 to his or her date of death and elected to receive benefits payable under the
17 survivorship one hundred percent (100%) option as provided in KRS
18 61.635(2);

19 (b) A monthly benefit payable for the life of the beneficiary under the beneficiary
20 Social Security adjustment option as provided in KRS 61.635(9) that is the
21 actuarial equivalent to the amount computed under paragraph (a) of this
22 subsection;

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

26 (d) A monthly benefit payable for a period of one hundred twenty (120) months
27 that is the actuarial equivalent to the amount computed under paragraph (a) of

1 this subsection;

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

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

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

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

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

26 ➔Section 33. KRS 61.559 is repealed, reenacted, and amended to read as follows:

27 (1) In lieu of any other benefits due under KRS 61.510 to 61.705 and 78.510 to 78.852,

1 a member who begins participating before September 1, 2008, who has attained the
2 age of sixty-five (65) and who has obtained at least one (1) month of service credit
3 but no more than forty-seven (47) months of service may elect to receive an annual
4 retirement allowance payable monthly or less frequently, as determined by the
5 board, which shall be determined by multiplying his accumulated contributions by
6 two (2) and converting this amount to an annual retirement allowance based on an
7 annuity rate adopted by the board which would pay the actuarial equivalent of twice
8 his accumulated contributions over the lifetime of the retired member.

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

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

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

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

21 (d) The member has thirty (30) or more years of service at least fifteen (15) of
22 which are current service, or the member of the Kentucky Employees
23 Retirement System or the County Employees Retirement System has twenty-
24 seven (27) or more years of service, at least fifteen (15) of which are current
25 service; or

26 (e) The member of the Kentucky Employees Retirement System has, at least,
27 twenty-six (26) years of service credit, at least sixteen (16) of which are

1 current consecutive years of service as a cabinet secretary or administrative
2 head of one (1) of the three (3) branches of government; or

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

9 (3) A member who begins participating on or after September 1, 2008, but prior to
10 January 1, 2014, is eligible for a retirement allowance determined under KRS
11 61.595 if:

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

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

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

23 (4) Subsections (1) to (3) of this section shall not apply to members who begin
24 participating in the system on or after January 1, 2014. Members who begin
25 participating in the system on or after January 1, 2014, shall receive the retirement
26 benefits prescribed by KRS 61.597~~[or the 401(a) money purchase plan prescribed~~
27 ~~by KRS 61.5956, as applicable].~~

1 ➔Section 34. KRS 61.5955 is repealed, reenacted, and amended to read as
2 follows:

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

- 4 (1) Subject to the provisions of this section, any participating member who began
5 participating ~~[in a nonhazardous position]~~ in the Kentucky Employees Retirement
6 System, **the State Police Retirement System**, or the County Employees Retirement
7 System prior to **January 1, 2014**~~[July 1, 2019]~~, may **in lieu of the benefits he or**
8 **she is currently eligible to receive from the systems**~~[on or after July 1, 2019, but~~
9 ~~prior to January 1, 2021]~~, elect **to receive the benefits and rights provided to**
10 **members who began participating in the systems on or after January 1, 2014,**
11 **including participating in the hybrid cash balance plan created pursuant to KRS**
12 **61.597 for members in nonhazardous positions or pursuant to KRS 16.583 for**
13 **members in hazardous duty positions, as applicable**~~[to be provided the following~~
14 ~~benefits:~~
- 15 (a) ~~Participation in the 401(a) money purchase plan provided by KRS 61.5956 in~~
16 ~~lieu of accruing any additional benefits provided by KRS 61.510(14), 61.595,~~
17 ~~61.597, or 78.510(14); and~~
- 18 (b) ~~Any other benefits the person would be eligible for in the Kentucky~~
19 ~~Employees Retirement System or County Employees Retirement System~~
20 ~~based upon the election provided by this section or his or her membership date~~
21 ~~in the state-administered retirement systems].~~
- 22 (2) The election provided by this section shall be made in writing and on a form
23 prescribed by the Kentucky Retirement Systems board;
- 24 (3) **(a)** For each member who makes an election provided by this section~~[,]~~ any
25 service credit~~[, final compensation, or other benefits]~~ the member has accrued
26 prior to the effective election date, shall **be considered as service credit**
27 **earned on or after January 1, 2014, for purposes of determining benefits**

1 under KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852 remain
 2 but the member shall not accrue any additional service, final compensation, or
 3 any other benefits in a nonhazardous position in the Kentucky Employees
 4 Retirement System or County Employees Retirement System on or after the
 5 effective election date for purposes of determining benefits under KRS
 6 61.510(14), 61.595, 61.597, or 78.510(14)];

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 16.583 or
 10 61.597, as applicable, and considered part of the member's accumulated
 11 account balance;

12 (c) On the member's effective election date, an employer pay credit as provided
 13 by KRS 16.583 or 61.597, as applicable, shall be added to the member's
 14 accumulated account balance for each month the member contributed to
 15 the Kentucky Employees Retirement System, the County Employees
 16 Retirement System, or the State Police Retirement System prior to his or her
 17 effective election date; and

18 (d) Interest credits as provided by KRS 16.583 or 61.597, as applicable, shall
 19 only be applied for periods occurring on or after the member's effective
 20 election date;

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

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

25 (6) (a) A member of the Kentucky Employees Retirement System or the County
 26 Employees Retirement System shall not be eligible to make an election
 27 prescribed by this section until the Kentucky Retirement Systems receive a

1 favorable private letter ruling from the Internal Revenue Service regarding this
2 section.

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

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

7 (7) This section shall not apply to retirees who were reemployed on or after September
8 1, 2008, and who are not eligible to participate in the systems during reemployment.

9 ➔Section 35. KRS 16.583 is repealed, reenacted, and 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, **or a member making an election pursuant to KRS**
14 **61.5955**, whose participation begins on or after January 1, 2014, 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 36. KRS 16.645 is repealed, reenacted, and 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 Kentucky Retirement Systems who began
9 participating prior to January 1, 2014, as provided by KRS 61.5955.

10 ➔Section 37. KRS 78.545 is repealed, reenacted, and 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 ~~61.5956 and~~ 61.597;
- 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 January 1, 2014~~July 1, 2019~~, as provided by KRS 61.5955.
- 25 ➔Section 38. KRS 161.235 is repealed and reenacted to read as follows:
- 26 (1) An individual who becomes a member of the Teachers' Retirement System on or
- 27 after January 1, 2019, shall receive the retirement benefits provided by this section

1 in lieu of the retirement benefits provided under KRS 161.600 and 161.620. The
2 retirement benefits provided by this section shall be known as the hybrid cash
3 balance plan and shall operate as another benefit tier within the Teachers'
4 Retirement System.

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

7 (a) Contributions made by the member as provided by KRS 161.220 to 161.716,
8 except for employee contributions prescribed by KRS 161.540(1)(a)2.,
9 (1)(b)2., or (1)(c);

10 (b) An employer pay credit for:

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

15 2. University employees equal to four percent (4%) of the compensation
16 earned by the employee for each month the employee is contributing to
17 the hybrid cash balance plan provided by this section; and

18 (c) Regular interest added annually to the member's accumulated account balance
19 as provided by this section.

20 (3) (a) Member contributions and employer pay credits as provided by subsection
21 (2)(a) and (b) of this section shall be credited to the member's account
22 monthly as contributions are reported and posted to the system in accordance
23 with KRS 161.560.

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

27 (4) (a) On June 30 of each fiscal year, the system shall determine if the member

1 contributed to the hybrid cash balance plan or another state-administered
2 retirement system during the fiscal year.

3 (b) If the member contributed to the hybrid cash balance plan or another state-
4 administered retirement system during the fiscal year, the regular interest
5 added to the member's account for that fiscal year shall be determined by
6 multiplying the member's accumulated account balance on June 30 of the
7 preceding fiscal year by a percentage increase equal to eighty-five percent
8 (85%) of the system's geometric average net investment return, but in no case
9 shall be less than zero percent (0%).

10 (c) If the member did not contribute to the hybrid cash balance plan or another
11 state-administered retirement system during the fiscal year, the regular interest
12 added to the member's account for that fiscal year shall be zero percent (0%).

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

15 1. Means the annual average geometric investment return, net of
16 administrative and investment fees and expenses, over the last ten (10)
17 fiscal years as of the date the regular interest is credited to the member's
18 account; and

19 2. Shall be expressed as a percentage.

20 (e) No employer pay credits or regular interest shall be provided to a member
21 who has taken a refund of his or her accumulated account balance as provided
22 by KRS 161.470 or who has retired and annuitized his or her accumulated
23 account balance as prescribed by this section.

24 (5) (a) Upon termination of employment, a member who has less than five (5) years
25 of service credited under KRS 161.500, who elects to take a refund of his or
26 her accumulated account balance as provided by KRS 161.470, shall forfeit
27 the accumulated employer credit, and shall only receive a refund of his or her

1 accumulated contributions.

2 (b) Upon termination of employment, a member who has five (5) or more years of
3 service credited under KRS 161.500, who elects to take a refund of his or her
4 accumulated account balance as provided by KRS 161.470, shall receive a full
5 refund of his or her accumulated account balance.

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

9 (a) On or after age sixty-five (65), if he or she has earned five (5) or more years of
10 service credited under KRS 161.500, or another state-administered retirement
11 system; or

12 (b) If the member is at least age fifty-seven (57) and has an age and years of
13 service total of at least eighty-seven (87) years. The years of service used to
14 determine eligibility for retirement under this paragraph shall only include
15 years of service credited under KRS 161.500, or another state-administered
16 retirement system.

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

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

22 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
23 under paragraph (a) of this subsection payable under one (1) of the options
24 established by the board pursuant to KRS 161.630; or

25 (c) Take a refund of his or her account balance as provided by KRS 161.470.

26 (8) This section does not apply to members who began participating in the Teachers'
27 Retirement System prior to January 1, 2019, except for those members who make

1 an election as prescribed by subsection (9) of this section.

2 (9) (a) Subject to the provisions of this subsection, any contributing member who
3 began participating in the Teachers' Retirement System prior to January 1,
4 2019, who has less than five (5) years of service in the system may, in lieu of
5 the benefits he or she is currently eligible to receive from the Teachers'
6 Retirement System, elect to participate in the hybrid cash balance plan
7 provided by this section and receive the other benefits and rights under KRS
8 161.220 to 161.716 provided to members who began participating in the
9 system on or after January 1, 2019. After such election, the member shall for
10 purposes of KRS 161.220 to 161.716 be considered a member who began
11 participating on or after January 1, 2019.

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

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

- 15 1. Any service credit the member has accrued prior to January 1, 2019,
16 shall be considered as service credit earned on or after January 1, 2019;
17 and
- 18 2. On the member's effective election date, the value of the member's
19 accumulated contributions shall be deposited into the member's hybrid
20 cash balance plan account.

21 (d) Before accepting an election provided by this subsection, the Teachers'
22 Retirement System board shall provide the member with information detailing
23 the potential results of the member's election.

24 (e) An election made pursuant to this subsection shall be irrevocable.

25 (f) 1. A member of the Teachers' Retirement System shall not be eligible to
26 make an election prescribed by this subsection until the board receives a
27 favorable private letter ruling from the Internal Revenue Service

1 regarding this subsection.

2 2. If the Internal Revenue Service denies the request for a private letter
3 ruling as provided by subparagraph 1. of this paragraph, this subsection
4 shall be void.

5 3. The system may promulgate administrative regulations under KRS
6 Chapter 13A in order to carry out this subsection.

7 (g) This subsection does not apply to annuitants who retired on or after January 1,
8 2019, and who were reemployed on or after January 1, 2019, and who are not
9 eligible to participate in the system during reemployment.

10 ➔Section 39. KRS 161.155 is repealed and reenacted to read as follows:

11 (1) As used in this section:

12 (a) "Teacher" shall mean any person for whom certification is required as a basis
13 of employment in the common schools of the state;

14 (b) "Employee" shall mean any person, other than a teacher, employed in the
15 public schools, whether on a full or part-time basis;

16 (c) "Immediate family" shall mean the teacher's or employee's spouse, children
17 including stepchildren and foster children, grandchildren, daughters-in-law
18 and sons-in law, brothers and sisters, parents and spouse's parents, and
19 grandparents and spouse's grandparents, without reference to the location or
20 residence of said relative, and any other blood relative who resides in the
21 teacher's or employee's home;

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

25 (e) "Assault" shall mean an act that intentionally causes injury so significant that
26 the victim is determined to be, by certification of a physician or surgeon duly
27 qualified under KRS Chapter 342, incapable of performing the duties of his or

1 her job.

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

13 (3) A school district shall coordinate among the income and benefits from workers'
14 compensation, temporary disability retirement, and district payroll and benefits so
15 that there is no loss of income or benefits to a teacher or employee for work time
16 lost because of an assault while performing the teacher's or employee's assigned
17 duties for a period of up to one (1) year after the assault. In the event a teacher or
18 employee suffers an assault while performing his or her assigned duties that results
19 in injuries that qualify the teacher or employee for workers' compensation benefits,
20 the district shall provide leave to the teacher or employee for up to one (1) year after
21 the assault with no loss of income or benefits under the following conditions:

22 (a) The district shall pay the salary of the teacher or employee between the time
23 of the assault and the time the teacher's or employee's workers' compensation
24 income benefits take effect, or the time the teacher or employee is certified to
25 return to work by a physician or surgeon duly qualified under KRS Chapter
26 342, whichever is sooner;

27 (b) The district shall pay, for up to one (1) year from the time of the assault, the

1 difference between the salary of the teacher or employee and any workers'
2 compensation income benefits received by the teacher or employee resulting
3 from the assault. Payments by the district shall include payments for
4 intermittent work time missed as a result of the assault during the one (1) year
5 period. If the teacher's or employee's workers' compensation income benefits
6 cease during the one (1) year period after the assault, the district shall also
7 cease to make payments under this paragraph;

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

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

15 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this
16 subsection shall be coordinated with workers' compensation benefits under
17 KRS Chapter 342, disability retirement benefits for teachers under KRS
18 161.661 to 161.663, and disability retirement benefits for employees under
19 KRS 61.600 to 61.621 and 78.545 so that the teacher or employee receives
20 income equivalent to his or her full contracted salary, but in no event shall the
21 combined payments exceed one hundred percent (100%) of the teacher's or
22 employee's full contracted salary.

23 (4) Days of sick leave not taken by an employee or a teacher during any school year
24 shall accumulate without limitation and be credited to that employee or teacher.
25 Accumulated sick leave may be taken in any school year. Any district board of
26 education may, in its discretion, allow employees or teachers in its common school
27 system sick leave in excess of the number of days prescribed in this section and may

1 allow school district employees and teachers to use up to three (3) days' sick leave
2 per school year for emergency leave pursuant to KRS 161.152(3). Any accumulated
3 sick leave days credited to an employee or a teacher shall remain so credited in the
4 event he or she transfers his or her place of employment from one (1) school district
5 to another within the state or to the Kentucky Department of Education or transfers
6 from the Department of Education to a school district.

7 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to
8 the opening day of the school year, an affidavit or a certificate of a physician is
9 presented to the district board of education, stating that the teacher or employee is
10 unable to commence his or her duties on the opening day of the school year, but will
11 be able to assume his or her duties within a period of time that the board determines
12 to be reasonable.

13 (6) Any school teacher or employee may repurchase previously used sick leave days
14 with the concurrence of the local school board by paying to the district an amount
15 equal to the total of all costs associated with the used sick leave.

16 (7) A district board of education may adopt a plan for a sick leave bank. The plan may
17 include limitations upon the number of days a teacher or employee may annually
18 contribute to the bank and limitations upon the number of days a teacher or
19 employee may annually draw from the bank. Only those teachers or employees who
20 contribute to the bank may draw upon the bank. Days contributed will be deducted
21 from the days available to the contributing teacher or employee. The sick leave bank
22 shall be administered in accordance with a policy adopted by the board of
23 education.

24 (8) (a) A district board of education shall establish a sick leave donation program to
25 permit teachers or employees to voluntarily contribute sick leave to teachers
26 or employees in the same school district who are in need of an extended
27 absence from school. A teacher or employee who has accrued more than

1 fifteen (15) days' sick leave may request the board of education to transfer a
2 designated amount of sick leave to another teacher or employee who is
3 authorized to receive the sick leave donated. A teacher or employee may not
4 request an amount of sick leave be donated that reduces his or her sick leave
5 balance to less than fifteen (15) days.

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

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

12 b. The teacher or employee suffers from a catastrophic loss to his or
13 her personal or real property, due to either a natural disaster or fire,
14 that either has caused or will likely cause the employee to be
15 absent for at least ten (10) consecutive working days;

16 2. The teacher's or employee's need for the absence and use of leave are
17 certified by a licensed physician for leave requested under subparagraph
18 1.a. of this subsection;

19 3. The teacher or employee has exhausted his or her accumulated sick
20 leave, personal leave, and any other leave granted by the school district;
21 and

22 4. The teacher or employee has complied with the school district's policies
23 governing the use of sick leave.

24 (c) While a teacher or employee is on sick leave provided by this section, he or
25 she shall be considered a school district employee, and his or her salary,
26 wages, and other employee benefits shall not be affected.

27 (d) Any sick leave that remains unused, is not needed by a teacher or employee,

1 and will not be needed in the future shall be returned to the teacher or
2 employee donating the sick leave.

3 (e) The board of education shall adopt policies and procedures necessary to
4 implement the sick leave donation program.

5 (9) A teacher or employee may use up to thirty (30) days of sick leave following the
6 birth or adoption of a child or children. Additional days may be used when the need
7 is verified by a physician's statement.

8 (10) (a) After July 1, 1982, and except as otherwise provided by this subsection, a
9 district board of education may compensate, at the time of retirement or upon
10 the death of a member in active contributing status at the time of death who
11 was eligible to retire by reason of service, an employee or a teacher, or the
12 estate of an employee or teacher, for each unused sick leave day. The rate of
13 compensation for each unused sick leave day shall be based on a percentage of
14 the daily salary rate calculated from the employee's or teacher's last annual
15 salary, not to exceed thirty percent (30%). Payment for unused sick leave
16 days, not to exceed the amount based upon the unused sick leave days accrued
17 as of December 31, 2018, shall be incorporated into the annual compensation
18 of the final year of service for inclusion in the calculation of the employee's or
19 teacher's retirement allowance only at the time of his or her initial retirement;
20 provided that the member makes the regular retirement contribution for
21 members on the sick leave payment. The accumulation of these days includes
22 unused sick leave days held by the employee or teacher at the time of
23 implementation of the program.

24 (b) For a teacher or employee who begins employment with a local school district
25 on or after July 1, 2008, the maximum amount of unused sick leave days a
26 district board of education may recognize in calculating the payment of
27 compensation to the teacher or employee under this subsection shall not

1 exceed three hundred (300) days.

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

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

10 ➔Section 40. KRS 161.220 is repealed and reenacted to read as follows:

11 As used in KRS 161.220 to 161.716 and 161.990:

12 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to
13 161.716 and 161.990 for payment of allowances to members;

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

16 (3) "Disability allowance" means the amount annually payable to a member retired by
17 reason of disability;

18 (4) "Member" means the commissioner of education, deputy commissioners, associate
19 commissioners, and all division directors in the State Department of Education,
20 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any
21 full-time teacher or professional occupying a position requiring certification or
22 graduation from a four (4) year college or university, as a condition of employment,
23 and who is employed by public boards, institutions, or agencies as follows:

24 (a) Local boards of education;

25 (b) Eastern Kentucky University, Kentucky State University, Morehead State
26 University, Murray State University, Western Kentucky University, and any
27 community colleges established under the control of these universities;

- 1 (c) State-operated secondary area vocational education or area technology centers,
2 Kentucky School for the Blind, and Kentucky School for the Deaf;
- 3 (d) The Education Professional Standards Board, other public education agencies
4 as created by the General Assembly, and those members of the administrative
5 staff of the Teachers' Retirement System of the State of Kentucky whom the
6 board of trustees may designate by administrative regulation;
- 7 (e) Regional cooperative organizations formed by local boards of education or
8 other public educational institutions listed in this subsection, for the purpose
9 of providing educational services to the participating organizations;
- 10 (f) All full-time members of the staffs of the Kentucky Association of School
11 Administrators, Kentucky Education Association, Kentucky Vocational
12 Association, Kentucky High School Athletic Association, Kentucky Academic
13 Association, and the Kentucky School Boards Association who were members
14 of the Kentucky Teachers' Retirement System or were qualified for a position
15 covered by the system at the time of employment by the association in the
16 event that the board of directors of the respective association petitions to be
17 included. The board of trustees of the Kentucky Teachers' Retirement System
18 may designate by resolution whether part-time employees of the petitioning
19 association are to be included, except as limited by KRS 161.612. The state
20 shall make no contributions on account of these employees, either full-time or
21 part-time. The association shall make the employer's contributions, including
22 any contribution that is specified under KRS 161.550. The provisions of this
23 paragraph shall be applicable to persons in the employ of the associations on
24 or subsequent to July 1, 1972;
- 25 (g) Employees of the Council on Postsecondary Education who were employees
26 of the Department for Adult Education and Literacy and who were members
27 of the Kentucky Teachers' Retirement System at the time the department was

- 1 transferred to the council pursuant to Executive Order 2003-600;
- 2 (h) The Office of Career and Technical Education, except that the executive
3 director shall not be a member;
- 4 (i) The Office of Vocational Rehabilitation;
- 5 (j) The Kentucky Educational Collaborative for State Agency Children;
- 6 (k) The Governor's Scholars Program;
- 7 (l) Any person who is retired for service from the retirement system and is
8 reemployed by an employer identified in this subsection in a position that the
9 board of trustees deems to be a member, except that any person who retires on
10 or after January 1, 2019, shall upon reemployment after retirement not earn a
11 second retirement account;
- 12 (m) Employees of the former Cabinet for Workforce Development who are
13 transferred to the Kentucky Community and Technical College System and
14 who occupy positions covered by the Kentucky Teachers' Retirement System
15 shall remain in the Teachers' Retirement System. New employees occupying
16 these positions, as well as newly created positions qualifying for Teachers'
17 Retirement System coverage that would have previously been included in the
18 former Cabinet for Workforce Development, shall be members of the
19 Teachers' Retirement System;
- 20 (n) Effective January 1, 1998, employees of state community colleges who are
21 transferred to the Kentucky Community and Technical College System shall
22 continue to participate in federal old age, survivors, disability, and hospital
23 insurance, and a retirement plan other than the Kentucky Teachers' Retirement
24 System offered by Kentucky Community and Technical College System. New
25 employees occupying positions in the Kentucky Community and Technical
26 College System as referenced in KRS 164.5807(5) that would not have
27 previously been included in the former Cabinet for Workforce Development,

1 shall participate in federal old age, survivors, disability, and hospital insurance
2 and have a choice at the time of employment of participating in a retirement
3 plan provided by the Kentucky Community and Technical College System,
4 including participation in the Kentucky Teachers' Retirement System, on the
5 same basis as faculty of the state universities as provided in KRS 161.235,
6 161.540, and 161.620;

7 (o) Employees of the Office of General Counsel, the Office of Budget and
8 Administrative Services, and the Office of Quality and Human Resources
9 within the Office of the Secretary of the former Cabinet for Workforce
10 Development and the commissioners of the former Department for Adult
11 Education and Literacy and the former Department for Technical Education
12 who were contributing to the Kentucky Teachers' Retirement System as of
13 July 15, 2000;

14 (p) Employees of the Kentucky Department of Education only who are graduates
15 of a four (4) year college or university, notwithstanding a substitution clause
16 within a job classification, and who are serving in a professional job
17 classification as defined by the department; and

18 (q) The Governor's School for Entrepreneurs Program.

19 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,
20 and became a member of the retirement system created by 1938 (1st Extra. Sess.)
21 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year
22 after that date, and any teacher who was a member of a local teacher retirement
23 system in the public elementary or secondary schools of the state on or before July
24 1, 1940, and continued to be a member of the system until he, with the membership
25 of the local retirement system, became a member of the state Teachers' Retirement
26 System or who becomes a member under the provisions of KRS 161.470(4);

27 (6) "New teacher" means any member not a present teacher;

- 1 (7) "Prior service" means the number of years during which the member was a teacher
2 in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior
3 service shall be allowed or credited to any teacher;
- 4 (8) "Subsequent service" means the number of years during which the teacher is a
5 member of the Teachers' Retirement System after July 1, 1941;
- 6 (9) "Final average salary" means the average of the five (5) highest annual salaries
7 which the member has received for service in a covered position and on which the
8 member has made contributions, or on which the public board, institution, or
9 agency has picked-up member contributions pursuant to KRS 161.540(2), or the
10 average of the five (5) years of highest salaries as defined in KRS 61.680(2)(a),
11 which shall include picked-up member contributions. Additionally, the board of
12 trustees may approve a final average salary based upon the average of the three (3)
13 highest salaries for members who are at least fifty-five (55) years of age and have a
14 minimum of twenty-seven (27) years of Kentucky service credit. However, if any of
15 the five (5) or three (3) highest annual salaries used to calculate the final average
16 salary was paid within the three (3) years immediately prior to the date of the
17 member's retirement, the amount of salary to be included for each of those three (3)
18 years for the purpose of calculating the final average salary shall be limited to the
19 lesser of:
- 20 (a) The member's actual salary; or
- 21 (b) The member's annual salary that was used for retirement purposes during each
22 of the prior three (3) years, plus a percentage increase equal to the percentage
23 increase received by all other members employed by the public board,
24 institution, or agency, or for members of school districts, the highest
25 percentage increase received by members on any one (1) rank and step of the
26 salary schedule of the school district. The increase shall be computed on the
27 salary that was used for retirement purposes.

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

4 This limitation shall also not apply to the payment to a member for accrued annual
5 leave if the individual becomes a member before July 1, 2008, or accrued sick leave
6 which is authorized by statute and which shall be included as part of a retiring
7 member's annual compensation for the member's last year of active service as
8 provided by KRS 161.155;

9 (10) "Annual compensation" means the total salary received by a member as
10 compensation for all services performed in employment covered by the retirement
11 system during a fiscal year. Annual compensation shall not include payment for any
12 benefit or salary adjustments made by the public board, institution, or agency to the
13 member or on behalf of the member which is not available as a benefit or salary
14 adjustment to other members employed by that public board, institution, or agency.
15 Annual compensation shall not include the salary supplement received by a member
16 under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996. Under no
17 circumstances shall annual compensation include compensation that is earned by a
18 member while on assignment to an organization or agency that is not a public board,
19 institution, or agency listed in subsection (4) of this section. In the event that federal
20 law requires that a member continue membership in the retirement system even
21 though the member is on assignment to an organization or agency that is not a
22 public board, institution, or agency listed in subsection (4) of this section, the
23 member's annual compensation for retirement purposes shall be deemed to be the
24 annual compensation, as limited by subsection (9) of this section, last earned by the
25 member while still employed solely by and providing services directly to a public
26 board, institution, or agency listed in subsection (4) of this section. The board of
27 trustees shall determine if any benefit or salary adjustment qualifies as annual

- 1 compensation. For an individual who becomes a member on or after July 1, 2008,
2 annual compensation shall not include lump-sum payments upon termination of
3 employment for accumulated annual or compensatory leave;
- 4 (11) "Age of member" means the age attained on the first day of the month immediately
5 following the birthdate of the member. This definition is limited to retirement
6 eligibility and does not apply to tenure of members;
- 7 (12) "Employ," and derivatives thereof, means relationships under which an individual
8 provides services to an employer as an employee, as an independent contractor, as
9 an employee of a third party, or under any other arrangement as long as the services
10 provided to the employer are provided in a position that would otherwise be covered
11 by the Kentucky Teachers' Retirement System and as long as the services are being
12 provided to a public board, institution, or agency listed in subsection (4) of this
13 section;
- 14 (13) "Regular interest" means interest at three percent (3%) per annum, except:
- 15 (a) For an individual who becomes a member on or after July 1, 2008, but prior to
16 January 1, 2019, "regular interest" means interest at two and one-half percent
17 (2.5%) per annum for purposes of crediting interest to the teacher savings
18 account or any other contributions made by the employee that are refundable
19 to the employee upon termination of employment; and
- 20 (b) For an individual who becomes a member on or after January 1, 2019, who is
21 participating in the hybrid cash balance plan, "regular interest" means the
22 regular interest credited to the member's accumulated account balance as
23 provided by KRS 161.235;
- 24 (14) "Accumulated contributions" means the contributions of a member to the teachers'
25 savings fund, including picked-up member contributions as described in KRS
26 161.540(2), plus accrued regular interest;
- 27 (15) "Annuitant" means a person who receives a retirement allowance or a disability

- 1 allowance;
- 2 (16) "Local retirement system" means any teacher retirement or annuity system created
3 in any public school district in Kentucky in accordance with the laws of Kentucky;
- 4 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The
5 retirement plan year is concurrent with this fiscal year. A contract for a member
6 employed by a local board of education may not exceed two hundred sixty-one
7 (261) days in the fiscal year;
- 8 (18) "Public schools" means the schools and other institutions mentioned in subsection
9 (4) of this section;
- 10 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was
11 receiving, at the time of death of the member, at least one-half (1/2) of the support
12 from the member for maintenance, including board, lodging, medical care, and
13 related costs;
- 14 (20) "Active contributing member" means a member currently making contributions to
15 the Teachers' Retirement System, who made contributions in the next preceding
16 fiscal year, for whom picked-up member contributions are currently being made, or
17 for whom these contributions were made in the next preceding fiscal year;
- 18 (21) "Full-time" means employment in a position that requires services on a continuing
19 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year
20 basis;
- 21 (22) "Full actuarial cost," when used to determine the payment that a member must pay
22 for service credit means the actuarial value of all costs associated with the
23 enhancement of a member's benefits or eligibility for benefit enhancements,
24 including health insurance supplement payments made by the retirement system.
25 The actuary for the retirement system shall determine the full actuarial value costs
26 and actuarial cost factor tables as provided in KRS 161.400;
- 27 (23) "Last annual compensation" means the annual compensation, as defined by

1 subsection (10) of this section and as limited by subsection (9) of this section,
2 earned by the member during the most recent period of contributing service, either
3 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)
4 full year of service credit in the Kentucky Teachers' Retirement System, and which
5 compensation is used in calculating the member's initial retirement allowance,
6 excluding bonuses, retirement incentives, payments for accumulated sick leave
7 authorized by KRS 161.155, annual, personal, and compensatory leave, and any
8 other lump-sum payment. For an individual who becomes a member on or after July
9 1, 2008, payments for annual or compensatory leave shall not be included in
10 determining the member's last annual compensation;

11 (24) "Participant" means a member, as defined by subsection (4) of this section, or an
12 annuitant, as defined by subsection (15) of this section;

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

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

16 (b) Relates to the provision of child support, alimony payments, or marital
17 property rights to an alternate payee;

18 (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
19 participant, who is designated to be paid retirement benefits in a qualified domestic
20 relations order;

21 (27) "University member" means an individual who becomes a member through
22 employment with an employer specified in subsection (4)(b) and (n) of this section;

23 (28) "Nonuniversity member" means an individual who becomes a member through
24 employment with an employer specified under subsection (4) of this section, except
25 for those members employed by an employer specified in subsection (4)(b) and (n)
26 of this section;

27 (29) "Accumulated employer credit" means the employer pay credit deposited to the

1 member's account and regular interest credited on such amounts as provided by
2 KRS 161.235; and

3 (30) "Accumulated account balance" means:

4 (a) For members who began participating in the system prior to January 1, 2019,
5 the member's accumulated contributions; or

6 (b) For members who began participating in the system on or after January 1,
7 2019, in the hybrid cash balance plan as provided by KRS 161.235, the
8 combined sum of the member's accumulated contributions and the member's
9 accumulated employer credit.

10 ➔Section 41. KRS 161.420 is repealed and reenacted to read as follows:

11 All of the assets of the retirement system are for the exclusive purpose of providing
12 benefits to members and annuitants and defraying reasonable expenses of administering
13 the system. The board of trustees shall be the trustee of all funds of the system and shall
14 have full power and responsibility for administering the funds. All the assets of the
15 retirement system shall be credited according to the purpose for which they are held to
16 one (1) of the following funds:

17 (1) The expense fund shall consist of the funds set aside from year to year by the board
18 of trustees to defray the expenses of the administration of the retirement system.
19 Each fiscal year an amount not greater than four percent (4%) of the dividends and
20 interest income earned from investments during the immediate past fiscal year shall
21 be set aside into the expense fund or expended for the administration of the
22 retirement system;

23 (2) (a) The teachers' savings fund shall consist of:

24 1. The contributions paid by members of the retirement system into this
25 fund and regular interest assigned by the board of trustees from the
26 guarantee fund or established by KRS 161.235, as applicable; and

27 2. For individuals who become members of the Teachers' Retirement

1 System on or after January 1, 2019, who are participating in the hybrid
2 cash balance plan, the employer pay credit and regular interest to the
3 hybrid cash balance plan as provided by KRS 161.235 that is assigned
4 by the board of trustees from the guarantee fund.

5 (b) A member may not borrow any amount of his or her accumulated account
6 balance in the teachers' savings fund, or any regular interest earned thereon.

7 (c) The accumulated contributions or accumulated account balance of a member
8 which are returned to him upon his withdrawal or paid to his estate or
9 designated beneficiary in the event of his death shall be paid from the teachers'
10 savings fund.

11 (d) Any accumulated account balance in the teachers' savings fund forfeited by a
12 failure of a teacher or his estate to claim these contributions shall be
13 transferred from this fund to the guarantee fund.

14 (e) For an individual who becomes a member of the Teachers' Retirement System
15 prior to January 1, 2019, the accumulated account balance of a member in the
16 teachers' savings fund shall be transferred from this fund to the allowance
17 reserve fund in the event of retirement by reason of service or disability.

18 (f) For an individual who becomes a member of the Teachers' Retirement System
19 on or after January 1, 2019, who is participating in the hybrid cash balance
20 plan who elects to annuitize his or her accumulated account balance as
21 prescribed by KRS 161.235(7)(a) or (b), the member's accumulated account
22 balance shall be transferred to the allowance reserve fund;

23 (3) The state accumulation fund shall consist of funds paid by employers and
24 appropriated by the state for the purpose of providing annuities and survivor
25 benefits, including any sums appropriated for meeting unfunded liabilities, together
26 with regular interest assigned by the board of trustees from the guarantee fund. At
27 the time of retirement or death of a member there shall be transferred from the state

1 accumulation fund to the allowance reserve fund an amount which together with the
2 sum transferred from the teachers' savings fund will be sufficient to provide the
3 member a retirement allowance and provide for benefits under KRS 161.520 and
4 161.525. There shall also be transferred from the state accumulation fund to the
5 teachers' savings fund, the amount needed to fund the employer credits required by
6 KRS 161.235;

7 (4) The allowance reserve fund shall be the fund from which shall be paid all retirement
8 allowances and benefits provided under KRS 161.520 and 161.525. In addition,
9 whenever a change in the status of a member results in an obligation on this fund,
10 there shall be transferred to this fund from the teachers' savings fund and the state
11 accumulation fund, the amounts as may be held in those funds for the account or
12 benefit of the member;

13 (5) (a) Effective January 1, 2019, the medical insurance fund, which is an account
14 established according to 26 U.S.C. sec. 401(h), shall consist of amounts
15 accumulated for the purpose of providing benefits as provided in KRS
16 161.675, including:

- 17 1. The member contributions required by KRS 161.540(1)(a)2. and
18 (1)(b)2.;
- 19 2. The employer contribution required by KRS 161.550(1)(a)1.b.,
20 (1)(a)2.b., and (3)(a);
- 21 3. State appropriations as set forth in KRS 161.550(2), unless the
22 contributions are made to a trust fund under 26 U.S.C. sec. 115
23 established by the board for this purpose; and
- 24 4. Interest income from the investments of the fund from contributions
25 received by the fund under subparagraphs 1. to 3. of this paragraph, and
26 from income earned on those investments.

27 (b) All claims for benefits under KRS 161.675 shall be paid from this fund or

1 from any trust fund under 26 U.S.C. sec. 115 as established by the board for
2 this purpose. Any amounts deposited to the fund that are not required to meet
3 current costs shall be maintained as a reserve in the fund for these benefits.
4 The board shall take the necessary and appropriate steps, including
5 promulgating administrative regulations and procedures to maintain the status
6 of the medical insurance fund as an account subject to 26 U.S.C. sec. 401(h);

7 (6) The guarantee fund shall be maintained to facilitate the crediting of uniform interest
8 on the amounts of the other funds, except the expense fund, to finance operating
9 expenses directly related to investment management services, and to provide a
10 contingent fund out of which special requirements of any of the other funds may be
11 covered. All income, interest, and dividends derived from the authorized deposits
12 and investments shall be paid into the guarantee fund. Any funds received from
13 gifts and bequests, which the board is hereby authorized to accept and expend
14 without limitation in a manner either expressed by the donor or deemed to be in the
15 best interest of the membership, shall be credited to the guarantee fund. Any funds
16 transferred from the teachers' savings fund by reason of lack of claimant or because
17 of a surplus in any fund and any other moneys whose disposition is not otherwise
18 provided for, shall also be credited to the guarantee fund. The interest allowed by
19 the board of trustees to each of the other funds shall be paid to these funds from the
20 guarantee fund. Any deficit occurring in any fund that would not be automatically
21 covered shall be met by the payments from the guarantee fund to that fund;

22 (7) The school employee annuity fund shall consist of those funds voluntarily
23 contributed under the provisions of Section 403(b) of the Internal Revenue Code by
24 a retired member of the Teachers' Retirement System with accounts that existed on
25 or after July 1, 1996. The contributions shall not be picked up as provided in KRS
26 161.540(2). Separate member accounts shall be maintained for each member. The
27 board of trustees may promulgate administrative regulations pursuant to KRS

1 Chapter 13A to manage this program;

2 (8) The supplemental retirement benefit fund shall consist of those funds contributed by
3 the employer for the purpose of constituting a qualified government excess benefit
4 plan as described in Section 415 of the Internal Revenue Code for accounts that
5 existed on or after July 1, 1996. The board of trustees shall promulgate
6 administrative regulations pursuant to KRS Chapter 13A to administer this
7 program; and

8 (9) The life insurance benefit fund shall consist of amounts accumulated for the
9 purpose of providing benefits provided under KRS 161.655. The board of trustees
10 may allocate to this fund a percentage of the employer and state contributions as
11 provided under KRS 161.550. The allocation to this fund will be in an amount that
12 the actuary determines necessary to fund the obligation of providing the benefits
13 provided under KRS 161.655.

14 ➔Section 42. KRS 161.470 is repealed and reenacted to read as follows:

15 (1) The membership of the retirement system shall consist of all new members, all
16 present teachers, and all persons participating under the retirement system as of
17 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.
18 The board of trustees of the Teachers' Retirement System shall be responsible for
19 final determination of membership eligibility and may direct employers to take
20 whatever action that may be necessary to correct any error relating to membership.

21 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service
22 it shall be as a new member, except that any teacher who withdraws by claiming his
23 deposits may repay the system the amount withdrawn plus interest and reestablish
24 his service credit as provided in subsection (3) of this section.

25 (3) Effective July 1, 1988, and thereafter, an active contributing member of the
26 retirement system with contributing service equal to one (1) year may regain service
27 credit by depositing in the teachers' savings fund the amount withdrawn with

1 interest at the rate to be set by the board of trustees, and computed from the first of
2 the month of withdrawal and including the month of redeposit. Service credit
3 regained pursuant to this subsection on or after January 1, 2019, shall not be used to
4 determine the date the individual purchasing the service became a member of the
5 Teachers' Retirement System.

6 (4) Effective July 1, 1974, any active contributing member with at least two (2) years of
7 contributing service credit who declined membership as provided in Acts 1938 (1st
8 Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and for
9 any subsequent service prior to date of membership, by depositing in the teachers'
10 savings fund contributions for each year of subsequent service prior to date of
11 membership, with interest at the rate of eight percent (8%) compounded annually to
12 the date of deposit.

13 (5) Membership in the retirement system shall be terminated:

14 (a) By retirement for service;

15 (b) By death;

16 (c) By withdrawal of the member's accumulated account balance;

17 (d) When a member, having less than five (5) years of Kentucky service is absent
18 from service for more than three (3) consecutive years; or

19 (e) For persons hired on or after August 1, 2000, when a member is convicted, in
20 any state or federal court of competent jurisdiction, of a felony related to his
21 employment as provided in subparagraphs 1. and 2. of this paragraph.

22 1. Notwithstanding any provision of law to the contrary, a member hired
23 on or after August 1, 2000, who is convicted, in any state or federal
24 court of competent jurisdiction, of a felony related to his employment
25 shall forfeit rights and benefits earned under the retirement system,
26 except for the return of his accumulated contributions and interest
27 credited on those contributions.

1 2. The payment of retirement benefits ordered forfeited shall be stayed
2 pending any appeal of the conviction. If the conviction is reversed on
3 final judgment, no retirement benefits shall be forfeited.

4 Except for paragraph (e) of this subsection, upon termination of member accounts
5 under this subsection, funds in the account shall be transferred to the guarantee
6 fund. Inactive members may apply for refunds of these funds at any time. The
7 terminated service shall be reinstated, if not withdrawn by the member, in the event
8 that the member returns to active contributing service.

9 (6) In case of withdrawal from service prior to eligibility for retirement, the board of
10 trustees shall on request of the member return all of his accumulated account
11 balance, including any payments made by the member to the state accumulation
12 fund, but the member shall have no claim on any contributions made by the state or
13 employer with a view to his retirement, except as provided by KRS 161.235, or to
14 contributions made to the medical insurance fund. If the member is eligible for an
15 immediate service retirement allowance as provided in KRS 161.600, no
16 withdrawal and refund shall be permitted, unless the allowance would prohibit the
17 member from qualifying for Social Security benefits or the member elects to
18 withdraw part or all of his service for the purpose of obtaining credit in another
19 retirement plan. Requests for refund of contributions by the member must be filed
20 on forms prescribed by the Teachers' Retirement System and the employer shall be
21 financially responsible for all information that is certified on the prescribed form. A
22 member may not withdraw any part of his or her accumulated account balance in
23 the retirement system except as provided by this subsection.

24 (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to
25 retirement, the board of trustees shall pay to the estate of the deceased member,
26 unless a beneficiary was otherwise applicably designated by the deceased member,
27 then to the beneficiary, all of his accumulated account balance, including any

1 payments made by the member to the state accumulation fund, but the estate or
2 beneficiary shall have no claim on any contributions made by the state or employer
3 with a view to the retirement of the member, except as provided by KRS 161.235,
4 or to contributions made to the medical insurance fund.

5 (8) Any active contributing member of the Kentucky Employees Retirement System,
6 the County Employees Retirement System, the State Police Retirement System, or
7 the Judicial Retirement System may use service, under that retirement system for
8 the purpose of meeting the service requirement of subsections (3) and (4) of this
9 section.

10 ➔Section 43. KRS 161.480 is repealed and reenacted to read as follows:

11 Each person, upon becoming a member of the retirement system, shall file a detailed
12 statement as required by the board of trustees and shall designate a primary beneficiary or
13 two (2) or more cobeneficiaries to receive any benefits accruing from the death of the
14 member. A contingent beneficiary may be designated in addition to the primary
15 beneficiary or cobeneficiaries. The member may name more than one (1) contingent
16 beneficiary. Any beneficiary designation made by the member, including the estate should
17 the estate become the beneficiary by default, shall remain in effect until changed by the
18 member on forms prescribed by the Kentucky Teachers' Retirement System, except in the
19 event of subsequent marriage or divorce. Subsequent marriage by the member shall void
20 the primary beneficiary and any cobeneficiary designation, even that of a trust, and the
21 spouse of the member at death shall be considered as the primary beneficiary, unless the
22 member subsequent to marriage designates another beneficiary. A final divorce decree
23 shall terminate an ex-spouse's status as either primary beneficiary, cobeneficiary, or
24 contingent beneficiary, unless subsequent to divorce the member redesignates the former
25 spouse as primary beneficiary, cobeneficiary, or contingent beneficiary. To the extent
26 permitted by the Internal Revenue Code, a trust may be designated as beneficiary for
27 receipt of a member's accumulated account balance in the retirement system as provided

1 under KRS 161.470(7). A final divorce decree shall not terminate the designation of a
2 trust as beneficiary regardless of who is designated as beneficiary of the trust. In the event
3 that a member fails to designate a beneficiary, or all designated beneficiaries predecease
4 the member, the member's estate shall be deemed to be the beneficiary. Members may
5 designate as beneficiaries only presently identifiable and existing individuals, or trusts
6 where otherwise permitted, without contingency instructions, on forms prescribed by the
7 retirement system. The provisions of this section shall be retroactive as they relate to
8 election of beneficiaries by members still in active status on the effective date of this
9 section. The provisions of this section shall not apply to any account from which a
10 member is drawing a retirement allowance or to the life insurance benefit available under
11 KRS 161.655.

12 ➔Section 44. KRS 161.500 is repealed and reenacted to read as follows:

13 (1) At the close of each fiscal year, the retirement system shall add service credit to the
14 account of each member who made contributions to his or her account during the
15 year. Members shall be entitled to a full year of service credit if their total paid days
16 were not less than one hundred eighty (180) days of a one hundred eighty-five (185)
17 day contract for a regular school or fiscal year. In the event an individual who
18 became a member prior to January 1, 2019, is paid for less than one hundred eighty
19 (180) days, the member may purchase credit according to administrative regulations
20 established by the board of trustees. In no case shall more than one (1) year of
21 service be credited for all service performed in one (1) fiscal year. Members who
22 complete their employment contract prior to the close of a fiscal year and elect to
23 retire prior to the close of a fiscal year shall have their service credit reduced by
24 eight percent (8%) for each calendar month that the retirement becomes effective
25 prior to July 1.

26 (2) Members who are employed and paid for less than the number of days required in
27 their normal employment year shall be entitled to pro rata service credit for the

1 fractional service. Such credit shall be based upon the number of days employed
2 and the number of days in the member's annual employment agreement or normal
3 employment year.

4 (3) Service credit may not exceed the ratio between the school or fiscal year and the
5 number of months or fraction of a month the member is employed during that year.

6 (4) No service credit shall be granted in the Teachers' Retirement System for service
7 that has been or will be used in qualifying for annuity benefit payments from
8 another retirement system financed wholly or in part by public funds.

9 ➔Section 45. KRS 161.507 is repealed and reenacted to read as follows:

10 (1) An active contributing member of the Teachers' Retirement System may receive
11 service credit for active service rendered in the uniformed services of the Armed
12 Forces of the United States, including the commissioned corps of the Public Health
13 Service, subject to the provisions of the Uniformed Services Employment and
14 Reemployment Rights Act of 1994, the provisions of this section as applicable, and
15 the administrative regulations promulgated by the board of trustees. Military service
16 includes service in the uniformed services that occurs before the employment of a
17 member in a position covered by the retirement system or where a member leaves
18 covered employment without giving advance written or verbal notice of performing
19 duty in the uniformed services. Service in the uniformed services also includes
20 uniformed service that occurs after employment in a position covered by the
21 retirement system where the member has given advance written or verbal notice of
22 performing duty in the uniformed services and the member returns directly from
23 uniformed services to covered employment. Military service may be credited only if
24 discharge was honorable or was not terminated upon the occurrence of any of the
25 events listed in 38 U.S.C. sec. 4304. Service shall be considered as Kentucky
26 teaching service, except that service may not be used for meeting the service
27 requirements set forth in KRS 161.600(1)(a) or 161.661(1) unless the service

1 occurred after the member gave written or verbal notice of performing duty in the
2 uniformed services and the member returned directly from uniformed services to
3 covered employment. A maximum of six (6) years of military service may be
4 credited, but in no case a greater number of years than the actual years of
5 contributing service in Kentucky.

6 (2) No credit shall be granted for military service which has been or will be used in
7 qualifying for annuity benefit payments from another retirement system financed
8 wholly or in part by public funds.

9 (3) A member having twenty (20) years or more of active duty in the military service,
10 and who is qualified for regular federal retirement benefits based on this military
11 service, may not receive credit for any military service in the Teachers' Retirement
12 System. This subsection shall apply to service presented for credit on July 1, 1975,
13 and after this date.

14 (4) (a) An individual who became a member prior to January 1, 2019, who desires to
15 receive retirement credit for active duty in the armed services of the United
16 States prior to employment in a position covered by the retirement system or
17 where the member leaves covered employment without giving advance
18 written or verbal notice of performing duty in the uniformed services shall pay
19 to the retirement system the full actuarial cost of the service credit purchased
20 as provided under KRS 161.220(22). These contributions shall not be picked
21 up, as described in KRS 161.540(2). In purchasing retirement credit for active
22 duty in the armed services, the latest years of service shall be considered first
23 in allowing credit toward retirement. The board of trustees shall adopt a table
24 of actuarial factors to be used in calculating the amount of contribution
25 required for crediting this service.

26 (b) If military service occurred after the member gave written or verbal notice of
27 performing duty in the uniformed services and the member returns directly

1 from uniformed services to covered employment, the member shall contribute
2 the regular member contribution required by KRS 161.540. The member may
3 make the payment of delayed contributions in a lump sum payment or in
4 installments not to exceed five (5) years beginning with the member's date of
5 reemployment. Interest at the rate of eight percent (8%) per annum shall be
6 charged for delayed contributions beginning with the member's date of
7 reemployment until paid. Members participating in the hybrid cash balance
8 plan as provided by KRS 161.235 who make the regular member contribution
9 required by this paragraph, shall receive employer credits for the period of
10 service purchased.

11 (5) An active contributing member of the Teachers' Retirement System who became a
12 member of the system prior to January 1, 2019, may receive service credit for
13 service in the military reserves of the United States or the National Guard. The
14 member may purchase one (1) month of service for each six (6) months of service
15 in the reserves or the National Guard. Notwithstanding any other statute, regulation,
16 or policy to the contrary, the system shall provide a member, upon request, the
17 estimated actuarial cost of the National Guard or military reserves service purchase
18 based upon the information available at the time of the request. The member shall
19 be entitled to enter into a contract with the system at the time of the request to
20 purchase the National Guard or military reserve service by paying to the system the
21 estimated actuarial cost, either by installments or in lump sum. The member shall
22 pay the full actuarial cost of this service in the military reserves or the National
23 Guard as provided in KRS 161.220(22). Service in the military reserves or the
24 National Guard shall be treated as service earned prior to participation in the system
25 and shall not be used for meeting the service requirements set forth in KRS
26 161.600(1)(a) or 161.661(1). The payment shall not be picked up by the employer,
27 as described in KRS 161.540(2).

1 ➔Section 46. KRS 161.515 is repealed and reenacted to read as follows:

- 2 (1) For the purposes of this section, "out-of-state service" shall mean service in any
3 state in a comparable position on a full-time basis, which would be covered if in
4 Kentucky.
- 5 (2) (a) An active contributing member who has been a contributing member of the
6 retirement system for at least one (1) full scholastic year subsequent to the
7 latest out-of-state service, may present for credit service rendered out of state,
8 not to exceed ten (10) years actually taught as a certified or licensed teacher.
9 All members who elect to purchase this service shall pay to the retirement
10 system the full actuarial cost as provided under KRS 161.220(22). For each
11 year of which the retirement system shall accept payment, one (1) year of
12 service credit shall be given. For members who purchased this service under
13 the cost formula as it existed under this subsection on June 30, 2005, this
14 credit may not be used to meet the service requirements of KRS 161.525,
15 161.600, or 161.661, except as provided in subsection (2)(c) of this section.
16 No credit shall be granted for service which has been or will be used in
17 qualifying for annuity benefit payments from another retirement system
18 financed wholly or in part by public funds.
- 19 (b) A member of the retirement system having teaching service in the elementary
20 or secondary schools operated by the United States overseas or in this country,
21 or in a public college or university in Kentucky, not included in the Teachers'
22 Retirement System of the State of Kentucky, may present this service for
23 credit in the retirement system on the same basis as provided above for out-of-
24 state service credit; however, no service may be presented which shall be used
25 as a basis for retirement benefits in any program supported wholly or in part
26 by a public institution or governmental agency. This service when added to
27 service credited under subsection (2)(a) of this section shall not exceed a total

- 1 of ten (10) years' service credit.
- 2 (c) A member having service referred to in subsection (2)(a) or (2)(b) of this
3 section who purchased this service under the cost formula as it existed under
4 those subsections on June 30, 2005, may elect to use this service for meeting
5 the requirements of KRS 161.600(1)(c) by making an additional contribution
6 to the state accumulation fund equal to a member contribution rate of eight
7 percent (8%) for each year so used. These payments shall not be picked up as
8 described in KRS 161.540(2). The salary base to be used in determining this
9 additional contribution shall be the final average salary which is used in
10 calculating the member's regular retirement annuity.
- 11 (3) Members entering the Teachers' Retirement System for the first time, July 1, 1976,
12 and after this date, shall not receive credit for service defined in subsections (2)(a)
13 or (2)(b) of this section in excess of one (1) year of credit for each two (2) years of
14 Kentucky service in a covered position or ten (10) years, whichever is the lesser
15 number.
- 16 (4) A member, having completed service as a volunteer in the Kentucky Peace Corps
17 created by KRS 154.1-720, may purchase service credit for the time served in the
18 corps on the same basis as provided in this section for the purchase of out-of-state
19 service credit. A member, having completed service as a federal Peace Corps
20 volunteer, may purchase up to two (2) years of service credit for time served in the
21 Peace Corps on the same basis as provided in this section for the purchase of out-of-
22 state service credit.
- 23 (5) Service purchased under this section by members who at the time of purchase are
24 employed by employers other than those described in KRS 161.220(4)(b) or (n)
25 shall be credited, as described in KRS 161.620(1)(a) and (b), with a retirement
26 factor of two and one-half percent (2.5%) for each year of service that was
27 originally performed on or after July 1, 1983, and two percent (2.0%) for each year

1 of service performed before July 1, 1983. Service purchased under this section by
2 members who at the time of purchase are employed by employers described in KRS
3 161.220(4)(b) or (n) shall be credited, as described in KRS 161.620(1)(a), with a
4 retirement factor of two percent (2.0%) for each year of service, regardless of when
5 the service was performed.

6 (6) Effective January 1, 2019, this section does not apply to individuals who become
7 members on or after January 1, 2019.

8 ➔Section 47. KRS 161.520 is repealed and reenacted to read as follows:

9 Upon the death of an active contributing member or upon the death of a member retired
10 for disability, except as provided in KRS 161.661(6), the survivors of the deceased
11 member in the following named order, may elect to receive a survivor's benefit payable as
12 follows:

13 (1) Where there is a surviving widow or widower who is named as the primary
14 beneficiary of the member's retirement account, the benefit shall be:

15 (a) One hundred eighty dollars (\$180) per month with no restriction on other
16 income;

17 (b) Two hundred forty dollars (\$240) per month when the surviving widow or
18 widower's total income from all sources does not exceed six thousand six
19 hundred dollars (\$6,600) per year or five hundred fifty dollars (\$550) per
20 month; or

21 (c) If the deceased member has a minimum of ten (10) years of service credit with
22 the Teachers' Retirement System, the surviving widow or widower may apply
23 for an annuity actuarially equivalent to the annuity that would have been paid
24 to the deceased member when eligibility conditions were met. Eligibility for
25 payments would begin at the time the age of the deceased member would have
26 met the requirements of KRS 161.235(6) or 161.600(1), as applicable. In
27 exercising this right, the surviving widow or widower shall be entitled to

1 receive an annuity for life, except as provided in subsection (6) of this section.
2 This subsection applies to surviving spouses of members who die on or after
3 July 1, 1978. A surviving widow or widower of a member who dies after July
4 1, 1978, shall be eligible for benefit payments provided under paragraphs (a)
5 and (b) of this subsection until they begin receiving payments under this
6 provision;

7 (2) (a) Where there are surviving unmarried children under age eighteen (18) or
8 under age nineteen (19) if a full-time student in high school, the benefit shall
9 be two hundred dollars (\$200) per month in the case of one (1) child, three
10 hundred forty dollars (\$340) per month in the case of two (2) children, four
11 hundred dollars (\$400) per month in the case of three (3) children, and four
12 hundred forty dollars (\$440) per month in the case of four (4) or more
13 children. Benefits under this subsection shall apply in addition to benefits
14 which may be payable under subsections (1) and (3) of this section.

15 (b) Notwithstanding any provision of law to the contrary, the surviving spouse
16 may elect to receive a lump-sum refund of the member's accumulated account
17 balance in lieu of the survivorship benefits payable under this subsection and
18 subsection (1) of this section only if the surviving spouse is designated as the
19 primary beneficiary and:

20 1. Is a biological or adoptive parent of all children eligible for a benefit
21 under this subsection and has not had his or her parental rights
22 terminated; or
23 2. Has been appointed as legal guardian of all of the children eligible under
24 paragraph (a) of this subsection.

25 (c) To elect a lump-sum refund of the member's accumulated account balance
26 under paragraph (b) of this subsection, the surviving spouse who is designated
27 as the primary beneficiary must sign a waiver on forms prescribed by the

1 retirement system of his or her rights and the member's children's rights to the
2 survivorship benefits payable under this subsection and subsection (1) of this
3 section. The surviving spouse shall not waive the survivorship benefits
4 available under this subsection or subsections (1) and (6) of this section if any
5 of the member's children have attained age eighteen (18) or older unless all of
6 those children consent in writing on forms prescribed by the retirement system
7 to waive their survivorship benefits available under this subsection;

8 (3) (a) Where the survivor is a child age eighteen (18) or older whose mental or
9 physical condition is sufficient to cause his dependency on the deceased
10 member at the time of the member's death, the benefit shall be two hundred
11 dollars (\$200) per month, payable for the life of the child or until the time as
12 the mental or physical condition creating the dependency no longer exists or
13 the child marries. The mental or physical condition of the adult child shall be
14 revealed by a competent examination by a licensed physician and shall be
15 approved by a majority of a medical review committee as defined in KRS
16 161.661(14). Benefits under this subsection shall apply in addition to benefits
17 which may be payable under subsections (1) and (2) of this section.

18 (b) Notwithstanding any provision of law to the contrary, the surviving spouse
19 shall not elect to receive a lump-sum refund of the member's accumulated
20 account balance in lieu of the survivorship benefits payable under this
21 subsection and subsection (1) of this section unless:

- 22 1. The surviving spouse is designated as the primary beneficiary;
- 23 2. The surviving spouse has been appointed by the court as guardian,
24 conservator, or other fiduciary with sufficient general or specific
25 authority to waive the survivorship benefits available under this
26 subsection for any child or children age eighteen (18) or older who have
27 been adjudicated incompetent to make decisions on their own behalf by

1 a court of law; and

2 3. Any child or children age eighteen (18) or older who are mentally
3 competent to make decisions on their own behalf as attested to by two
4 (2) physicians' statements consent in writing on forms prescribed by the
5 retirement system to waive their survivorship benefits available under
6 this subsection.

7 (c) If eligible to elect a lump-sum refund of the member's accumulated account
8 balance, the surviving spouse shall sign a waiver on forms prescribed by the
9 retirement system of his or her rights and the member's children's rights to the
10 survivorship benefits payable under this subsection and subsections (1) and
11 (2) of this section;

12 (4) Where the sole eligible survivors are dependent parents aged sixty-five (65) or over,
13 the benefit shall be two hundred dollars (\$200) per month for one (1) parent or two
14 hundred ninety dollars (\$290) per month for two (2) parents. Dependency of a
15 parent shall be established as of the date of the death of the member;

16 (5) Where the sole eligible survivor is a dependent brother or sister, the benefit shall be
17 one hundred sixty five dollars (\$165) per month. In order to qualify the brother or
18 sister must have been a resident of the deceased member's household for at least one
19 (1) full year prior to the member's death or must have been receiving care in a
20 hospital, nursing home, or other institution at the member's expense for same
21 period;

22 (6) The benefit to a child as defined in subsection (2) of this section shall terminate
23 upon the attainment of age eighteen (18) or upon reaching age nineteen (19), if a
24 full-time student in high school, or upon marriage, except that benefits shall
25 continue until the attainment of age twenty-three (23) for an unmarried child who is
26 a full-time student in a recognized educational program beyond the high school
27 level. The benefit to a widow, widower, dependent parent, or dependent brother or

1 sister or dependent child age eighteen (18) or older shall terminate upon marriage,
2 or upon termination of the condition creating the dependency;

3 (7) The board of trustees shall be the sole judge of eligibility or dependency of any
4 beneficiary, and may require formal application or information relating to eligibility
5 or dependency, including proof of annual income satisfactory to the board. The
6 board of trustees may subpoena records and individuals whenever it deems this
7 action necessary;

8 (8) No payment of benefits shall be made unless the board of trustees authorizes the
9 payment. The board shall promulgate administrative regulations for the
10 administration of the provisions in this section and in every case the decision of the
11 board of trustees shall be final as to eligibility, dependency, or disability, and the
12 amount of benefits payable;

13 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)
14 of this section, or in the event that the surviving spouse elects not to receive
15 survivorship benefits on his or her own behalf or on behalf of any of the member's
16 children as permitted under subsections (2) and (3) of this section, the board of
17 trustees shall pay to the estate or the designated beneficiaries of the deceased
18 member a refund of his accumulated account balance as provided in KRS
19 161.470(7). If the benefits paid or payable under subsections (1) to (5) of this
20 section and KRS 161.661 shall amount to a sum less than the member's
21 accumulated account balance at the time of death, the board of trustees shall pay to
22 the estate or designated beneficiaries of the deceased member the balance of the
23 accumulated account balance;

24 (10) Any person who is receiving benefits and becomes disqualified from receiving
25 those benefits under this section shall immediately notify the Teachers' Retirement
26 System of this disqualification in writing and shall return all benefits paid after the
27 date of disqualification. Failure to comply with these provisions shall create an

1 indebtedness of that person to the Teachers' Retirement System. Interest at the rate
2 of eight percent (8%) per annum shall be charged if the debt is not repaid within
3 sixty (60) days after the date of disqualification. Failure to repay this debt creates a
4 lien in favor of the Teachers' Retirement System upon all property of the person
5 who improperly receives benefits and does not repay those benefits; and

6 (11) Benefits under subsections (2) and (3) of this section shall apply to a child who is a
7 legally adopted survivor at the time of the death of the member. This provision shall
8 be retroactive to include a child who was born after January 1, 1990, and is a legally
9 adopted survivor of a member whose death occurred prior to July 15, 2008.

10 ➔Section 48. KRS 161.522 is repealed and reenacted to read as follows:

11 Upon the death of a member retired for disability who had a minimum of twenty-seven
12 (27) years of service at the time of death, except as provided in KRS 161.661(6), the
13 spouse, if named as the primary beneficiary of the member's account, shall be entitled to
14 elect, in lieu of a refund of the member's account, an annuity actuarially equivalent to the
15 annuity that would have been paid to the deceased member had retirement for service
16 been effective on the day immediately preceding the member's death. This option shall be
17 available only during the entitlement period described under KRS 161.661(3) and (4)
18 prior to the recalculation of the member's disability allowance under KRS 161.661(5). In
19 selecting this right, the spouse shall be limited to selecting an option providing a straight
20 life annuity with refundable balance or a term certain option. There shall be a monthly
21 minimum allowance of three hundred dollars (\$300) as the basic straight life annuity.
22 This section applies to surviving spouses of members who were receiving benefit
23 payments under KRS 161.520 as of June 30, 1988, and to surviving spouses of members
24 who die on or after July 1, 1984, except that the member shall have been retired for
25 disability with a minimum of thirty (30) years of service if either of these two (2)
26 conditions were met prior to July 1, 1990. This section does not apply to individuals who
27 become members on or after January 1, 2019.

1 ➔Section 49. KRS 161.525 is repealed and reenacted to read as follows:

- 2 (1) Upon death of a member in active contributing status at the time of death, who was
3 eligible to retire by reason of service, the spouse, if named as the primary
4 beneficiary of the member's retirement account, or in the absence of an eligible
5 spouse a legal dependent of the member, if named as the primary beneficiary, shall
6 be entitled to elect, in lieu of a refund of the member's accumulated account balance
7 or benefits provided in KRS 161.520, an annuity actuarially equivalent at the
8 attained age of the beneficiary to the annuity that would have been paid to the
9 deceased member had retirement been effective on the day immediately preceding
10 the member's death. Under the provisions of KRS 61.680, benefits shall be
11 processed as if the member retired for service. In exercising this right the spouse or
12 legal dependent shall be limited to selecting an option providing either a straight life
13 annuity with refundable balance or a term certain option. A spouse may receive the
14 annuity provided by this section at the same time as children are qualifying for
15 survivors' benefits under the provisions of KRS 161.520; however, a legal
16 dependent, other than a spouse, may not receive these payments if children have
17 qualified for benefits under that section.
- 18 (2) A spouse qualifying for an annuity under subsection (1) of this section may defer
19 the payments in order to reduce the actuarial discounts to be applied due to age.
- 20 (3) Upon death of a member in active contributing status at the time of his death, who
21 had a minimum of twenty-seven (27) years of service, the spouse, if named as the
22 primary beneficiary of the member's account shall be entitled to a monthly
23 minimum allowance of three hundred dollars (\$300) as the basic straight life
24 annuity. This provision applies to surviving spouses of members who were
25 receiving benefit payments under KRS 161.520 as of June 30, 1986, and to
26 surviving spouses of members who die on or after July 1, 1986. This subsection
27 does not apply to individuals who become members on or after January 1, 2019.

1 ➔Section 50. KRS 161.540 is repealed and reenacted to read as follows:

- 2 (1) (a) Effective January 1, 2019, each individual who is a contributing nonuniversity
3 member, shall contribute to the retirement system twelve and eight hundred
4 fifty-five thousandths percent (12.855%) of annual compensation, of which:
- 5 1. Nine and one hundred five thousandths percent (9.105%) of annual
6 compensation shall be used to fund pension benefits; and
 - 7 2. Three and three-quarters percent (3.75%) of annual compensation shall
8 be used to fund retiree health benefits.
- 9 (b) Effective January 1, 2019, each individual who is a contributing university
10 member, shall contribute to the retirement system ten and four-tenths percent
11 (10.4%) of annual compensation, of which:
- 12 1. Seven and six hundred twenty-five thousandths percent (7.625%) of
13 annual compensation shall be used to fund pension benefits; and
 - 14 2. Two and seven hundred seventy-five thousandths percent (2.775%) of
15 annual compensation shall be used to fund retiree health benefits.
- 16 (c) When the medical insurance fund established under KRS 161.420(5) achieves
17 a sufficient prefunded status as determined by the retirement system's actuary,
18 the board of trustees shall recommend to the General Assembly that the
19 contributions required under paragraph (a)2. or (b)2. of this subsection shall,
20 in an actuarially accountable manner, be either decreased, suspended, or
21 eliminated.
- 22 (d) Payments authorized by statute that are made to retiring members, who
23 became members of the system before July 1, 2008, for not more than sixty
24 (60) days of unused accrued annual leave shall be considered as part of the
25 member's annual compensation, and shall be used only for the member's final
26 year of active service. The contribution of members shall not exceed these
27 applicable percentages on annual compensation. When a member retires, if it

1 is determined that he has made contributions on a salary in excess of the
2 amount to be included for the purpose of calculating his final average salary,
3 any excess contribution shall be refunded to him in a lump sum at the time of
4 the payment of his first retirement allowance. In the event a member is
5 awarded a court-ordered back salary payment the employer shall deduct and
6 remit the member contribution on the salary payment, plus interest to be paid
7 by the employer, to the retirement system unless otherwise specified by the
8 court order.

9 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for
10 the purpose of compliance with Section 414(h) of the United States Internal
11 Revenue Code, pick up the member contributions required by this section for all
12 compensation earned after August 1, 1982, and the contributions so picked up shall
13 be treated as employer contributions in determining tax treatment under the United
14 States Internal Revenue Code and KRS 141.010. The picked-up member
15 contribution shall satisfy all obligations to the retirement system satisfied prior to
16 August 1, 1982, by the member contribution, and the picked-up member
17 contribution shall be in lieu of a member contribution. Each employer shall pay
18 these picked-up member contributions from the same source of funds which is used
19 to pay earnings to the member. The member shall have no option to receive the
20 contributed amounts directly instead of having them paid by the employer to the
21 system. Member contributions picked-up after August 1, 1982, shall be treated for
22 all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent
23 as member contributions made prior to August 1, 1982.

24 ➔Section 51. KRS 161.545 is repealed and reenacted to read as follows:

25 (1) (a) Members may make contributions and receive service credit for substitute,
26 part-time, or any service other than regular full-time teaching as provided in
27 the administrative regulations of the board of trustees if contributions were not

1 otherwise made as a result of the service. This paragraph does not apply to
2 members who retired on or after January 1, 2019, and are reemployed on or
3 after January 1, 2019.

4 (b) Members placed on leave of absence during a period of full-time employment
5 as defined in KRS 161.220(21) may make contributions and receive service
6 credit for this leave only if contributions are made by the end of the fiscal year
7 next succeeding the year in which the leave was effective as provided in
8 administrative regulations promulgated by the board of trustees. Contributions
9 permitted after August 1, 1982, shall not be picked-up pursuant to KRS
10 161.540(2).

11 (2) Active contributing members of the Teachers' Retirement System, or former
12 members who are currently participating in a state-administered retirement system,
13 who were granted leaves of absence during a period of full-time employment as
14 defined in KRS 161.220(21) since July 1, 1964, for reasons of health as defined
15 under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs. 2601 et seq.,
16 child rearing, or to improve their educational qualifications, and did not purchase
17 the leave of absence as provided in subsection (1) of this section may obtain credit
18 for the leave of absence as provided under the administrative regulations of the
19 board of trustees and under the following conditions:

20 (a) The leave of absence shall be verified by a copy of the board of education
21 minutes which granted the leave of absence or by other documentation that
22 was generated contemporaneously with the leave that is determined by the
23 retirement system to reasonably establish that a leave of absence was granted;
24 and

25 (b) The member shall contribute the required percentage based on the salary
26 received for the year immediately preceding the leave of absence plus interest
27 at the rate of eight percent (8%) compounded annually from the beginning of

1 the school year following the year of the leave of absence, and by depositing
2 in the state accumulation fund an amount equal to this total.

3 (c) The member shall receive credit for no more than two (2) years under the
4 provisions of this subsection.

5 (3) Contributions permitted under this section after August 1, 1982, shall not be picked-
6 up pursuant to KRS 161.540(2).

7 (4) Notwithstanding any other provisions of this section to the contrary, purchase of
8 service credit under subsection (2) of this section:

9 (a) For individuals who become members on or after July 1, 2008, but prior to
10 January 1, 2019, shall be purchasable only at the full actuarial cost; and

11 (b) Shall not apply to individuals who become members on or after January 1,
12 2019.

13 ➔Section 52. KRS 161.5465 is repealed and reenacted to read as follows:

14 On or after August 1, 1998, a member of the Teachers' Retirement System in active
15 contributing status who has a minimum of twenty (20) years of service credit may
16 purchase up to a maximum of five (5) years of service credit that is not otherwise
17 purchasable under any of the provisions of KRS 161.220 to 161.716 and that meets the
18 definition of nonqualified service as provided in Section 1526 of the Federal Taxpayer
19 Relief Act of 1997. The member shall pay the full actuarial cost of the service credit as
20 provided in KRS 161.220(22). The payment shall not be picked up by the employer as
21 described in KRS 161.540(2), and the member's payment shall be credited to the
22 member's contribution account and shall be considered accumulated contributions of the
23 member. Payment by the member may be by lump sum or by installment payments as
24 provided in KRS 161.597. Notwithstanding any other statute to the contrary, the
25 Kentucky Teachers' Retirement System shall recognize nonqualified service credit
26 purchased with another retirement system only to the extent that the member had an
27 equivalent number of full months of active employment in the position covered by the

1 other retirement system during the period that the nonqualified service was purchased.

2 This section shall not apply to:

- 3 (1) Individuals who become members on or after July 1, 2008, but prior to January 1,
4 2019, except that a teacher of a local school board may purchase up to ten (10)
5 months of service under this section if the teacher is retiring and has completed the
6 prior school year with at least twenty-six (26) years and two (2) months of service
7 but less than twenty-seven (27) years of service; and
8 (2) Individuals who become members on or after January 1, 2019.

9 ➔Section 53. KRS 161.547 is repealed and reenacted to read as follows:

10 An individual who became a member of the retirement system prior to January 1, 2019,
11 who has service as a Kentucky legislator which is not credited by any retirement system
12 administered by the Commonwealth of Kentucky may present such service, not to exceed
13 four (4) years, for credit in the retirement system by paying the full actuarial cost of the
14 service as determined by the system actuary. The member may purchase all or part of his
15 service as a legislator, but no less than one (1) year of service. The entire payment shall
16 be placed in the teachers' saving fund.

17 ➔Section 54. KRS 161.548 is repealed and reenacted to read as follows:

18 An individual who became a member of the Teachers' Retirement System prior to January
19 1, 2019, who is in an active contributing status with the system, and who was formerly
20 employed in a regional community service program for mental health and individuals
21 with an intellectual disability, organized and operated under the provisions of KRS
22 210.370 to 210.480, which does not participate in a state-administered retirement system,
23 may obtain credit for the period of his service in the regional community program for
24 mental health and individuals with an intellectual disability by paying to the Teachers'
25 Retirement System the full actuarial cost of the service credit purchased, as provided in
26 KRS 161.220(22). The service credit purchased may not be used for meeting the service
27 requirements set forth in KRS 161.600(1)(a) or 161.661(1). The payment shall not be

1 picked up, as described in KRS 161.540(2), and the entire payment shall be placed in the
2 teachers' savings fund.

3 →Section 55. KRS 161.549 is repealed and reenacted to read as follows:

4 An individual who became a member of the Teachers' Retirement System prior to January
5 1, 2019, who is in an active contributing status with the system, and who was formerly
6 employed by a Federal Head Start agency, operated under 42 U.S.C. secs. 9831 et seq.,
7 which does not participate in a state-administered retirement system, may obtain credit
8 for the period of the member's service in the Head Start program by purchasing this
9 service credit under the same conditions that out-of-state service credit may be purchased
10 under KRS 161.515. The service credit purchased may not be used for meeting the
11 service requirements set forth in KRS 161.600(1)(a) or 161.661(1). Payment for the
12 service credit purchased may be made in installments in lieu of a lump-sum payment. The
13 payment shall not be picked up, as described in KRS 161.540(2), and the entire payment
14 shall be placed in the teachers' savings fund.

15 →Section 56. KRS 161.550 is repealed, reenacted, and amended to read as
16 follows:

17 (1) (a) Effective July 1, 2020, and for each fiscal year occurring thereafter, each
18 employer, except as provided under KRS 161.555, shall contribute annually to
19 the Teachers' Retirement System a base permanent employer contribution
20 equal to:

21 1. Thirteen and one hundred five thousandths percent (13.105%) of the
22 total annual compensation of nonuniversity members it employs, of
23 which:

24 a. Twelve and three hundred fifty-five thousandths percent
25 (12.355%) of the total annual compensation shall be used to fund
26 pension and life insurance benefits; and

27 b. Three-quarters of a percent (0.75%) of annual compensation shall

1 be used to provide funding to the medical insurance fund as
2 provided under KRS 161.420(5). If the board of trustees
3 establishes a trust fund under 26 U.S.C. sec. 115, the board may
4 deposit the employer contribution provided in this subparagraph in
5 that trust fund; and

6 2. Thirteen and sixty-five hundredths percent (13.65%) of the total annual
7 compensation of university members of the retirement system it
8 employs, of which:

9 a. Ten and eight hundred seventy-five thousandths percent (10.875%)
10 of the total annual compensation shall be used to fund pension and
11 life insurance benefits; and

12 b. Two and seven hundred seventy-five thousandths percent
13 (2.775%) of annual compensation shall be used to provide funding
14 to the medical insurance fund as provided under KRS 161.420(5).
15 If the board of trustees establishes a trust fund under 26 U.S.C. sec.
16 115, the board may deposit the employer contribution provided in
17 this subparagraph in that trust fund.

18 ~~{(b) Effective July 1, 2020, and for each year thereafter, each employer shall pay~~
19 ~~the additional contributions needed to fund the Teachers' Retirement System~~
20 ~~pension fund and life insurance fund on an actuarially sound basis as~~
21 ~~determined by the system's actuarial valuation completed in accordance with~~
22 ~~KRS 161.400 and as specified by this section. The amount payable under the~~
23 ~~provisions of this paragraph shall:~~

24 ~~1. Be in addition to the amounts provided under paragraph (a)1.a. and~~
25 ~~(a)2.a. of this subsection;~~

26 ~~2. Not include the cost or funding of benefits established by KRS 161.553;~~
27 ~~and~~

1 3.—~~Shall be prorated to each employer based upon the individual employer's~~
2 ~~average percentage of the total compensation reported by all employers~~
3 ~~in the system in fiscal years 2014-2015, 2015-2016, and 2016-2017,~~
4 ~~except that the amount shall be paid by state appropriation only for those~~
5 ~~employers who cover memberships specified by KRS 161.220(4)(a).~~

6 ~~(c) The contributions payable under paragraphs (a)1.a., (a)2.a., and (b) of this~~
7 ~~subsection by employers and the state shall be equal to the sum of the "normal~~
8 ~~cost" contribution and the "actuarially accrued liability contribution," except~~
9 ~~that the minimum contribution to fund pension and life insurance benefits~~
10 ~~shall not be less than the combined employer contribution to fund pension and~~
11 ~~life insurance benefits specified by paragraph (a) of this subsection and~~
12 ~~subsection (3) of this section.~~

13 ~~(d) For purposes of this subsection, the normal cost contribution shall be~~
14 ~~computed as a percentage of payroll and shall be an annual amount that is~~
15 ~~sufficient when combined with employee contributions to fund pension and~~
16 ~~life insurance benefits earned during the year, including costs for members~~
17 ~~participating in the hybrid cash balance plan.~~

18 ~~(e) For purposes of this subsection, the actuarially accrued liability contribution~~
19 ~~shall be an annual amount that is sufficient to amortize the total unfunded~~
20 ~~actuarially accrued liability over a closed period of thirty (30) years using:~~

21 1.—~~The level percentage of payroll amortization method in the 2018~~
22 ~~actuarial valuation with a payroll growth assumption of two and six~~
23 ~~hundred twenty five thousandths percent (2.625%);~~

24 2.—~~The level percentage of payroll amortization method in the 2019~~
25 ~~actuarial valuation with a payroll growth assumption of one and seventy~~
26 ~~five hundredths percent (1.75%);~~

27 3.—~~The level percentage of payroll amortization method in the 2020~~

1 ~~actuarial valuation with a payroll growth assumption of eight hundred~~
2 ~~seventy five thousandths percent (0.875%); and~~

3 ~~4. The level dollar amortization method in the 2021 actuarial valuation and~~
4 ~~for each valuation occurring thereafter.~~

5 ~~— The amortization period shall be reset to a new thirty (30) year closed period~~
6 ~~beginning with the 2018 actuarial valuation.~~

7 ~~(f) Effective with the 2018 actuarial valuation, which determines the employer~~
8 ~~rates payable on or after July 1, 2020, the employer contributions computed~~
9 ~~under this section shall be determined using:~~

10 ~~1. The entry age normal cost funding method;~~

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

13 ~~3. Other funding methods and assumptions established by the board in~~
14 ~~accordance with KRS 161.400.]~~

15 (2) In addition to the required contributions in subsection (1) of this section, the state
16 shall contribute annually to the Kentucky Teachers' Retirement System a percentage
17 of the total salaries of the state-funded and federally funded members it employs to
18 pay the cost of health insurance coverage for retirees who are not eligible for
19 Medicare and who retire on or after July 1, 2010, less the amounts that are
20 otherwise required to be paid by the retirees under KRS 161.675. The Kentucky
21 Teachers' Retirement System may also request an additional amount necessary to
22 ensure payment of medical insurance costs through fiscal year 2015-2016 which
23 shall not be subject to the limitations of paragraph (c) of this subsection. The board
24 shall deposit funds in the medical insurance fund unless the board of trustees has
25 established a trust fund under 26 U.S.C. sec. 115 for this purpose. In this case, the
26 board may deposit the employer contribution in that trust fund. This contribution
27 shall be known as the state medical insurance fund stabilization contribution. The

1 percentage to be contributed by the state under this subsection:

2 (a) Shall be determined by the retirement system's actuary for each biennial
3 budget period;

4 (b) May be suspended or adjusted by the General Assembly if in its judgment the
5 welfare of the Commonwealth so demands; and

6 (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible for
7 Medicare who retire on or after July 1, 2010, or the amount contributed by
8 employers under subsection (3) of this section.

9 (3) Effective January 1, 2019, all employers who employ nonuniversity members shall
10 make a contribution for each payroll on behalf of their active employees who
11 participate in the Teachers' Retirement System in an amount equal to:

12 (a) Three percent (3%) of payroll of those active employees. The contribution
13 specified by this paragraph that is paid on or after January 1, 2019, shall be
14 used to fund retiree health benefits; and

15 (b) Two percent (2%) of payroll for those members who participate in the hybrid
16 cash balance plan as provided by KRS 161.235. The amount of funding
17 provided by this paragraph shall be used to offset any additional *pension* costs
18 paid under ~~subsection (1)(b) of~~ this section.

19 (4) **Each employer shall remit the required employer contributions to the retirement**
20 **system under the terms and conditions specified for member contributions under**
21 **KRS 161.560. The state shall provide annual appropriations based upon**
22 **estimated funds needed to meet the requirements of KRS 161.155; 161.168;**
23 **161.507(4); 161.515; 161.545; 161.553; 161.605; 161.612; and 161.620(1), (3),**
24 **(5), (6), and (7).** In the event an annual appropriation ~~for the amounts specified by~~
25 ~~subsection (1)(a)1. of this section~~ is less than the amount of these requirements, the
26 state shall make up the deficit in the next biennium budget appropriation to the
27 retirement system. Employer contributions to the retirement system are for the

1 exclusive purpose of providing benefits to members and annuitants and these
2 contributions shall be considered deferred compensation to the members.

3 ➔Section 57. KRS 161.568 is repealed and reenacted to read as follows:

4 (1) Eligibility to participate in the optional retirement plan shall be determined by the
5 board of regents of each of the state public postsecondary education institutions
6 identified in KRS 161.220(4)(b). The employees of these institutions of higher
7 education who are initially employed on or after the implementation date of the
8 optional retirement plan may make an election to participate in the optional
9 retirement plan within thirty (30) days after their employment date. This election
10 shall be irrevocable except as otherwise provided in this subsection. No member of
11 the Kentucky Teachers' Retirement System who terminates employment and is
12 subsequently reemployed by the same or another public postsecondary education
13 institution which participates in the Kentucky Teachers' Retirement System may be
14 eligible to elect to participate in the optional retirement plan unless the date of
15 reemployment is at least six (6) months after the date of termination. All elections
16 made under this subsection shall be in writing and shall be filed with the
17 appropriate officer of the employer institution. Persons who originally elected to
18 participate in the optional retirement plan may later change their elections only as
19 follows:

20 (a) Any person otherwise eligible for membership in the Kentucky Teachers'
21 Retirement System may irrevocably elect one (1) time during his or her
22 lifetime to change his or her election and to prospectively participate in the
23 Kentucky Teachers' Retirement System. This election to change from the
24 optional retirement plan to Kentucky Teachers' Retirement System shall be
25 effective beginning on the first day of the first month immediately following
26 the date that written application for the election is received in the retirement
27 system's office on forms prescribed by the system. Any person exercising this

1 election shall not be entitled to purchase as service credit in the Kentucky
2 Teachers' Retirement System any prior service with his or her postsecondary
3 education institution employer;

4 (b) Any person otherwise eligible for membership in the Kentucky Teachers'
5 Retirement System who previously elected to participate in the optional
6 retirement plan may irrevocably elect one (1) time within his or her first six
7 (6) years and six (6) months of continuous service in any one (1) or more of
8 the institutions identified in KRS 161.220(4)(b), to change his or her election
9 and to prospectively participate in the Kentucky Teachers' Retirement System
10 and also become eligible to purchase as service credit his or her prior service
11 with his or her postsecondary education employer. This election to change
12 from the optional retirement plan to the Kentucky Teachers' Retirement
13 System shall be effective beginning on the first day of the first month
14 immediately following the date that written application for the election is
15 received in the retirement system's office on forms prescribed by the
16 retirement system. Persons electing to change from the optional retirement
17 plan to the Kentucky Teachers' Retirement System may purchase service
18 credit only for their prior years of service for a postsecondary education
19 institution identified in KRS 161.220(4)(b) during which they participated in
20 the optional retirement plan. The election to purchase prior service as service
21 credit shall be received in the retirement system's office on forms prescribed
22 by the retirement system within the six (6) year and six (6) month period
23 provided to make the election to begin participation in the Kentucky Teachers'
24 Retirement System. The cost of purchasing this service shall be calculated by
25 adding both the employer and member contributions that would have been
26 paid to the Kentucky Teachers' Retirement System had the individual
27 purchasing this service participated in the Kentucky Teachers' Retirement

1 System instead of the optional retirement plan, less the amount contributed to
2 the Kentucky Teachers' Retirement System by the postsecondary education
3 institution as provided by KRS 161.569(5), or KRS 161.569(5)(a)2. as it
4 existed on June 30, 2007. Interest at Kentucky Teachers' Retirement System's
5 actuarially assumed rate shall be paid on these net contributions by the person
6 electing to change to the Kentucky Teachers' Retirement System from the
7 optional retirement plan. These payments shall not be picked up as described
8 in KRS 161.540(2). Persons who elect to change from the optional retirement
9 plan to the Kentucky Teachers' Retirement System may elect to purchase as
10 service credit, beginning with the most recent years, any portion of their prior
11 years of service during which time they participated in the optional retirement
12 plan, or none of those years. Members may purchase service credit for prior
13 years of service by rolling over funds from their optional retirement plan
14 account as provided under KRS 161.5461, or by rolling over or transferring
15 other plan funds as permitted by the rules set forth in the Internal Revenue
16 Code, or by making an after-tax lump-sum cash payment. This paragraph does
17 not apply to individuals who become members on or after January 1, 2019;

- 18 (c) Effective July 1, 2008, persons otherwise eligible for membership in the
19 Kentucky Teachers' Retirement System may irrevocably elect one (1) time to
20 change their election and to prospectively participate in the Kentucky
21 Teachers' Retirement System and purchase service credit for their prior years
22 of service during which they participated in the optional retirement plan. This
23 election shall be filed in writing with the Kentucky Teachers' Retirement
24 System no later than December 31, 2008. Persons who change their election
25 prior to July 1, 2008, to prospectively participate in the Kentucky Teachers'
26 Retirement System may purchase service credit for their prior years of service
27 during which they participated in the optional retirement plan. The purchase

1 of prior years of service under this paragraph shall be subject to the same
2 conditions and purchase costs as described in paragraph (b) of this subsection,
3 except that the election to purchase service credit shall be on file with the
4 Kentucky Teachers' Retirement System no later than December 31, 2008. This
5 paragraph does not apply to individuals who become members on or after
6 January 1, 2019; and

7 (d) Persons electing to change to the Kentucky Teachers' Retirement System
8 under paragraphs (a), (b), and (c) of this subsection shall be eligible to
9 participate, based upon their age and allowable service credit, in the disability,
10 survivorship, and medical insurance programs under the conditions and in the
11 degree as they exist on the date that they file their election with the retirement
12 system, but shall be subject to any changes to those programs from that date
13 forward, including any changes that may affect their eligibility for or degree of
14 participation in those programs. Prior service purchased as service credit as
15 permitted under paragraphs (b) and (c) of this subsection shall not be
16 considered for meeting eligibility requirements or determining the extent of
17 participation in these programs. Persons electing to change to the Kentucky
18 Teachers' Retirement System shall not be eligible for the survivorship or
19 disability programs based upon medical conditions that existed prior to the
20 filing of their elections.

21 (2) Elections of eligible employees hired on or after the implementation date of the
22 optional retirement plan at their employer institution shall be effective on the date
23 of their employment. If an eligible employee hired subsequent to the
24 implementation date at the employer institution fails to make the election provided
25 for in this section, the employee shall become a member of the regular retirement
26 plan of the Kentucky Teachers' Retirement System.

27 ➔Section 58. KRS 161.580 is repealed and reenacted to read as follows:

- 1 (1) The board of trustees shall provide for the maintenance of an individual account for
2 each member showing the amount of the member's accumulated account balance.
3 Such individual accounts shall be identified in the records of the system by name,
4 date of birth, and Social Security number. It shall collect and keep in convenient
5 form such data as is necessary for the preparation of the required mortality and
6 service tables and for the compilation of such other information as is required for
7 the actuarial valuation of the assets and liabilities of the various funds of the
8 retirement system.
- 9 (2) The board shall prepare and furnish to all active contributing members a summary
10 plan description, written in a manner calculated to be understood by the average
11 member or annuitant, and sufficiently accurate and comprehensive to reasonably
12 apprise them of their rights and obligations under the Teachers' Retirement System.
13 The board may furnish the summary plan description by posting it on the retirement
14 system's Web site.
- 15 (3) The summary plan description shall include:
- 16 (a) The name of the retirement system, the name and address of the executive
17 secretary, and the name, address, and title of each member of the board of
18 trustees;
- 19 (b) The name and address of the person designated for the service of legal
20 process;
- 21 (c) The system's requirements for participation and benefits;
- 22 (d) A description of retirement formulas for normal, early, and disability
23 retirement, and survivor benefits;
- 24 (e) A description of the requirements for vesting of pension benefits;
- 25 (f) A list of circumstances which would result in disqualification, ineligibility, or
26 denial or loss of benefits;
- 27 (g) The sources of financing retirement benefits, and statutory requirements for

1 funding;

2 (h) A statement after each actuarial valuation as to whether funding requirements
3 are being met; and

4 (i) The procedures to be followed in presenting claims for benefits under the
5 plan, and the remedies available under the plan for the redress of claims which
6 are denied in whole or in part.

7 (4) The board may publish the summary plan description in the form of a
8 comprehensive pamphlet or booklet, or in the form of periodic newsletters which
9 shall incorporate all the information required in the summary plan description
10 within a period of two (2) years. Any changes in statutory requirements or
11 administrative practices which alter the provisions of the plan as described in the
12 summary plan description shall be summarized as required in subsection (2) of this
13 section and furnished to active contributing members in the form of a supplement to
14 a comprehensive booklet, or reported in the periodic newsletter.

15 (5) The board shall provide to annuitants so much of the summary plan description as
16 they need to understand changes in benefits which apply to them.

17 ➔Section 59. KRS 161.585 is repealed and reenacted to read as follows:

18 (1) Each member's or annuitant's account shall be administered in a confidential
19 manner, and specific data regarding a member or annuitant shall not be released for
20 publication, except that:

21 (a) The member or annuitant may authorize the release of his or her account
22 information;

23 (b) The board of trustees may release member or annuitant account information to
24 the employer or to other state and federal agencies as it deems necessary or in
25 response to a lawful subpoena or order issued by a court of law; or

26 (c) 1. Upon request by any person, the system shall release the following
27 information from the accounts of any member or annuitant of the

- 1 Kentucky Teachers' Retirement System, if the member or annuitant is a
2 current or former officeholder in the Kentucky General Assembly:
- 3 a. The first and last name of the member or annuitant;
 - 4 b. The status of the member or annuitant, including but not limited to
5 whether he or she is a contributing member, a member who is not
6 contributing but has not retired, a retiree receiving a monthly
7 retirement allowance, or a retiree who has returned to work
8 following retirement with an agency participating in the system;
 - 9 c. If the individual is an annuitant, the monthly retirement allowance
10 that he or she was receiving at the end of the most recently
11 completed fiscal year;
 - 12 d. If the individual is a member who has not yet retired, the estimated
13 monthly retirement allowance that he or she is eligible to receive
14 on the first date he or she would be eligible for an unreduced
15 retirement allowance, using his or her service credit, accumulated
16 account balance, and final average salary at the end of the most
17 recently completed fiscal year; and
 - 18 e. The current or last participating employer of the member or
19 annuitant, if applicable.
- 20 2. No information shall be disclosed under this paragraph from an account
21 that is paying benefits to a beneficiary due to the death of a member or
22 annuitant.
- 23 (2) The release of information under subsection (1)(c) of this section shall not
24 constitute a violation of the Open Records Act, KRS 61.870 to 61.884.
- 25 (3) Medical records which are included in a member's or annuitant's file maintained by
26 the Teachers' Retirement System are confidential and shall not be released unless
27 authorized by the member or annuitant in writing or as otherwise provided by law or

1 in response to a lawful subpoena or order issued by a court of law.

2 (4) (a) When a subpoena is served upon any employee of the Kentucky Teachers'
3 Retirement System requiring the production of any data, information, or
4 records, it is sufficient if the employee of the Kentucky Teachers' Retirement
5 System charged with the responsibility of being custodian of the original, or
6 his or her designated staff, delivers within five (5) working days by certified
7 mail or by personal delivery to the person specified in the subpoena either of
8 the following:

- 9 1. Legible and durable copies of records certified by the employee or
10 designated staff; or
- 11 2. An affidavit stating the information required by the subpoena.

12 (b) The production of records or an affidavit shall be in lieu of any personal
13 testimony of any employee of the Kentucky Teachers' Retirement System
14 unless, after the production of records or an affidavit, a separate subpoena is
15 served upon the retirement system specifically directing the testimony of an
16 employee of the retirement system. When a subpoena is served on any
17 employee of the retirement system requiring the employee to give testimony
18 or produce records for any purpose, in the absence of a court order requiring
19 the testimony of or production of records by a specific employee, the system
20 may designate an employee to give testimony or produce records upon the
21 matter referred to in the subpoena. The board of trustees may promulgate an
22 administrative regulation for the recovery of reasonable travel and
23 administrative expenses for those occasions when an employee of the
24 retirement system is required to travel from his or her home or office to
25 provide testimony or records. Recoverable expenses may include the wages,
26 salary, and overtime paid to the employee by the retirement system for the
27 period of time that the employee is away from the office. The cost of these

1 expenses shall be borne by the party issuing the subpoena compelling the
2 employee's travel. The board of trustees may also promulgate an
3 administrative regulation establishing a reasonable fee for the copying,
4 compiling, and mailing of requested records.

5 (c) The certification required by this subsection shall be signed before a notary
6 public by the employee and shall include the full name of the member or
7 annuitant, the member or annuitant identification number assigned to the
8 member or annuitant by the retirement system, and a legend substantially to
9 the following effect: "The records are true and complete reproductions of the
10 original, microfiched, or electronically stored records which are housed in the
11 retirement system's office. This certification is given in lieu of the
12 undersigned's personal appearance."

13 (d) When an affidavit or copies of records are personally delivered, a receipt shall
14 be presented to the person receiving the records for his or her signature and
15 shall be immediately signed and returned to the person delivering the records.
16 When an affidavit or copies of records are sent via certified mail, the receipt
17 used by the postal authorities shall be sufficient to prove receipt of the
18 affidavit or copies of records.

19 (e) When the affidavit or copies of records are delivered to a party for use in
20 deposition they shall, after termination of the deposition, be delivered
21 personally or by certified mail to the clerk of the court or other body before
22 which the action or proceeding is pending.

23 (f) Upon completion of delivery by the retirement system of copies of records by
24 their deposit in the mail or by their personal delivery to the requesting party,
25 the retirement system shall cease to have any responsibility or liability for the
26 records and their continued maintenance in a confidential manner.

27 (g) Records of the Kentucky Teachers' Retirement System that are susceptible to

1 reproduction may be proved as to foundation, identity, and authenticity
2 without preliminary testimony, by use of legible and durable copies, certified
3 in accordance with the provisions of this subsection.(h) The provisions of
4 this subsection shall not be construed to prohibit the Kentucky Teachers'
5 Retirement System from asserting any exemption, exception, or relief
6 provided under the Kentucky Rules of Civil Procedure or other applicable
7 law.

8 (5) For purposes of this section, "records" includes retirement estimates, affidavits, and
9 other documents prepared by the Kentucky Teachers' Retirement System in
10 response to information requested in a lawful subpoena or order issued by a court of
11 law.

12 ➔Section 60. KRS 161.590 is repealed and reenacted to read as follows:

13 (1) At retirement the total service credited to a teacher shall consist of prior and
14 subsequent service rendered by him for which service credit has been allowed.

15 (2) Kentucky service, presented at the time of retirement, may not be used in
16 calculating benefits under KRS 161.235, 161.525, 161.620, or 161.661, if such
17 service has been used to increase benefits in another retirement system, not
18 including Old Age and Survivors Insurance Benefits under the Social Security
19 Administration.

20 (3) No service credit shall be added to a member's account after the effective date of
21 retirement for service.

22 ➔Section 61. KRS 161.595 is repealed and reenacted to read as follows:

23 (1) Upon service retirement, an individual who becomes a member of the Teachers'
24 Retirement System prior to January 1, 2019, may obtain credit for all or any part of
25 the service otherwise creditable under the Kentucky Employees Retirement System,
26 the County Employees Retirement System, or in the service of the United States
27 government for which service credit is not otherwise given, upon the payment by

1 the member of the full actuarial cost of the service credit purchased as defined in
2 KRS 161.220(22). Such payments shall not be picked up, as described in KRS
3 161.540(2).

4 (2) The amount paid under this section shall be considered as accumulated
5 contributions of the individual member.

6 (3) No person shall be allowed credit for the same period of service in more than one
7 (1) of these three (3) retirement systems.

8 ➔Section 62. KRS 161.600 is repealed and reenacted to read as follows:

9 (1) Effective July 1, 1988, a member of the retirement system may qualify for service
10 retirement by meeting one (1) of the following requirements:

11 (a) Attainment of age sixty (60) years and completion of five (5) years of
12 Kentucky service;

13 (b) 1. For an individual who becomes a member before July 1, 2008,
14 attainment of age fifty-five (55) years and completion of a minimum of
15 five (5) years of Kentucky service with an actuarial reduction of the
16 basic allowance of five percent (5%) for each year the member's age is
17 less than sixty (60) years or for each year the member's years of
18 Kentucky service credit is less than twenty-seven (27), whichever is the
19 lesser number; and

20 2. For an individual who becomes a member on or after July 1, 2008,
21 attainment of age fifty-five (55) years and completion of a minimum of
22 ten (10) years of Kentucky service with an actuarial reduction of the
23 basic retirement allowance of six percent (6%) for each year the
24 member's age is less than sixty (60) years or for each year the member's
25 years of Kentucky service credit is less than twenty-seven (27),
26 whichever is the lesser number;

27 (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state

1 service earned in accordance with the provisions of KRS 161.515(2) may be
2 used to meet this requirement; or

3 (d) Completion of the necessary years of service under provisions of KRS
4 61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS
5 61.680. A member retiring under this paragraph who has not attained age
6 fifty-five (55) shall incur an actuarial reduction of the basic allowance
7 determined by the system's actuary for each year the member's service credit is
8 less than twenty-seven (27).

9 (2) Any person who has been a member in Kentucky for twenty-seven (27) years or
10 more and who withdraws from covered employment may continue to pay into the
11 fund each year until the end of the fiscal year in which he reaches the age of sixty-
12 five (65) years, the current contribution rate based on the annual compensation
13 received during the member's last full year in covered employment, less any
14 payment received for accrued sick leave or accrued leave from an employer. The
15 member shall be entitled to receive a retirement allowance as provided in KRS
16 161.620 at any time after withdrawing from covered employment and payment of
17 contributions under this subsection. No member shall make contributions as
18 provided for in this subsection if the member is at the same time making
19 contributions to another retirement system in Kentucky supported wholly or in part
20 by public funds.

21 (3) Service credit in the Kentucky Employees Retirement System, the State Police
22 Retirement System, the Legislators' Retirement Plan, the County Employees
23 Retirement System, or the Judicial Retirement System may be used in meeting the
24 service requirements of subsection (1)(a), (b), and (c) of this section, provided the
25 service is subsequent to July 1, 1956.

26 (4) Upon death, disability, or service retirement, a member's accounts under all state
27 supported retirement systems shall be consolidated, as provided by this section and

1 by KRS 61.680, for the purpose of determining eligibility and amount of benefits,
2 which shall include medical benefits. Upon determination of benefits, each system
3 shall pay the applicable percentage of total benefits. The effective date of retirement
4 under this subsection shall be determined by each retirement system for the portion
5 of the payments that will be made.

6 (5) No retirement annuity shall be effective until written application and option election
7 forms are filed with the retirement office in accordance with administrative
8 regulations of the board of trustees. A member may withdraw his or her retirement
9 application, postpone his or her effective retirement date, or change his or her
10 retirement option if these elections are made no later than the fifteenth day of the
11 month in which the member has made application for retirement.

12 (6) The surviving spouse of an active contributing member, if named as beneficiary of
13 the member's account, may purchase retirement credit that the member was eligible
14 to purchase prior to the member's death.

15 (7) Effective January 1, 2019, subsections (1) to (3) of this section do not apply to
16 individuals who become members of the Teachers' Retirement System on or after
17 January 1, 2019. Individuals who become members of the Teachers' Retirement
18 System on or after January 1, 2019, shall receive the retirement benefits prescribed
19 by KRS 161.235.

20 ➔Section 63. KRS 161.605 is repealed and reenacted to read as follows:

21 Any member retired by reason of service may return to work in a position covered by the
22 Kentucky Teachers' Retirement System and continue to receive his or her retirement
23 allowance under the following conditions:

24 (1) Any member who is retired with thirty (30) or more years of service may return to
25 work in a full-time or a part-time position covered by the Kentucky Teachers'
26 Retirement System and earn up to a maximum of seventy-five percent (75%) of the
27 member's last annual compensation measured on a daily rate to be determined by

1 the board of trustees. For purposes of determining whether the salary of a member
2 returning to work is seventy-five percent (75%) or less of the member's last annual
3 compensation, all remuneration paid and benefits provided to the member, on an
4 actual dollar or fair market value basis as determined by the retirement system, shall
5 be considered. Members who were retired on or before June 30, 2002, shall be
6 entitled to return to work under the provisions of this section as if they had retired
7 with thirty (30) years of service. Nonqualified service credit purchased under the
8 provisions of KRS 161.5465 or elsewhere with any state-administered retirement
9 system shall not be used to meet the thirty (30) year requirement set forth in this
10 subsection. Out-of state teaching service provided in public schools for kindergarten
11 through grade twelve (12) may count toward the thirty (30) year requirement set
12 forth in this subsection even if it is not purchased as service credit, if the member
13 obtains from his or her out-of-state employer certification of this service on forms
14 prescribed by the retirement system;

15 (2) Any member who is retired with less than thirty (30) years of service after June 30,
16 2002, may return to work in a full-time or part-time position covered by the
17 Kentucky Teachers' Retirement System and earn up to a maximum of sixty-five
18 percent (65%) of the member's last annual compensation measured on a daily rate to
19 be determined by the board of trustees. For purposes of determining whether the
20 salary of a member returning to work is sixty-five percent (65%) or less of the
21 member's last annual compensation, all remuneration paid and benefits provided to
22 the member, on an actual dollar or fair market value basis as determined by the
23 retirement system, shall be considered;

24 (3) Reemployment of a retired member under subsection (1) or (2) of this section in a
25 full-time teaching or nonteaching position in a local school district shall be
26 permitted only if the employer certifies to the Kentucky Teachers' Retirement
27 System that there are no other qualified applicants available to fill the teaching or

1 nonteaching position. The employer may use any source considered reliable
2 including but not limited to data provided by the Education Professional Standards
3 Board and the Department of Education to determine whether other qualified
4 applicants are available to fill the teaching or nonteaching position. The Kentucky
5 Board of Education shall promulgate administrative regulations to establish
6 procedures to determine whether other qualified applicants are available to fill a
7 teaching or nonteaching position and, if not, for filling the position with a retired
8 member who will then be permitted to return to work in that position under
9 subsection (1) or (2) of this section. The administrative regulations shall assure that
10 a retired member shall not be hired in a teaching or nonteaching position by a local
11 school district until the superintendent of the school district assures the Kentucky
12 Teachers' Retirement System that every reasonable effort has been made to recruit
13 other qualified applicants for the position on an annual basis;

14 (4) Under this section, an employer may employ full-time a number of retired members
15 not to exceed three percent (3%) of the membership actively employed full-time by
16 that employer. The board of trustees may reduce this three percent (3%) cap upon
17 recommendation of the retirement system's actuary if a reduction is necessary to
18 maintain the actuarial soundness of the retirement system. The board of trustees
19 may increase the three percent (3%) cap upon a determination that an increase is
20 warranted to help address a shortage in the number of available teachers and upon
21 the determination of the retirement system's actuary that the proposed cap increase
22 allows the actuarial soundness of the retirement system to be maintained. For
23 purposes of this subsection, "full-time" means the same as defined by KRS
24 161.220(21). A local school district may exceed the quota established by this
25 subsection by making an annual written request to the Kentucky Department of
26 Education which the department may approve on a year-by-year basis if the
27 statewide quota has not been met. A district's written request to exceed its quota

1 shall be submitted no sooner than two (2) weeks after the start of the school year;

2 (5) (a) Except as provided by subsection (10) of this section, a member returning to
3 work in a full-time or part-time position under subsection (1) or (2) of this
4 section will contribute to an account with the retirement system that will be
5 administered independently from and with no reciprocal impact with the
6 member's original retirement account, or any other account from which the
7 member is eligible to draw a retirement allowance.

8 (b) Except as provided by subsection (10) of this section, a member returning to
9 work under subsection (1) or (2) of this section shall make contributions to the
10 retirement system at the rate provided under KRS 161.540. The new account
11 shall independently meet the five (5) year vesting requirement as well as all
12 other conditions set forth in KRS 161.600(1) before any retirement allowance
13 is payable from this account. The retirement allowance accruing under this
14 new account shall be calculated pursuant to KRS 161.620(1)(b). This new
15 account shall not entitle the member to a duplication of the benefits offered
16 under KRS 161.620(7) or 161.675, nor shall this new account provide the
17 benefits offered by KRS 161.520, 161.525, 161.620(3), 161.655, 161.661, or
18 161.663.

19 (c) A member returning to work under subsection (1) or (2) of this section shall
20 waive his or her medical insurance with the Kentucky Teachers' Retirement
21 System during the period of reemployment and shall receive the medical
22 insurance coverage that is generally provided by the member's active employer
23 to the other members of the retirement system that the active employer
24 employs. If medical insurance coverage is not available from the employer,
25 the Kentucky Teachers' Retirement System may provide coverage for the
26 member.

27 (d) A member returning to work under subsection (1) or (2) of this section shall

1 not be eligible to purchase service credit for any service provided after the
2 member's effective date of retirement but prior to the date that the member
3 returns to work. A member returning to work under subsection (1) or (2) of
4 this section shall not be eligible to purchase service credit that the member
5 would have otherwise been eligible to purchase prior to the member's initial
6 retirement.

7 (e) A member who returns to work under subsection (1) or (2) of this section, or
8 in the event of the death of the member, the member's estate or applicably
9 designated beneficiary, shall be entitled, within ninety (90) days of the posting
10 of the annual report submitted by the employer, to a refund of contributions as
11 permitted and limited by KRS 161.470;

12 (6) The board of trustees may annually, on July 1, adjust the current daily rate of a
13 member's last annual compensation, for each full twelve (12) month period that has
14 elapsed subsequent to the member earning his or her last annual compensation, by
15 the percentage increase in the annual average of the consumer price index for all
16 urban consumers for the calendar year preceding the adjustment as published by the
17 Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each
18 annual adjustment shall become part of the member's daily rate base. Failure to
19 comply with the salary limitations set forth in subsections (1) and (2) of this section
20 as may be adjusted by this subsection shall result in a reduction of the member's
21 retirement allowance or any other benefit to which the member would otherwise be
22 entitled on a dollar-for-dollar basis for each dollar that the member exceeds these
23 salary limitations. Notwithstanding any other provision of law to the contrary, a
24 member retiring from a local school district who returns to work for a local school
25 district under subsection (1) or (2) of this section shall be entitled, without any
26 reduction to his or her retirement allowance or any other retirement benefit, to earn
27 a minimum amount equal to one hundred seventy dollars (\$170) per day;

- 1 (7) (a) A retired member returning to work under subsection (1) or (2) of this section
2 shall have separated from service for a period of at least one (1) year if
3 returning to work for the same employer on a full-time basis, and at least three
4 (3) months if returning to work for a different employer on a full-time basis. A
5 retired member returning to work under subsection (1) or (2) of this section on
6 a part-time basis shall have separated from service for a period of at least three
7 (3) months before returning to work for any employer.
- 8 (b) As an alternative to the separation-from-service requirements in paragraph (a)
9 of this subsection, a retired member who is returning to work for the same
10 employer in a full-time position under subsections (1) and (2) of this section
11 may elect a separation-from-service of not less than two (2) months followed
12 by a forfeiture of the retired member's retirement allowance on a month-to-
13 month basis for each month that the member has separated from service for
14 less than twelve (12) full months. A retired member returning to work for the
15 same employer in a part-time position, or for a different employer in a full-
16 time position, may elect an alternative separation-from-service requirement of
17 at least two (2) months followed by a forfeiture of the member's retirement
18 allowance for one (1) month. During the period that the member forfeits his or
19 her retirement allowance and thereafter, member and employer contributions
20 shall be made to the retirement system as a result of employment in any
21 position subject to membership in the retirement system. The member shall
22 contribute to an account with the retirement system subject to the conditions
23 set forth in subsection (5) of this section. For purposes of measuring the
24 separation-from-service requirements set forth throughout this section, a
25 member's separation-from-service begins on the first day following the last
26 day of paid employment for the member prior to retirement.
- 27 (c) Failure to comply with the separation-from-service requirements in this

1 subsection voids a member's retirement and the member shall be required to
2 return all the retirement benefits he or she received, with interest, for the
3 period of time that the member returned to work without a sufficient
4 separation from service;

5 (8) (a) Effective July 1, 2004, local school districts may employ retired members in
6 full-time or part-time teaching or administrative positions without limitation
7 on the compensation of the retired members that is otherwise required by
8 subsections (1) and (2) of this section. Under provisions of this subsection, a
9 local school district may only employ retired members to fill critical shortage
10 positions for which there are no other qualified applicants as determined by
11 the local superintendent. The number of retired members that a local school
12 district may employ under this subsection shall be no more than two (2)
13 members per local school district or one percent (1%) of the total active
14 members employed by the local school district on a full-time basis as defined
15 under KRS 161.220(21), whichever number is greater. Retired members
16 returning to work under this subsection shall be subject to the separation-
17 from-service requirements set forth in subsection (7) of this section. Retired
18 members returning to work under this subsection shall waive their medical
19 insurance coverage with the retirement system during their period of
20 reemployment and receive medical insurance coverage that is offered to other
21 full-time members employed by the local school district. Retired members
22 returning to work under this subsection shall contribute to an account subject
23 to the conditions set forth in subsection (5) of this section. Retired members
24 returning to work under this subsection shall make contributions to the
25 retirement system at the rate provided under KRS 161.540. The employer
26 shall make contributions at the rate provided under KRS 161.550. Local
27 school districts shall make annual payments to the retirement system on the

1 compensation paid to the reemployed retirees at the rates determined by the
2 retirement system's actuary that reflect any accrued liability resulting from the
3 reemployment of these members.

4 (b) The Department of Education may employ retired members in full-time or
5 part-time teaching or nonteaching positions without the limitations on
6 compensation otherwise required by subsections (1) and (2) of this section to
7 fill critical shortage areas in the schools it operates, including the Kentucky
8 School for the Blind, the Kentucky School for the Deaf, and the Kentucky
9 Virtual High School, and to serve on audit teams. The department shall be
10 subject to the same requirements as local school districts as provided in
11 paragraph (a) of this subsection, except the Kentucky Teachers' Retirement
12 System shall determine the maximum number of employees that may be
13 employed under this paragraph;

14 (9) The return to work limitations set forth in this section shall apply to retired
15 members who are returning to work in the same position from which they retired, or
16 a position substantially similar to the one from which they retired, or a position
17 described in KRS 161.046 or any position listed in KRS 161.220(4) which requires
18 membership in the retirement system. Positions which generally require certification
19 or graduation from a four (4) year college or university as a condition of
20 employment which are created, or changed to remove the position from coverage
21 under KRS 161.220(4) are also subject to the return to work limitations set forth in
22 this section. The board of trustees shall determine whether employment in a
23 nonteaching position is subject to this subsection;

24 (10) (a) Notwithstanding the provisions of this section, individuals who retire and
25 begin drawing a retirement allowance from one (1) or more of the systems or
26 plans administered by the Kentucky Retirement Systems, the Teachers'
27 Retirement System, or the Judicial Form Retirement System on or after

1 January 1, 2019, who are reemployed on or after January 1, 2019, with an
2 employer participating in the Teachers' Retirement System shall not be
3 eligible to contribute to or earn benefits in a second retirement account during
4 the period of reemployment. Employers shall be required to pay the employer
5 normal cost for pension benefits established by KRS 161.550 for any period of
6 full-time reemployment to help pay down the unfunded liability of the
7 Teachers' Retirement System pension fund.

8 (b) The provisions of subsections (1) to (8) of this section are not subject to KRS
9 161.714;

10 (11) Any member retired by reason of service may waive his or her annuity and return to
11 full-time employment in a position covered by the Kentucky Teachers' Retirement
12 System under the following conditions:

13 (a) The member shall receive no annuity payments while employed in a covered
14 position, shall waive his or her medical insurance coverage with the Kentucky
15 Teachers' Retirement System during the period of reemployment, and shall
16 receive the medical insurance coverage that is generally offered by the
17 member's active employer to the other members of the retirement system
18 employed by the active employer. The member's estate or, if there is a
19 beneficiary applicably designated by the member, then the beneficiary, shall
20 continue to be eligible for life insurance benefits as provided in KRS 161.655.
21 Service subsequent to retirement shall not be used to improve an annuity,
22 except as provided in paragraphs (b) and (c) of this subsection;

23 (b) Any member who waives regular annuity benefits and returns to teaching or
24 covered employment shall be entitled to make contributions on the salaries
25 received for this service and have his retirement annuity recalculated as
26 provided in the regular retirement formula in KRS 161.620(1), less any
27 applicable actuarial discount applied to the original retirement allowance due

1 to the election of a joint and last survivor option. Retirement option and
2 beneficiary designation on original retirement shall not be altered by
3 postretirement employment, and dependents and spouses of the members shall
4 not become eligible for benefits under KRS 161.520, 161.525, or 161.661
5 because of postretirement employment;

6 (c) When a member returns to full-time teaching or covered employment as
7 provided in subsection (b) of this section, the employer is required to withhold
8 and remit regular retirement contributions. The member must be employed
9 full-time for at least one (1) consecutive contract year to be eligible to
10 improve an annuity. The member shall be returned to the annuity rolls on July
11 1 following completion of the contract year or on the first day of the month
12 following the month of termination of service if full-time employment
13 exceeds one (1) consecutive contract year. Any discounts applied at the time
14 of the original retirement due to service or age may be reduced or eliminated
15 due to additional employment if full-time employment is for one (1)
16 consecutive contract year or longer; and

17 (d) A member retired by reason of service who has been employed the equivalent
18 of twenty-five (25) days or more during a school year under KRS 161.605
19 may waive the member's retirement annuity and return to regular employment
20 covered by the Kentucky Teachers' Retirement System during that school year
21 a maximum of one (1) time during any five (5) year period, beginning with
22 that school year;

23 (12) Retired members may be employed in a part-time teaching capacity by an agency
24 described in KRS 161.220(4)(b) or (n), not to exceed the equivalent of twelve (12)
25 teaching hours in any one (1) fiscal year. Retired members may be employed for a
26 period not to exceed the equivalent of one hundred (100) days in any one (1) fiscal
27 year in a part-time administrative or nonteaching capacity by an agency described in

1 KRS 161.220(4)(b) or (n) in a position that would otherwise be covered by the
2 retirement system. The return to work provisions set forth in subsections (1) to (8)
3 of this section shall not apply to retired members who return to work solely for an
4 agency described in KRS 161.220(4)(b) or (n). Calculation of the number of days
5 and teaching hours for part-time teaching, substitute teaching, or part-time
6 employment in a nonteaching capacity under this section shall not exceed the ratio
7 between a school year and the actual months of retirement for the member during
8 that school year. The board of trustees by administrative regulation may establish
9 fractional equivalents of a day of teaching service. Any member who exceeds the
10 twelve (12) hour or one hundred (100) day limitations of this subsection shall be
11 subject to having his or her retirement voided and be required to return all
12 retirement allowances and other benefits paid to the member or on the member's
13 behalf since the effective date of retirement. In lieu of voiding a member's
14 retirement, the system may reduce the member's retirement allowance or any other
15 benefit to which the member would otherwise be entitled on a dollar-for-dollar basis
16 for each dollar of compensation that the member earns in employment exceeding
17 twelve (12) hours, one hundred (100) days, or any apportionment of the two (2)
18 combined;

19 (13) When a retired member returns to employment in a part-time teaching capacity or in
20 a nonteaching capacity as provided in subsection (12) of this section, the employer
21 shall contribute annually to the retirement system on the compensation paid to the
22 retired member at rates determined by the retirement system actuary that reflect
23 accrued liability for retired members who return to work under subsection (12) of
24 this section; and

25 (14) For retired members who return to work during any one (1) fiscal year in both a
26 position described in KRS 161.220(4)(b) or (n) and in a position described under
27 another provision under KRS 161.220(4), and for retired members who return to

1 work in a position described under KRS 161.220(4)(b) or (n) in both a teaching and
2 an administrative or nonteaching capacity, the board of trustees shall adopt a
3 methodology for a pro rata apportionment of days and hours that the retired member
4 may work in each position.

5 ➔Section 64. KRS 161.612 is repealed and reenacted to read as follows:

6 Effective July 1, 2002, any individual occupying a position on a part-time basis that
7 requires certification or graduation from a four (4) year college or university as a
8 condition of employment and any individual providing part-time or substitute teaching
9 services that are the same or similar to those teaching services provided by certified, full-
10 time teachers shall be a member of the Kentucky Teachers' Retirement System, according
11 to the conditions and only to the extent set forth in this section, if the individual is
12 employed by one (1) of the public boards, institutions, or agencies set forth in KRS
13 161.220, excluding those public boards, institutions, and agencies described in KRS
14 161.220(4)(b) and (n). Members providing part-time and substitute services shall
15 participate in the retirement system as follows:

16 (1) Members providing part-time and substitute services shall accrue service credit as
17 provided under KRS 161.500 and be entitled to a retirement allowance upon
18 meeting the service retirement conditions of KRS 161.235 or 161.600, as
19 applicable. The board of trustees shall adopt a methodology for accrediting service
20 credit to these members on a pro rata basis. The methodology adopted by the board
21 of trustees may be amended as necessary to ensure its actuarial soundness. The
22 retirement allowance for members providing part-time and substitute services shall
23 be calculated pursuant to KRS 161.235 or 161.620, as applicable, except that the
24 provisions of KRS 161.620(3) shall not apply. Members providing part-time and
25 substitute services who meet the service retirement conditions of KRS 161.235 or
26 161.600, as applicable, may also be eligible to participate as approved by the board
27 of trustees in the medical insurance program provided by the retirement system

1 under KRS 161.675. Members providing part-time and substitute services shall
2 make contributions to the Kentucky Teachers' Retirement System at the rate
3 provided under KRS 161.540. A member who provides part-time or substitute
4 services, or in the event of the death of the member, the member's estate or
5 applicably designated beneficiary, will be entitled, within ninety (90) days of the
6 posting of the annual report submitted by the member's employer, to a refund of
7 contributions as permitted and limited by KRS 161.470;

8 (2) The board of trustees shall adopt eligibility conditions under which members
9 providing part-time and substitute services may participate in the benefits provided
10 under KRS 161.520, 161.655, 161.661, and 161.663. The board of trustees may
11 permit members providing part-time or substitute services to participate in other
12 benefits offered by the retirement system by promulgating administrative
13 regulations that establish eligibility conditions for participation in these benefits. All
14 eligibility conditions adopted by the board of trustees pursuant to this subsection
15 may be amended as necessary to ensure their actuarial soundness;

16 (3) In addition to the pro rata methodology adopted by the board of trustees under
17 subsection (1) of this section, members providing part-time and substitute services
18 shall be subject to all limitations and conditions regarding the accrual, retention,
19 accreditation, and use of service credit that apply to members providing full-time
20 services. In addition to the eligibility conditions set forth by the board of trustees
21 under subsection (2) of this section, members providing part-time and substitute
22 services shall be subject to all limitations and conditions regarding both the
23 eligibility to participate and the extent of participation in any benefit offered under
24 KRS 161.220 to 161.716 that apply to members providing full-time services;

25 (4) Notwithstanding any other provisions of this section to the contrary, instructional
26 assistants who provide teaching services in the local school districts on a full-time
27 basis in positions covered by the County Employees Retirement System who are

1 used as substitute teachers on an emergency basis for five (5) days or less during
2 any one (1) fiscal year shall not be considered members of the Teachers' Retirement
3 System during that period in which they are serving as substitute teachers for five
4 (5) days or less;

5 (5) The board of trustees may adopt a pro rata methodology to determine the annual
6 compensation of members providing part-time and substitute services in order to
7 determine benefits provided under KRS 161.661 and 161.663. Members providing
8 part-time and substitute services who had retirement contributions posted to their
9 accounts during the previous fiscal year and who have not had those contributions
10 refunded to them are eligible to vote for the board of trustees;

11 (6) The board of trustees of the Teachers' Retirement System shall be responsible for
12 final determination of membership eligibility and may direct employers to take
13 whatever action that may be necessary to correct any error relating to membership;

14 (7) Effective January 1, 2019, this section does not apply to any individual who retires
15 on or after January 1, 2019, and is reemployed on or after January 1, 2019; and

16 (8) The provisions of this section are not subject to KRS 161.714.

17 ➔Section 65. KRS 161.615 is repealed and reenacted to read as follows:

18 (1) The board of trustees is authorized to implement a limited defined contribution plan
19 for the sole purpose of providing retirement allowance payments for retired
20 members who have been approved by the retirement system for full-time
21 reemployment as provided in KRS 161.605.

22 (2) The defined contribution plan shall be administered separately from the regular
23 benefits provided for members of the retirement system, except that the
24 contributions to the plan shall be invested in the same manner as other contributions
25 to the retirement system.

26 (3) The provisions of this section apply only to those retired members who were
27 permitted to return to work under the critical shortage provisions of KRS

1 161.605(7) as they existed on June 30, 2002. The provisions of this section shall not
2 apply to any retired member returning to work on or after July 1, 2002.

3 (4) Separate member accounts shall be maintained for participants in this plan which
4 shall reflect the annual contributions made to the participant's account based on the
5 rates and interest levels specified in KRS 161.605.

6 (5) When the retiree's reemployment terminates, the total contributions and accrued
7 interest in the participant's account will be paid in a lump-sum payment or on an
8 actuarial straight life monthly basis to the retiree. If the member dies prior to
9 making application for a retirement allowance under this plan, the beneficiary
10 designated by the participant for this plan shall receive a refund of the funds in the
11 account. If there is a remaining balance in the account at the death of the participant
12 after retirement from this plan, it shall be paid to the beneficiary designated by the
13 participant for this benefit.

14 (6) Retired members shall be eligible to receive their retirement annuity when approved
15 for reemployment and participation in this plan. Service as a reemployed retiree
16 may not be used in any manner for credit under the regular retirement benefit plans
17 provided by the retirement system.

18 (7) Notwithstanding the provisions of subsections (1) to (6) of this section, any plan
19 established pursuant to this section shall, effective January 1, 2019, be closed to any
20 future employee or employer contributions.

21 ➔Section 66. KRS 161.620 is repealed and reenacted to read as follows:

22 (1) The retirement allowance, in the form of a life annuity with refundable balance, of a
23 member retiring for service shall be calculated as follows:

24 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise
25 provided by this section, the annual allowance for each year of service shall be
26 two percent (2%) of the final average salary for service performed prior to
27 July 1, 1983, and two and one-half percent (2.5%) of the final average salary

1 for service performed after July 1, 1983, for all nonuniversity members. The
2 annual retirement allowance for each year of service performed by members
3 of the Teachers' Retirement System who are university members shall be two
4 percent (2%) of the final average salary. Actuarial discounts due to age or
5 service credit at retirement may be applied as provided in this section;

6 (b) For individuals who become nonuniversity members of the Teachers'
7 Retirement System on or after July 1, 2002, and before July 1, 2008, who
8 upon retirement have earned less than ten (10) full years of service credit, the
9 retirement allowance shall be two percent (2%) of the member's final average
10 salary for each year of service. For individuals who become nonuniversity
11 members of the Teachers' Retirement System on or after July 1, 2002, and
12 before July 1, 2008, and who upon retirement have earned at least ten (10) full
13 years of service credit, the annual allowance for each year of service shall be
14 two and one-half percent (2.5%) of the member's final average salary;

15 (c) The board of trustees may approve for members who initially retire on or after
16 July 1, 2004, and who become nonuniversity members before July 1, 2008, a
17 retirement allowance of three percent (3%) of the member's final average
18 salary for each year of service credit earned in excess of thirty (30) years.

19 This three percent (3%) factor shall be in lieu of the two and one-half percent
20 (2.5%) factor provided for in paragraph (b) of this subsection for every year or
21 fraction of a year of service in excess of thirty (30) years. Upon approval of
22 this three percent (3%) retirement factor, the board of trustees may establish
23 conditions of eligibility regarding the type of service credit that will qualify
24 for meeting the requirements of this subsection. This subsection is optional
25 with the board of trustees and shall not be subject to KRS 161.714;

26 (d) For individuals who become nonuniversity members of the Teachers'
27 Retirement System on or after July 1, 2008, the retirement allowance shall be:

- 1 average salary for each year of service if the member has earned greater
2 than twenty (20) but less than twenty-seven (27) years of service at
3 retirement; or
- 4 4. Two percent (2%) of the member's final average salary for each year of
5 service if the member has earned twenty-seven (27) or more years of
6 service at retirement; and
- 7 (f) The retirement allowance of a member at retirement, as measured on a life
8 annuity, shall not exceed the member's last yearly salary or the member's final
9 average salary, whichever is the greater amount. For purposes of this section,
10 "yearly salary" means the compensation earned by a member during the most
11 recent period of contributing service, either consecutive or nonconsecutive,
12 preceding the member's effective retirement date and shall be subject to the
13 provisions of KRS 161.220(9) and (10).
- 14 (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance
15 of each retired member and of each beneficiary of a retirement option shall be
16 increased in the amount of one and one-half percent (1.5%), provided the retired
17 member had been retired for at least the full twelve (12) months immediately
18 preceding the date that the increase is effective. In the event that the retired member
19 had been retired for less than the full twelve (12) months immediately preceding the
20 date that the increase is effective, then the increase shall be reduced on a pro rata
21 basis by each month that the retired member had not been retired for the full twelve
22 (12) months immediately preceding the effective date of the increase.
- 23 (3) Any member qualifying for retirement under a life annuity with refundable balance
24 shall be entitled to receive an annual allowance amounting to not less than four
25 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty
26 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the
27 member. These minimums shall apply to the retired members receiving annuity

1 payments and to those members retiring on or subsequent to the effective dates
2 listed in this subsection, except the following:

3 (a) Individuals who become members of the Kentucky Teachers' Retirement
4 System on or after July 1, 2008; or

5 (b) Members whose retirement allowance payment is reduced below the
6 minimum allowance as a result of its division in a qualified domestic relations
7 order or any other provision permitted under KRS 161.700.

8 (4) The minimum retirement allowance provided in this section shall apply in the case
9 of members retired or retiring under an option other than a life annuity with
10 refundable balance in the same proportion to the benefits of the member and his
11 beneficiary or beneficiaries as provided in the duly-adopted option tables at the time
12 of the member's retirement.

13 (5) Effective July 1, 2008, the monthly allowance of each retired member and each
14 recipient of a retirement option of the retired member may be increased in an
15 amount not to exceed three and one-half percent (3.5%) of the monthly allowance in
16 effect the previous month, provided the retired member had been retired for at least
17 the full twelve (12) months immediately preceding the date that the increase is
18 effective. In the event that the retired member had been retired for less than the full
19 twelve (12) months immediately preceding the date that the increase is effective,
20 then the increase shall be reduced on a pro rata basis by each month that the retired
21 member had not been retired for the full twelve (12) months immediately preceding
22 the effective date of the increase. The level of increase provided for in this
23 subsection shall be determined by the funding provided in the 2008-2010 biennium
24 budget appropriation.

25 (6) Effective July 1, 2009, the monthly allowance of each retired member and each
26 recipient of a retirement option of the retired member may be increased in an
27 amount not to exceed seven-tenths of one percent (0.7%) of the monthly allowance

1 in effect the previous month, provided the retired member had been retired for at
2 least the full twelve (12) months immediately preceding the date that the increase is
3 effective. In the event that the retired member had been retired for less than the full
4 twelve (12) months immediately preceding the date that the increase is effective,
5 then the increase shall be reduced on a pro rata basis by each month that the retired
6 member had not been retired for the full twelve (12) months immediately preceding
7 the effective date of the increase. The level of increase provided for in this
8 subsection shall be determined by the funding provided in the 2008-2010 biennium
9 budget appropriation.

10 (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be
11 payable for the benefit of an adult child of a member retired for service when the
12 child's mental or physical condition is sufficient to cause dependency on the
13 member at the time of retirement. Eligibility for this payment shall continue for the
14 life of the child or until the time the mental or physical condition creating the
15 dependency no longer exists or the child marries. Benefits under this subsection
16 shall apply to legally adopted survivors provided the proceedings for the adoption
17 were initiated at least one (1) year prior to the death of the member. The board of
18 trustees shall be the sole judge of eligibility or dependency and may require formal
19 application or information relating thereto.

20 (8) Members of the Teachers' Retirement System shall be subject to the annuity income
21 limitations imposed by Section 415 of the Internal Revenue Service Code.

22 (9) Compensation in excess of the limitations imposed by Section 401(a)(17) of the
23 Internal Revenue Code shall not be used in determining a member's retirement
24 annuity. The limitation on compensation for eligible members shall not be less than
25 the amount which was allowed to be taken into account by the retirement system in
26 effect on July 1, 1993. For this purpose, an eligible member is an individual who
27 was a member of the retirement system before the first plan year beginning after

1 December 31, 1995.

2 (10) Effective January 1, 2019, subsections (1) to (7) of this section do not apply to
3 individuals who become members of the Teachers' Retirement System on or after
4 January 1, 2019.

5 ➔Section 67. KRS 161.630 is repealed and reenacted to read as follows:

6 (1) (a) An individual who became a member prior to January 1, 2019, upon
7 retirement, shall receive a retirement allowance in the form of a life annuity,
8 with refundable balance, as provided in KRS 161.620, unless an election is
9 made before the effective date of retirement to receive actuarially equivalent
10 benefits under options which the board of trustees approves.

11 (b) An individual who is participating in the hybrid cash balance plan as provided
12 by KRS 161.235 may, before the effective date of retirement, elect to receive
13 his or her accumulated account balance annuitized into a monthly payment
14 under one (1) of the actuarial equivalent payment options approved by the
15 board of trustees.

16 (c) No option shall provide for a benefit with an actuarial value at the age of
17 retirement greater than that provided in KRS 161.235(7)(a) or 161.620, as
18 applicable. This section does not apply to disability allowances as provided in
19 KRS 161.661(1).

20 (2) The retirement option chosen by a retiree at the time of service retirement shall
21 remain in force unless the retiree became a member prior to January 1, 2019, and
22 elects to make a change under the following conditions:

23 (a) A divorce, annulment, or marriage dissolution following retirement shall, at
24 the election of the retiree, cancel any optional plan selected at retirement that
25 provides continuing benefits to a spousal beneficiary and return the retiree to a
26 single lifetime benefit equivalent as determined by the board; or

27 (b) Following marriage or remarriage, or the death of the designated beneficiary, a

1 retiree may elect a new optional plan of payment based on the actuarial
2 equivalent of a single lifetime benefit at the time of the election, as determined
3 by the board. The plan shall become effective the first of the month following
4 receipt of an application on a form approved by the board.

5 (3) Except as otherwise provided in this section, a beneficiary designation shall not be
6 changed after the effective date of retirement except for retirees who elect the life
7 annuity with refundable balance or the predetermined years certain and life
8 thereafter option. A member may remove a beneficiary at any time, but shall not
9 designate a substitute beneficiary. If a member elects to remove a beneficiary, the
10 member's retirement allowance shall not change regardless of the retirement option
11 selected by the member, even if the removed beneficiary predeceases the member.

12 (4) A member who experiences a qualifying event under subsection (2) of this section
13 and who elects a new optional plan of payment shall make that election within sixty
14 (60) days of the qualifying event.

15 ➔Section 68. KRS 161.655 is repealed and reenacted to read as follows:

16 (1) Effective July 1, 2000, the Teachers' Retirement System shall for those individuals
17 who became members prior to January 1, 2019:

18 (a) Provide a life insurance benefit in a minimum amount of five thousand dollars
19 (\$5,000) for its members who are retired for service or disability. This life
20 insurance benefit shall be payable upon the death of a member retired for
21 service or disability to the member's estate or to a party designated by the
22 member on a form prescribed by the retirement system; and

23 (b) Provide a life insurance benefit in a minimum amount of two thousand dollars
24 (\$2,000) for its active contributing members. This life insurance benefit shall
25 be payable upon the death of an active contributing member to the member's
26 estate or to a party designated by the member on a form prescribed by the
27 retirement system.

1 (2) The member may name one (1) primary and one (1) contingent beneficiary for
2 receipt of the life insurance benefit. To the extent permitted by the Internal Revenue
3 Code, a trust may be designated as beneficiary for receipt of the life insurance
4 benefit. Members may designate as beneficiaries only presently identifiable and
5 existing individuals, or trusts where otherwise permitted, without contingency
6 instructions, on forms prescribed by the retirement system. In the event that a
7 member fails to designate a beneficiary, or all designated beneficiaries predecease
8 the member, the member's estate shall be deemed to be the beneficiary. Any
9 beneficiary designation made by the member, including the estate should the estate
10 become the beneficiary by default, shall remain in effect until changed by the
11 member on forms prescribed by the retirement system, except in the event of
12 subsequent marriage or divorce. A valid marriage license shall terminate any
13 previously designated beneficiary, even that of a trust, and establish the spouse as
14 beneficiary unless, subsequent proof of the marriage, the member or retired member
15 redesignates someone other than the new spouse as the beneficiary. A final divorce
16 decree shall terminate the beneficiary status of an ex-spouse unless, subsequent to
17 divorce, the member redesignates the former spouse as a beneficiary. A final
18 divorce decree shall not terminate the designation of a trust as beneficiary regardless
19 of who is designated as beneficiary of the trust.

20 (3) Application for payment of life insurance proceeds shall be made to the Teachers'
21 Retirement System together with acceptable evidence of death and eligibility. The
22 reciprocal provisions of KRS 61.680(2)(a) shall not apply to the coverage and
23 payment of proceeds by the life insurance benefit under this section.

24 (4) Suit or civil action shall not be required for the collection of the proceeds of the life
25 insurance benefit provided for by this section, but nothing in this section shall
26 prevent the maintenance of suit or civil action against the beneficiary or legal
27 representative receiving the proceeds of the life insurance benefit.

1 (5) Upon the death of a member of the Teachers' Retirement System, the life insurance
2 provided pursuant to subsection (1) of this section may be assigned by the
3 designated beneficiary to a bank or licensed funeral home.

4 ➔Section 69. KRS 161.661 is repealed and reenacted to read as follows:

5 (1) Any member who has completed five (5) or more years of accredited service in the
6 public schools of Kentucky after July 1, 1941, may retire for disability and be
7 granted a disability allowance if found to be eligible as provided in this section.
8 Application for disability benefits shall be made within one (1) year of the last
9 contributing service in Kentucky, and the disability must have occurred during the
10 most recent period of employment in a position covered by the Teachers' Retirement
11 System and subsequent to the completion of five (5) years of teaching service in
12 Kentucky. A disability occurring during the regular vacation immediately following
13 the last period of active service in Kentucky or during an official leave for which
14 the member is entitled to make regular contributions to the retirement system, shall
15 be considered as having occurred during a period of active service. The annual
16 disability allowance shall be equal to sixty percent (60%) of the member's final
17 average salary. Individuals who became members prior to January 1, 2019, who
18 have twenty-seven (27) or more years of service credit are eligible for service
19 retirement only. Individuals who become members on or after January 1, 2019, who
20 have met the requirements of KRS 161.235(6)(b) shall be eligible for service
21 retirement only.

22 (2) The provisions of KRS 161.520, 161.525, and subsections (3), (4), and (5) of this
23 section shall not apply to disability retirees whose benefits were calculated on the
24 service retirement formula nor to survivors of these members.

25 (3) Members shall earn one (1) year of entitlement to disability retirement, at sixty
26 percent (60%) of the member's final average salary, for each four (4) years of
27 service in a covered position, but any member meeting the service requirement for

- 1 disability retirement shall be credited with no less than five (5) years of eligibility.
- 2 (4) A member retired by reason of disability shall continue to earn service credit at the
3 rate of one (1) year for each year retired for disability. This service shall be credited
4 to the member's account at the expiration of entitlement as defined in subsection (3)
5 of this section, or when the member's eligibility for disability benefits is terminated
6 upon recommendation of a medical review committee, and this service shall be used
7 in calculating benefits as provided in subsection (5) of this section, but under no
8 circumstances shall this service be used to provide the member with more than
9 twenty-seven (27) years of total service credit or the level of service credit needed
10 to meet the requirements of KRS 161.235(6)(b), as applicable. The service credit
11 shall be valued at the same level as service earned by active members as provided
12 under KRS 161.235, 161.600, or 161.620, as applicable. Members participating in
13 the hybrid cash balance plan as provided by KRS 161.235 shall also be credited
14 with employer credits and interest credits for each year of service earned under the
15 provisions of this subsection based upon the salary in which the last employer credit
16 was paid. Payments during the entitlement period as specified by subsection (3) of
17 this section shall not reduce the accumulated account balance of a member
18 participating in the hybrid cash balance plan.
- 19 (5) Any member retired by reason of disability and remaining disabled at the expiration
20 of the entitlement period shall have his disability benefits recalculated using the
21 service retirement formula with service credit and any additional accumulated
22 account balance earned as set out in subsection (4) of this section. For persons who
23 became members prior to January 1, 2019, the retirement allowance shall be
24 calculated as set forth in KRS 161.620, except that those persons less than sixty
25 (60) years of age shall be considered as sixty (60) years of age. For persons who
26 become members on or after January 1, 2019, the retirement allowance or benefit
27 shall be calculated as set forth in KRS 161.235, except that those persons less than

1 age sixty-five (65) shall be considered as sixty-five (65) years of age. Members
2 having their disability benefits recalculated under this subsection shall not be
3 entitled to a benefit based upon an average of their three (3) highest salaries as set
4 forth in KRS 161.220(9), unless approved otherwise by the board of trustees.

5 (6) Members who have their disability retirement allowance recalculated at the
6 expiration of the entitlement period shall continue to have coverage under the post-
7 retirement medical insurance program. Restrictions on employment shall remain in
8 effect until the member attains age seventy (70) or until the member's eligibility is
9 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability
10 retirees whose retirement allowances have been recalculated at the expiration of the
11 entitlement period. Members who have their disability retirement allowance
12 recalculated at the expiration of their entitlement period shall be entitled to a
13 minimum monthly allowance of five hundred dollars (\$500) as the basic straight life
14 annuity. The minimum allowance shall be effective July 1, 1992, and shall apply to
15 those members who have had their allowance recalculated prior to that date and to
16 disability retirees who will have their benefit allowance recalculated on or after that
17 date.

18 (7) Effective July 1, 1992, members retired for disability prior to July 1, 1964, shall be
19 entitled to a minimum monthly allowance of five hundred dollars (\$500) as their
20 basic straight life annuity and their surviving spouse shall be eligible for survivor
21 benefits as provided in KRS 161.520(1)(a) and (b).

22 (8) Any member retired by reason of disability may voluntarily waive disability benefits
23 and return to teaching or any individual who became a member prior to January 1,
24 2019, who is age sixty (60) years or older, may elect to waive disability benefits and
25 retire for service on the basis of service credited to the member on the effective date
26 of the disability retirement, or any individual who becomes a member on or after
27 January 1, 2019, who is sixty-five (65) years of age or older, may elect to waive

1 disability benefits and retire for service on the basis of his or her accumulated
2 account balance and service credited to the member on the effective date of
3 disability retirement.

4 (9) In order to qualify for retirement by reason of disability a member must suffer from
5 a physical or mental condition presumed to be permanent in duration and of a nature
6 as to render the member incapable of being gainfully employed in a covered
7 position. The incapability must be revealed by a competent examination by a
8 licensed physician or physicians and must be approved by a majority of a medical
9 review committee.

10 (10) A member retired by reason of disability shall be required to undergo periodic
11 examinations at the discretion of the board of trustees to determine whether the
12 disability allowance shall be continued. When examination and recommendation of
13 a medical review committee indicate the disability no longer exists, the allowance
14 shall be discontinued.

15 (11) Eligibility for payment shall begin on the first day of the month following receipt of
16 the application in the Teachers' Retirement System office, or the first of the month
17 next following the last payment of salary or sick leave benefits by the employer,
18 whichever is the later date.

19 (12) No person who receives a disability allowance may be employed in a position that
20 entails duties or qualification requirements similar to positions subject to
21 participation in the retirement system either within or without the State of
22 Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the
23 allowance from the first date of this service. A member who applies for and is
24 approved for disability retirement on or after July 1, 2002, and whose annual
25 disability benefit is less than forty thousand dollars (\$40,000) may earn income in
26 any occupation other than covered employment only to the extent that the annual
27 income from the other employment when added to the annual disability benefit does

1 not exceed forty thousand dollars (\$40,000). For any member who exceeds this
2 limit as a result of income from other employment, the Kentucky Teachers'
3 Retirement System shall reduce the member's disability benefit on a dollar-for-
4 dollar basis for each dollar that the member's combined annual disability benefit and
5 annual income from other employment exceeds forty thousand dollars (\$40,000).
6 The board of trustees may annually increase the forty thousand dollar (\$40,000)
7 limit by the percentage increase in the annual average of the consumer price index
8 for all urban consumers for the most recent calendar year as published by the
9 Federal Bureau of Labor Statistics, not to exceed five percent (5%).

10 (13) All members who applied for disability retirement before July 1, 2002, and were
11 approved as a result of that application shall be subject to the income limitations as
12 they existed on June 30, 2002, until July 1, 2006. Effective July 1, 2006, the twenty-
13 seven thousand dollar (\$27,000) limitation shall be increased to forty thousand
14 dollars (\$40,000) and may be adjusted by the board of trustees by the consumer
15 price index in the manner described in subsection (12) of this section. The recipient
16 of a disability allowance who engages in any gainful occupation other than covered
17 employment must make a report of the duties involved, compensation received, and
18 any other pertinent information required by the board of trustees.

19 (14) The board of trustees shall designate medical review committees, each consisting of
20 three (3) licensed physicians. A medical review committee shall pass upon all
21 applications for disability retirement and upon all applicant statements, medical
22 certifications, and examinations submitted in connection with disability
23 applications. The disposition of each case shall be recommended by a medical
24 review committee in writing to the retirement system. Members of a medical review
25 committee shall follow administrative regulations regarding procedures as the board
26 of trustees may enact and shall be paid reasonable fees and expenses as authorized
27 by the board of trustees in compliance with the provisions of KRS 161.330 and

1 161.340. The retirement system may secure additional medical examinations and
2 information as it deems necessary. A member may appeal any final agency decision
3 denying his or her disability retirement application pursuant to the provisions of
4 KRS 161.250(2).

5 (15) A disability may be presumed to be permanent if the condition creating the
6 disability may be reasonably expected to continue for one (1) year or more from the
7 date of application for disability benefits.

8 (16) Any member who has voluntarily waived disability benefits or whose disability
9 benefits have been discontinued on recommendation of a medical review
10 committee, may apply for reinstatement of disability benefits. The application for
11 reinstatement must be made to the retirement system within twelve (12) months of
12 the date disability benefits terminated. If the termination of benefits were voluntary,
13 the reinstatement may be made without medical examination if application is made
14 within three (3) months of the termination date. Other applications for reinstatement
15 will be processed in the same manner as new applications for benefits.

16 (17) No person who is receiving disability benefits under this section may be employed
17 in a position which qualifies the person for membership in a retirement system
18 financed wholly or in part with public funds. Employment in a position prohibited
19 by this subsection shall result in disqualification for those disability benefits from
20 the date of employment in the prohibited position.

21 (18) Any person who is receiving benefits and becomes disqualified from receiving
22 those benefits under this section, or becomes disqualified from receiving a portion
23 of those benefits due to income from other than covered employment, shall
24 immediately notify the Teachers' Retirement System of this disqualification in
25 writing and shall return all benefits paid after the date of disqualification. Failure to
26 comply with these provisions shall create an indebtedness of that person to the
27 Teachers' Retirement System. Interest at the rate of eight percent (8%) per annum

1 shall be charged if the debt is not repaid within sixty (60) days after the date of
2 disqualification. Failure to repay this debt creates a lien in favor of the Teachers'
3 Retirement System upon all property of the person who improperly receives benefits
4 and does not repay those benefits. The Kentucky Teachers' Retirement System may,
5 in order to collect an outstanding debt, reduce or terminate any benefit that a
6 member is otherwise entitled to receive.

7 ➔Section 70. KRS 161.650 is repealed and reenacted to read as follows:

8 (1) In the case of death of a member who has retired by reason of service or disability,
9 any portion of the member's accumulated contributions, including member
10 contributions to the state accumulation fund and regular interest to the date of
11 retirement, that has not, and will not be paid as an allowance or benefit shall be paid
12 to the member's beneficiary in such manner as the board of trustees elects.

13 (2) The member may designate a primary beneficiary or two (2) or more cobeneficiaries
14 to receive any remaining accumulated member contributions payable under this
15 section. A contingent beneficiary may be designated in addition to the primary
16 beneficiary or the cobeneficiaries. The member may designate two (2) or more
17 contingent beneficiaries. To the extent permitted by the Internal Revenue Code, a
18 trust may be designated as beneficiary for receipt of any remaining funds of the
19 member's accumulated contributions. Members may designate as beneficiaries only
20 presently identifiable and existing individuals, or trusts where otherwise permitted,
21 without contingency instructions, on forms prescribed by the retirement system.
22 Cobeneficiaries shall be composed of a single class of individuals, or trusts where
23 permitted, who will share in equal proportions in any payment that may become
24 available under this section. Any beneficiary designation made by the member shall
25 remain in effect until changed by the member on forms prescribed by the retirement
26 system, except in the event of subsequent divorce. A final divorce decree shall
27 terminate the beneficiary status of an ex-spouse unless, subsequent to divorce, the

1 member redesignates the former spouse as a beneficiary. A final divorce decree
2 shall not terminate the designation of a trust as beneficiary regardless of who is
3 designated as beneficiary of the trust. In the event that the member fails to designate
4 a beneficiary or all designated beneficiaries predecease the member, any remaining
5 accumulated member contributions shall be payable to the member's estate.

6 ➔Section 71. KRS 161.700 is repealed and reenacted to read as follows:

7 (1) Except as otherwise provided by this section and KRS 161.655(5), the right of a
8 member to a retirement allowance and to the return of contributions, any benefit or
9 right accrued or accruing to any person under KRS 161.220 to 161.716, and the
10 money in the various funds established pursuant to KRS 161.220 to 161.716 are
11 hereby exempt from any state or municipal tax, and shall not be subject to
12 execution, garnishment, attachment, or other process, and shall not be assigned.

13 (2) Notwithstanding subsection (1) of this section, retirement benefits accrued or
14 accruing to any person under this retirement system on or after January 1, 1998,
15 shall be subject to the tax imposed by KRS 141.020, to the extent provided in KRS
16 141.010 and 141.0215.

17 (3) Retirement allowance, disability allowance, accumulated account balance, or any
18 other benefit under the retirement system shall not be classified as marital property
19 pursuant to KRS 403.190(1), except to the extent permitted under KRS 403.190(4).
20 Retirement allowance, disability allowance, accumulated contributions, or any other
21 benefit under the retirement system shall not be considered as an economic
22 circumstance during the division of marital property in an action for dissolution of
23 marriage pursuant to KRS 403.190(1)(d), except to the extent permitted under KRS
24 403.190(4).

25 (4) Qualified domestic relations orders issued by a court or administrative agency shall
26 be honored by the retirement system if:

27 (a) The benefits payable pursuant to the order meet the requirements of a

- 1 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The
2 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)
3 in administering qualified domestic relations orders;
- 4 (b) The order meets the requirements established by the retirement system and by
5 subsections (4) to (12) of this section. The board of trustees of the retirement
6 system shall establish the requirements, procedures, and forms necessary for
7 the administration of qualified domestic relations order by promulgation of
8 administrative regulations in accordance with KRS Chapter 13A; and
- 9 (c) The order is on the form established by the retirement system pursuant to the
10 retirement system's authority provided under paragraph (b) of this subsection.
- 11 (5) A qualified domestic relations order shall not:
- 12 (a) Require the retirement system to take any action not authorized under state or
13 federal law;
- 14 (b) Require the retirement system to provide any benefit, allowance, or other
15 payment not authorized under state or federal law;
- 16 (c) Grant or be construed to grant the alternate payee any separate right, title, or
17 interest in or to any retirement benefit other than to receive payments from the
18 participant's account in accordance with the administrative regulations
19 promulgated by the system and as provided by subsections (4) to (12) of this
20 section; or
- 21 (d) Grant any separate interest to any person other than the participant.
- 22 (6) Any qualified domestic relations order submitted to the retirement system shall
23 specify the dollar amount or percentage amount of the participant's benefit to be
24 paid to the alternate payee. In calculating the amount to be paid to the alternate
25 payee, the court or administrative agency that is responsible for issuing the order
26 shall follow the requirements set forth in the administrative regulations promulgated
27 by the board of trustees. Notwithstanding any other statute to the contrary, the board

1 shall not be required to honor a qualified domestic relations order that does not
2 follow the requirements set forth in the administrative regulations promulgated by
3 the board of trustees.

4 (7) If the qualified domestic relations order meets the requirements established by the
5 system and by subsections (4) to (12) of this section, payments to the alternate
6 payee shall be distributed under the following conditions:

7 (a) If the participant is retired and is receiving a monthly retirement allowance,
8 the month following the date the retirement system receives a qualified
9 domestic relations order that complies with the administrative regulations
10 promulgated by the retirement system and subsections (4) to (12) of this
11 section; or

12 (b) If the participant is not retired, the month of the participant's effective
13 retirement date in which the first retirement allowance is payable to the
14 participant or the month in which the participant receives a refund of his or
15 her accumulated account balance as provided by KRS 161.470(6).

16 (8) An alternate payee's benefits and rights under a qualified domestic relations order
17 shall terminate upon the earlier of:

18 (a) The death of the participant;

19 (b) The death of the alternate payee; or

20 (c) The termination of benefits to the participant under any provision of KRS
21 161.220 to 161.716.

22 (9) An alternate payee shall not receive a monthly payment under a qualified domestic
23 relations order if the participant is not receiving a monthly retirement allowance.

24 (10) The cost of living adjustment provided to the participant pursuant to KRS 161.620
25 shall be divided between the participant and alternate payee in a qualified domestic
26 relations order as follows:

27 (a) If the order specifies the alternate payee is to receive a percentage of the

1 participant's benefit, then the cost of living adjustment shall be divided
2 between the participant and the alternate payee based upon the percentage of
3 the total benefit each is receiving upon the participant's retirement or upon the
4 date the order is approved by the retirement system, whichever is later; or

5 (b) If the order specifies that the alternate payee is to receive a set dollar amount
6 of the participant's benefit, then the order shall specify that:

7 1. The cost of living adjustment shall be divided between the participant
8 and the alternate payee based upon the percentage of the total benefit
9 each is receiving upon the participant's retirement or upon the date the
10 order is approved by the retirement system, whichever is later; or

11 2. The alternate payee shall receive no cost of living adjustment.

12 If the order does not specify the division of the cost of living adjustment as
13 required by this paragraph, then no cost of living adjustment shall be payable
14 to the alternate payee. If no cost of living adjustment is provided to the
15 alternate payee, then the participant shall receive the full cost of living
16 adjustment he or she would have received if the order had not been applied to
17 the participant's account.

18 (11) Except in cases involving child support payments, the retirement system may charge
19 reasonable and necessary fees and expenses to the recipient and the alternate payee
20 of a qualified domestic relations order for the administration of the qualified
21 domestic relations order by retirement system. All fees and expenses shall be
22 established by the administrative regulations promulgated by the board of trustees
23 of the retirement system. The qualified domestic relations order shall specify
24 whether the fees and expenses provided by this subsection shall be paid:

25 (a) Solely by the participant;

26 (b) Solely by the alternate payee; or

27 (c) Equally shared by the participant and alternate payee.

1 (12) The retirement system shall honor a qualified domestic relations order issued prior
2 to July 15, 2010, for prospective benefit payments if the order or an amended
3 version of the order meets the requirements established by this section and the
4 administrative regulations promulgated by the retirement system. The order shall
5 not apply to benefit payments issued by the retirement system prior to the date the
6 order was approved by the retirement system.

7 ➔Section 72. KRS 161.714 is repealed, reenacted, and amended to read as
8 follows:

9 (1) For persons who became members in the Teachers' Retirement System prior to
10 January 1, 2019, it is hereby declared that in consideration of the contributions by
11 members and in further consideration of benefits received by the state from the
12 member's employment, KRS 161.220 to 161.710 shall constitute an inviolable
13 contract of the Commonwealth, and the benefits provided herein shall not be subject
14 to reduction or impairment by alteration, amendment, or repeal, except:

15 (a) As provided in KRS 6.696; and

16 (b) The General Assembly reserves the right to amend, reduce, or suspend any
17 legislative changes to the provisions of KRS 161.220 to 161.716 that become
18 effective on or after January 1, 2019~~[July 1, 2018]~~.

19 (2) (a) For persons who become members in the Teachers' Retirement System on or
20 after January 1, 2019, the General Assembly reserves the right to amend,
21 suspend, or reduce the benefits and rights provided under KRS 161.220 to
22 161.716 if, in its judgment, the welfare of the Commonwealth so demands,
23 except that the amount of benefits the member has accrued at the time of
24 amendment, suspension, or reduction shall not be affected.

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

1 time of amendment, suspension, or reduction.

2 (c) The provisions of this subsection shall not be construed to limit the General
3 Assembly's authority to change any other benefit or right specified by KRS
4 161.220 to 161.716, except the benefits specified by paragraph (b) of this
5 subsection for members who begin participating in the Teachers' Retirement
6 System on or after January 1, 2019.

7 (3) The provisions of this section shall not be construed to limit the General Assembly's
8 authority to amend, reduce, or suspend the benefits and rights of members of the
9 Teachers' Retirement System as provided by KRS 161.220 to 161.716 that the
10 General Assembly had the authority to amend, reduce, or suspend, prior to January
11 1, 2019~~[July 1, 2018]~~.

12 ➔Section 73. KRS 61.598 is repealed, reenacted, and amended to read as follows:

13 (1) For purposes of this section, "bona fide promotion or career advancement":

14 (a) Means a professional advancement in substantially the same line of work held
15 by the employee in the four (4) years immediately prior to the final five (5)
16 fiscal years preceding retirement or a change in employment position based on
17 the training, skills, education, or expertise of the employee that imposes a
18 significant change in job duties and responsibilities to clearly justify the
19 increased compensation to the member; and

20 (b) Does not include any circumstance where an elected official participating in
21 the Kentucky Employees Retirement System or the County Employees
22 Retirement System takes a position of employment with a different employer
23 participating in any of the state-administered retirement systems.

24 (2) (a) For employees retiring from the Kentucky Employees Retirement System, the
25 County Employees Retirement System, or the State Police Retirement System
26 on or after January 1, 2018, the systems shall, for each of the retiring
27 employee's last five (5) fiscal years of employment, identify any fiscal year in

1 which the creditable compensation increased at a rate of ten percent (10%) or
2 more annually over the immediately preceding fiscal year's creditable
3 compensation. The employee's creditable compensation in the fiscal year
4 immediately prior to the employee's last five (5) fiscal years of employment
5 shall be utilized to compare the initial fiscal year in the five (5) fiscal year
6 period.

7 (b) Except as limited or excluded by subsections (3) and (4) of this section, any
8 amount of increase in creditable compensation for a fiscal year identified
9 under paragraph (a) of this subsection that exceeds ten percent (10%) more
10 than the employee's creditable compensation from the immediately preceding
11 fiscal year shall not be included in the creditable compensation used to
12 calculate the retiring employee's monthly retirement allowance. If the
13 creditable compensation for a specific fiscal year identified under paragraph
14 (a) of this subsection as exceeding the ten percent (10%) increase limitation is
15 not used to calculate the retiring employee's monthly retirement allowance,
16 then no reduction in creditable compensation shall occur for that fiscal year.

17 (c) If the creditable compensation of the retiring employee is reduced as provided
18 by paragraph (b) of this subsection, the retirement systems:

- 19 1. Shall refund the employee contributions and interest attributable to the
20 reduction in creditable compensation; and
- 21 2. Shall not refund the employer contributions paid but shall utilize those
22 funds to pay down the unfunded liability of the pension fund in which
23 the retiring employee participated.

24 (3) In order to ensure the prospective application of the limitations on increases in
25 creditable compensation contained in subsection (2) of this section, only the
26 creditable compensation earned by the retiring employee on or after July 1, 2017,
27 shall be subject to reduction under subsection (2) of this section. Creditable

1 compensation earned by the retiring employee prior to July 1, 2017, shall not be
2 subject to reduction under subsection (2) of this section.

3 (4) Subsection (2) of this section shall not apply to:

4 (a) A bona fide promotion or career advancement as defined by subsection (1) of
5 this section;

6 (b) A lump-sum payment for compensatory time paid to an employee upon
7 termination of employment;

8 (c) A lump-sum payment made pursuant to an alternate sick leave program under
9 KRS 78.616(5) that is paid to an employee upon termination of employment;

10 (d) Increases in creditable compensation in a fiscal year over the immediately
11 preceding fiscal year, where in the immediately preceding fiscal year the
12 employer reported the employee as being on leave without pay for any reason,
13 including but not limited to sick leave without pay, maternity leave, leave
14 authorized under the Family Medical Leave Act, and any period of time where
15 the employee received workers' compensation benefit payments that were not
16 reported to the plan as creditable compensation;

17 (e) Increases in creditable compensation directly attributable to an employee's
18 receipt of compensation for overtime hours worked while serving as a
19 participating employee under any state or federal grant, grant pass-through, or
20 similar program that requires overtime as a condition or necessity of the
21 employer's receipt of the grant; and

22 (f) Increases in creditable compensation directly attributable to an employee's
23 receipt of compensation for overtime performed during a state of emergency
24 declared by the President of the United States or the Governor of the
25 Commonwealth of Kentucky.

26 (5) (a) For employees retiring on or after January 1, 2014, but prior to July 1, 2017,
27 the last participating employer shall be required to pay for any additional

1 actuarial costs resulting from annual increases in an employee's creditable
2 compensation greater than ten percent (10%) over the employee's last five (5)
3 fiscal years of employment that are not the direct result of a bona fide
4 promotion or career advancement. The cost shall be determined by the
5 retirement systems.

6 (b) Lump-sum payments for compensatory time paid to an employee upon
7 termination of employment shall be exempt from this subsection.

8 (c) Kentucky Retirement Systems shall be required to answer inquiries from
9 participating employers regarding this subsection. Upon request of the
10 employer prior to the employee's change of position or hiring, the systems
11 shall make a determination that is binding to the systems as to whether or not
12 a change of position or hiring constitutes a bona fide promotion or career
13 advancement.

14 (d) For any additional actuarial costs charged to the employer under this
15 subsection, the systems shall allow the employer to pay the costs without
16 interest over a period of one (1) year from the date of receipt of the employer's
17 final invoice.

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

24 (7) Any employer who disagrees with a determination made by the system in
25 accordance with this section regarding whether an increase in compensation
26 constitutes a bona fide promotion or career advancement for purposes of subsection
27 (5) of this section may request a hearing and appeal the decision in accordance with

1 KRS 61.645(16).

2 (8) For the fiscal year beginning July 1, 2017, and subsequent years, the Kentucky
3 Retirement Systems shall provide a means for employers to separately report the
4 specific exceptions provided in subsection (4) of this section within the reporting
5 system utilized by the employers for making employer reports under KRS 16.645,
6 61.675, and 78.545. The Kentucky Retirement Systems shall continually provide
7 communication, instructions, training, and educational opportunities for employers
8 regarding how to appropriately report exemptions established by subsection (4) of
9 this section.

10 (9) This section shall not apply to employees participating in the hybrid cash balance
11 plan as provided by KRS 16.583 and 61.597~~[or to service in the 401(a) money~~
12 ~~purchase plan as provided by KRS 61.5956].~~

13 ➔Section 74. If any section, any subsection, or any provision of this Act is found
14 by a court of competent jurisdiction in a final, unappealable order to be invalid or
15 unconstitutional, the decision of the courts shall not affect or impair any of the remaining
16 sections, subsections, or provisions of this Act.

17 ➔Section 75. Notwithstanding KRS 6.350 or 6.955, the provisions of KRS 6.350
18 or 6.955 shall not affect or impair the validity of any provision of this Act in a court of
19 competent jurisdiction.

20 ➔Section 76. Nothing in this Act may be construed to authorize any payments out
21 of the Treasury, nor may anything in this Act be construed to give anyone the right to
22 demand any payment from the Treasury.

23 ➔Section 77. Whereas the sound financial health of public employee retirement
24 systems is imperative to the public employees of the Commonwealth of Kentucky, an
25 emergency is declared to exist, and this Act takes effect upon its passage and approval by
26 the Governor or upon its otherwise becoming law.