

1 AN ACT repealing pension provisions enacted by the 2018 General Assembly that
2 were declared unconstitutional and void by the Kentucky Supreme Court.

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

4 ➔Section 1. KRS 6.505 is repealed, reenacted, and amended to read as follows:

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

1 (5%) thereof, as a voluntarily elected contribution by the member towards the
2 funding of the Legislators' Retirement Plan.

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

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

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

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

1 paragraph.

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

7 (c) An election once made under this section either to participate or not to
8 participate in the Legislators' Retirement Plan, shall be considered to apply to
9 all future service as a legislator~~[except as provided by KRS 21.374 or~~
10 ~~21.385(3)]~~, whether in the same or a different office as a legislator, and
11 whether or not it is in successive terms.

12 (d) Notwithstanding the provisions of this subsection:

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

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

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

26 b. One percent (1%) of his or her monthly creditable compensation,
27 as defined in KRS 61.510(13), shall be used exclusively to help

1 fund retiree health benefits as provided by KRS 6.577 and shall not
2 be refunded to the member if the member withdraws his or her
3 accumulated account balance as provided by KRS 21.460. The
4 amounts deducted under this subdivision shall be credited to an
5 account established pursuant to 26 U.S.C. sec. 401(h), within the
6 fund established by KRS 6.530.

7 (2) A legislator entitled to elect membership in the retirement system who failed to
8 elect membership within thirty (30) days after taking office may elect membership
9 not later than August 31, 2005. An election, upon being made pursuant to this
10 section, shall operate to create an inviolable contract between the member entitled
11 to elect membership under this subsection and the Commonwealth, guaranteeing to
12 and vesting in the member the rights and benefits provided for under the terms and
13 conditions of KRS 6.500 to 6.577~~], except that the General Assembly reserves the~~
14 ~~right to amend, reduce, or suspend any legislative changes to the provisions of KRS~~
15 ~~6.500 to 6.577 that become effective on or after July 1, 2018].~~

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

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

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

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

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

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

1 ➔Section 2. KRS 6.518 is repealed, reenacted, and amended to read as follows:

2 (1) For purposes of this section, "bona fide promotion or career advancement":

3 (a) Means a professional advancement in substantially the same line of work held
4 by the member in the four (4) years immediately prior to the final five (5)
5 annual years preceding retirement or a change in employment position based
6 on the training, skills, education, or expertise of the member that imposes a
7 significant change in job duties and responsibilities to clearly justify the
8 increased compensation to the member; and

9 (b) Does not include any circumstance in which a legislator participating in the
10 Legislators' Retirement Plan takes a position of employment with an employer
11 participating in any of the other state-administered retirement systems.

12 (2) (a) For members retiring on or after January 1, 2018, the plan shall, for each of
13 the retiring member's last five (5) annual years of service in the General
14 Assembly or with any employer participating in any of the state-administered
15 retirement systems, identify any annual year in which the creditable
16 compensation used to calculate benefits in the Legislators' Retirement Plan
17 increased at a rate of ten percent (10%) or more annually over the immediately
18 preceding annual year's creditable compensation.

19 (b) Except as limited or excluded by subsections (3) and (4) of this section, any
20 amount of increase in creditable compensation for an annual year identified
21 under paragraph (a) of this subsection that exceeds ten percent (10%) more
22 than the member's creditable compensation from the immediately preceding
23 annual year shall not be included in the creditable compensation used to
24 calculate the member's monthly pension benefits. If the creditable
25 compensation for a specific annual year identified under paragraph (a) of this
26 subsection as exceeding the ten percent (10%) increase limitation is not used
27 to calculate the retiring member's monthly pension benefits, then no reduction

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

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

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

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

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

24 (6) This section shall not apply to:

25 (a) ~~employees participating in the hybrid cash balance plan[plans] as provided~~
26 ~~by KRS 21.402[or 61.597]; or~~

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

1 ~~61.5956].~~

2 ➔Section 3. KRS 6.520 is repealed, reenacted, and amended to read as follows:

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

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

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

1 the highest creditable legislative compensation.

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

8 ~~(a)]two and seventy-five one-hundredths percent (2.75%) of his final compensation~~
 9 ~~multiplied by the number of years of his service, but accrued prior to January 1,~~
 10 ~~2019; and~~

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

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

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

21 ➔Section 4. KRS 6.525 is repealed, reenacted, and amended to read as follows:

22 The Legislators' Retirement Plan shall be governed by KRS 21.560 and by provisions
 23 identical in terms with those provided in KRS 21.345(1), 21.345(3) to (6), 21.357,
 24 21.360(1), 21.370 to 21.410, 21.374, 21.420, 21.425, 21.450, 21.460, 21.470, 21.480,
 25 21.525, 21.540, and 61.552 for the Judicial Retirement Plan, except that:

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

27 (2) (a) A member of the Legislators' Retirement Plan may combine his service credit

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

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

24 ~~[2. The consolidation of accounts as provided by this paragraph shall not~~
25 ~~apply to accounts in the State Police Retirement System, the Kentucky~~
26 ~~Employees Retirement System, the County Employees Retirement~~
27 ~~System, and the Teachers' Retirement System, from which the member~~

1 ~~is receiving a retirement benefit.~~

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

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

8 1. Eligibility and the amount of benefits; and

9 2. Final compensation, provided the member began participating in the
10 Legislators' Retirement Plan prior to January 1, 2014~~, and except that~~
11 ~~any salary earned in the Judicial Retirement Plan on or after January 1,~~
12 ~~2019, shall not be used to determine final compensation in the~~
13 ~~Legislators' Retirement Plan].~~

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

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

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

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

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

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

12 (2) A judge or justice entitled to elect membership in the retirement system who failed
13 to elect membership within thirty (30) days after taking office in 1980 or who
14 elected membership in the Kentucky Employees Retirement System may elect
15 membership not later than August 31, 2005. An election, upon being made pursuant
16 to this section, shall operate to create an inviolable contract between the member
17 entitled to elect membership under this subsection and the Commonwealth,
18 guaranteeing to and vesting in the member the rights and benefits provided for
19 under the terms and conditions of KRS 21.350 to 21.510~~], except that the General~~
20 ~~Assembly reserves the right to amend, reduce, or suspend any legislative changes to~~
21 ~~the provisions of KRS 21.345 to 21.580 that become effective on or after July 1,~~
22 ~~2018].~~

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

1 which he then has or which he subsequently regains while being an active
2 member of the Judicial Retirement Plan, shall be transferred to and counted as
3 service credit in the Judicial Retirement Plan, and shall no longer constitute
4 credit in the Kentucky Employees Retirement System, except for the purpose
5 of validating any other credit in that system, if the member pays the
6 difference, if any, between the amount transferred from the Kentucky
7 Employees Retirement System and the actuarial value of the transferred
8 service.

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

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

26 (4) Membership and benefit rights for judges and justices (other than Judges of the
27 District Court), and for the commissioners and administrative director, who took

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

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

11 (6) 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 21.345 to 21.570 in the same manner and to
24 the same extent as employee contributions made prior to August 1, 1982.

25 (7) An election once made under this section, either to participate or not to participate
26 in the Judicial Retirement Plan, shall be considered to apply, to all future service in
27 any office covered by the plan~~], except as provided by KRS 21.374 and 21.385(3)]~~,

1 whether such service is in the same or a different office, and whether or not it is
2 continuous.

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

4 (1) For purposes of this section:

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

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

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

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

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

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

1 determining the member's monthly pension benefit under KRS 21.400.

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

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

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

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

22 (6) This section shall not apply to:

23 ~~(a) employees participating in the hybrid cash balance **plan**[plans] as provided~~
24 ~~by KRS 21.402[or 61.597; or~~

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

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

1 Notwithstanding KRS 6.500 to 6.577 and 21.345 to 21.580:

- 2 (1) Subject to the provisions of this section, any member who began participating in the
 3 Legislators' Retirement Plan or the Judicial Retirement Plan prior to January 1,
 4 2014, may in lieu of the benefits he or she is currently eligible to receive under
 5 the plans, elect to receive the benefits and rights provided to members who began
 6 participating in the Legislators' Retirement Plan or the Judicial Retirement Plan
 7 on or after January 1, 2014, including participating in the hybrid cash balance
 8 plan created pursuant to KRS 21.402;~~July 1, 2019, may on or after July 1, 2019,~~
 9 ~~but prior to January 1, 2021, elect to cease participating in the Legislators'~~
 10 ~~Retirement Plan or the Judicial Retirement Plan and participate prospectively in the~~
 11 ~~Kentucky Employees Retirement System as a nonhazardous employee for any~~
 12 ~~future service as a legislator, judge, or justice and be provided the following~~
 13 ~~benefits in lieu of the benefits provided by KRS 6.500 to 6.577 and 21.345 to~~
 14 ~~21.580:~~
- 15 ~~(a) Participation in the 401(a) money purchase plan provided by KRS 61.5956.~~
 16 ~~Members making an election shall not accrue service credit in the Kentucky~~
 17 ~~Employees Retirement System for purposes of determining retirement benefits~~
 18 ~~under KRS 61.510(14), 61.595, or 61.597; and~~
- 19 ~~(b) Any other benefits the person would be eligible for in the Kentucky~~
 20 ~~Employees Retirement System based upon the election provided by this~~
 21 ~~section or his or her membership date in the state-administered retirement~~
 22 ~~systems.]~~
- 23 (2) The election provided by this section shall be made in writing and on a form
 24 prescribed by the Judicial Form Retirement System board;
- 25 (3) For each member who makes an election provided by this section:
 26 (a) Any service credit the member has accrued prior to January 1, 2014, shall
 27 be considered as service credit earned on or after January 1, 2014, for

1 purposes of determining benefits under KRS 6.500 to 6.577 and 21.345 to
 2 21.580;

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~~[For each member~~
 14 ~~who makes an election provided by this section, any service credit, final~~
 15 ~~compensation, or other benefits the member has accrued prior to the member's~~
 16 ~~effective election date, in the Judicial Retirement Plan or Legislators'~~
 17 ~~Retirement Plan, shall remain, but the member shall not accrue any additional~~
 18 ~~service, final compensation, or any other benefits in the Judicial Retirement~~
 19 ~~Plan or the Legislators' Retirement Plan on or after the effective election date];~~

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

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

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

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

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

5 ➔Section 8. KRS 21.385 is repealed, reenacted, and amended to read as follows:

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

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

1 time of his ultimate retirement, shall be considered to be the surviving spouse with
 2 respect to both the additional and the initial benefits.

3 ~~[(3) Notwithstanding any other provision of KRS 6.500 to 6.577 or 21.345 to 21.580 to~~
 4 ~~the contrary, an individual who retires and begins drawing a retirement allowance~~
 5 ~~from one (1) or more of the systems or plans administered by the Kentucky~~
 6 ~~Retirement Systems, the Teachers' Retirement System, or the Judicial Form~~
 7 ~~Retirement System on or after January 1, 2019, shall not be eligible to earn benefits~~
 8 ~~in the Legislators' Retirement Plan or Judicial Retirement Plan for service as a~~
 9 ~~judge, justice, or legislator that occurs on or after January 1, 2019.]~~

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

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

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

21 (a) Contributions made by the member as provided by KRS 6.500 to 6.577 and
 22 21.345 to 21.580, except for employee contributions prescribed by KRS
 23 6.505(1)(d)2.b. and 21.360(1)(a)3.b.;

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

27 (c) Interest credits added annually to the member's accumulated account balance

1 as provided by this section.

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

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

8 (4) (a) On June 30 of each fiscal year, the plan shall determine if the member
9 contributed to the hybrid cash balance plan ~~for another state-administered~~
10 ~~retirement system~~ during the fiscal year.

11 (b) If the member contributed to the hybrid cash balance plan ~~for another state-~~
12 ~~administered retirement system~~ during the fiscal year, the interest credit
13 added to the member's account for that fiscal year shall be determined by
14 multiplying the member's accumulated account balance on June 30 of the
15 preceding fiscal year by a percentage increase equal to:

16 **1. Four percent (4%); plus**

17 **2. Seventy-five percent (75%)** ~~eighty-five percent (85%)~~ of the plan's
18 geometric average net investment return~~,~~ **in excess of a four percent**
19 **(4%) rate of return** ~~but in no case shall be less than zero percent (0%)~~.

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

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

27 1. Means the annual average geometric investment return, net of

- 1 administrative and investment fees and expenses, over the last five (5)
2 fiscal years as of the date the interest is credited to the member's
3 account; and
- 4 2. Shall be expressed as a percentage and based upon the plan in which the
5 member has an account.
- 6 (5) (a) Upon termination of employment, a member who has less than five (5) years
7 of service credited under the Legislators' Retirement Plan or the Judicial
8 Retirement Plan, who elects to take a refund of his or her accumulated account
9 balance as provided by KRS 21.460, shall forfeit the accumulated employer
10 credit, and shall only receive a refund of his or her accumulated contributions.
- 11 (b) Upon termination of employment, a member who has five (5) or more years of
12 service credited under the Legislators' Retirement Plan or the Judicial
13 Retirement Plan, who elects to take a refund of his or her accumulated account
14 balance as provided by KRS 21.460, shall receive a full refund of his or her
15 accumulated account balance.
- 16 (6) A member participating in the hybrid cash balance plan provided by this section
17 may retire:
- 18 (a) Upon reaching normal retirement age, provided he or she has earned five (5)
19 or more years of service credited under the Legislators' Retirement Plan or the
20 Judicial Retirement Plan, or another state-administered retirement system; or
- 21 (b) If the member is at least age fifty-seven (57) and has an age and years of
22 service total of at least eighty-seven (87) years. The years of service used to
23 determine eligibility for retirement under this paragraph shall only include
24 years of service credited under the Legislators' Retirement Plan or the Judicial
25 Retirement Plan, or another state-administered retirement system.
- 26 (7) A member eligible to retire under subsection (6) of this section may elect to:
- 27 (a) Receive a monthly retirement allowance payable for life by having his or her

1 accumulated account balance annuitized by the retirement plan in accordance
2 with the actuarial assumptions and actuarial methods adopted by the board
3 and in effect on the member's retirement date;

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

7 (c) Take a refund of his or her accumulated account balance as provided by KRS
8 21.460.

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

14 (9) The provisions of this section shall not apply to members who began participating
15 in the Legislators' Retirement Plan or the Judicial Retirement Plan prior to January
16 1, 2014, **except for those members making an election pursuant to KRS 21.374.**

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

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

25 (b) A member who begins participating in the Judicial Retirement Plan on or after
26 January 1, 2014, may, if the member ceases to hold an office qualifying him or
27 her for membership in the plan established by KRS 21.345 to 21.580, elect to

1 take a refund of his or her accumulated account balance subject to the
2 limitations provided by KRS 21.402.

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

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

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

1 subsection (3) of this section or unless within thirty (30) days after again assuming
2 office he repays to the plan the amount that was refunded to him with interest at six
3 percent (6%) per annum. Service purchased under this subsection on or after
4 January 1, 2014, shall not be used to determine the member's participation date in
5 the Judicial Retirement Plan. ~~[Members or persons participating in the 401(a)
6 money purchase plan as provided by KRS 61.5956 shall not be eligible to purchase
7 service under the provisions of this section.]~~

8 (5) If the taking of a refund of contributions by a member of the Kentucky Judicial
9 Retirement Plan, when first entitled thereto, would subject the member to a federal
10 excise tax, by reason of the refund's being made before the member has reached an
11 age designated by the federal taxing act, and the member has elected, pursuant to
12 subsection (2) of this section, to defer taking a refund, so much of the contributions
13 as would have been subject to the excise tax shall accrue interest at the rate of six
14 percent (6%) per annum, from the date the member first could have taken a refund
15 until the date the refund is taken or the date as of which the federal excise tax no
16 longer would apply to a refund, whichever is sooner, the interest to be paid by the
17 plan at the time of the refund. The provisions of this subsection shall not apply to
18 members who begin participating in the Judicial Retirement Plan on or after January
19 1, 2014.

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

21 (1) For members who begin participating in the Judicial Retirement Plan prior to
22 January 1, 2014, it is hereby declared that in consideration of the contributions by
23 the members, and in further consideration of benefits received by the state through
24 the inducement of qualified and experienced judges and commissioners to continue
25 in service, KRS 21.350 to 21.510, except as provided in KRS 6.696, shall constitute
26 an inviolable contract of the Commonwealth, and the rights and benefits provided
27 therein shall, *except as provided in KRS 6.696*, not be subject to reduction or

1 impairment by alteration, amendment or repeal~~], except:~~

2 ~~(a) As provided in KRS 6.696; and~~

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

6 (2) (a) For members who begin participating in the Judicial Retirement Plan on or
 7 after January 1, 2014, the General Assembly reserves the right to amend,
 8 suspend, or reduce the benefits and rights provided under KRS 21.345 to
 9 21.580 if, in its judgment, the welfare of the Commonwealth so demands,
 10 except that the amount of benefits the member has accrued at the time of
 11 amendment, suspension, or reduction shall not be affected.

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

16 (c) The provisions of this subsection shall not be construed to limit the General
 17 Assembly's authority to change any other benefit or right specified by KRS
 18 21.345 to 21.580, for members who begin participating in the Judicial
 19 Retirement Plan on or after January 1, 2014, except the benefits specified by
 20 paragraph (b) of this subsection.

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

25 ➔Section 12. KRS 16.505 is repealed, reenacted, and amended to read as follows:

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

27 (1) "System" means the State Police Retirement System created by KRS 16.505 to

1 16.652;

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

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

5 (4) "Current service" means the number of years and completed months of employment
6 as an employee subsequent to July 1, 1958, for which creditable compensation was
7 paid by the employer and employee contributions deducted except as otherwise
8 provided;

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

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

14 (7) "Accumulated contributions" at any time means the sum of all amounts deducted
15 from the compensation of a member and credited to his individual account in the
16 member's account, including employee contributions picked up after August 1,
17 1982, pursuant to KRS 16.545(4), together with interest credited on such amounts
18 as provided in KRS 16.505 to 16.652, and any other amounts the member shall have
19 contributed, including interest credited. For members who begin participating on or
20 after September 1, 2008, "accumulated contributions" shall not include employee
21 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.
22 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as
23 prescribed by KRS 61.702(2)(b);

24 (8) "Creditable compensation":

25 (a) ~~[Except as provided by paragraph (b) or (c) of this subsection,]~~Means all
26 salary and wages, including payments for compensatory time, paid to the
27 employee as a result of services performed for the employer or for time during

1 which the member is on paid leave, which are includable on the member's
2 federal form W-2 wage and tax statement under the heading "wages, tips,
3 other compensation," including employee contributions picked up after
4 August 1, 1982, pursuant to KRS 16.545(4);

5 (b) Includes:

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

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

2 (c) Excludes:

3 1. ~~[Uniform, equipment, or any other expense allowances paid on or after~~
4 ~~January 1, 2019,]~~Living allowances, expense reimbursements, lump-
5 sum payments for accrued vacation leave, and other items determined by
6 the board; and

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

9 (9) "Final compensation" means:

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

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

- 1 final compensation calculation is at least thirty-six (36) months;
- 2 (10) "Final rate of pay" means the actual rate upon which earnings of a member 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 16.545(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, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-
9 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)
10 months, or one (1) year;
- 11 (11) "Retired member" means any former member receiving a retirement allowance or
12 any former member who has filed the necessary documents for retirement benefits
13 and is no longer contributing to the retirement system;
- 14 (12) "Retirement allowance" means the retirement payments to which a retired member
15 is entitled;
- 16 (13) "Actuarial equivalent" means a benefit of equal value when computed upon the
17 basis of actuarial tables adopted by the board. In cases of disability retirement, the
18 options authorized by KRS 61.635 shall be computed by adding ten (10) years to
19 the age of the member, unless the member has chosen the Social Security
20 adjustment option as provided for in KRS 61.635(8), in which case the member's
21 actual age shall be used. For members who began participating in the system prior
22 to January 1, 2014, no disability retirement option shall be less than the same option
23 computed under early retirement;
- 24 (14) "Authorized leave of absence" means any time during which a person is absent from
25 employment but retained in the status of an employee in accordance with the
26 personnel policy of the Department of Kentucky State Police;
- 27 (15) "Normal retirement date" means:

- 1 (a) For a member who begins participating before September 1, 2008, the first
2 day of the month following a member's fifty-fifth birthday, except that for
3 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,
4 1959; or
- 5 (b) For a member who begins participating on or after September 1, 2008, the
6 first day of the month following a member's sixtieth birthday;
- 7 (16) "Disability retirement date" means the first day of the month following the last day
8 of paid employment;
- 9 (17) "Dependent child" means a child in the womb and a natural or legally adopted child
10 of the member who has neither attained age eighteen (18) nor married or who is an
11 unmarried full-time student who has not attained age twenty-two (22) . Solely in the
12 case of a member who dies as a direct result of an act in line of duty as defined in
13 this section or who dies as a result of a duty-related injury as defined in KRS
14 61.621, "dependent child" also means a naturally or legally adopted disabled child
15 of the member, regardless of the child's age, if the child has been determined to be
16 eligible for federal Social Security disability benefits or is being claimed as a
17 qualifying child for tax purposes due to the child's total and permanent disability;
- 18 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member
19 in lieu of all other benefits provided by KRS 16.505 to 16.652;
- 20 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined
21 by the board, was required in the performance of the duties specified in KRS
22 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of
23 duty" shall mean an act occurring which was required in the performance of the
24 principal duties of the position as defined by the job description;
- 25 (20) "Early retirement date" means:
- 26 (a) For a member who begins participating before September 1, 2008, the
27 retirement date declared by a member who is not less than fifty (50) years of

1 age and has fifteen (15) years of service; or

2 (b) For a member who begins participating on or after September 1, 2008, but
3 prior to January 1, 2014, the retirement date declared by a member who is not
4 less than fifty (50) years of age and has fifteen (15) years of service credited
5 under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-administered
6 retirement system;

7 (21) "Member" means any officer included in the membership of the system as provided
8 under KRS 16.520 whose membership has not been terminated under KRS 61.535;

9 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS
10 16.010;

11 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which
12 results in an employee's total incapacity to continue as an employee in a hazardous
13 position, but the employee is not necessarily deemed to be totally and permanently
14 disabled to engage in other occupations for remuneration or profit;

15 (24) "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 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
19 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
20 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not
21 mean an estate, trust, or trustee;

22 (26) "Recipient" means the retired member, 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 (27) "Person" means a natural person;

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

- 1 (34) "Month" means a calendar month;
- 2 (35) "Membership date" means the date upon which the member began participating in
3 the system as provided by KRS 16.543;
- 4 (36) "Participant" means a member, as defined by subsection (21) of this section, or a
5 retired member, as defined by subsection (11) of this section;
- 6 (37) "Qualified domestic relations order" means any judgment, decree, or order,
7 including approval of a property settlement agreement, that:
- 8 (a) Is issued by a court or administrative agency; and
- 9 (b) Relates to the provision of child support, alimony payments, or marital
10 property rights to an alternate payee;
- 11 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
12 participant, who is designated to be paid retirement benefits in a qualified domestic
13 relations order;
- 14 (39) "Accumulated employer credit" means the employer pay credit deposited to the
15 member's account and interest credited on such amounts as provided by KRS
16 16.583; and
- 17 (40) "Accumulated account balance" means:
- 18 (a) For members who began participating in the system prior to January 1, 2014,
19 the member's accumulated contributions; or
- 20 (b) For members who began participating in the system on or after January 1,
21 2014, in the hybrid cash balance plan as provided by KRS 16.583, the
22 combined sum of the member's accumulated contributions and the member's
23 accumulated employer pay credit; and
- 24 (41) "Monthly average pay" means the higher of the member's monthly final rate of pay
25 or the average monthly creditable compensation earned by the deceased member
26 during his or her last twelve (12) months of employment.
- 27 ➔Section 13. KRS 61.510 is repealed, reenacted, and amended to read as follows:

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

2 (1) "System" means the Kentucky Employees Retirement System created by KRS
3 61.510 to 61.705;

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

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

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

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

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

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

24 (8) "Member" means any employee who is included in the membership of the system or
25 any former employee whose membership has not been terminated under KRS
26 61.535;

27 (9) "Service" means the total of current service and prior service as defined in this

1 section;

2 (10) "Current service" means the number of years and months of employment as an
3 employee, on and after July 1, 1956, except that for members, officers, and
4 employees of the General Assembly this date shall be January 1, 1960, for which
5 creditable compensation is paid and employee contributions deducted, except as
6 otherwise provided, and each member, officer, and employee of the General
7 Assembly shall be credited with a month of current service for each month he
8 serves in the position;

9 (11) "Prior service" means the number of years and completed months, expressed as a
10 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
11 creditable compensation was paid; except that for members, officers, and employees
12 of the General Assembly, this date shall be January 1, 1960. An employee shall be
13 credited with one (1) month of prior service only in those months he received
14 compensation for at least one hundred (100) hours of work; provided, however, that
15 each member, officer, and employee of the General Assembly shall be credited with
16 a month of prior service for each month he served in the position prior to January 1,
17 1960. Twelve (12) months of current service in the system are required to validate
18 prior service;

19 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
20 from the compensation of a member and credited to his individual account in the
21 members' account, including employee contributions picked up after August 1,
22 1982, pursuant to KRS 61.560(4), together with interest credited~~[, or investment~~
23 ~~returns earned as provided by KRS 61.5956,]~~ on such amounts and any other
24 amounts the member shall have contributed thereto, including interest credited
25 thereon~~[or investment returns earned as provided by KRS 61.5956].~~ **For members**
26 **who begin participating on or after September 1, 2008,** "accumulated
27 contributions" shall not include employee contributions that are deposited into

1 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established
2 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

3 (13) "Creditable compensation":

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

16 (b) Includes:

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

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

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

16 (c) Excludes:

- 17 1. ~~{Uniform, equipment, or any other expense allowances paid on or after~~
 18 ~~January 1, 2019, }~~Living allowances, expense reimbursements, lump-
 19 sum payments for accrued vacation leave, and other items determined by
 20 the board;
 21 2. For employees who begin participating on or after September 1, 2008,
 22 lump-sum payments for compensatory time; *and*
 23 3. ~~{For employees participating in a nonhazardous position who began~~
 24 ~~participating prior to September 1, 2008, and who retire after July 1,~~
 25 ~~2023, lump-sum payments for compensatory time upon termination of~~
 26 ~~employment; and~~
 27 4. ~~—~~For employees who begin participating on or after August 1, 2016,

1 nominal fees paid for services as a volunteer;

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

- 3 (a) For a member who begins participating before September 1, 2008, who is
4 employed in a nonhazardous position, the creditable compensation of the
5 member during the five (5) fiscal years he was paid at the highest average
6 monthly rate divided by the number of months of service credit during that
7 five (5) year period multiplied by twelve (12). The five (5) years may be
8 fractional and need not be consecutive~~[-, except that for members retiring on or~~
9 ~~after January 1, 2019, the five (5) fiscal years shall be complete fiscal years].~~
10 If the number of months of service credit during the five (5) year period is less
11 than forty-eight (48)~~[for members retiring prior to January 1, 2019],~~ one (1)
12 or more additional fiscal years shall be used~~[-. If a member retiring on or after~~
13 ~~January 1, 2019, does not have five (5) complete fiscal years that each contain~~
14 ~~twelve (12) months of service credit, then one (1) or more additional fiscal~~
15 ~~years, which may contain less than twelve (12) months of service credit, shall~~
16 ~~be added until the number of months in the final compensation calculation is~~
17 ~~at least sixty (60) months];~~
- 18 (b) For a member who is employed in a nonhazardous position, whose effective
19 retirement date is between August 1, 2001, and January 1, 2009, and whose
20 total service credit is at least twenty-seven (27) years and whose age and years
21 of service total at least seventy-five (75), final compensation means the
22 creditable compensation of the member during the three (3) fiscal years the
23 member was paid at the highest average monthly rate divided by the number
24 of months of service credit during that three (3) years period multiplied by
25 twelve (12). The three (3) years may be fractional and need not be
26 consecutive. If the number of months of service credit during the three (3)
27 year period is less than twenty-four (24), one (1) or more additional fiscal

1 years shall be used. Notwithstanding the provision of KRS 61.565, the
2 funding for this paragraph shall be provided from existing funds of the
3 retirement allowance;

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

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

23 (e) For a member who begins participating on or after September 1, 2008, but
24 prior to January 1, 2014, who is employed in a hazardous position as provided
25 in KRS 61.592,~~or for a member who begins participating prior to September~~
26 ~~1, 2008, who is employed in a hazardous position as provided in KRS 61.592,~~
27 ~~who retires on or after January 1, 2019,~~ the creditable compensation of the

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

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

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

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

- 1 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless
2 otherwise provided in KRS 61.510 to 61.705;
- 3 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
4 following June 30, which shall also be the plan year. The "fiscal year" shall be the
5 limitation year used to determine contribution and benefit limits as established by
6 26 U.S.C. sec. 415;
- 7 (20) "Officers and employees of the General Assembly" means the occupants of those
8 positions enumerated in KRS 6.150. The term shall also apply to assistants who
9 were employed by the General Assembly for at least one (1) regular legislative
10 session prior to July 13, 2004, who elect to participate in the retirement system, and
11 who serve for at least six (6) regular legislative sessions. Assistants hired after July
12 13, 2004, shall be designated as interim employees;
- 13 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean
14 all positions that average one hundred (100) or more hours per month determined by
15 using the number of months actually worked within a calendar or fiscal year,
16 including all positions except:
- 17 (a) Seasonal positions, which although temporary in duration, are positions which
18 coincide in duration with a particular season or seasons of the year and which
19 may recur regularly from year to year, the period of time shall not exceed nine
20 (9) months;
- 21 (b) Emergency positions which are positions which do not exceed thirty (30)
22 working days and are nonrenewable;
- 23 (c) Temporary positions which are positions of employment with a participating
24 department for a period of time not to exceed nine (9) months and are
25 nonrenewable;
- 26 (d) Part-time positions which are positions which may be permanent in duration,
27 but which require less than a calendar or fiscal year average of one hundred

1 (100) hours of work per month, determined by using the number of months
2 actually worked within a calendar or fiscal year, in the performance of duty;
3 and

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

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

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

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

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

25 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
26 the member in accordance with KRS 61.542 or 61.705 to receive any available
27 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"

1 does not mean an estate, trust, or trustee;

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

7 (28) **"Level percentage of payroll amortization method"**~~["Level dollar amortization
8 method"]~~ means a method of determining the annual amortization payment on the
9 unfunded actuarial accrued liability **as expressed as a percentage of payroll over a**
10 **set period of years**~~[that is set as an equal dollar amount over the remaining
11 amortization period as of the actuarial valuation date]. Under this method, **the**
12 **percentage of payroll shall be projected to remain constant for all years**
13 **remaining in the set period and** the unfunded actuarially accrued liability shall be
14 projected to be fully amortized at the conclusion of the **set period**~~[amortization
15 period];~~~~

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

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

20 (31) "Retirement office" means the Kentucky Retirement Systems office building in
21 Frankfort;

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

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

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

3 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
4 member's account and interest credited on such amounts as provided by KRS
5 16.583 and 61.597;

6 (41) "Accumulated account balance" means:

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

9 (b) For members who began participating in the system on or after January 1,
10 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
11 the combined sum of the member's accumulated contributions and the
12 member's accumulated employer credit; ~~or~~

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

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

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

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

27 (43) "Nominal fee" means compensation earned for services as a volunteer that does not

1 exceed five hundred dollars (\$500) per month. Compensation earned for services as
 2 a volunteer from more than one (1) participating employer during a month shall be
 3 aggregated to determine whether the compensation exceeds the five hundred dollars
 4 (\$500) per month maximum provided by this subsection;

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

7 ~~(45) ["Accumulated employer contribution" means the employer contribution deposited~~
 8 ~~to the member's account and any investment returns on such amounts as provided~~
 9 ~~by KRS 61.5956; and~~

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

13 ➔Section 14. KRS 78.510 is repealed, reenacted, and amended to read as follows:

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

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

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

17 (3) "County" means any county, or nonprofit organization created and governed by a
 18 county, counties, or elected county officers, sheriff and his employees, county clerk
 19 and his employees, circuit clerk and his deputies, former circuit clerks or former
 20 circuit clerk deputies, or political subdivision or instrumentality, including school
 21 boards, charter county government, or urban-county government participating in the
 22 system by order appropriate to its governmental structure, as provided in KRS
 23 78.530, and if the board is willing to accept the agency, organization, or
 24 corporation, the board being hereby granted the authority to determine the eligibility
 25 of the agency to participate;

26 (4) "School board" means any board of education participating in the system by order
 27 appropriate to its governmental structure, as provided in KRS 78.530, and if the

1 board is willing to accept the agency or corporation, the board being hereby granted
2 the authority to determine the eligibility of the agency to participate;

3 (5) "Examiner" means the medical examiners as provided in KRS 61.665;

4 (6) "Employee" means every regular full-time appointed or elective officer or employee
5 of a participating county and the coroner of a participating county, whether or not he
6 qualifies as a regular full-time officer. The term shall not include persons engaged
7 as independent contractors, seasonal, emergency, temporary, and part-time workers.
8 In case of any doubt, the board shall determine if a person is an employee within the
9 meaning of KRS 78.510 to 78.852;

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

13 (8) "Member" means any employee who is included in the membership of the system or
14 any former employee whose membership has not been terminated under KRS
15 61.535;

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

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

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

27 (12) "Accumulated contributions" means the sum of all amounts deducted from the

1 compensation of a member and credited to his individual account in the members'
2 account, including employee contributions picked up after August 1, 1982, pursuant
3 to KRS 78.610(4), together with interest credited~~[, or investment returns earned as~~
4 ~~provided by KRS 61.5956,]~~ on the amounts, and any other amounts the member
5 shall have contributed thereto, including interest credited thereon~~[or investment~~
6 ~~returns earned as provided by KRS 61.5956]. **For members who begin**
7 **participating on or after September 1, 2008,** "accumulated contributions" shall not
8 include employee contributions that are deposited into accounts established
9 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,
10 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);~~

11 (13) "Creditable compensation":

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

19 (b) Includes:

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

1 order of a court of competent jurisdiction, the Personnel Board, or the
 2 Commission on Human Rights, or for any creditable compensation paid
 3 in anticipation of settlement of an action before a court of competent
 4 jurisdiction, the Personnel Board, or the Commission on Human Rights,
 5 including notices of violations of state or federal wage and hour statutes
 6 or violations of state or federal discrimination statutes, which shall be
 7 credited to the fiscal year during which the wages were earned or should
 8 have been paid by the employer. This subparagraph shall also include
 9 lump-sum payments for reinstated wages pursuant to KRS 61.569,
 10 which shall be credited to the period during which the wages were
 11 earned or should have been paid by the employer;

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

19 (c) Excludes:

- 20 1. ~~Uniform, equipment, or any other expense allowances paid on or after~~
 21 ~~January 1, 2019,~~ Living allowances, expense reimbursements, lump-
 22 sum payments for accrued vacation leave, sick leave except as provided
 23 in KRS 78.616(5), and other items determined by the board;
 24 2. For employees who begin participating on or after September 1, 2008,
 25 lump-sum payments for compensatory time;
 26 3. Training incentive payments for city officers paid as set out in KRS
 27 64.5277 to 64.5279; **and**

- 1 4. For employees who begin participating on or after August 1, 2016,
2 nominal fees paid for services as a volunteer; ~~and~~
3 ~~5. For employees who are employed in a nonhazardous position, who~~
4 ~~began participating prior to September 1, 2008, and who retire after July~~
5 ~~1, 2023, lump sum payments for compensatory time upon termination of~~
6 ~~employment;]~~

7 (14) "Final compensation" means:

- 8 (a) For a member who begins participating before September 1, 2008, who is
9 employed in a nonhazardous position, the creditable compensation of the
10 member during the five (5) fiscal years he was paid at the highest average
11 monthly rate divided by the number of months of service credit during that
12 five (5) year period multiplied by twelve (12). The five (5) years may be
13 fractional and need not be consecutive; ~~except that for members retiring on or~~
14 ~~after January 1, 2019, the five (5) fiscal years shall be complete fiscal years].~~
15 If the number of months of service credit during the five (5) year period is less
16 than forty-eight (48) ~~for members retiring prior to January 1, 2019], one (1)~~
17 ~~or more additional fiscal years shall be used. If a member retiring on or after~~
18 ~~January 1, 2019, does not have five (5) complete fiscal years that each contain~~
19 ~~twelve (12) months of service credit, then one (1) or more additional fiscal~~
20 ~~years, which may contain less than twelve (12) months of service credit, shall~~
21 ~~be added until the number of months in the final compensation calculation is~~
22 ~~at least sixty (60) months];~~
23 (b) For a member who is employed in a nonhazardous position, whose effective
24 retirement date is between August 1, 2001, and January 1, 2009, and whose
25 total service credit is at least twenty-seven (27) years and whose age and years
26 of service total at least seventy-five (75), final compensation means the
27 creditable compensation of the member during the three (3) fiscal years the

1 member was paid at the highest average monthly rate divided by the number
2 of months of service credit during that three (3) year period multiplied by
3 twelve (12). The three (3) years may be fractional and need not be
4 consecutive. If the number of months of service credit during the three (3)
5 year period is less than twenty-four (24), one (1) or more additional fiscal
6 years shall be used. Notwithstanding the provision of KRS 61.565, the
7 funding for this paragraph shall be provided from existing funds of the
8 retirement allowance;

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

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

- 1 compensation calculation is at least sixty (60) months; or
- 2 (e) For a member who begins participating on or after September 1, 2008, but
3 prior to January 1, 2014, who is employed in a hazardous position as provided
4 in KRS 61.592, ~~for for a member who begins participating prior to September~~
5 ~~1, 2008, who is employed in a hazardous position as provided in KRS 61.592,~~
6 ~~who retires on or after January 1, 2019,~~ the creditable compensation of the
7 member during the three (3) complete fiscal years he was paid at the highest
8 average monthly rate divided by three (3). Each fiscal year used to determine
9 final compensation must contain twelve (12) months of service credit. If the
10 member does not have three (3) complete fiscal years that each contain twelve
11 (12) months of service credit, then one (1) or more additional fiscal years,
12 which may contain less than twelve (12) months of service credit, shall be
13 added until the number of months in the final compensation calculation is at
14 least thirty-six (36) months;
- 15 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
16 calculated during the twelve (12) month period immediately preceding the
17 member's effective retirement date, and shall include employee contributions picked
18 up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to
19 the system by the employer and the following equivalents shall be used to convert
20 the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
21 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half
22 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve
23 (12) months, one (1) year;
- 24 (16) "Retirement allowance" means the retirement payments to which a member is
25 entitled;
- 26 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
27 basis of the actuarial tables adopted by the board. In cases of disability retirement,

1 the options authorized by KRS 61.635 shall be computed by adding ten (10) years
2 to the age of the member, unless the member has chosen the Social Security
3 adjustment option as provided for in KRS 61.635(8), in which case the member's
4 actual age shall be used. For members who begin participating in the system prior to
5 January 1, 2014, no disability retirement option shall be less than the same option
6 computed under early retirement;

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

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

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

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

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

- 1 (b) Emergency positions that are positions that do not exceed thirty (30) working
2 days and are nonrenewable;
- 3 (c) Temporary positions that are positions of employment with a participating
4 agency for a period of time not to exceed twelve (12) months and not
5 renewable;
- 6 (d) Probationary positions which are positions of employment with a participating
7 employer that do not exceed twelve (12) months and that are used uniformly
8 by the participating agency on new employees who would otherwise be
9 eligible for participation in the system. Probationary positions shall not be
10 renewable by the participating employer for the same employee, unless the
11 employee has not been employed with the participating employer for a period
12 of at least twelve (12) months; or
- 13 (e) Part-time positions that are positions that may be permanent in duration, but
14 that require less than a calendar or fiscal year average of one hundred (100)
15 hours of work per month, determined by using the number of months actually
16 worked within a calendar or fiscal year, in the performance of duty, except in
17 case of noncertified employees of school boards, the school term average shall
18 be eighty (80) hours of work per month, determined by using the number of
19 months actually worked in a calendar or school year, in the performance of
20 duty;
- 21 (22) "Alternate participation plan" means a method of participation in the system as
22 provided for by KRS 78.530(3);
- 23 (23) "Retired member" means any former member receiving a retirement allowance or
24 any former member who has on file at the retirement office the necessary
25 documents for retirement benefits and is no longer contributing to the system;
- 26 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
27 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of

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

- 1 (33) "Membership date" means the date upon which the member began participating in
2 the system as provided in KRS 78.615;
- 3 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
4 retired member, as defined by subsection (23) of this section;
- 5 (35) "Qualified domestic relations order" means any judgment, decree, or order,
6 including approval of a property settlement agreement, that:
- 7 (a) Is issued by a court or administrative agency; and
- 8 (b) Relates to the provision of child support, alimony payments, or marital
9 property rights to an alternate payee;
- 10 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
11 participant, who is designated to be paid retirement benefits in a qualified domestic
12 relations order;
- 13 (37) "Accumulated employer credit" means the employer pay credit deposited to the
14 member's account and interest credited on such amounts as provided by KRS
15 16.583 and 61.597;
- 16 (38) "Accumulated account balance" means:
- 17 (a) For members who began participating in the system prior to January 1, 2014,
18 the member's accumulated contributions; **or**
- 19 (b) For members who began participating in the system on or after January 1,
20 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
21 the combined sum of the member's accumulated contributions and the
22 member's accumulated employer credit; ~~or~~
- 23 ~~(c) For nonhazardous members who are participating in the 401(a) money~~
24 ~~purchase plan as provided by KRS 61.5956, the combined sum of the~~
25 ~~member's accumulated contributions and the member's accumulated employer~~
26 ~~contributions in the 401(a) money purchase plan;]~~
- 27 (39) "Volunteer" means an individual who:

- 1 (a) Freely and without pressure or coercion performs hours of service for an
 2 employer participating in one (1) of the systems administered by Kentucky
 3 Retirement Systems without receipt of compensation for services rendered,
 4 except for reimbursement of actual expenses, payment of a nominal fee to
 5 offset the costs of performing the voluntary services, or both; and
- 6 (b) If a retired member, does not become an employee, leased employee, or
 7 independent contractor of the employer for which he or she is performing
 8 volunteer services for a period of at least twenty-four (24) months following
 9 the retired member's most recent retirement date;
- 10 (40) "Nominal fee" means compensation earned for services as a volunteer that does not
 11 exceed five hundred dollars (\$500) per month. Compensation earned for services as
 12 a volunteer from more than one (1) participating employer during a month shall be
 13 aggregated to determine whether the compensation exceeds the five hundred dollars
 14 (\$500) per month maximum provided by this subsection;
- 15 (41) "Nonhazardous position" means a position that does not meet the requirements of
 16 KRS 61.592 or has not been approved by the board as a hazardous position; ***and***
- 17 ~~(42) ["Accumulated employer contribution" means the employer contribution deposited~~
 18 ~~to the member's account and any investment returns on such amounts as provided~~
 19 ~~by KRS 61.5956; and~~
- 20 ~~(43) ["Monthly average pay" means the higher of the member's monthly final rate of pay~~
 21 ~~or the average monthly creditable compensation earned by the deceased member~~
 22 ~~during his or her last twelve (12) months of employment.~~
- 23 ➔Section 15. KRS 61.546 is repealed, reenacted, and amended to read as follows:
- 24 (1) ~~["Except as otherwise provided by this section,]~~Any member of the Kentucky
 25 Employees Retirement System or the State Police Retirement System whose
 26 retirement date is July 14, 1984, or thereafter, shall receive credit for unused sick
 27 leave accrued while contributing to the retirement system from which the retirement

1 benefit is to be paid in accordance with this section.

2 (2) (a) Upon the member's notification of retirement as prescribed in KRS 16.576 or
3 61.590, the employer shall certify the retiring member's unused, accumulated
4 sick leave balance to the system.

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

8 (c) ~~Except as provided by subsections (3) and (4) of this section,~~ The member's
9 sick leave balance, expressed in months, shall upon retirement be added to his
10 service credit for the purpose of determining his annual retirement allowance
11 under KRS 16.505 to 16.652 or 61.510 to 61.705 and for the purpose of
12 determining whether the member is eligible to receive a retirement allowance
13 under KRS 16.505 to 16.652 or 61.510 to 61.705, **except as provided by**
14 **subsection (3) of this section. Accumulated sick leave in excess of six (6)**
15 **months shall be added to the member's service credit, and the last**
16 **participating Kentucky Employees Retirement Systems employer shall pay**
17 **to the retirement system the value of the additional service credit based on**
18 **the formula adopted by the board, except as provided by subsection (3) of**
19 **this section. All of a state policeman's sick leave balance, expressed in**
20 **months, except as provided by subsection (3) of this section, shall be added**
21 **to his service credit for the purposes of determining his annual retirement**
22 **allowance and whether the member is eligible to receive a retirement**
23 **allowance under KRS 16.505 to 16.652.**

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

26 (a) The member shall receive no more than twelve (12) months of service credit
27 upon retirement for accumulated unused sick leave accrued while contributing

1 to the retirement system or systems from which the retirement benefit is to be
2 paid;

3 (b) The service credited for accumulated unused sick leave ~~as limited by this~~
4 ~~section~~ and added to the member's service credit shall be used for purposes of
5 determining the member's annual retirement allowance under KRS 16.505 to
6 16.652 and 61.510 to 61.705;~~and~~

7 (c) The service credited for accumulated unused sick leave and added to the
8 member's service credit shall not be used to determine whether a member is
9 eligible to receive a retirement allowance under any of the provisions of KRS
10 16.505 to 16.652 and 61.510 to 61.705~~or to reduce any applicable actuarial~~
11 ~~reductions~~; and

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

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

25 (5) ~~Notwithstanding any other provision of this section to the contrary, the value of~~
26 any accumulated sick leave that is added to the member's service credit in the
27 Kentucky Employees Retirement System or the State Police Retirement System on

1 or after July 1, 2010, shall be paid to the retirement system by the last participating
2 Kentucky Employees Retirement System or State Police Retirement System
3 employer based upon a formula adopted by the board.

4 ~~(5)(6)~~ The provisions of this section shall not apply to a participating agency whose
5 employees are not employed by the Commonwealth until the agency certifies to the
6 system that a sick leave program has been formally adopted and is universally
7 administered within the agency~~[, except that any agency participating in the~~
8 ~~Kentucky Employees Retirement System who has not adopted a sick leave program~~
9 ~~prior to August 1, 2018, shall not be eligible to adopt a sick leave program under~~
10 ~~this section].~~

11 ~~(6)(7)~~ This section shall not apply to members who begin participating in the
12 systems administered by Kentucky Retirement Systems on or after January 1, 2014.

13 ➔Section 16. KRS 78.616 is repealed, reenacted, and amended to read as follows:

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

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

26 (3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590,
27 the employer shall certify the retiring employee's unused, accumulated sick-

1 leave balance to the system. The member's sick-leave balance, expressed in
2 days, shall be divided by the average number of working days per month in
3 county service and rounded to the nearest number of whole months. A
4 maximum of six (6) months of the member's sick-leave balance, expressed in
5 months, shall be added to his service credit for the purpose of determining his
6 annual retirement allowance under KRS 78.510 to 78.852 and for the purpose
7 of determining whether the member is eligible to receive a retirement
8 allowance under KRS 78.510 to 78.852, except as provided by
9 paragraph~~[paragraphs]~~ (d) ~~[and (e)]~~ of this subsection. Accumulated sick-
10 leave in excess of six (6) months shall be added to the member's service credit
11 if the member or employer pays to the retirement system the value of the
12 additional service credit based on the formula adopted by the board, subject to
13 the restrictions provided by paragraph (d) of this subsection.

14 (b) The employer may elect to pay fifty percent (50%) of the cost of the sick leave
15 in excess of six (6) months on behalf of its employees. The employee shall
16 pay the remaining fifty percent (50%). The payment by the employer shall not
17 be deposited to the member's account. Service credit shall not be credited to
18 the member's account until both the employer's and employee's payments are
19 received by the retirement system.

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

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

26 1. The member shall receive no more than twelve (12) months of service
27 credit upon retirement for accumulated unused sick leave accrued while

1 contributing to the retirement system from which the retirement benefit
2 is to be paid;

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

6 3. The service added to the member's service credit shall not be used to
7 determine whether a member is eligible to receive a retirement
8 allowance under KRS 78.510 to 78.852~~[or to reduce any applicable~~
9 ~~actuarial reductions]~~; and

10 4. The cost of the service provided by this paragraph shall be paid by the
11 employer.

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

17 (4) The system shall compute the cost of the sick-leave credit of each retiring employee
18 and bill each employer with whom the employee accrued sick leave accordingly.
19 The employer shall remit payment within thirty (30) days from receipt of the bill.

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

- 1 (b) The rate of compensation for each unused sick-leave day shall be based on the
2 daily salary rate calculated from the employee's current rate of pay. Payment
3 for unused sick-leave days shall be incorporated into the employee's final
4 compensation if the employee and employer make the regular employee and
5 employer contributions, respectively, on the sick-leave payment.
- 6 (c) The number of sick-leave days for which the employee is compensated shall
7 be divided by the average number of working days per month in county
8 service and rounded to the nearest number of whole months. This number of
9 months shall be added to the employee's total service credit and to the number
10 of months used to determine creditable compensation, pursuant to KRS
11 78.510, but no more than sixty (60) months shall be used to determine final
12 compensation. For an employee who begins participating on or after
13 September 1, 2008, but prior to January 1, 2014, the number of months added
14 to the employee's total service credit under this paragraph shall not exceed
15 twelve (12) months, and the additional service shall not be used to determine
16 whether a member is eligible to receive a retirement allowance under KRS
17 78.510 to 78.852~~[or to reduce any applicable actuarial reductions]~~.
- 18 ~~[(d) For members who began participating in the retirement system prior to~~
19 ~~September 1, 2008, who retire on or after July 1, 2023, any service added for~~
20 ~~accumulated sick leave to the member's service credit shall not be used to~~
21 ~~determine whether a member is eligible to receive a retirement allowance~~
22 ~~under KRS 78.510 to 78.852 or to reduce any applicable actuarial reductions.]~~
- 23 (6) Any city of the first class that has two (2) or more sick-leave programs for its
24 employees may purchase service credit with the retirement system for up to six (6)
25 months of unused sick leave for each retiring employee who participates in the sick-
26 leave program administered to a majority of the eligible employees of the city. An
27 employee participating in a sick-leave program administered to a minority of the

1 eligible employees shall become eligible for the purchase of service credit under
 2 this subsection when the employee commences participating in the sick-leave
 3 program that is administered to a majority of the eligible employees of the city.

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

8 ➔Section 17. KRS 61.565 is repealed, reenacted, and amended to read as follows:

9 (1) (a) Each employer participating in the State Police Retirement System as
 10 provided for in KRS 16.505 to 16.652, the County Employees Retirement
 11 System as provided for in KRS 78.510 to 78.852, and the Kentucky
 12 Employees Retirement System as provided for in KRS 61.510 to 61.705 shall
 13 contribute annually to the respective retirement system an amount ~~[(determined~~
 14 ~~by the actuarial valuation completed in accordance with KRS 61.670 and as~~
 15 ~~specified by this section. Employer contributions for each respective~~
 16 ~~retirement system shall be]~~equal to the **percent, as computed under**
 17 **subsection (2) of this section, of the creditable compensation of its**
 18 **employees to be known as** ~~[sum of]~~the "normal cost contribution" and **an**
 19 **additional amount to be known as** the "actuarially accrued liability
 20 contribution~~[-]~~" **which shall be computed by amortizing the total unfunded**
 21 **actuarially accrued liability over a period of thirty (30) years using the level**
 22 **percentage-of-payroll amortization method.**~~[(b) For purposes of this~~
 23 ~~section, the normal cost contribution shall be computed as a percentage of pay~~
 24 ~~and shall be an annual amount that is sufficient when combined with~~
 25 ~~employee contributions to fund benefits earned during the year in the~~
 26 ~~respective system or plan, including costs for those members who elect to~~
 27 ~~participate in the 401(a) money purchase plan. The amount shall be paid as a~~

1 percentage of creditable compensation reported for each employee
2 participating in the system or plan and accruing benefits.

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

12 (d) ~~The employer contributions computed under this section shall be determined~~
13 ~~using:~~

- 14 1. ~~The entry age normal cost funding method;~~
- 15 2. ~~An asset smoothing method that smooths investment gains and losses~~
16 ~~over a five (5) year period; and~~
- 17 3. ~~Other funding methods and assumptions established by the board in~~
18 ~~accordance with KRS 61.670.~~

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

24 (c) **Any significant increase in the actuarially accrued liability due to benefit**
25 **improvements after the 2007 valuation shall be amortized using the level-**
26 **percentage-of-payroll amortization method over a separate thirty (30) year**
27 **period commencing in the year of the actuarial valuation in which the**

1 *benefit improvements are first reflected.*

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

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

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

13 3. ~~Be a single amount for all executive branch departments, program~~
 14 ~~cabinets and their respective departments and administrative bodies~~
 15 ~~enumerated in KRS 12.020, and any other executive branch agencies~~
 16 ~~administratively attached to a department, program cabinet, or~~
 17 ~~administrative body enumerated in KRS 12.020.]~~

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

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

27 (b) The board may amend contribution rates as of July 1 of the second year of a

1 biennium for the County Employees Retirement System, if it is determined
2 on the basis of a subsequent actuarial valuation that amended contribution
3 rates are necessary to satisfy the requirements of this section.

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

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

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

18 ~~(6)~~~~(5)~~ Notwithstanding any other provision of KRS Chapter 61 or 78 to the contrary,
19 the employer contribution established by the board for the County Employees
20 Retirement System that are payable on or after July 1, 2018, and until June 30,
21 2028, for the pension and health insurance funds, including the normal cost
22 contribution and the actuarially accrued liability contribution for each fund, shall
23 not increase by more than twelve percent (12%) in terms of projected dollars paid
24 by participating employers over the prior fiscal year as determined by the system's
25 consulting actuary.

26 ➔Section 18. KRS 61.597 is repealed, reenacted, and amended to read as follows:

27 (1) A member of the Kentucky Employees Retirement System or County Employees

1 Retirement System who is participating in a nonhazardous position, whose
2 participation in the systems begins on or after January 1, 2014, or a member~~except~~
3 ~~for those members~~ making an election pursuant to KRS 61.5955~~[or 61.5956]~~, shall
4 receive the retirement benefits provided by this section in lieu of the retirement
5 benefits provided under KRS 61.559 and 61.595. The retirement benefit provided
6 by this section shall be known as the hybrid cash balance plan and shall operate as
7 another benefit tier within the Kentucky Employees Retirement System and the
8 County Employees Retirement System.

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

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

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

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

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

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

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

1 ~~retirement system~~ during the fiscal year.

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

7 **1. Four percent (4%); plus**

8 **2. Seventy-five percent (75%)** ~~eighty five percent (85%)~~ of the system's
9 geometric average net investment return, **in excess of a four percent**
10 **(4%) rate of return**~~but in no case shall be less than zero percent (0%)~~.

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

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

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

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

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

- 1 (5) (a) Upon termination of employment, a member who has less than five (5) years
2 of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who
3 elects to take a refund of his or her accumulated account balance as provided
4 by KRS 61.625, shall forfeit the accumulated employer credit, and shall only
5 receive a refund of his or her accumulated contributions.
- 6 (b) Upon termination of employment, a member who has five (5) or more years of
7 service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to
8 take a refund of his or her accumulated account balance as provided by KRS
9 61.625, shall receive a full refund of his or her accumulated account balance.
- 10 (6) A member participating in the hybrid cash balance plan provided by this section
11 may retire:
- 12 (a) At his or her normal retirement date, provided he or she has earned five (5) or
13 more years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or
14 another state-administered retirement system; or
- 15 (b) If the member is at least age fifty-seven (57) and has an age and years of
16 service total of at least eighty-seven (87) years. The years of service used to
17 determine eligibility for retirement under this paragraph shall only include
18 years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or
19 another state-administered retirement system.
- 20 (7) A member eligible to retire under subsection (6) of this section may elect to:
- 21 (a) Receive a monthly retirement allowance payable for life by having his or her
22 accumulated account balance annuitized by the retirement systems in
23 accordance with the actuarial assumptions and actuarial methods adopted by
24 the board and in effect on the member's retirement date;
- 25 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
26 under paragraph (a) of this subsection payable under one (1) of the options set
27 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

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

2 (8) The provisions of this section shall not apply to members who began participating
3 in the Kentucky Employees Retirement System or the County Employees
4 Retirement System prior to January 1, 2014, except for those members making an
5 election pursuant to Section 37 of this Act.

6 ➔Section 19. KRS 61.575 is repealed, reenacted, and amended to read as follows:

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

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

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

16 ~~(c) For members who elect to participate in the 401(a) money purchase plan as~~
17 ~~provided by KRS 21.374, 61.5955, or 61.5956, the employer contribution and~~
18 ~~investment return on such amounts as provided by KRS 61.5956].~~

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

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

27 ~~(3) [Except for the portion of the member's account balance in the 401(a) money~~

1 ~~purchase plan as provided by KRS 61.5956:~~

- 2 (a) Each member shall have his individual account credited with interest on June 30 of
3 each fiscal year.
- 4 (b) For a member who begins participating before September 1, 2008, interest
5 shall be credited to his individual account at a rate determined by the board
6 but not less than two percent (2%) per annum on the accumulated account
7 balance of the member on June 30 of the preceding fiscal year.
- 8 (c) For a member who begins participating on or after September 1, 2008, but
9 prior to January 1, 2014, interest shall be credited to his individual account at
10 a rate of two and one-half percent (2.5%) per annum on the accumulated
11 account balance of the member on June 30 of the preceding fiscal year.
- 12 (d) For a member who begins participating on or after January 1, 2014, in the
13 hybrid cash balance plan, interest shall be credited in accordance with KRS
14 16.583 and 61.597.
- 15 (e) The amounts of interest credited to a member's account under this subsection
16 shall be transferred from the retirement allowance account.
- 17 (4) (a) Upon the retirement of a member who began participating in the system prior
18 to January 1, 2014, his or her accumulated account balance shall be
19 transferred from the members' account to the retirement allowance account.
- 20 (b) Upon the retirement of a member who began participating in the system on or
21 after January 1, 2014,~~[or who elects to participate in the 401(a) money~~
22 ~~purchase plan,]~~ who elects to annuitize his or her accumulated account
23 balance ~~[in the hybrid cash balance plan or 401(a) money purchase plan]~~ as
24 prescribed by KRS 16.583(7)(a) or (b)~~[, 61.5956(6)(a) or (b),]~~ or 61.597(7)(a)
25 or (b), the member's accumulated account balance shall be transferred to the
26 retirement allowance account.

27 ➔Section 20. KRS 78.640 is repealed, reenacted, and amended to read as follows:

- 1 (1) The members' account shall be the account to which:
- 2 (a) All members' contributions, or contributions picked up by the employer after
- 3 August 1, 1982, and interest allowances ~~for investment returns~~ as provided in
- 4 KRS 78.510 to 78.852 shall be credited, except as provided by KRS
- 5 61.702(2)(b); ***and***
- 6 (b) For members who begin participating in the system on or after January 1,
- 7 2014, ~~who are participating in the hybrid cash balance plan,~~ the employer
- 8 pay credit and interest credited on such amounts as provided by KRS 16.583
- 9 and 61.597 shall be credited; ~~and~~
- 10 ~~(c) For members who elect to participate in the 401(a) money purchase plan~~
- 11 ~~provided by KRS 21.374, 61.5955, or 61.5956, the employer contribution and~~
- 12 ~~investment return on such amounts as provided by KRS 61.5956].~~

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

14 or accumulated account balances of a member when required to be returned to him

15 by reason of any provision of KRS 78.510 to 78.852. Prior to the member's

16 retirement, death, or refund in accordance with KRS 61.625, no funds shall be made

17 available from the member account.

- 18 (2) Each member's contribution or contribution picked up by the employer shall be
- 19 credited to the individual account of the contributing member, except as provided
- 20 by KRS 61.702(2)(b).
- 21 ~~(3) Except for the portion of the member's account balance in the 401(a) money~~
- 22 ~~purchase plan as provided by KRS 61.5956:~~
- 23 (a) Each member shall have his individual account credited with interest on June 30 of
- 24 each year.
- 25 (b) For a member who begins participating before September 1, 2008, interest
- 26 shall be credited to his individual account at a rate determined by the board
- 27 but not less than two percent (2%) per annum on the accumulated account

1 balance of the member on June 30 of the preceding fiscal year.

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

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

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

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

15 (b) Upon the retirement of a member who began participating in the system on or
16 after January 1, 2014, ~~for who elects to participate in the 401(a) money~~
17 ~~purchase plan,]~~who elects to annuitize his or her accumulated account
18 balance ~~[in the hybrid cash balance plan or 401(a) money purchase plan]~~as
19 prescribed by KRS 16.583(7)(a) or (b)~~[, 61.5956(6)(a) or (b),]~~ or 61.597(7)(a)
20 or (b), the member's accumulated account balance shall be transferred to the
21 retirement allowance account.

22 ➔Section 21. KRS 61.580 is repealed, reenacted, and amended to read as follows:
23 The retirement allowance account shall be the account in which shall be accumulated all
24 employer contributions and amounts transferred from the members' account, and to which
25 all income from the invested assets of the system shall be credited. From this account
26 shall be paid the expenses of the system and the board incurred in administration of the
27 system, retirement allowances, and any other benefits payable after a member's retirement

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

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

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

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

8 ➔Section 22. KRS 78.650 is repealed, reenacted, and amended to read as follows:

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

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

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

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

21 ➔Section 23. KRS 61.552 is repealed, reenacted, and amended to read as follows:

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

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

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

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

22 (3) Any employee participating in one (1) of the retirement systems administered by
23 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
24 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
25 (65) in the systems administered by the Kentucky Retirement Systems, and who did
26 not elect membership in the Kentucky Employees Retirement System, as provided
27 in KRS 61.525(2), may purchase service credit in the Kentucky Employees

1 Retirement System for the service he would have received had he elected
2 membership.

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

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

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

- 1 (6) The member shall not receive service credit for the same period of time in which
2 the member has service credit in one (1) of the systems administered by Kentucky
3 Retirement Systems or another public defined benefit retirement fund.
- 4 (7) Any employee participating in one (1) of the retirement systems administered by
5 Kentucky Retirement Systems who has at least forty-eight (48) months' service if
6 age sixty-five (65) or at least sixty (60) months' service if under age sixty-five (65)
7 in the retirement systems administered by the Kentucky Retirement Systems, who
8 formerly worked for a state university in a nonteaching position which would have
9 qualified as a regular full-time position had the university been a participating
10 department, and who did not participate in a defined benefit retirement program at
11 the university, may purchase service credit in any of the systems administered by
12 Kentucky Retirement Systems in which the employee is a member for the service he
13 would have received had his period of university employment been covered by the
14 County Employees Retirement System, Kentucky Employees Retirement System, or
15 State Police Retirement System.
- 16 (8) (a) Effective August 1, 1980, any county participating in the County Employees
17 Retirement System may purchase current service, between July 1, 1958, and
18 participation date of the county, for present employees of the county who have
19 obtained coverage under KRS 78.540(2).
- 20 (b) Effective July 1, 1973, any department participating in the Kentucky
21 Employees Retirement System may purchase current service between July 1,
22 1956, and participation date of the department, for present employees of the
23 department who were employees on the participation date of the department
24 and elected coverage under KRS 61.525(2).
- 25 (c) Cost of the service credit purchased under this subsection shall be determined
26 by computing the discounted value of the additional service credit based on an
27 actuarial formula recommended by the board's consulting actuary and

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

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

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

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

23 (10) Employees who served as assistants to officers and employees of the General
24 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)
25 or at least sixty (60) months of service if under age sixty-five (65) in the systems
26 administered by Kentucky Retirement Systems and who were unable to acquire
27 service under KRS 61.510(20) may purchase credit for the service performed after

1 January 1, 1960.

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

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

23 (12) Any employee participating in one (1) of the systems administered by Kentucky
24 Retirement Systems who has at least forty-eight (48) months of service if age sixty-
25 five (65) or at least sixty (60) months of service if under age sixty-five (65) in the
26 systems administered by Kentucky Retirement Systems may purchase service credit
27 for any period of approved educational leave, or for agency-approved leave to work

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

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

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

- 19 1. Making a lump-sum payment on a before-tax basis as provided in
20 subparagraph 3. of this paragraph, or on an after-tax basis if the
21 employee is purchasing service credit under subsection (1) or (20) of this
22 section, service available pursuant to 38 U.S.C. ch. 43 not otherwise
23 provided for in this section, or grandfathered service as defined in
24 paragraph (b) of this subsection;
- 25 2. Entering into an agreement to purchase service credit through an
26 installment purchase of service agreement with the systems as provided
27 by paragraph (c) of this subsection:

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

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

1 represents payment for one (1) month of the service to be purchased and
2 shall credit one (1) month of service to the member's account each time
3 this amount has been paid. The first service credited shall represent the
4 first calendar month of the service to be purchased and each succeeding
5 month of service credit shall represent the succeeding months of that
6 service.

7 8. If the employee utilizing an installment purchase of service agreement
8 dies, retires, does not continue employment in a position required to
9 participate in the retirement system, or elects to stop an after-tax
10 installment purchase of service agreement, the member, or in the case of
11 death, the beneficiary, shall have sixty (60) days to pay the remaining
12 principal or a portion of the remaining principal of the installment
13 purchase of service agreement by lump sum, subject to the restrictions of
14 paragraph (a)1. of this subsection, or by transfer of funds under
15 paragraph (a)3. of this subsection, except that payment by the member
16 shall be filed with the system prior to the member's effective retirement
17 date. If the member or beneficiary does not pay the remaining cost, the
18 retirement system shall refund to the member or the beneficiary the
19 payment, payments, or portion of a payment that does not represent a
20 full month of service purchased, except as provided by subsection (22)
21 of this section.

22 9. If the employer does not report installment payments on an employee for
23 sixty (60) days for an after-tax installment purchase of service
24 agreement, except in the case of employees on military leave or sick
25 leave without pay, the installment purchase shall cease and the
26 retirement system shall refund to the employee the payment, payments,
27 or portion of a payment that does not represent a full month of service

1 purchased.

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

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

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

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

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

22 (15) After August 1, 1998, any employee participating in one (1) of the retirement
23 systems administered by Kentucky Retirement Systems who is age sixty-five (65) or
24 older and has forty-eight (48) months of service credit or, if younger, who has sixty
25 (60) months of service credit in systems administered by Kentucky Retirement
26 Systems may purchase service credit in the system in which the employee has the
27 service credit for up to ten (10) years service in a regular full-time position that was

1 credited to a state or local government-administered public defined benefit plan in
2 another state other than a defined benefit plan for teachers. The employee shall
3 provide proof that he is not eligible for a retirement benefit for the period of service
4 from the other state's plan.

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

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

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

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

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

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

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

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

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

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

16 (e) ~~[An employee participating in the 401(a) money purchase plan as provided by~~
17 ~~KRS 61.5956 shall, upon payment of the employee and employer~~
18 ~~contributions due under this subsection, have his or her accumulated account~~
19 ~~balance increased by the employee contributions and employer contributions~~
20 ~~that would have been credited to his or her member account if the~~
21 ~~contributions had been paid on time.~~

22 (f) ~~]~~Employer contributions payable under this subsection shall be considered
23 delinquent and the employer shall be required to pay interest and any other
24 penalties on the delinquent contributions in accordance with KRS
25 61.675(3)(b) and 78.625(2)(a) from the date the employee should have been
26 reported and received service credit in accordance with KRS 16.543, 61.543,
27 and 78.615.

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

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

1 provided in KRS 61.575, shall be refunded.

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

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

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

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

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

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

1 Kentucky Employees Retirement System, the County Employees Retirement
2 System, or the State Police Retirement System for service in the United States
3 government, other than service in the Armed Forces, for which service is not
4 otherwise given.

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

12 (27) Subsections (2) to (5), (7) to (13), (15) to (19), and (21) to (26) of this section shall
13 not apply to members who begin participating in the systems administered by
14 Kentucky Retirement Systems on or after January 1, 2014~~, or to members who~~
15 ~~make an election as provided by KRS 21.374, 61.5955, or 61.5956].~~

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

21 ➔Section 24. KRS 61.555 is repealed, reenacted, and amended to read as follows:

22 (1) (a) After August 1, 1998, any employee entering the Armed Forces of the United
23 States after he first participates in the system, who joins the Armed Forces
24 within three (3) months of the last day of paid employment, being on leave of
25 absence from service and not withdrawing his accumulated account balance,
26 shall be credited for retirement purposes with service credit and creditable
27 compensation as provided in 38 U.S.C. sec. 4318 for his period of active

1 military duty in the Armed Forces of the United States, not to exceed six (6)
2 years, if:

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

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

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

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

25 (2) (a) After August 1, 1998, any employee who, prior to the date he first participated
26 in the system, terminated his employment with an agency participating in one
27 (1) of the systems administered by the Kentucky Retirement Systems and

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

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

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

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

26 (3) Any National Guard technician involuntarily serving on active military duty during
27 the period between January 26, 1968, and January 1, 1970, who completes his eight

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

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

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

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

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

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

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

27 ➔Section 25. KRS 61.595 is repealed, reenacted, and amended to read as follows:

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

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

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

26 (b) For a member of the County Employees Retirement System whose
27 participation begins on or after August 1, 2004, the annual retirement

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

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

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

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

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

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

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

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

27 (e) The annual normal retirement allowance for members of the General

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

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

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

26 (2) (a) Upon service retirement prior to normal retirement date, a member may
27 receive an annual retirement allowance payable monthly during his lifetime

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

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

23 (c) A member of the Kentucky Employees Retirement System or the County
24 Employees Retirement System who begins participating on or after September
25 1, 2008, may retire with no reduction in benefits if the member is fifty-seven
26 (57) years of age or older and has an age and years of service total of at least
27 eighty-seven (87) years. The years of service used to determine eligibility for

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

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

8 ➔Section 26. KRS 61.598 is repealed, reenacted, and amended to read as follows:

9 (1) For purposes of this section, "bona fide promotion or career advancement":

10 (a) Means a professional advancement in substantially the same line of work held
11 by the employee in the four (4) years immediately prior to the final five (5)
12 fiscal years preceding retirement or a change in employment position based on
13 the training, skills, education, or expertise of the employee that imposes a
14 significant change in job duties and responsibilities to clearly justify the
15 increased compensation to the member; and

16 (b) Does not include any circumstance where an elected official participating in
17 the Kentucky Employees Retirement System or the County Employees
18 Retirement System takes a position of employment with a different employer
19 participating in any of the state-administered retirement systems.

20 (2) (a) For employees retiring from the Kentucky Employees Retirement System, the
21 County Employees Retirement System, or the State Police Retirement System
22 on or after January 1, 2018, the systems shall, for each of the retiring
23 employee's last five (5) fiscal years of employment, identify any fiscal year in
24 which the creditable compensation increased at a rate of ten percent (10%) or
25 more annually over the immediately preceding fiscal year's creditable
26 compensation. The employee's creditable compensation in the fiscal year
27 immediately prior to the employee's last five (5) fiscal years of employment

1 shall be utilized to compare the initial fiscal year in the five (5) fiscal year
2 period.

3 (b) Except as limited or excluded by subsections (3) and (4) of this section, any
4 amount of increase in creditable compensation for a fiscal year identified
5 under paragraph (a) of this subsection that exceeds ten percent (10%) more
6 than the employee's creditable compensation from the immediately preceding
7 fiscal year shall not be included in the creditable compensation used to
8 calculate the retiring employee's monthly retirement allowance. If the
9 creditable compensation for a specific fiscal year identified under paragraph
10 (a) of this subsection as exceeding the ten percent (10%) increase limitation is
11 not used to calculate the retiring employee's monthly retirement allowance,
12 then no reduction in creditable compensation shall occur for that fiscal year.

13 (c) If the creditable compensation of the retiring employee is reduced as provided
14 by paragraph (b) of this subsection, the retirement systems:

- 15 1. Shall refund the employee contributions and interest attributable to the
16 reduction in creditable compensation; and
- 17 2. Shall not refund the employer contributions paid but shall utilize those
18 funds to pay down the unfunded liability of the pension fund in which
19 the retiring employee participated.

20 (3) In order to ensure the prospective application of the limitations on increases in
21 creditable compensation contained in subsection (2) of this section, only the
22 creditable compensation earned by the retiring employee on or after July 1, 2017,
23 shall be subject to reduction under subsection (2) of this section. Creditable
24 compensation earned by the retiring employee prior to July 1, 2017, shall not be
25 subject to reduction under subsection (2) of this section.

26 (4) Subsection (2) of this section shall not apply to:

27 (a) A bona fide promotion or career advancement as defined by subsection (1) of

- 1 this section;
- 2 (b) A lump-sum payment for compensatory time paid to an employee upon
3 termination of employment;
- 4 (c) A lump-sum payment made pursuant to an alternate sick leave program under
5 KRS 78.616(5) that is paid to an employee upon termination of employment;
- 6 (d) Increases in creditable compensation in a fiscal year over the immediately
7 preceding fiscal year, where in the immediately preceding fiscal year the
8 employer reported the employee as being on leave without pay for any reason,
9 including but not limited to sick leave without pay, maternity leave, leave
10 authorized under the Family Medical Leave Act, and any period of time where
11 the employee received workers' compensation benefit payments that were not
12 reported to the plan as creditable compensation;
- 13 (e) Increases in creditable compensation directly attributable to an employee's
14 receipt of compensation for overtime hours worked while serving as a
15 participating employee under any state or federal grant, grant pass-through, or
16 similar program that requires overtime as a condition or necessity of the
17 employer's receipt of the grant; and
- 18 (f) Increases in creditable compensation directly attributable to an employee's
19 receipt of compensation for overtime performed during a state of emergency
20 declared by the President of the United States or the Governor of the
21 Commonwealth of Kentucky.
- 22 (5) (a) For employees retiring on or after January 1, 2014, but prior to July 1, 2017,
23 the last participating employer shall be required to pay for any additional
24 actuarial costs resulting from annual increases in an employee's creditable
25 compensation greater than ten percent (10%) over the employee's last five (5)
26 fiscal years of employment that are not the direct result of a bona fide
27 promotion or career advancement. The cost shall be determined by the

- 1 retirement systems.
- 2 (b) Lump-sum payments for compensatory time paid to an employee upon
3 termination of employment shall be exempt from this subsection.
- 4 (c) Kentucky Retirement Systems shall be required to answer inquiries from
5 participating employers regarding this subsection. Upon request of the
6 employer prior to the employee's change of position or hiring, the systems
7 shall make a determination that is binding to the systems as to whether or not
8 a change of position or hiring constitutes a bona fide promotion or career
9 advancement.
- 10 (d) For any additional actuarial costs charged to the employer under this
11 subsection, the systems shall allow the employer to pay the costs without
12 interest over a period of one (1) year from the date of receipt of the employer's
13 final invoice.
- 14 (6) The Kentucky Retirement Systems shall determine whether increases in creditable
15 compensation during the last five (5) fiscal years of employment prior to retirement
16 constitute a bona fide promotion or career advancement and may promulgate
17 administrative regulations in accordance with KRS Chapter 13A to administer this
18 section. All state-administered retirement systems shall cooperate to implement this
19 section.
- 20 (7) Any employer who disagrees with a determination made by the system in
21 accordance with this section regarding whether an increase in compensation
22 constitutes a bona fide promotion or career advancement for purposes of subsection
23 (5) of this section may request a hearing and appeal the decision in accordance with
24 KRS 61.645(16).
- 25 (8) For the fiscal year beginning July 1, 2017, and subsequent years, the Kentucky
26 Retirement Systems shall provide a means for employers to separately report the
27 specific exceptions provided in subsection (4) of this section within the reporting

1 system utilized by the employers for making employer reports under KRS 16.645,
2 61.675, and 78.545. The Kentucky Retirement Systems shall continually provide
3 communication, instructions, training, and educational opportunities for employers
4 regarding how to appropriately report exemptions established by subsection (4) of
5 this section.

6 (9) This section shall not apply to employees participating in the hybrid cash balance
7 plan as provided by KRS 16.583 and 61.597~~[- or to service in the 401(a) money~~
8 ~~purchase plan as provided by KRS 61.5956].~~

9 ➔Section 27. KRS 61.637 is repealed, reenacted, and amended to read as follows:

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

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

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

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

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

1 of his retirement allowance payments received.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 from his second retirement account.

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

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

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

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

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

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

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

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

- 12 1. The member shall contribute to a member account established for him or
13 her in one (1) of the systems administered by Kentucky Retirement
14 Systems, and employer contributions shall be paid on behalf of the
15 member by the participating employer; and
 - 16 2. Upon subsequent retirement, the member shall be eligible for a
17 retirement allowance based upon total service and creditable
18 compensation, including any additional service or creditable
19 compensation earned after his or her initial retirement was voided;
- 20 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a member is
21 receiving a retirement allowance from one (1) of the systems administered by
22 Kentucky Retirement Systems and is employed in a regular full-time position
23 required to participate in one (1) of the systems administered by Kentucky
24 Retirement Systems after a three (3) month period following the member's
25 initial retirement date, the member may continue to receive his or her
26 retirement allowance during the period of reemployment subject to the
27 following provisions:

- 1 1. Both the employee and participating agency shall certify in writing on a
2 form prescribed by the board that no prearranged agreement existed
3 between the employee and agency prior to the employee's retirement for
4 the employee to return to work with the participating agency. If an
5 elected official is reelected to a new term of office in the same position
6 and retires following the election but prior to taking the new term of
7 office, he or she shall be deemed by the system as having a prearranged
8 agreement under the provisions of this subparagraph and shall have his
9 or her retirement voided. If the participating agency or employer fail to
10 complete the certification, the member's retirement shall be voided and
11 the provisions of paragraph (a) of this subsection shall apply to the
12 member and the employer;
- 13 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
14 the contrary, the member shall not contribute to the systems and shall
15 not earn any additional benefits for any work performed during the
16 period of reemployment;
- 17 3. Except as provided by KRS 70.291 to 70.293 and 95.022 and except for
18 any retiree employed as a school resource officer as defined by KRS
19 158.441, the employer shall pay employer contributions as specified by
20 KRS 61.565 and 61.702 on all creditable compensation earned by the
21 employee during the period of reemployment. The additional
22 contributions paid shall be used to reduce the unfunded actuarial liability
23 of the systems; and
- 24 4. Except as provided by KRS 70.291 to 70.293 and 95.022 and except for
25 any retiree employed as a school resource officer as defined by KRS
26 158.441, the employer shall be required to reimburse the systems for the
27 cost of the health insurance premium paid by the systems to provide

1 coverage for the retiree, not to exceed the cost of the single premium.
2 Effective July 1, 2015, local school boards shall not be required to pay
3 the reimbursement required by this subparagraph for retirees employed
4 by the board for eighty (80) days or less during the fiscal year;

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

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

- 1 (d) If a member is receiving a retirement allowance from the State Police
2 Retirement System or from hazardous duty retirement coverage with the
3 Kentucky Employees Retirement System or the County Employees Retirement
4 System and is employed in a regular full-time position required to participate
5 in the State Police Retirement System or in a hazardous duty position with the
6 Kentucky Employees Retirement System or the County Employees Retirement
7 System after a one (1) month period following the member's initial retirement
8 date, the member may continue to receive his or her retirement allowance
9 during the period of reemployment subject to the following provisions:
- 10 1. Both the employee and participating agency shall certify in writing on a
11 form prescribed by the board that no prearranged agreement existed
12 between the employee and agency prior to the employee's retirement for
13 the employee to return to work with the participating agency. If an
14 elected official is reelected to a new term of office in the same position
15 and retires following the election but prior to taking the new term of
16 office, he or she shall be deemed by the system as having a prearranged
17 agreement under the provisions of this subparagraph and shall have his
18 or her retirement voided. If the participating agency or employer fail to
19 complete the certification, the member's retirement shall be voided and
20 the provisions of paragraph (c) of this subsection shall apply to the
21 member and the employer;
 - 22 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
23 the contrary, the member shall not contribute to the systems and shall
24 not earn any additional benefits for any work performed during the
25 period of reemployment;
 - 26 3. Except as provided by KRS 70.291 to 70.293 and 95.022 and except for
27 any retiree employed as a school resource officer as defined by KRS

- 1 158.441, the employer shall pay employer contributions as specified by
2 KRS 61.565 and 61.702 on all creditable compensation earned by the
3 employee during the period of reemployment. The additional
4 contributions paid shall be used to reduce the unfunded actuarial liability
5 of the systems; and
- 6 4. Except as provided by KRS 70.291 to 70.293 and 95.022 and except for
7 any retiree employed as a school resource officer as defined by KRS
8 158.441, the employer shall be required to reimburse the systems for the
9 cost of the health insurance premium paid by the systems to provide
10 coverage for the retiree, not to exceed the cost of the single premium;
- 11 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
12 who qualifies as a volunteer for an employer participating in one (1) of the
13 systems administered by Kentucky Retirement Systems and who is receiving
14 reimbursement of actual expenses, a nominal fee for his or her volunteer
15 services, or both, shall not be considered an employee of the participating
16 employer and shall not be subject to paragraphs (a) to (d) of this subsection if:
- 17 1. Prior to the retired member's most recent retirement date, he or she did
18 not receive creditable compensation from the participating employer in
19 which the retired member is performing volunteer services;
- 20 2. Any reimbursement or nominal fee received prior to the retired
21 member's most recent retirement date has not been credited as creditable
22 compensation to the member's account or utilized in the calculation of
23 the retired member's benefits;
- 24 3. The retired member has not purchased or received service credit under
25 any of the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852 for
26 service with the participating employer for which the retired member is
27 performing volunteer services; and

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

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

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

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

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

23 ~~[(18) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (17) of this~~
24 ~~section, the following shall apply to retired members, retirees, or annuitants of the~~
25 ~~systems or plans administered by the Kentucky Retirement Systems, the Judicial~~
26 ~~Form Retirement System, and the Teachers' Retirement System, who retire and~~
27 ~~begin drawing a retirement allowance on or after January 1, 2019, and are~~

1 ~~reemployed on or after January 1, 2019, by an agency participating in the systems~~
2 ~~administered by the Kentucky Retirement Systems:~~

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

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

21 ~~2. Upon subsequent retirement, the member shall be eligible for a~~
22 ~~retirement allowance based upon total service, accumulated account~~
23 ~~balance, and creditable compensation, including any additional service,~~
24 ~~creditable compensation, or accumulated account balance earned after~~
25 ~~his or her initial retirement was voided, subject to the limitations of KRS~~
26 ~~6.525, 21.374, 61.5955, or 61.5956;~~

27 ~~(b) Except as provided by paragraphs (c) and (d) of this subsection, if a retired~~

1 member, annuitant, or retiree is receiving a retirement allowance from the
2 systems administered by the Kentucky Retirement Systems and is reemployed
3 or elected to a position with an agency participating in the systems
4 administered by the Kentucky Retirement Systems after a three (3) month
5 period following the member's initial retirement date from the system:

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

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

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

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

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

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

6 ~~4. The employer shall pay the employer normal cost contributions as~~
7 ~~specified by KRS 61.565(1)(b) and 61.702, on all creditable~~
8 ~~compensation earned by the employee during the period of regular full-~~
9 ~~time reemployment, based upon the system in which the member is~~
10 ~~reemployed. The employer normal cost contributions shall be payable on~~
11 ~~the employee's behalf for the period of regular full-time reemployment~~
12 ~~and shall be used to pay down the unfunded liability of the systems;~~

13 ~~(c) If a member is receiving a retirement allowance from the State Police~~
14 ~~Retirement System or from hazardous duty retirement coverage with the~~
15 ~~Kentucky Employees Retirement System or the County Employees Retirement~~
16 ~~System or is a certified peace officer as provided in KRS Chapter 15, and is~~
17 ~~reemployed in any position with an agency participating in the systems or~~
18 ~~plans administered by the Kentucky Retirement Systems, regardless of~~
19 ~~whether or not the position is considered regular full-time under KRS~~
20 ~~61.510(21), 78.510(21), or paragraph (g) of this subsection, within a one (1)~~
21 ~~month period following the member's initial retirement date from the system,~~
22 ~~the member's retirement shall be voided and the member shall repay to the~~
23 ~~system or plan all benefits received, including any health insurance benefits. If~~
24 ~~the member's retirement is voided as provided by this paragraph and the~~
25 ~~member has returned to work in a position that qualifies for participation in a~~
26 ~~position that is considered a regular full-time position in the systems~~
27 ~~administered by Kentucky Retirement Systems as defined in KRS 61.510(21)~~

1 or 78.510(21), as applicable:

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

6 2. ~~Upon subsequent retirement, the member shall be eligible for a~~
7 ~~retirement allowance based upon total service, accumulated account~~
8 ~~balance, and creditable compensation, including any additional service,~~
9 ~~creditable compensation, or accumulated account balance earned after~~
10 ~~his or her initial retirement was voided, subject to the limitations of KRS~~
11 ~~6.525, 21.374, 61.5955, or 61.5956;~~

12 ~~(d) If a member is receiving a retirement allowance from the State Police~~
13 ~~Retirement System or from hazardous duty retirement coverage with the~~
14 ~~Kentucky Employees Retirement System or the County Employees Retirement~~
15 ~~System or is a certified peace officer as provided in KRS Chapter 15, and is~~
16 ~~reemployed with an agency participating in the systems administered by the~~
17 ~~Kentucky Retirement Systems after a one (1) month period following the~~
18 ~~member's initial retirement date from the system, the member may continue to~~
19 ~~receive his or her retirement allowance during the period of reemployment~~
20 ~~subject to the following provisions:~~

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

1 ~~agreement under the provisions of this subparagraph and shall have his~~
2 ~~or her retirement voided. If the participating agency or employer fails to~~
3 ~~complete the certification, the member's retirement shall be voided and~~
4 ~~the provisions of paragraph (c) of this subsection shall apply to the~~
5 ~~member and the employer;~~

6 ~~2. The member shall not contribute to the systems and shall not earn any~~
7 ~~additional benefits for any work performed during the period of~~
8 ~~reemployment; and~~

9 ~~3. The employer shall pay the employer normal cost contributions as~~
10 ~~specified by KRS 61.565(1)(b) and 61.702 on all creditable~~
11 ~~compensation earned by the employee during the period of regular full-~~
12 ~~time reemployment, based upon the system in which the member is~~
13 ~~reemployed. The employer normal cost contributions shall be payable on~~
14 ~~the employee's behalf for the period of regular full time reemployment~~
15 ~~and shall be used to pay down the unfunded liability of the systems;~~

16 ~~(e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member~~
17 ~~who qualifies as a volunteer for an employer participating in one (1) of the~~
18 ~~systems administered by Kentucky Retirement Systems and who is receiving~~
19 ~~reimbursement of actual expenses, a nominal fee for his or her volunteer~~
20 ~~services, or both, shall not be considered an employee of the participating~~
21 ~~employer and shall not be subject to paragraphs (a) to (d) of this subsection if:~~

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

25 ~~2. Any reimbursement or nominal fee received prior to the retired~~
26 ~~member's most recent retirement date has not been credited as creditable~~
27 ~~compensation to the member's account or utilized in the calculation of~~

1 the retired member's benefits;

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

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

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

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

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

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

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

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

17 ➔ Section 28. KRS 61.680 is repealed, reenacted, and amended to read as follows:

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

19 (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to
 20 any deduction from his compensation required by KRS 6.500 to 6.535, 16.505 to
 21 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions thereof.
 22 Thereafter, employee contributions shall be picked up by the employer pursuant to
 23 KRS 61.560(4).

24 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to
 25 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:

26 1. Upon death, disability, or service retirement, a member's accounts under
 27 the Legislators' Retirement Plan, State Police Retirement System,

- 1 Kentucky Employees Retirement System, County Employees Retirement
2 System, and Teachers' Retirement System, except for service prohibited
3 by KRS 161.623(2), shall be consolidated for the purpose of determining
4 eligibility and amount of benefits, including those members who
5 participate in the hybrid cash balance plan ~~for 401(a) money purchase~~
6 ~~plans~~ within the Kentucky Employees Retirement System, the County
7 Employees Retirement System, ***and*** the State Police Retirement System
8 ***on or after January 1, 2014***, ~~or the Teachers' Retirement System~~;
- 9 2. Vested service credit in a retirement system, other than the Teachers'
10 Retirement System, sponsored by a Kentucky institution of higher
11 education and accepted by the Kentucky Employees Retirement System
12 or the County Employees Retirement System, may be used to determine
13 eligibility for twenty-seven (27) year retirement for an employee who
14 begins participating before September 1, 2008, but not the amount of
15 benefits;
- 16 3. The computation of benefits shall be based on the applicable formula in
17 each system and service credit in each system, but the final
18 compensation, excluding compensation earned under KRS 161.155(10),
19 shall be determined as if all service were in one (1) system;
- 20 4. If the member has prior service in more than one (1) system
21 administered by Kentucky Retirement Systems, he shall obtain at least
22 twelve (12) months' current service in each system in which he has prior
23 service in order to validate the prior service in each system for purposes
24 of determining consolidated benefits under this subsection; and
- 25 5. Upon the determination of benefits, each system shall pay the applicable
26 amount of benefits due the member.
- 27 (b) The provisions of paragraph (a) of this subsection shall be waived if the

1 member:

- 2 1. Notifies the system of his desire to maintain separate retirement
3 accounts in the State Police Retirement System, Kentucky Employees
4 Retirement System, or County Employees Retirement System; or
5 2. Fails to simultaneously retire from all state-administered retirement
6 systems in which the member has an account or fails to retire from any
7 other systems not administered by Kentucky Retirement Systems within
8 one (1) month of the member's effective retirement date in the systems
9 administered by Kentucky Retirement Systems.

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

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

27 (b) Any person entitled to membership in the Judicial Retirement Plan or the

1 Legislators' Retirement Plan, who does not elect within thirty (30) days after
2 taking office to participate in the plan, in accordance with KRS 6.505 or
3 21.360, and who at the time of taking office is not a contributing member of,
4 or does not have service credit in, any of the retirement systems mentioned in
5 this section, or the Teachers' Retirement System, shall participate in the
6 Kentucky Employees Retirement System.

7 (c) A member of one (1) of the state-administered retirement plans who ceases to
8 contribute to the plan as provided in KRS 21.360 and who is employed in a
9 nonelected position by an agency participating in the Kentucky Retirement
10 Systems or Kentucky Teachers' Retirement System shall be deemed to have
11 elected membership in the system in which the employer of the nonelected
12 position participates. A member of one (1) of the state-administered
13 retirement plans who ceases to contribute to the plan as provided in KRS
14 21.360 and who is not employed in a nonelected position by an agency
15 participating in the Kentucky Retirement Systems shall be deemed to have
16 elected membership in the Kentucky Employees Retirement System.

17 (4) (a) Prior to July 1, 1976, a person entering the service of an employer
18 participating in the Kentucky Employees Retirement System or the County
19 Employees Retirement System with service credit in the Teachers' Retirement
20 System and who desires to retain membership in the Teachers' Retirement
21 System, and who is permitted by that system to continue, shall be exempt
22 from participating in the Kentucky Employees Retirement System or the
23 County Employees Retirement System.

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

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

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

25 (6) Any member of the Kentucky Employees Retirement System or County Employees
26 Retirement System who is working in more than one (1) position covered by the
27 same retirement system, shall have his wages and contributions consolidated and his

1 retirement account administered as a single account. If part-time positions are
2 involved, an accumulation of all hours worked within the same retirement system
3 shall be used to determine eligibility under KRS 61.510(21).

4 (7) (a) Notwithstanding the provisions of subsection (2) of this section, a person who
5 does not have the amount of service required for service retirement in the
6 State Police Retirement System, Kentucky Employees Retirement System,
7 County Employees Retirement System, Legislators' Retirement Plan, or
8 Teachers' Retirement System, but who is a member of one (1) of the systems
9 or is a former member of one (1) or more of the systems with valid service
10 credit therein, shall become eligible for service retirement benefits attributable
11 to the amount of his actual service credit in each system in which he has
12 service credit when his combined service credit in all the systems, plus any
13 service credit he has in the Judicial Retirement Plan, is equal to that required
14 for service retirement in each respective system. The computation of benefits
15 shall be based on the applicable formula in each system and service credit in
16 each system, except that total service in all systems, unless prohibited by KRS
17 161.623(2), shall be used to determine the reduction for early retirement, if
18 any. Except as provided in KRS 21.360, the final compensation shall be
19 determined by using the creditable compensation reported to the State Police
20 Retirement System, Kentucky Employees Retirement System, County
21 Employees Retirement System, Legislators' Retirement Plan, or Teachers'
22 Retirement System and only as much of the compensation earned in the
23 Judicial Retirement Plan as is needed to satisfy the final compensation
24 requirement applicable in the respective retirement systems.

25 (b) Paragraph (a) of this subsection shall be waived if the member fails to
26 simultaneously retire from all state-administered retirement systems in which
27 the member has an account or fails to retire from any other systems not

1 administered by Kentucky Retirement Systems within one (1) month of the
2 member's effective retirement date in the systems administered by the
3 Kentucky Retirement Systems.

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

8 ➔Section 29. KRS 61.702 is repealed, reenacted, and amended to read as follows:

9 (1) (a) 1. The board of trustees of Kentucky Retirement Systems shall arrange by
10 appropriate contract or on a self-insured basis to provide a group
11 hospital and medical insurance plan for present and future recipients of a
12 retirement allowance from the Kentucky Employees Retirement System,
13 County Employees Retirement System, and State Police Retirement
14 System, except as provided in subsection (8) of this section. The board
15 shall also arrange to provide health care coverage through an insurer
16 licensed pursuant to Subtitle 38 of KRS Chapter 304 and offering a
17 managed care plan as defined in KRS 304.17A-500, as an alternative to
18 group hospital and medical insurance for any person eligible for hospital
19 and medical benefits under this section.

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

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

27 a. Any hospital and medical expense policy or certificate, provider-

1 sponsored integrated health delivery network, self-insured medical
2 plan, health maintenance organization contract, or other health
3 benefit plan;

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

9 c. A medical insurance reimbursement program established by the
10 board through the promulgation of administrative regulation under
11 which members purchase individual health insurance coverage
12 through a health insurance exchange established under 42 U.S.C.
13 sec. 18031 or 18041.

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

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

27 (d) Notwithstanding anything in KRS Chapter 61 to the contrary, the board of

1 trustees, in its discretion, may take necessary steps to ensure compliance with
2 42 U.S.C. secs. 300bb-1 et seq., including but not limited to receiving
3 contributions and premiums from, and providing benefits pursuant to this
4 section to, persons entitled to continuation coverage under 42 U.S.C. secs.
5 300bb-1 et seq., regardless of whether such persons are recipients of a
6 retirement allowance.

7 (2) (a) Each employer participating in the State Police Retirement System as
8 provided for in KRS 16.505 to 16.652, each employer participating in the
9 County Employees Retirement System as provided in KRS 78.510 to 78.852,
10 and each employer participating in the Kentucky Employees Retirement
11 System as provided for in KRS 61.510 to 61.705 shall contribute to the
12 Kentucky Retirement Systems insurance trust fund the amount necessary to
13 provide hospital and medical insurance as provided for under this section.
14 Such employer contribution rate shall be developed by appropriate actuarial
15 method as a part of the determination of each respective employer
16 contribution rate to each respective retirement system determined under KRS
17 61.565.

18 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
19 from the creditable compensation of each member having a membership
20 date on or after September 1, 2008, ~~and effective January 1, 2019, of~~
21 ~~each member having a membership date on or after July 1, 2003, but~~
22 ~~prior to September 1, 2008,~~ an amount equal to one percent (1%) of the
23 member's creditable compensation. The deducted amounts shall be
24 credited to accounts established pursuant to 26 U.S.C. sec. 401(h),
25 within the funds established in KRS 16.510, 61.515, and 78.520.

26 2. The employer shall file the contributions as provided by subparagraph 1.
27 of this paragraph at the retirement office in accordance with KRS 61.675

1 and 78.625. Any interest or penalties paid on any delinquent
2 contributions shall be credited to accounts established pursuant to 26
3 U.S.C. sec. 401(h), within the funds established in KRS 16.510, 61.515,
4 and 78.520. Notwithstanding any minimum compensation requirements
5 provided by law, the deductions provided by this paragraph shall be
6 made, and the compensation of the member shall be reduced
7 accordingly.

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

11 4. Every member shall be deemed to consent and agree to the deductions
12 made pursuant to this paragraph, and the payment of salary or
13 compensation less the deductions shall be a full and complete discharge
14 of all claims for services rendered by the person during the period
15 covered by the payment, except as to any benefits provided by KRS
16 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. No member
17 may elect whether to participate in, or choose the contribution amount to
18 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
19 established in KRS 16.510, 61.515, and 78.520. The member shall have
20 no option to receive the contribution required by this paragraph directly
21 instead of having the contribution paid to accounts established pursuant
22 to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,
23 61.515, and 78.520. No member may receive a rebate or refund of
24 contributions. If a member establishes a membership date prior to
25 September 1, 2008, pursuant to KRS 61.552(1) or 61.552(20), then this
26 paragraph shall not apply to the member and all contributions previously
27 deducted in accordance with this paragraph shall be refunded to the

1 member without interest. The contribution made pursuant to this
2 paragraph shall not act as a reduction or offset to any other contribution
3 required of a member or recipient under KRS 16.505 to 16.652, 61.510
4 to 61.705, and 78.510 to 78.852.

5 5. The board of trustees, at its discretion, may direct that the contributions
6 required by this paragraph be accounted for within accounts established
7 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
8 16.510, 61.515, and 78.520 through the use of separate accounts.

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

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

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

15 3. Wholly or partly from funds contributed to accounts established
16 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
17 16.510, 61.515, and 78.520;

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

26 5. Partly from subparagraphs 1. to 4. of this paragraph, except that any
27 premium for hospital and medical insurance over the amount contributed

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

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

1 (120) months of service, fifty percent (50%) of such premium shall be
2 paid from the insurance trust fund or accounts established pursuant to 26
3 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
4 and 78.520, provided such recipient agrees to pay the remaining fifty
5 percent (50%) by payroll deduction from his retirement allowance or by
6 another method. Should such recipient have less than one hundred
7 twenty (120) months of service but have at least forty-eight (48) months
8 of service, twenty-five percent (25%) of such premium shall be paid
9 from the insurance trust fund or accounts established pursuant to 26
10 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
11 and 78.520, provided such recipient agrees to pay the remaining seventy-
12 five percent (75%) by payroll deduction from his retirement allowance
13 or by another method. Notwithstanding the foregoing provisions of this
14 subsection, an employee participating in one (1) of the retirement
15 systems administered by the Kentucky Retirement Systems who
16 becomes disabled as a direct result of an act in line of duty as defined in
17 KRS 16.505 or as a result of a duty-related injury as defined in KRS
18 61.621, shall have his premium paid in full as if he had two hundred
19 forty (240) months or more of service. Further, an employee
20 participating in one (1) of the retirement systems administered by the
21 Kentucky Retirement Systems who is killed as a direct result of an act in
22 line of duty as defined in KRS 16.505 or as a result of a duty-related
23 injury as defined in KRS 61.621, shall have the premium for the
24 beneficiary, if the beneficiary is the member's spouse, and for each
25 dependent child as defined in KRS 16.505, paid so long as they
26 individually remain eligible for a monthly retirement benefit. "Months of
27 service" as used in this section shall mean the total months of combined

1 service used to determine benefits under any or all of the three (3)
2 retirement systems, except service added to determine disability benefits
3 shall not be counted as "months of service." For current and former
4 employees of the Council on Postsecondary Education who were
5 employed prior to January 1, 1993, and who earn at least fifteen (15)
6 years of service credit in the Kentucky Employees Retirement System,
7 "months of service" shall also include vested service in another
8 retirement system other than the Kentucky Teachers' Retirement System
9 sponsored by the Council on Postsecondary Education.

10 (b) 1. For a member electing insurance coverage through the Kentucky
11 Retirement Systems, "months of service" shall include, in addition to
12 service as described in paragraph (a) of this subsection, service credit in
13 one (1) of the other state-administered retirement plans.

14 2. Effective August 1, 1998, the Kentucky Retirement Systems shall
15 compute the member's combined service, including service credit in
16 another state-administered retirement plan, and calculate the portion of
17 the member's premium to be paid by the insurance trust fund accounts
18 established pursuant to 26 U.S.C. sec. 401(h) within the funds
19 established in KRS 16.510, 61.515, and 78.520, according to the criteria
20 established in paragraph (a) of this subsection. Each state-administered
21 retirement plan annually shall pay to the insurance trust fund the
22 percentage of the system's cost of the retiree's monthly contribution for
23 single coverage for hospital and medical insurance which shall be equal
24 to the percentage of the member's number of months of service in the
25 other state-administered retirement plan divided by his total combined
26 service. The amounts paid by the other state-administered retirement
27 plans and the insurance trust fund or accounts established pursuant to 26

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

1 established in KRS 16.510, 61.515, and 78.520 shall pay a percentage of the
2 monthly contribution for the spouse and for each dependent child of a
3 recipient who was a member of the General Assembly and is receiving a
4 retirement allowance based on General Assembly service, of the Kentucky
5 Employees Retirement System and determined to be in a hazardous position,
6 of the County Employees Retirement System, and determined to be in a
7 hazardous position or of the State Police Retirement System. The percentage
8 of the monthly contribution paid for the spouse and each dependent child of a
9 recipient who was in a hazardous position shall be based solely on the
10 member's service with the State Police Retirement System or service in a
11 hazardous position using the formula in subsection (3)(a) of this section,
12 except that for any recipient of a retirement allowance from the County
13 Employees Retirement System who was contributing to the system on January
14 1, 1998, for service in a hazardous position, the percentage of the monthly
15 contribution shall be based on the total of hazardous service and any
16 nonhazardous service as a police or firefighter with the same agency, if that
17 agency was participating in the County Employees Retirement System but did
18 not offer hazardous duty coverage for its police and firefighters at the time of
19 initial participation.

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

1 member of the County Employees Retirement System, the insurance trust fund
2 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
3 established in KRS 16.510, 61.515, and 78.520 shall continue the same level
4 of coverage for the spouse or each dependent child after the age of sixty-five
5 (65) as before the age of sixty-five (65), if the spouse or dependent child is not
6 eligible for Medicare coverage.

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

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

24 (7) The board shall promulgate an administrative regulation to establish a medical
25 insurance reimbursement plan to provide reimbursement for hospital and medical
26 insurance premiums of recipients of a retirement allowance who are not eligible for
27 the same level of hospital and medical benefits as recipients living in Kentucky and

1 having the same Medicare hospital and medical insurance eligibility status. An
2 eligible recipient shall file proof of payment for hospital and medical insurance at
3 the retirement office. Reimbursement to eligible recipients shall be made on a
4 quarterly basis. The recipient shall be eligible for reimbursement of substantiated
5 medical insurance premiums for an amount not to exceed the total monthly
6 premium determined under subsection (3) of this section. The plan shall not be
7 made available if all recipients are eligible for the same coverage as recipients
8 living in Kentucky.

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

14 2. For an employee having a membership date on or after September 1,
15 2008, participation in the insurance benefits provided under this section
16 shall not be allowed until the employee has earned at least one hundred
17 eighty (180) months of service credited under KRS 16.543(1),
18 61.543(1), or 78.615(1) or another state-administered retirement system.

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

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

24 2. For employees who are in a hazardous position or who participate in the
25 State Police Retirement System, a monthly insurance contribution of
26 fifteen dollars (\$15) for each year of service as a participating employee
27 in a hazardous position or as a participating member of the State Police

1 Retirement System. Upon the death of the retired member, the
2 beneficiary, if the beneficiary is the member's spouse, shall be entitled to
3 a monthly insurance contribution of ten dollars (\$10) for each year of
4 service the member attained as a participating employee in a hazardous
5 position or as a participating member of the State Police Retirement
6 System.

- 7 (c) 1. The minimum service requirement to participate in benefits as provided
8 by paragraph (a) of this subsection shall be waived for a member who is
9 disabled as a direct result of an act in line of duty as defined in KRS
10 16.505, and the member or his spouse and eligible dependents shall be
11 entitled to the benefits payable under this subsection as though the
12 member had twenty (20) years of service in a hazardous position.
- 13 2. The minimum service required to participate in benefits as provided by
14 paragraph (a) of this subsection shall be waived for a member who is
15 disabled by a duty-related injury as defined in KRS 61.621, and the
16 member shall be entitled to the benefits payable under this subsection as
17 though the member has twenty (20) years of service in a nonhazardous
18 position.
- 19 3. Notwithstanding the provisions of this section, the minimum service
20 required to participate in benefits as provided by paragraph (a) of this
21 subsection shall be waived for a member who dies as a direct result of an
22 act in line of duty as defined in KRS 16.505 or who dies as a result of a
23 duty-related injury as defined in KRS 61.621, and the premium for the
24 member's spouse and for each dependent child as defined in KRS 16.505
25 shall be paid in full by the systems so long as they individually remain
26 eligible for a monthly retirement benefit.

27 (d) Except as provided by paragraph (c)3. of this subsection, the monthly

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

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

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

17 ➔Section 30. KRS 61.705 is repealed, reenacted, and amended to read as follows:

18 (1) Upon the death of a retired member of the Kentucky Employees Retirement System,
19 County Employees Retirement System, or State Police Retirement System who was
20 receiving a monthly retirement allowance based on a minimum of forty-eight (48)
21 months of service or whose retirement allowance based on a minimum of forty-
22 eight (48) months was suspended in accordance with KRS 61.637, a death benefit
23 of five thousand dollars (\$5,000) shall be paid. If the retired member had more than
24 one (1) account in the Kentucky Employees Retirement System, County Employees
25 Retirement System, or State Police Retirement System, the system shall pay only
26 one (1) five thousand dollar (\$5,000) death benefit. Application for the death benefit
27 made to the Kentucky Retirement Systems shall include acceptable evidence of

1 death and of the eligibility of the applicant to act on the deceased retired member's
2 behalf.

3 (2) The death benefit shall be paid to a beneficiary named by the retired member. Upon
4 retirement or any time thereafter, the retired member may designate on the form
5 prescribed by the board, death benefit designation, a person, the retired member's
6 estate, a trust or trustee, or a licensed funeral home, as the beneficiary of the death
7 benefit. The beneficiary for the death benefit may or may not be the same
8 beneficiary designated in accordance with KRS 61.590(1). If the beneficiary
9 designated under this section is a person and that person dies prior to the member,
10 or if the beneficiary was the retired member's spouse and they were divorced on the
11 date of the retired member's death, then the retired member's estate shall become the
12 beneficiary, unless the retired member has filed a subsequent death benefit
13 designation. If a licensed funeral home is designated as beneficiary and the licensed
14 funeral home cannot be reasonably identified or located by Kentucky Retirement
15 Systems at the time of the retired member's death, then the retired member's estate
16 shall become the beneficiary of the death benefit.

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

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

23 ~~[(5) Effective January 1, 2019, this section does not apply to members who began~~
24 ~~participating in the systems administered by Kentucky Retirement Systems on or~~
25 ~~after January 1, 2014.]~~

26 ➔Section 31. KRS 16.652 is repealed, reenacted, and amended to read as follows:

27 (1) For members who begin participating in the State Police Retirement System prior to

1 January 1, 2014, it is hereby declared that in consideration of the contributions by
 2 the member, and in further consideration of benefits received by the state from the
 3 member's employment, KRS 16.510 to 16.645 shall, except as provided in KRS
 4 6.696 effective September 16, 1993, constitute an inviolable contract of the
 5 Commonwealth, and the benefits provided therein shall, except as provided in KRS
 6 6.696 effective September 16, 1993, not be subject to reduction or impairment by
 7 alteration, amendment or repeal~~], except:~~

8 ~~(a) As provided in KRS 6.696; and~~

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

12 (2) (a) For members who begin participating in the State Police Retirement System
 13 on or after January 1, 2014, the General Assembly reserves the right to amend,
 14 suspend, or reduce the benefits and rights provided under KRS 16.505 to
 15 16.652 if, in its judgment, the welfare of the Commonwealth so demands,
 16 except that the amount of benefits the member has accrued at the time of
 17 amendment, suspension, or reduction shall not be affected.

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

22 (c) The provisions of this subsection shall not be construed to limit the General
 23 Assembly's authority to change any other benefit or right specified by KRS
 24 16.505 to 16.652, for members who begin participating in the State Police
 25 Retirement System on or after January 1, 2014, except the benefits specified
 26 by paragraph (b) of this subsection.

27 (3) The provisions of this section shall not be construed to limit the General Assembly's

1 authority to amend, reduce, or suspend the benefits and rights of members of the
2 State Police Retirement System as provided by KRS 16.505 to 16.652 that the
3 General Assembly had the authority to amend, reduce, or suspend, prior to July 1,
4 2013.

5 ➔Section 32. KRS 61.692 is repealed, reenacted, and amended to read as follows:

- 6 (1) For members who begin participating in the Kentucky Employees Retirement
7 System prior to January 1, 2014, it is hereby declared that in consideration of the
8 contributions by the members and in further consideration of benefits received by
9 the state from the member's employment, KRS 61.510 to 61.705 shall, except as
10 provided in KRS 6.696 effective September 16, 1993, constitute an inviolable
11 contract of the Commonwealth, and the benefits provided therein shall, except as
12 provided in KRS 6.696 effective September 16, 1993, not be subject to reduction or
13 impairment by alteration, amendment, or repeal, ~~except:~~

14 ~~(a) As provided in KRS 6.696; and~~

15 ~~(b) The General Assembly reserves the right to amend, reduce, or suspend any~~
16 ~~legislative changes to the provisions of KRS 61.510 to 61.705 that become~~
17 ~~effective on or after July 1, 2018].~~

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

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

1 (c) The provisions of this subsection shall not be construed to limit the General
 2 Assembly's authority to change any other benefit or right specified by KRS
 3 61.510 to 61.705, except the benefits specified by paragraph (b) of this
 4 subsection, for members who begin participating in the Kentucky Employees
 5 Retirement System on or after January 1, 2014.

6 (3) The provisions of this section shall not be construed to limit the General Assembly's
 7 authority to amend, reduce, or suspend the benefits and rights of members of the
 8 Kentucky Employees Retirement System as provided by KRS 61.510 to 61.705 that
 9 the General Assembly had the authority to amend, reduce, or suspend, prior to July
 10 1, 2013.

11 ➔Section 33. KRS 78.852 is repealed, reenacted, and amended to read as follows:

12 (1) For members who begin participating in the County Employees Retirement System
 13 prior to January 1, 2014, it is hereby declared that in consideration of the
 14 contributions by the members and in further consideration of benefits received by
 15 the county from the member's employment, KRS 78.510 to 78.852 shall, **except as**
 16 **provided in KRS 6.696 effective September 16, 1993,** constitute an inviolable
 17 contract of the Commonwealth, and the benefits provided therein shall, **except as**
 18 **provided in KRS 6.696 effective September 16, 1993,** not be subject to reduction or
 19 impairment by alteration, amendment, or 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 78.510 to 78.852 that become~~
 23 ~~effective on or after July 1, 2018].~~

24 (2) (a) For members who begin participating in the County Employees Retirement
 25 System on or after January 1, 2014, the General Assembly reserves the right to
 26 amend, suspend, or reduce the benefits and rights provided under KRS 78.510
 27 to 78.852 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 78.510 to 78.852, except the benefits specified by paragraph (b) of this
10 subsection, for members who begin participating in the County Employees
11 Retirement System on or after January 1, 2014.

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 County Employees Retirement System as provided by KRS 78.510 to 78.852 that
15 the General Assembly had the authority to amend, reduce, or suspend, prior to July
16 1, 2013.

17 ➔Section 34. KRS 61.605 is repealed, reenacted, and amended to read as follows:

18 (1) Upon disability retirement, ~~[except as provided by subsection (2) of this section,]~~ an
19 employee may receive an annual retirement allowance payable monthly during his
20 lifetime which shall be determined in the same manner as for retirement at his
21 normal retirement date with years of service and final compensation being
22 determined as of the date of his disability except that service credit shall be added to
23 the person's total service beginning with his last date of paid employment and
24 continuing to his sixty-fifth birthday; however, the maximum service credit added
25 shall not exceed the total service the person had upon his last day of paid
26 employment, and the maximum combined service credit for calculating his
27 disability retirement allowance, including total service and added service shall not

1 exceed twenty-five (25) years. If, however, a person has accumulated twenty-five
 2 (25) or more years of total service, he shall receive added service necessary to bring
 3 his combined service credit, including total and added service, to twenty-seven (27)
 4 years.

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

11 (b) For a member who begins participating on or after January 1, 2014, in the
 12 hybrid cash balance plan as provided by KRS 61.597~~[or who elects to~~
 13 ~~participate in the 401(a) money purchase plan as provided by KRS 21.374,~~
 14 ~~61.5955, or 61.5956]~~, the disability retirement allowance shall be the higher of
 15 twenty percent (20%) of the member's monthly final rate of pay or the
 16 retirement allowance determined in the same manner as for retirement at his
 17 or her normal retirement date under KRS ~~[61.5956 or]~~61.597~~[, as applicable]~~.

18 ➔Section 35. KRS 61.640 is repealed, reenacted, and amended to read as follows:

19 (1) If a member dies prior to the first day of the month in which the member would
 20 have received his or her first retirement allowance, the member's beneficiary shall
 21 be eligible for the benefits provided by this section if the member had on file a
 22 written designation of a beneficiary with the retirement office as provided by KRS
 23 61.542 and the member met the following conditions at the date of his or her death:

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

26 (b) The member was in active employment or on authorized leave of absence with
 27 five (5) or more years of service credit and died prior to his or her normal

1 retirement date or was normal retirement age or older and had at least four (4)
2 years of service credit; or

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

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

8 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
9 benefit that would have been paid had the member retired immediately prior
10 to his or her date of death and elected to receive benefits payable under the
11 survivorship one hundred percent (100%) option as provided in KRS
12 61.635(2);

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

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

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

23 (e) If the member began participating in the system prior to January 1, 2014, a
24 monthly benefit payable for a period of one hundred twenty (120) months that
25 is equivalent to the benefit the member would have been entitled to receive
26 based on his or her years of service and final compensation at the date of his
27 or her death reduced by the survivorship fifty percent (50%) factor as provided

1 for in KRS 61.635(4), then reduced by fifty percent (50%), and that is the
2 actuarial equivalent to the amount computed under paragraph (a) of this
3 subsection; or

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

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

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

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

20 ➔Section 36. KRS 61.559 is repealed, reenacted, and amended to read as follows:

21 (1) In lieu of any other benefits due under KRS 61.510 to 61.705 and 78.510 to 78.852,
22 a member who begins participating before September 1, 2008, who has attained the
23 age of sixty-five (65) and who has obtained at least one (1) month of service credit
24 but no more than forty-seven (47) months of service may elect to receive an annual
25 retirement allowance payable monthly or less frequently, as determined by the
26 board, which shall be determined by multiplying his accumulated contributions by
27 two (2) and converting this amount to an annual retirement allowance based on an

1 annuity rate adopted by the board which would pay the actuarial equivalent of twice
2 his accumulated contributions over the lifetime of the retired member.

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

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

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

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

15 (d) The member has thirty (30) or more years of service at least fifteen (15) of
16 which are current service, or the member of the Kentucky Employees
17 Retirement System or the County Employees Retirement System has twenty-
18 seven (27) or more years of service, at least fifteen (15) of which are current
19 service; or

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

24 (f) The member has attained age fifty-five (55) and was an employee of a parted
25 employer at the time his employer became ineligible to continue participation
26 in the system, and his service in the system when added to his service with the
27 parted employer subsequent to his separation from state government equals

1 the early retirement service eligibility requirement of the system on the date
2 his employer became ineligible to continue participation in the system.

3 (3) A member who begins participating on or after September 1, 2008, but prior to
4 January 1, 2014, is eligible for a retirement allowance determined under KRS
5 61.595 if:

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

9 (b) The member is fifty-seven (57) years of age or older and has an age and years
10 of service total of at least eighty-seven (87) years. The years of service used to
11 determine eligibility for a retirement allowance under this paragraph shall only
12 include years of service credited under KRS 16.543(1), 61.543(1), or
13 78.615(1) or another state-administered retirement system; or

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

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

22 ➔Section 37. KRS 61.5955 is repealed, reenacted, and amended to read as
23 follows:

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

25 **(1) Subject to the provisions of this section, any member who began participating in**
26 **the Kentucky Employees Retirement System, the County Employees Retirement**
27 **System, or the State Police Retirement System prior to January 1, 2014, may in**

1 lieu of the benefits he or she is currently eligible to receive from the systems, elect
2 to receive the benefits and rights provided to members who began participating in
3 the systems on or after January 1, 2014, including participating in the hybrid
4 cash balance plan created pursuant to KRS 61.597 for members in nonhazardous
5 duty positions or pursuant to KRS 16.583 for members in hazardous duty
6 positions, as applicable;

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

9 (3) For each member who makes an election provided by this section:

10 (a) Any service credit the member has accrued prior to January 1, 2014, shall
11 be considered as service credit earned on or after January 1, 2014, for
12 purposes of determining benefits under KRS 16.505 to 16.652, 61.510 to
13 61.705, and 78.510 to 78.852;

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

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

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

- 1 ~~[(1) Subject to the provisions of this section, any participating member who began~~
2 ~~participating in a nonhazardous position in the Kentucky Employees Retirement~~
3 ~~System or the County Employees Retirement System prior to July 1, 2019, may on~~
4 ~~or after July 1, 2019, but prior to January 1, 2021, elect to be provided the following~~
5 ~~benefits:~~
- 6 ~~(a) Participation in the 401(a) money purchase plan provided by KRS 61.5956 in~~
7 ~~lieu of accruing any additional benefits provided by KRS 61.510(14), 61.595,~~
8 ~~61.597, or 78.510(14); and~~
- 9 ~~(b) Any other benefits the person would be eligible for in the Kentucky~~
10 ~~Employees Retirement System or County Employees Retirement System~~
11 ~~based upon the election provided by this section or his or her membership date~~
12 ~~in the state administered retirement systems.~~
- 13 ~~(2) The election provided by this section shall be made in writing and on a form~~
14 ~~prescribed by the Kentucky Retirement Systems board;~~
- 15 ~~(3) For each member who makes an election provided by this section, any service~~
16 ~~credit, final compensation, or other benefits the member has accrued prior to the~~
17 ~~effective election date, shall remain but the member shall not accrue any additional~~
18 ~~service, final compensation, or any other benefits in a nonhazardous position in the~~
19 ~~Kentucky Employees Retirement System or County Employees Retirement System~~
20 ~~on or after the effective election date for purposes of determining benefits under~~
21 ~~KRS 61.510(14), 61.595, 61.597, or 78.510(14);]~~
- 22 (4) Before accepting an election provided by this section, the Kentucky Retirement
23 Systems board shall provide the member with information detailing the potential
24 results of the member's election;
- 25 (5) An election made pursuant to this section shall be irrevocable;
- 26 (6) (a) A member of the Kentucky Employees Retirement System, ~~or~~ the County
27 Employees Retirement System, or the State Police Retirement System shall

1 not be eligible to make an election prescribed by this section until the
2 Kentucky Retirement Systems receive a favorable private letter ruling from
3 the Internal Revenue Service regarding this section.

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

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

8 (7) This section shall not apply to retirees who were reemployed on or after September
9 1, 2008, and who are not eligible to participate in the systems during reemployment.

10 ➔Section 38. KRS 61.655 is repealed, reenacted, and amended to read as follows:

11 ~~{(1)}~~ No trustee or employee of the Kentucky Retirement Systems board shall:

12 ~~{(1)(a)}~~ Have any interest, direct or indirect, in the gains or profits of any investment
13 or ~~{any other legal, business, or financial}~~ transaction made by the board, save
14 insofar as any such trustee or employee may be a member, employee, or beneficiary
15 of the retirement system;

16 ~~{(2)(b)}~~ Directly or indirectly, for himself or as an agent, use the assets of the
17 retirement system, except to make current and necessary payments authorized by the
18 board;

19 ~~{(3)(e)}~~ Become an indorser or surety or in any manner an obligor for moneys loaned
20 by or borrowed from the board;

21 ~~{(4)(d)}~~ Have a contract or agreement with the retirement system, individually or
22 through a business owned by the trustee or the employee;

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

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

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

6 ~~[(2) No trustee or employee of the board of trustees, who has served as a trustee or~~
7 ~~employee of the board on or after July 1, 2017, shall have any interest, direct or~~
8 ~~indirect, in the gains or profits of any investment or any other legal, business, or~~
9 ~~financial transaction made by the board of trustees for a period of five (5) years~~
10 ~~following termination of his or her position, except that any such trustee or~~
11 ~~employee may be a member, employee, or beneficiary of the systems administered~~
12 ~~by Kentucky Retirement Systems.~~

13 ~~(3) (a) No person who is serving as a member of the General Assembly or is a public~~
14 ~~servant as defined by KRS 11A.010(9) shall have any interest, direct or~~
15 ~~indirect, in the gains or profits of any investment or any other legal, business,~~
16 ~~or financial transaction made by the board of trustees, except that any such~~
17 ~~trustee or public servant may be a member, employee, or beneficiary of the~~
18 ~~systems administered by Kentucky Retirement Systems.~~

19 ~~(b) No person who was serving as a member of the General Assembly on or after~~
20 ~~July 1, 2017, or was serving as a public servant as defined by KRS~~
21 ~~11A.010(9) on or after July 1, 2017, shall have any interest, direct or indirect,~~
22 ~~in the gains or profits of any investment or any other legal, business, or~~
23 ~~financial transaction made by the board of trustees for a period of five (5)~~
24 ~~years following termination of his or her position, except that any such~~
25 ~~member or public servant may be a member, employee, or beneficiary of the~~
26 ~~systems administered by Kentucky Retirement Systems.]~~

27 ➔Section 39. KRS 16.583 is repealed, reenacted, and amended to read as follows:

- 1 (1) A member of the State Police Retirement System, a member of the Kentucky
2 Employees Retirement System in a hazardous duty position covered by this section,
3 or a member of the County Employees Retirement System in a hazardous duty
4 position covered by this section, whose participation begins on or after January 1,
5 2014, or a member making an election pursuant to Section 37 of this Act, shall
6 receive the retirement benefits provided by this section in lieu of the retirement
7 benefits provided under KRS 16.576 and 16.577. The retirement benefit provided
8 by this section shall be known as the hybrid cash balance plan and shall operate as
9 another benefit tier within the State Police Retirement System, the Kentucky
10 Employees Retirement System, and the County Employees Retirement System.
- 11 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the
12 member's accumulated account balance, which shall include:
- 13 (a) Contributions made by the member as provided by KRS 16.505 to 16.652,
14 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions
15 prescribed by KRS 61.702(2)(b);
- 16 (b) An employer pay credit of seven and one-half percent (7.5%) of the creditable
17 compensation earned by the employee for each month the employee is
18 contributing to the hybrid cash balance plan provided by this section; and
- 19 (c) Interest credits added annually to the member's accumulated account balance
20 as provided by this section.
- 21 (3) (a) Member contributions and employer pay credits as provided by subsection
22 (2)(a) and (b) of this section shall be credited to the member's account
23 monthly as contributions are reported and posted to the system in accordance
24 with KRS 61.675 and 78.625.
- 25 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be
26 credited to the member's account annually on June 30 of each fiscal year, as
27 determined by subsection (4) of this section.

- 1 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
2 contributed to the hybrid cash balance plan during the fiscal year.
- 3 (b) If the member contributed to the hybrid cash balance plan during the fiscal
4 year, the interest credit added to the member's account for that fiscal year shall
5 be determined by multiplying the member's accumulated account balance on
6 June 30 of the preceding fiscal year by a percentage increase equal to:
- 7 1. Four percent (4%); plus
8 2. Seventy-five percent (75%) of the system's geometric average net
9 investment return in excess of a four percent (4%) rate of return.
- 10 (c) If the member did not contribute to the hybrid cash balance plan during the
11 fiscal year, the interest credit added to the member's account for that fiscal
12 year shall be determined by multiplying the member's accumulated account
13 balance on June 30 of the preceding fiscal year by four percent (4%).
- 14 (d) For purposes of this subsection, "system's geometric average net investment
15 return":
- 16 1. Means the annual average geometric investment return, net of
17 administrative and investment fees and expenses, over the last five (5)
18 fiscal years as of the date the interest is credited to the member's
19 account; and
20 2. Shall be expressed as a percentage and based upon the system in which
21 the member has an account.
- 22 (e) No employer pay credits or interest credits shall be provided to a member who
23 has taken a refund of contributions as provided by KRS 61.625 or who has
24 retired and annuitized his or her accumulated account balance as prescribed by
25 this section.
- 26 (5) (a) Upon termination of employment, a member who has less than five (5) years
27 of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who

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

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

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

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

13 (b) At any age, provided he or she has earned twenty-five (25) or more years of
14 service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another
15 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 systems in
19 accordance with the actuarial assumptions and actuarial methods adopted by
20 the board 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 61.635, except for the option provided by KRS 61.635(11); or

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

25 (8) The provisions of this section shall not apply to members who began participating
26 in the Kentucky Employees Retirement System, the County Employees Retirement
27 System, or the State Police Retirement System prior to January 1, 2014, except for

1 *those members making an election pursuant to Section 37 of this Act.*

2 ➔Section 40. KRS 16.645 is repealed, reenacted, and amended to read as follows:

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

- 6 (1) Cessation of membership, as provided for by KRS 61.535;
- 7 (2) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 8 (3) Actuarial bases, as provided for by KRS 61.670;
- 9 (4) Duties of the employer, as provided for by KRS 61.675;
- 10 (5) Exemption of benefits of the system for taxation and qualified domestic relations
11 orders, as provided for by KRS 61.690;
- 12 (6) Retirement allowance increase, as provided for by KRS 61.691;
- 13 (7) Calculation of retirement allowance, as provided for by KRS 61.599;
- 14 (8) Beneficiaries to be designated by member, change, rights, as provided for by KRS
15 61.542;
- 16 (9) Year of service credit, as provided for by KRS 61.545;
- 17 (10) Refund of contributions, death after retirement, as provided by KRS 61.630;
- 18 (11) Custodian of fund, payments made, when, as provided for by KRS 61.660;
- 19 (12) Credit for service prior to membership date, as provided for by KRS 61.526;
- 20 (13) Member's account, confidential, as provided for by KRS 61.661;
- 21 (14) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- 22 (15) Correction of errors in records, as provided for by KRS 61.685;
- 23 (16) Maximum disability benefit, as provided for by KRS 61.607;
- 24 (17) Retirement application procedure, effective retirement date, as provided for by KRS
25 61.590;
- 26 (18) Employer contributions, as provided for by KRS 61.565;
- 27 (19) Reinstatement of lost service credit, purchase of service credit, interest paid, and

- 1 delayed contribution and installment payments, as provided for by KRS 61.552;
- 2 (20) Reciprocal arrangement between systems, as provided by KRS 61.680;
- 3 (21) Refund of contributions, conditions, as provided by KRS 61.625;
- 4 (22) Hospital and medical insurance plan, as provided by KRS 61.702;
- 5 (23) Death benefit, as provided by KRS 61.705;
- 6 (24) Disability retirement allowance, reduction, and discontinuance, as provided by KRS
- 7 61.615;
- 8 (25) Service credit, Armed Forces, as provided by KRS 61.555;
- 9 (26) Reinstated employee, contributions on creditable compensation, as provided for by
- 10 KRS 61.569;
- 11 (27) Statement to be made under oath, good faith reliance, as provided for in KRS
- 12 61.699;
- 13 (28) Retirement of persons in hazardous positions, as provided for by KRS 61.592;
- 14 (29) Direct deposit of recipient's retirement allowance as provided in KRS 61.623;
- 15 (30) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- 16 (31) Payment of small amounts upon death of member, retiree, or recipient without
- 17 formal administration of the estate as provided in KRS 61.703;
- 18 (32) Suspension of retirement payments on reemployment, reinstatement, recomputation
- 19 of allowance, waiver of provisions in certain instances, reemployment in a different
- 20 position, as provided for by KRS 61.637;
- 21 (33) Medical examination and financial review after disability retirement, staff review,
- 22 as provided in KRS 61.610; ~~and~~
- 23 (34) Employer payment of increases in creditable compensation and adjustments to
- 24 creditable compensation during the last five (5) years of employment as provided by
- 25 KRS 61.598; and
- 26 **(35) Benefit election for members of the Kentucky Retirement Systems who began**
- 27 **participating prior to January 1, 2014, as provided by Section 37 of this Act.**

1 ➔Section 41. KRS 78.545 is repealed, reenacted, and amended to read as follows:
2 The following matters shall be administered in the same manner subject to the same
3 limitations and requirements as provided for the Kentucky Employees Retirement System
4 as follows:

- 5 (1) Cessation of membership, conditions, as provided for by KRS 61.535;
- 6 (2) Statement of member and employer, as provided for by KRS 61.540;
- 7 (3) Beneficiary to be designated by member, change, rights, as provided for by KRS
8 61.542;
- 9 (4) Service credit determination, as provided for by KRS 61.545;
- 10 (5) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- 11 (6) Service credit, Armed Forces, as provided for by KRS 61.555;
- 12 (7) Normal and early retirement eligibility requirements, as provided for by KRS
13 61.559;
- 14 (8) Retirement allowance increases as provided for by KRS 61.691;
- 15 (9) Retirement application procedure, effective retirement date, as provided for by KRS
16 61.590;
- 17 (10) Disability retirement, conditions, as provided for by KRS 61.600;
- 18 (11) Disability retirement, allowance, as provided for by KRS 61.605;
- 19 (12) Medical examination after disability retirement, as provided for by KRS 61.610;
- 20 (13) Disability retirement allowance, reduction, as provided for by KRS 61.615;
- 21 (14) Determination of retirement allowance, as provided for by KRS 61.595;
- 22 (15) Refund of contributions, conditions, as provided for by KRS 61.625;
- 23 (16) Refund of contributions, death after retirement, as provided for by KRS 61.630;
- 24 (17) Optional retirement plans, as provided for by KRS 61.635;
- 25 (18) Suspension of retirement payments on reemployment, reinstatement, as provided for
26 by KRS 61.637;
- 27 (19) Death before retirement, beneficiary's options, as provided for by KRS 61.640;

- 1 (20) Board of trustees, conflict of interest, as provided for by KRS 61.655;
- 2 (21) Custodian of funds, payments made, when, as provided for by KRS 61.660;
- 3 (22) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 4 (23) Actuarial bases, as provided for by KRS 61.670;
- 5 (24) Employer's administrative duties, as provided for by KRS 61.675;
- 6 (25) Correction of errors in records, as provided for by KRS 61.685;
- 7 (26) Exemptions of retirement allowances, and qualified domestic relations orders, as
8 provided for by KRS 61.690;
- 9 (27) Credit for service prior to membership date, as provided for by KRS 61.526;
- 10 (28) Creditable compensation of fee officers, as provided for by KRS 61.541;
- 11 (29) Members' account, confidential, as provided for by KRS 61.661;
- 12 (30) Retirement plan for employees determined to be in a hazardous position, as
13 provided for by KRS 61.592;
- 14 (31) Maximum disability benefit, as provided for by KRS 61.607;
- 15 (32) Consent of employees to deductions and reciprocal arrangement between systems,
16 as provided for by KRS 61.680;
- 17 (33) Employer contributions, as provided for by KRS 61.565;
- 18 (34) Recontribution and delayed contribution payments, purchase of service credit,
19 interest, and installment payments, as provided for by KRS 61.552;
- 20 (35) Hospital and medical insurance plan, as provided by KRS 61.702;
- 21 (36) Death benefit, as provided by KRS 61.705;
- 22 (37) Reinstated employee, contributions on creditable compensation, as provided for by
23 KRS 61.569;
- 24 (38) Statement to be made under oath, good faith reliance, as provided for in KRS
25 61.699;
- 26 (39) Disability procedure for members in hazardous positions as provided for in KRS
27 16.582;

- 1 (40) Direct deposit of recipient's retirement allowance as provided for in KRS 61.623;
- 2 (41) Death or disability from a duty-related injury as provided in KRS 61.621;
- 3 (42) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- 4 (43) Payment of small accounts upon death of member, retiree, or recipient without
- 5 formal administration of the estate as provided in KRS 61.703;
- 6 (44) Hybrid cash balance plan ~~[and 401(a) money purchase plan]~~ provided to new
- 7 members as provided by KRS ~~[61.5956 and]~~ 61.597;
- 8 (45) Employer payment of increases in creditable compensation and adjustments to
- 9 creditable compensation during the last five (5) years of employment as provided by
- 10 KRS 61.598;
- 11 (46) Calculation of retirement allowance, as provided by KRS 61.599;
- 12 (47) Voluntary and involuntary cessation of participation by a participating agency as
- 13 provided by KRS 61.522; and
- 14 (48) **Benefit election for members of the Kentucky Retirement Systems who began**
- 15 **participating prior to January 1, 2014, as provided by Section 37 of this**
- 16 **Act**~~[Benefit election for members of the Kentucky Retirement Systems who began~~
- 17 ~~participating prior to July 1, 2019, as provided by KRS 61.5955].~~

18 ➔Section 42. KRS 161.155 is repealed, reenacted, and amended to read as

19 follows:

- 20 (1) As used in this section:
- 21 (a) "Teacher" shall mean any person for whom certification is required as a basis
- 22 of employment in the common schools of the state;
- 23 (b) "Employee" shall mean any person, other than a teacher, employed in the
- 24 public schools, whether on a full or part-time basis;
- 25 (c) "Immediate family" shall mean the teacher's or employee's spouse, children
- 26 including stepchildren and foster children, grandchildren, daughters-in-law
- 27 and sons-in law, brothers and sisters, parents and spouse's parents, and

1 grandparents and spouse's grandparents, without reference to the location or
2 residence of said relative, and any other blood relative who resides in the
3 teacher's or employee's home;

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

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

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

22 (3) A school district shall coordinate among the income and benefits from workers'
23 compensation, temporary disability retirement, and district payroll and benefits so
24 that there is no loss of income or benefits to a teacher or employee for work time
25 lost because of an assault while performing the teacher's or employee's assigned
26 duties for a period of up to one (1) year after the assault. In the event a teacher or
27 employee suffers an assault while performing his or her assigned duties that results

1 in injuries that qualify the teacher or employee for workers' compensation benefits,
2 the district shall provide leave to the teacher or employee for up to one (1) year after
3 the assault with no loss of income or benefits under the following conditions:

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

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

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

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

24 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this
25 subsection shall be coordinated with workers' compensation benefits under
26 KRS Chapter 342, disability retirement benefits for teachers under KRS
27 161.661 to 161.663, and disability retirement benefits for employees under

1 KRS 61.600 to 61.621 and 78.545 so that the teacher or employee receives
2 income equivalent to his or her full contracted salary, but in no event shall the
3 combined payments exceed one hundred percent (100%) of the teacher's or
4 employee's full contracted salary.

5 (4) Days of sick leave not taken by an employee or a teacher during any school year
6 shall accumulate without limitation and be credited to that employee or teacher.
7 Accumulated sick leave may be taken in any school year. Any district board of
8 education may, in its discretion, allow employees or teachers in its common school
9 system sick leave in excess of the number of days prescribed in this section and may
10 allow school district employees and teachers to use up to three (3) days' sick leave
11 per school year for emergency leave pursuant to KRS 161.152(3). Any accumulated
12 sick leave days credited to an employee or a teacher shall remain so credited in the
13 event he or she transfers his or her place of employment from one (1) school district
14 to another within the state or to the Kentucky Department of Education or transfers
15 from the Department of Education to a school district.

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

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

25 (7) A district board of education may adopt a plan for a sick leave bank. The plan may
26 include limitations upon the number of days a teacher or employee may annually
27 contribute to the bank and limitations upon the number of days a teacher or

1 employee may annually draw from the bank. Only those teachers or employees who
2 contribute to the bank may draw upon the bank. Days contributed will be deducted
3 from the days available to the contributing teacher or employee. The sick leave bank
4 shall be administered in accordance with a policy adopted by the board of
5 education.

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

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

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

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

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

- 1 3. The teacher or employee has exhausted his or her accumulated sick
2 leave, personal leave, and any other leave granted by the school district;
3 and
4 4. The teacher or employee has complied with the school district's policies
5 governing the use of sick leave.
- 6 (c) While a teacher or employee is on sick leave provided by this section, he or
7 she shall be considered a school district employee, and his or her salary,
8 wages, and other employee benefits shall not be affected.
- 9 (d) Any sick leave that remains unused, is not needed by a teacher or employee,
10 and will not be needed in the future shall be returned to the teacher or
11 employee donating the sick leave.
- 12 (e) The board of education shall adopt policies and procedures necessary to
13 implement the sick leave donation program.
- 14 (9) A teacher or employee may use up to thirty (30) days of sick leave following the
15 birth or adoption of a child or children. Additional days may be used when the need
16 is verified by a physician's statement.
- 17 (10) (a) After July 1, 1982, ~~and except as otherwise provided by this subsection,~~ a
18 district board of education may compensate, at the time of retirement or upon
19 the death of a member in active contributing status at the time of death who
20 was eligible to retire by reason of service, an employee or a teacher, or the
21 estate of an employee or teacher, for each unused sick leave day. The rate of
22 compensation for each unused sick leave day shall be based on a percentage of
23 the daily salary rate calculated from the employee's or teacher's last annual
24 salary, not to exceed thirty percent (30%). Payment for unused sick leave
25 days~~[, not to exceed the amount based upon the unused sick leave days~~
26 ~~accrued as of December 31, 2018,]~~ shall be incorporated into the annual
27 compensation of the final year of service for inclusion in the calculation of the

1 employee's or teacher's retirement allowance only at the time of his or her
2 initial retirement; provided that the member makes the regular retirement
3 contribution for members on the sick leave payment. The accumulation of
4 these days includes unused sick leave days held by the employee or teacher at
5 the time of implementation of the program.

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

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

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

19 ➔Section 43. KRS 161.220 is repealed, reenacted, and amended to read as
20 follows:

21 As used in KRS 161.220 to 161.716 and 161.990:

22 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to
23 161.716 and 161.990 for payment of allowances to members;

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

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

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

1 may designate by resolution whether part-time employees of the petitioning
2 association are to be included~~[, except as limited by KRS 161.612]~~. The state
3 shall make no contributions on account of these employees, either full-time or
4 part-time. The association shall make the employer's contributions, including
5 any contribution that is specified under KRS 161.550. The provisions of this
6 paragraph shall be applicable to persons in the employ of the associations on
7 or subsequent to July 1, 1972;

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

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

14 (i) The Office of Vocational Rehabilitation;

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

16 (k) The Governor's Scholars Program;

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

22 (m) Employees of the former Cabinet for Workforce Development who are
23 transferred to the Kentucky Community and Technical College System and
24 who occupy positions covered by the Kentucky Teachers' Retirement System
25 shall remain in the Teachers' Retirement System. New employees occupying
26 these positions, as well as newly created positions qualifying for Teachers'
27 Retirement System coverage that would have previously been included in the

1 former Cabinet for Workforce Development, shall be members of the
2 Teachers' Retirement System;

3 (n) Effective January 1, 1998, employees of state community colleges who are
4 transferred to the Kentucky Community and Technical College System shall
5 continue to participate in federal old age, survivors, disability, and hospital
6 insurance, and a retirement plan other than the Kentucky Teachers' Retirement
7 System offered by Kentucky Community and Technical College System. New
8 employees occupying positions in the Kentucky Community and Technical
9 College System as referenced in KRS 164.5807(5) that would not have
10 previously been included in the former Cabinet for Workforce Development,
11 shall participate in federal old age, survivors, disability, and hospital insurance
12 and have a choice at the time of employment of participating in a retirement
13 plan provided by the Kentucky Community and Technical College System,
14 including participation in the Kentucky Teachers' Retirement System, on the
15 same basis as faculty of the state universities as provided in KRS ~~161.235,~~
16 ~~161.540~~ and 161.620;

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

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

- 1 (q) The Governor's School for Entrepreneurs Program.
- 2 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,
3 and became a member of the retirement system created by 1938 (1st Extra. Sess.)
4 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year
5 after that date, and any teacher who was a member of a local teacher retirement
6 system in the public elementary or secondary schools of the state on or before July
7 1, 1940, and continued to be a member of the system until he, with the membership
8 of the local retirement system, became a member of the state Teachers' Retirement
9 System or who becomes a member under the provisions of KRS 161.470(4);
- 10 (6) "New teacher" means any member not a present teacher;
- 11 (7) "Prior service" means the number of years during which the member was a teacher
12 in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior
13 service shall be allowed or credited to any teacher;
- 14 (8) "Subsequent service" means the number of years during which the teacher is a
15 member of the Teachers' Retirement System after July 1, 1941;
- 16 (9) "Final average salary" means the average of the five (5) highest annual salaries
17 which the member has received for service in a covered position and on which the
18 member has made contributions, or on which the public board, institution, or
19 agency has picked-up member contributions pursuant to KRS 161.540(2), or the
20 average of the five (5) years of highest salaries as defined in KRS 61.680(2)(a),
21 which shall include picked-up member contributions. Additionally, the board of
22 trustees may approve a final average salary based upon the average of the three (3)
23 highest salaries for members who are at least fifty-five (55) years of age and have a
24 minimum of twenty-seven (27) years of Kentucky service credit. However, if any of
25 the five (5) or three (3) highest annual salaries used to calculate the final average
26 salary was paid within the three (3) years immediately prior to the date of the
27 member's retirement, the amount of salary to be included for each of those three (3)

1 years for the purpose of calculating the final average salary shall be limited to the
2 lesser of:

3 (a) The member's actual salary; or

4 (b) The member's annual salary that was used for retirement purposes during each
5 of the prior three (3) years, plus a percentage increase equal to the percentage
6 increase received by all other members employed by the public board,
7 institution, or agency, or for members of school districts, the highest
8 percentage increase received by members on any one (1) rank and step of the
9 salary schedule of the school district. The increase shall be computed on the
10 salary that was used for retirement purposes.

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

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

19 (10) "Annual compensation" means the total salary received by a member as
20 compensation for all services performed in employment covered by the retirement
21 system during a fiscal year. Annual compensation shall not include payment for any
22 benefit or salary adjustments made by the public board, institution, or agency to the
23 member or on behalf of the member which is not available as a benefit or salary
24 adjustment to other members employed by that public board, institution, or agency.
25 Annual compensation shall not include the salary supplement received by a member
26 under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996. Under no
27 circumstances shall annual compensation include compensation that is earned by a

1 member while on assignment to an organization or agency that is not a public board,
2 institution, or agency listed in subsection (4) of this section. In the event that federal
3 law requires that a member continue membership in the retirement system even
4 though the member is on assignment to an organization or agency that is not a
5 public board, institution, or agency listed in subsection (4) of this section, the
6 member's annual compensation for retirement purposes shall be deemed to be the
7 annual compensation, as limited by subsection (9) of this section, last earned by the
8 member while still employed solely by and providing services directly to a public
9 board, institution, or agency listed in subsection (4) of this section. The board of
10 trustees shall determine if any benefit or salary adjustment qualifies as annual
11 compensation. For an individual who becomes a member on or after July 1, 2008,
12 annual compensation shall not include lump-sum payments upon termination of
13 employment for accumulated annual or compensatory leave;

14 (11) "Age of member" means the age attained on the first day of the month immediately
15 following the birthdate of the member. This definition is limited to retirement
16 eligibility and does not apply to tenure of members;

17 (12) "Employ," and derivatives thereof, means relationships under which an individual
18 provides services to an employer as an employee, as an independent contractor, as
19 an employee of a third party, or under any other arrangement as long as the services
20 provided to the employer are provided in a position that would otherwise be covered
21 by the Kentucky Teachers' Retirement System and as long as the services are being
22 provided to a public board, institution, or agency listed in subsection (4) of this
23 section;

24 (13) "Regular interest" means interest at three percent (3%) per annum, except~~[-~~
25 ~~(a) —]~~ for an individual who becomes a member on or after July 1, 2008,~~[- but prior to~~
26 ~~January 1, 2019,]~~ "regular interest" means interest at two and one-half percent
27 (2.5%) per annum for purposes of crediting interest to the teacher savings account

1 or any other contributions made by the employee that are refundable to the
2 employee upon termination of employment; ~~and~~

3 ~~(b) For an individual who becomes a member on or after January 1, 2019, who is~~
4 ~~participating in the hybrid cash balance plan, "regular interest" means the~~
5 ~~regular interest credited to the member's accumulated account balance as~~
6 ~~provided by KRS 161.235;]~~

7 (14) "Accumulated contributions" means the contributions of a member to the teachers'
8 savings fund, including picked-up member contributions as described in KRS
9 161.540(2), plus accrued regular interest;

10 (15) "Annuitant" means a person who receives a retirement allowance or a disability
11 allowance;

12 (16) "Local retirement system" means any teacher retirement or annuity system created
13 in any public school district in Kentucky in accordance with the laws of Kentucky;

14 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The
15 retirement plan year is concurrent with this fiscal year. A contract for a member
16 employed by a local board of education may not exceed two hundred sixty-one
17 (261) days in the fiscal year;

18 (18) "Public schools" means the schools and other institutions mentioned in subsection
19 (4) of this section;

20 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was
21 receiving, at the time of death of the member, at least one-half (1/2) of the support
22 from the member for maintenance, including board, lodging, medical care, and
23 related costs;

24 (20) "Active contributing member" means a member currently making contributions to
25 the Teachers' Retirement System, who made contributions in the next preceding
26 fiscal year, for whom picked-up member contributions are currently being made, or
27 for whom these contributions were made in the next preceding fiscal year;

- 1 (21) "Full-time" means employment in a position that requires services on a continuing
2 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year
3 basis;
- 4 (22) "Full actuarial cost," when used to determine the payment that a member must pay
5 for service credit means the actuarial value of all costs associated with the
6 enhancement of a member's benefits or eligibility for benefit enhancements,
7 including health insurance supplement payments made by the retirement system.
8 The actuary for the retirement system shall determine the full actuarial value costs
9 and actuarial cost factor tables as provided in KRS 161.400;
- 10 (23) "Last annual compensation" means the annual compensation, as defined by
11 subsection (10) of this section and as limited by subsection (9) of this section,
12 earned by the member during the most recent period of contributing service, either
13 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)
14 full year of service credit in the Kentucky Teachers' Retirement System, and which
15 compensation is used in calculating the member's initial retirement allowance,
16 excluding bonuses, retirement incentives, payments for accumulated sick~~leave~~
17 ~~authorized by KRS 161.155~~, annual, personal~~],~~ and compensatory leave, and any
18 other lump-sum payment. For an individual who becomes a member on or after July
19 1, 2008, payments for annual or compensatory leave shall not be included in
20 determining the member's last annual compensation;
- 21 (24) "Participant" means a member, as defined by subsection (4) of this section, or an
22 annuitant, as defined by subsection (15) of this section;
- 23 (25) "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 (26) "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 (27) "University member" means an individual who becomes a member through
 5 employment with an employer specified in subsection (4)(b) and (n) of this section;

6 and

7 (28) "Nonuniversity member" means an individual who becomes a member through
 8 employment with an employer specified under subsection (4) of this section, except
 9 for those members employed by an employer specified in subsection (4)(b) and (n)
 10 of this section-};

11 ~~(29) "Accumulated employer credit" means the employer pay credit deposited to the~~
 12 ~~member's account and regular interest credited on such amounts as provided by~~
 13 ~~KRS 161.235; and~~

14 ~~(30) "Accumulated account balance" means:~~

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

17 ~~(b) For members who began participating in the system on or after January 1,~~
 18 ~~2019, in the hybrid cash balance plan as provided by KRS 161.235, the~~
 19 ~~combined sum of the member's accumulated contributions and the member's~~
 20 ~~accumulated employer credit].~~

21 ➔Section 44. KRS 161.400 is repealed and reenacted to read as follows:

22 (1) (a) The board of trustees shall designate as actuary a competent person who shall
 23 be a fellow of the Conference of Consulting Actuaries or a member of the
 24 American Academy of Actuaries. He shall be the technical adviser of the
 25 board on matters regarding the operation of the funds of the system and shall
 26 perform such other duties as are required in connection therewith.

27 (b) At least once in each five (5) year period, the actuary shall make an actuarial

1 investigation into the actuarial assumptions and funding methods used,
2 including but not limited to mortality, investment rate of return, and service
3 and compensation of the members and beneficiaries of the retirement system,
4 relative to the actuarial assumptions and funding methods previously adopted
5 by the board. The actuarial investigation shall include at a minimum a
6 summary of the changes in actuarial assumptions and funding methods
7 recommended in the investigation and the projected impact of the
8 recommended changes on funding levels, unfunded liabilities, and actuarially
9 recommended contribution rates for employers over a twenty (20) year period.

10 (c) At least annually the actuary shall make an actuarial valuation of the
11 retirement system. The valuation shall include:

- 12 1. A description of the actuarial assumptions used, and the assumptions
13 shall be reasonably related to the experience of the system and represent
14 the actuary's best estimate of anticipated experience;
- 15 2. A description of any funding methods utilized or required by state law in
16 the development of the actuarial valuation results;
- 17 3. A description of any changes in actuarial assumptions and methods from
18 the previous year's actuarial valuation;
- 19 4. The actuarially recommended contribution rate for employers for the
20 upcoming budget periods;
- 21 5. A twenty (20) year projection of the funding levels, unfunded liabilities,
22 and actuarially recommended contribution rates for employers based
23 upon the actuarial assumptions, funding methods, and experience of the
24 system as of the valuation date; and
- 25 6. A sensitivity analysis that evaluates the impact of changes in system
26 assumptions, including but not limited to the investment return
27 assumption, payroll growth assumption, and medical inflation rates, on

1 employer contribution rates, funding levels, and unfunded liabilities.

2 (d) On the basis of the results of the valuations, the board of trustees shall make
3 necessary changes in the retirement system within the provisions of law and
4 shall establish the contributions payable by employers and the state specified
5 in KRS 161.550.

6 (e) For any change in actuarial assumptions, funding methods, retiree health
7 insurance premiums and subsidies, or any other decisions made by the board
8 that impact system liabilities and actuarially recommended contribution rates
9 for employers and that are not made in conjunction with the actuarial
10 investigation required by paragraph (b) of this subsection, an actuarial analysis
11 shall be completed showing the projected impact of the changes on funding
12 levels, unfunded liabilities, and actuarially recommended contribution rates
13 for employers over a twenty (20) year period.

14 (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for
15 all purposes shall be determined by the actuary of the retirement system and
16 approved by the board of trustees by resolution and implemented without the
17 necessity of an administrative regulation.

18 (3) A copy of each five (5) year actuarial investigation, actuarial analysis, and valuation
19 required by subsection (1) of this section shall be forwarded electronically to the
20 Legislative Research Commission no later than ten (10) days after receipt by the
21 board, and the Legislative Research Commission shall distribute the information
22 received to the committee staff and co-chairs of any committee that has jurisdiction
23 over the Kentucky Teachers' Retirement System. The actuarial valuation required by
24 subsection (1)(c) of this section shall be submitted no later than November 15
25 following the close of the fiscal year.

26 ➔Section 45. KRS 161.420 is repealed, reenacted, and amended to read as
27 follows:

1 All of the assets of the retirement system are for the exclusive purpose of providing
 2 benefits to members and annuitants and defraying reasonable expenses of administering
 3 the system. The board of trustees shall be the trustee of all funds of the system and shall
 4 have full power and responsibility for administering the funds. **It is hereby declared that**
 5 **the restrictions and rights provided herein shall not be subject to reduction or**
 6 **impairment by alteration, amendment, or repeal.** All the assets of the retirement system
 7 shall be credited according to the purpose for which they are held to one (1) of the
 8 following funds:

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

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

16 ~~1.—~~ the contributions paid by members of the retirement system into this fund and
 17 regular interest assigned by the board of trustees from the guarantee fund ~~or~~
 18 established by KRS 161.235, as applicable; and

19 ~~2.—~~ ~~For individuals who become members of the Teachers' Retirement System on or~~
 20 ~~after January 1, 2019, who are participating in the hybrid cash balance plan,~~
 21 ~~the employer pay credit and regular interest to the hybrid cash balance plan as~~
 22 ~~provided by KRS 161.235 that is assigned by the board of trustees from the~~
 23 ~~guarantee fund].~~

24 (b) A member may not borrow any amount of his or her accumulated
 25 **contributions to**~~account balance in~~ the teachers' savings fund, or any regular
 26 interest earned thereon.

27 (c) The accumulated contributions ~~or accumulated account balance~~ of a member

1 which are returned to him or her upon his or her withdrawal or paid to his or
2 her estate or designated beneficiary in the event of his or her death shall be
3 paid from the teachers' savings fund.

4 (d) Any accumulated contributions~~[account balance]~~ in the teachers' savings fund
5 forfeited by a failure of a teacher or his or her estate to claim these
6 contributions shall be transferred from this fund to the guarantee fund.

7 ~~(e) [For an individual who becomes a member of the Teachers' Retirement~~
8 ~~System prior to January 1, 2019,]~~The accumulated contributions~~[account~~
9 ~~balance]~~ of a member in the teachers' savings fund shall be transferred from
10 this fund to the allowance reserve fund in the event of retirement by reason of
11 service or disability~~].~~

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

17 (3) The state accumulation fund shall consist of funds ~~[paid by employers and~~
18 ~~]appropriated by the state for the purpose of providing annuities and survivor~~
19 ~~benefits, including any sums appropriated for meeting unfunded liabilities, together~~
20 ~~with regular interest assigned by the board of trustees from the guarantee fund. At~~
21 ~~the time of retirement or death of a member there shall be transferred from the state~~
22 ~~accumulation fund to the allowance reserve fund an amount which together with the~~
23 ~~sum transferred from the teachers' savings fund will be sufficient to provide the~~
24 ~~member a retirement allowance and provide for benefits under KRS 161.520 and~~
25 ~~161.525]. There shall also be transferred from the state accumulation fund to the~~
26 ~~teachers' savings fund, the amount needed to fund the employer credits required by~~
27 ~~KRS 161.235];~~

- 1 (4) The allowance reserve fund shall be the fund from which shall be paid all retirement
2 allowances and benefits provided under KRS 161.520 and 161.525. In addition,
3 whenever a change in the status of a member results in an obligation on this fund,
4 there shall be transferred to this fund from the teachers' savings fund and the state
5 accumulation fund, the amounts as may be held in those funds for the account or
6 benefit of the member;
- 7 (5) (a) ~~Effective January 1, 2019,~~ The medical insurance fund, which is an account
8 established according to 26 U.S.C. sec. 401(h), shall consist of amounts
9 accumulated for the purpose of providing benefits as provided in KRS
10 161.675, including:
- 11 1. The member contributions required by KRS 161.540(1)(a)2. and
12 (1)(b)2.;
 - 13 2. The employer contribution required by KRS 161.550(1)(a)1.b.and~~;~~
14 (1)(a)2.b. ~~and (3)(a)~~;
 - 15 3. State appropriations as set forth in KRS 161.550(2), unless the
16 contributions are made to a trust fund under 26 U.S.C. sec. 115
17 established by the board for this purpose; and
 - 18 4. Interest income from the investments of the fund from contributions
19 received by the fund under subparagraphs 1. to 3. of this paragraph, and
20 from income earned on those investments.
- 21 (b) All claims for benefits under KRS 161.675 shall be paid from this fund or
22 from any trust fund under 26 U.S.C. sec. 115 as established by the board for
23 this purpose. Any amounts deposited to the fund that are not required to meet
24 current costs shall be maintained as a reserve in the fund for these benefits.
25 The board shall take the necessary and appropriate steps, including
26 promulgating administrative regulations and procedures to maintain the status
27 of the medical insurance fund as an account subject to 26 U.S.C. sec. 401(h);

- 1 (6) The guarantee fund shall be maintained to facilitate the crediting of uniform interest
2 on the amounts of the other funds, except the expense fund, to finance operating
3 expenses directly related to investment management services, and to provide a
4 contingent fund out of which special requirements of any of the other funds may be
5 covered. All income, interest, and dividends derived from the authorized deposits
6 and investments shall be paid into the guarantee fund. Any funds received from
7 gifts and bequests, which the board is hereby authorized to accept and expend
8 without limitation in a manner either expressed by the donor or deemed to be in the
9 best interest of the membership, shall be credited to the guarantee fund. Any funds
10 transferred from the teachers' savings fund by reason of lack of claimant or because
11 of a surplus in any fund and any other moneys whose disposition is not otherwise
12 provided for, shall also be credited to the guarantee fund. The interest allowed by
13 the board of trustees to each of the other funds shall be paid to these funds from the
14 guarantee fund. Any deficit occurring in any fund that would not be automatically
15 covered shall be met by the payments from the guarantee fund to that fund;
- 16 (7) The school employee annuity fund shall consist of those funds voluntarily
17 contributed under the provisions of Section 403(b) of the Internal Revenue Code by
18 a retired member of the Teachers' Retirement System with accounts that existed on
19 or after July 1, 1996. The contributions shall not be picked up as provided in KRS
20 161.540(2). Separate member accounts shall be maintained for each member. The
21 board of trustees may promulgate administrative regulations pursuant to KRS
22 Chapter 13A to manage this program;
- 23 (8) The supplemental retirement benefit fund shall consist of those funds contributed by
24 the employer for the purpose of constituting a qualified government excess benefit
25 plan as described in Section 415 of the Internal Revenue Code for accounts that
26 existed on or after July 1, 1996. The board of trustees shall promulgate
27 administrative regulations pursuant to KRS Chapter 13A to administer this

1 program; and

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

8 ➔Section 46. KRS 161.460 is repealed, reenacted, and amended to read as
9 follows:

10 ~~{(1)}~~ No trustee or employee of the board of trustees shall:

11 ~~(1){(a)}~~ Have any interest, direct or indirect, in the gain or profits of any investment or
12 ~~{any other legal, business, or financial}~~ transaction made by the board~~{, except that~~
13 ~~any such trustee or employee may be a member, employee, or beneficiary of the~~
14 ~~plans administered by the board or authority};~~

15 ~~(2){(b)}~~ Directly or indirectly for himself or as an agent for another, use any of the
16 assets of the retirement system in any manner except to make current and necessary
17 payments authorized by the board;

18 ~~(3){(c)}~~ Become an endorser, surety, or obligor for moneys loaned to or borrowed
19 from the board;

20 ~~(4){(d)}~~ Have a contract or agreement with the retirement system, individually or
21 through a business owned by the trustee or the employee;

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

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

27 ~~(7){(g)}~~ Hold outside employment with, or accept compensation from, any person or

1 business with which he or she has involvement as part of his or her official position
2 with the retirement system. The provisions of this subsection shall not prohibit a
3 trustee from serving as an employee of an agency participating in the Kentucky
4 Teachers' Retirement System.

5 ~~[(2) No trustee or employee of the board of trustees, who has served as a trustee or~~
6 ~~employee of the board on or after July 1, 2017, shall have any interest, direct or~~
7 ~~indirect, in the gains or profits of any investment or any other legal, business, or~~
8 ~~financial transaction made by the board of trustees for a period of five (5) years~~
9 ~~following termination of his or her position, except that any such trustee or~~
10 ~~employee may be a member, employee, or beneficiary of the Teachers' Retirement~~
11 ~~System.~~

12 ~~(3) (a) No person who is serving as a member of the General Assembly or is a public~~
13 ~~servant as defined by KRS 11A.010(9) shall have any interest, direct or~~
14 ~~indirect, in the gains or profits of any investment or any other legal, business,~~
15 ~~or financial transaction made by the board of trustees, except that any such~~
16 ~~trustee or public servant may be a member, employee, or beneficiary of the~~
17 ~~Teachers' Retirement System.~~

18 ~~(b) No person who was serving as a member of the General Assembly on or after~~
19 ~~July 1, 2017, or was serving as a public servant as defined by KRS~~
20 ~~11A.010(9) on or after July 1, 2017, shall have any interest, direct or indirect,~~
21 ~~in the gains or profits of any investment or any other legal, business, or~~
22 ~~financial transaction made by the board of trustees for a period of five (5)~~
23 ~~years following termination of his or her position, except that any such~~
24 ~~member or public servant may be a member, employee, or beneficiary of the~~
25 ~~Teachers' Retirement System.]~~

26 ➔Section 47. KRS 161.470 is repealed, reenacted, and amended to read as
27 follows:

- 1 (1) The membership of the retirement system shall consist of all new members, all
2 present teachers, and all persons participating under the retirement system as of
3 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.
4 The board of trustees of the Teachers' Retirement System shall be responsible for
5 final determination of membership eligibility and may direct employers to take
6 whatever action that may be necessary to correct any error relating to membership.
- 7 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service
8 it shall be as a new member, except that any teacher who withdraws by claiming his
9 deposits may repay the system the amount withdrawn plus interest and reestablish
10 his service credit as provided in subsection (3) of this section.
- 11 (3) Effective July 1, 1988, and thereafter, an active contributing member of the
12 retirement system with contributing service equal to one (1) year may regain service
13 credit by depositing in the teachers' savings fund the amount withdrawn with
14 interest at the rate to be set by the board of trustees, and computed from the first of
15 the month of withdrawal and including the month of redeposit. ~~Service credit~~
16 ~~regained pursuant to this subsection on or after January 1, 2019, shall not be used to~~
17 ~~determine the date the individual purchasing the service became a member of the~~
18 ~~Teachers' Retirement System.]~~
- 19 (4) Effective July 1, 1974, any active contributing member with at least two (2) years of
20 contributing service credit who declined membership as provided in Acts 1938 (1st
21 Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and for
22 any subsequent service prior to date of membership, by depositing in the teachers'
23 savings fund contributions for each year of subsequent service prior to date of
24 membership, with interest at the rate of eight percent (8%) compounded annually to
25 the date of deposit.
- 26 (5) Membership in the retirement system shall be terminated:
27 (a) By retirement for service;

- 1 (b) By death;
- 2 (c) By withdrawal of the member's accumulated contributions~~[account balance]~~;
- 3 (d) When a member, having less than five (5) years of Kentucky service is absent
- 4 from service for more than three (3) consecutive years; or
- 5 (e) For persons hired on or after August 1, 2000, when a member is convicted, in
- 6 any state or federal court of competent jurisdiction, of a felony related to his
- 7 employment as provided in subparagraphs 1. and 2. of this paragraph.

8 1. Notwithstanding any provision of law to the contrary, a member hired

9 on or after August 1, 2000, who is convicted, in any state or federal

10 court of competent jurisdiction, of a felony related to his employment

11 shall forfeit rights and benefits earned under the retirement system,

12 except for the return of his accumulated contributions and interest

13 credited on those contributions.

14 2. The payment of retirement benefits ordered forfeited shall be stayed

15 pending any appeal of the conviction. If the conviction is reversed on

16 final judgment, no retirement benefits shall be forfeited.

17 Except for paragraph (e) of this subsection, upon termination of member accounts

18 under this subsection, funds in the account shall be transferred to the guarantee

19 fund. Inactive members may apply for refunds of these funds at any time. The

20 terminated service shall be reinstated, if not withdrawn by the member, in the event

21 that the member returns to active contributing service.

22 (6) In case of withdrawal from service prior to eligibility for retirement, the board of

23 trustees shall on request of the member return all of his or her accumulated

24 contributions~~[account balance]~~, including any payments made by the member to the

25 state accumulation fund, but the member shall have no claim on any contributions

26 made by the state ~~[or employer]~~ with a view to his retirement~~[, except as provided~~

27 ~~by KRS 161.235,]~~ or to contributions made to the medical insurance fund. If the

1 member is eligible for an immediate service retirement allowance as provided in
 2 KRS 161.600, no withdrawal and refund shall be permitted, unless the allowance
 3 would prohibit the member from qualifying for Social Security benefits or the
 4 member elects to withdraw part or all of his service for the purpose of obtaining
 5 credit in another retirement plan. Requests for refund of contributions by the
 6 member must be filed on forms prescribed by the Teachers' Retirement System and
 7 the employer shall be financially responsible for all information that is certified on
 8 the prescribed form. A member may not withdraw any part of his or her
 9 contributions to~~accumulated account balance in~~ the retirement system except as
 10 provided by this subsection.

11 (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to
 12 retirement, the board of trustees shall pay to the estate of the deceased member,
 13 unless a beneficiary was otherwise applicably designated by the deceased member,
 14 then to the beneficiary, all of his or her accumulated contributions~~account~~
 15 ~~balance~~, including any payments made by the member to the state accumulation
 16 fund, but the estate or beneficiary shall have no claim on any contributions made by
 17 the state ~~or employer~~ with a view to the retirement of the member~~, except as~~
 18 ~~provided by KRS 161.235,~~ or to contributions made to the medical insurance fund.

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

24 ➔Section 48. KRS 161.480 is repealed, reenacted, and amended to read as
 25 follows:

26 Each person, upon becoming a member of the retirement system, shall file a detailed
 27 statement as required by the board of trustees and shall designate a primary beneficiary or

1 two (2) or more cobeneficiaries to receive any benefits accruing from the death of the
2 member. A contingent beneficiary may be designated in addition to the primary
3 beneficiary or cobeneficiaries. The member may name more than one (1) contingent
4 beneficiary. Any beneficiary designation made by the member, including the estate should
5 the estate become the beneficiary by default, shall remain in effect until changed by the
6 member on forms prescribed by the Kentucky Teachers' Retirement System, except in the
7 event of subsequent marriage or divorce. Subsequent marriage by the member shall void
8 the primary beneficiary and any cobeneficiary designation, even that of a trust, and the
9 spouse of the member at death shall be considered as the primary beneficiary, unless the
10 member subsequent to marriage designates another beneficiary. A final divorce decree
11 shall terminate an ex-spouse's status as either primary beneficiary, cobeneficiary, or
12 contingent beneficiary, unless subsequent to divorce the member redesignates the former
13 spouse as primary beneficiary, cobeneficiary, or contingent beneficiary. To the extent
14 permitted by the Internal Revenue Code, a trust may be designated as beneficiary for
15 receipt of a member's accumulated contributions to~~account balance in~~ the retirement
16 system as provided under KRS 161.470(7). A final divorce decree shall not terminate the
17 designation of a trust as beneficiary regardless of who is designated as beneficiary of the
18 trust. In the event that a member fails to designate a beneficiary, or all designated
19 beneficiaries predecease the member, the member's estate shall be deemed to be the
20 beneficiary. Members may designate as beneficiaries only presently identifiable and
21 existing individuals, or trusts where otherwise permitted, without contingency
22 instructions, on forms prescribed by the retirement system. The provisions of this section
23 shall be retroactive as they relate to election of beneficiaries by members still in active
24 status on the effective date of this section. The provisions of this section shall not apply to
25 any account from which a member is drawing a retirement allowance or to the life
26 insurance benefit available under KRS 161.655.

27 ➔Section 49. KRS 161.500 is repealed, reenacted, and amended to read as

1 follows:

- 2 (1) At the close of each fiscal year, the retirement system shall add service credit to the
3 account of each member who made contributions to his or her account during the
4 year. Members shall be entitled to a full year of service credit if their total paid days
5 were not less than one hundred eighty (180) days of a one hundred eighty-five (185)
6 day contract for a regular school or fiscal year. In the event ~~[an individual who~~
7 ~~became]~~ a member ~~[prior to January 1, 2019,]~~ is paid for less than one hundred
8 eighty (180) days, the member may purchase credit according to administrative
9 regulations established by the board of trustees. In no case shall more than one (1)
10 year of service be credited for all service performed in one (1) fiscal year. Members
11 who complete their employment contract prior to the close of a fiscal year and elect
12 to retire prior to the close of a fiscal year shall have their service credit reduced by
13 eight percent (8%) for each calendar month that the retirement becomes effective
14 prior to July 1.
- 15 (2) Members who are employed and paid for less than the number of days required in
16 their normal employment year shall be entitled to pro rata service credit for the
17 fractional service. Such credit shall be based upon the number of days employed
18 and the number of days in the member's annual employment agreement or normal
19 employment year.
- 20 (3) Service credit may not exceed the ratio between the school or fiscal year and the
21 number of months or fraction of a month the member is employed during that year.
- 22 (4) No service credit shall be granted in the Teachers' Retirement System for service
23 that has been or will be used in qualifying for annuity benefit payments from
24 another retirement system financed wholly or in part by public funds.

25 ➔Section 50. KRS 161.507 is repealed, reenacted, and amended to read as
26 follows:

- 27 (1) An active contributing member of the Teachers' Retirement System may receive

1 service credit for active service rendered in the uniformed services of the Armed
2 Forces of the United States, including the commissioned corps of the Public Health
3 Service, subject to the provisions of the Uniformed Services Employment and
4 Reemployment Rights Act of 1994, ~~the provisions of this section as applicable,~~
5 and the administrative regulations promulgated by the board of trustees. Military
6 service includes service in the uniformed services that occurs before the
7 employment of a member in a position covered by the retirement system or where a
8 member leaves covered employment without giving advance written or verbal
9 notice of performing duty in the uniformed services. Service in the uniformed
10 services also includes uniformed service that occurs after employment in a position
11 covered by the retirement system where the member has given advance written or
12 verbal notice of performing duty in the uniformed services and the member returns
13 directly from uniformed services to covered employment. Military service may be
14 credited only if discharge was honorable or was not terminated upon the occurrence
15 of any of the events listed in 38 U.S.C. sec. 4304. Service shall be considered as
16 Kentucky teaching service, except that service may not be used for meeting the
17 service requirements set forth in KRS 161.600(1)(a) or 161.661(1) unless the
18 service occurred after the member gave written or verbal notice of performing duty
19 in the uniformed services and the member returned directly from uniformed services
20 to covered employment. A maximum of six (6) years of military service may be
21 credited, but in no case a greater number of years than the actual years of
22 contributing service in Kentucky.

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

26 (3) A member having twenty (20) years or more of active duty in the military service,
27 and who is qualified for regular federal retirement benefits based on this military

1 service, may not receive credit for any military service in the Teachers' Retirement
2 System. This subsection shall apply to service presented for credit on July 1, 1975,
3 and after this date.

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

16 (b) If military service occurred after the member gave written or verbal notice of
17 performing duty in the uniformed services and the member returns directly
18 from uniformed services to covered employment, the member shall contribute
19 the regular member contribution required by KRS 161.540. The member may
20 make the payment of delayed contributions in a lump sum payment or in
21 installments not to exceed five (5) years beginning with the member's date of
22 reemployment. Interest at the rate of eight percent (8%) per annum shall be
23 charged for delayed contributions beginning with the member's date of
24 reemployment until paid.~~[Members participating in the hybrid cash balance~~
25 ~~plan as provided by KRS 161.235 who make the regular member contribution~~
26 ~~required by this paragraph, shall receive employer credits for the period of~~
27 ~~service purchased.]~~

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

18 ➔Section 51. KRS 161.515 is repealed, reenacted, and amended to read as
19 follows:

20 (1) For the purposes of this section, "out-of-state service" shall mean service in any
21 state in a comparable position on a full-time basis, which would be covered if in
22 Kentucky.

23 (2) (a) An active contributing member who has been a contributing member of the
24 retirement system for at least one (1) full scholastic year subsequent to the
25 latest out-of-state service, may present for credit service rendered out of state,
26 not to exceed ten (10) years actually taught as a certified or licensed teacher.
27 All members who elect to purchase this service shall pay to the retirement

1 system the full actuarial cost as provided under KRS 161.220(22). For each
2 year of which the retirement system shall accept payment, one (1) year of
3 service credit shall be given. For members who purchased this service under
4 the cost formula as it existed under this subsection on June 30, 2005, this
5 credit may not be used to meet the service requirements of KRS 161.525,
6 161.600, or 161.661, except as provided in subsection (2)(c) of this section.
7 No credit shall be granted for service which has been or will be used in
8 qualifying for annuity benefit payments from another retirement system
9 financed wholly or in part by public funds.

10 (b) A member of the retirement system having teaching service in the elementary
11 or secondary schools operated by the United States overseas or in this country,
12 or in a public college or university in Kentucky, not included in the Teachers'
13 Retirement System of the State of Kentucky, may present this service for
14 credit in the retirement system on the same basis as provided above for out-of-
15 state service credit; however, no service may be presented which shall be used
16 as a basis for retirement benefits in any program supported wholly or in part
17 by a public institution or governmental agency. This service when added to
18 service credited under subsection (2)(a) of this section shall not exceed a total
19 of ten (10) years' service credit.

20 (c) A member having service referred to in subsection (2)(a) or (2)(b) of this
21 section who purchased this service under the cost formula as it existed under
22 those subsections on June 30, 2005, may elect to use this service for meeting
23 the requirements of KRS 161.600(1)(c) by making an additional contribution
24 to the state accumulation fund equal to a member contribution rate of eight
25 percent (8%) for each year so used. These payments shall not be picked up as
26 described in KRS 161.540(2). The salary base to be used in determining this
27 additional contribution shall be the final average salary which is used in

1 calculating the member's regular retirement annuity.

2 (3) Members entering the Teachers' Retirement System for the first time, July 1, 1976,
3 and after this date, shall not receive credit for service defined in subsections (2)(a)
4 or (2)(b) of this section in excess of one (1) year of credit for each two (2) years of
5 Kentucky service in a covered position or ten (10) years, whichever is the lesser
6 number.

7 (4) A member, having completed service as a volunteer in the Kentucky Peace Corps
8 created by KRS 154.1-720, may purchase service credit for the time served in the
9 corps on the same basis as provided in this section for the purchase of out-of-state
10 service credit. A member, having completed service as a federal Peace Corps
11 volunteer, may purchase up to two (2) years of service credit for time served in the
12 Peace Corps on the same basis as provided in this section for the purchase of out-of-
13 state service credit.

14 (5) Service purchased under this section by members who at the time of purchase are
15 employed by employers other than those described in KRS 161.220(4)(b) or (n)
16 shall be credited, as described in KRS 161.620(1)(a) and (b), with a retirement
17 factor of two and one-half percent (2.5%) for each year of service that was
18 originally performed on or after July 1, 1983, and two percent (2.0%) for each year
19 of service performed before July 1, 1983. Service purchased under this section by
20 members who at the time of purchase are employed by employers described in KRS
21 161.220(4)(b) or (n) shall be credited, as described in KRS 161.620(1)(a), with a
22 retirement factor of two percent (2.0%) for each year of service, regardless of when
23 the service was performed.

24 ~~[(6) Effective January 1, 2019, this section does not apply to individuals who become~~
25 ~~members on or after January 1, 2019.]~~

26 ➔Section 52. KRS 161.520 is repealed, reenacted, and amended to read as
27 follows:

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

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

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

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

13 (c) If the deceased member has a minimum of ten (10) years of service credit with
14 the Teachers' Retirement System, the surviving widow or widower may apply
15 for an annuity actuarially equivalent to the annuity that would have been paid
16 to the deceased member when eligibility conditions were met. Eligibility for
17 payments would begin at the time the age of the deceased member would have
18 met the requirements of KRS ~~161.235(6) or 161.600(1)~~, as applicable. In
19 exercising this right, the surviving widow or widower shall be entitled to
20 receive an annuity for life, except as provided in subsection (6) of this section.
21 This subsection applies to surviving spouses of members who die on or after
22 July 1, 1978. A surviving widow or widower of a member who dies after July
23 1, 1978, shall be eligible for benefit payments provided under paragraphs (a)
24 and (b) of this subsection until they begin receiving payments under this
25 provision;

26 (2) (a) Where there are surviving unmarried children under age eighteen (18) or
27 under age nineteen (19) if a full-time student in high school, the benefit shall

1 be two hundred dollars (\$200) per month in the case of one (1) child, three
2 hundred forty dollars (\$340) per month in the case of two (2) children, four
3 hundred dollars (\$400) per month in the case of three (3) children, and four
4 hundred forty dollars (\$440) per month in the case of four (4) or more
5 children. Benefits under this subsection shall apply in addition to benefits
6 which may be payable under subsections (1) and (3) of this section.

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

- 12 1. Is a biological or adoptive parent of all children eligible for a benefit
13 under this subsection and has not had his or her parental rights
14 terminated; or
- 15 2. Has been appointed as legal guardian of all of the children eligible under
16 paragraph (a) of this subsection.

17 (c) To elect a lump-sum refund of the member's ~~accumulated~~ ~~account~~ ~~balance~~
18 under paragraph (b) of this subsection, the surviving spouse who is
19 designated as the primary beneficiary must sign a waiver on forms prescribed
20 by the retirement system of his or her rights and the member's children's rights
21 to the survivorship benefits payable under this subsection and subsection (1)
22 of this section. The surviving spouse shall not waive the survivorship benefits
23 available under this subsection or subsections (1) and (6) of this section if any
24 of the member's children have attained age eighteen (18) or older unless all of
25 those children consent in writing on forms prescribed by the retirement system
26 to waive their survivorship benefits available under this subsection;

27 (3) (a) Where the survivor is a child age eighteen (18) or older whose mental or

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

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

- 14 1. The surviving spouse is designated as the primary beneficiary;
- 15 2. The surviving spouse has been appointed by the court as guardian,
16 conservator, or other fiduciary with sufficient general or specific
17 authority to waive the survivorship benefits available under this
18 subsection for any child or children age eighteen (18) or older who have
19 been adjudicated incompetent to make decisions on their own behalf by
20 a court of law; and
- 21 3. Any child or children age eighteen (18) or older who are mentally
22 competent to make decisions on their own behalf as attested to by two
23 (2) physicians' statements consent in writing on forms prescribed by the
24 retirement system to waive their survivorship benefits available under
25 this subsection.

26 (c) If eligible to elect a lump-sum refund of the member's ~~accumulated~~ account
27 ~~balance~~, the surviving spouse shall sign a waiver on forms prescribed by the

1 retirement system of his or her rights and the member's children's rights to the
2 survivorship benefits payable under this subsection and subsections (1) and
3 (2) of this section;

4 (4) Where the sole eligible survivors are dependent parents aged sixty-five (65) or over,
5 the benefit shall be two hundred dollars (\$200) per month for one (1) parent or two
6 hundred ninety dollars (\$290) per month for two (2) parents. Dependency of a
7 parent shall be established as of the date of the death of the member;

8 (5) Where the sole eligible survivor is a dependent brother or sister, the benefit shall be
9 one hundred sixty five dollars (\$165) per month. In order to qualify the brother or
10 sister must have been a resident of the deceased member's household for at least one
11 (1) full year prior to the member's death or must have been receiving care in a
12 hospital, nursing home, or other institution at the member's expense for same
13 period;

14 (6) The benefit to a child as defined in subsection (2) of this section shall terminate
15 upon the attainment of age eighteen (18) or upon reaching age nineteen (19), if a
16 full-time student in high school, or upon marriage, except that benefits shall
17 continue until the attainment of age twenty-three (23) for an unmarried child who is
18 a full-time student in a recognized educational program beyond the high school
19 level. The benefit to a widow, widower, dependent parent, or dependent brother or
20 sister or dependent child age eighteen (18) or older shall terminate upon marriage,
21 or upon termination of the condition creating the dependency;

22 (7) The board of trustees shall be the sole judge of eligibility or dependency of any
23 beneficiary, and may require formal application or information relating to eligibility
24 or dependency, including proof of annual income satisfactory to the board. The
25 board of trustees may subpoena records and individuals whenever it deems this
26 action necessary;

27 (8) No payment of benefits shall be made unless the board of trustees authorizes the

1 payment. The board shall promulgate administrative regulations for the
2 administration of the provisions in this section and in every case the decision of the
3 board of trustees shall be final as to eligibility, dependency, or disability, and the
4 amount of benefits payable;

5 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)
6 of this section, or in the event that the surviving spouse elects not to receive
7 survivorship benefits on his or her own behalf or on behalf of any of the member's
8 children as permitted under subsections (2) and (3) of this section, the board of
9 trustees shall pay to the estate or the designated beneficiaries of the deceased
10 member a refund of his or her accumulated contributions~~[account balance]~~ as
11 provided in KRS 161.470(7). If the benefits paid or payable under subsections (1) to
12 (5) of this section and KRS 161.661 shall amount to a sum less than the member's
13 accumulated contributions~~[account balance]~~ at the time of death, the board of
14 trustees shall pay to the estate or designated beneficiaries of the deceased member
15 the balance of the accumulated contributions~~[account balance]~~;

16 (10) Any person who is receiving benefits and becomes disqualified from receiving
17 those benefits under this section shall immediately notify the Teachers' Retirement
18 System of this disqualification in writing and shall return all benefits paid after the
19 date of disqualification. Failure to comply with these provisions shall create an
20 indebtedness of that person to the Teachers' Retirement System. Interest at the rate
21 of eight percent (8%) per annum shall be charged if the debt is not repaid within
22 sixty (60) days after the date of disqualification. Failure to repay this debt creates a
23 lien in favor of the Teachers' Retirement System upon all property of the person
24 who improperly receives benefits and does not repay those benefits; and

25 (11) Benefits under subsections (2) and (3) of this section shall apply to a child who is a
26 legally adopted survivor at the time of the death of the member. This provision shall
27 be retroactive to include a child who was born after January 1, 1990, and is a legally

1 adopted survivor of a member whose death occurred prior to July 15, 2008.

2 ➔Section 53. KRS 161.522 is repealed, reenacted, and amended to read as
3 follows:

4 Upon the death of a member retired for disability who had a minimum of twenty-seven
5 (27) years of service at the time of death, except as provided in KRS 161.661(6), the
6 spouse, if named as the primary beneficiary of the member's account, shall be entitled to
7 elect, in lieu of a refund of the member's account, an annuity actuarially equivalent to the
8 annuity that would have been paid to the deceased member had retirement for service
9 been effective on the day immediately preceding the member's death. This option shall be
10 available only during the entitlement period described under KRS 161.661(3) and (4)
11 prior to the recalculation of the member's disability allowance under KRS 161.661(5). In
12 selecting this right, the spouse shall be limited to selecting an option providing a straight
13 life annuity with refundable balance or a term certain option. There shall be a monthly
14 minimum allowance of three hundred dollars (\$300) as the basic straight life annuity.
15 This section applies to surviving spouses of members who were receiving benefit
16 payments under KRS 161.520 as of June 30, 1988, and to surviving spouses of members
17 who die on or after July 1, 1984, except that the member shall have been retired for
18 disability with a minimum of thirty (30) years of service if either of these two (2)
19 conditions were met prior to July 1, 1990. ~~[This section does not apply to individuals who
20 become members on or after January 1, 2019.]~~

21 ➔Section 54. KRS 161.525 is repealed, reenacted, and amended to read as
22 follows:

23 (1) Upon death of a member in active contributing status at the time of death, who was
24 eligible to retire by reason of service, the spouse, if named as the primary
25 beneficiary of the member's retirement account, or in the absence of an eligible
26 spouse a legal dependent of the member, if named as the primary beneficiary, shall
27 be entitled to elect, in lieu of a refund of the member's ~~[accumulated]~~ account

1 ~~balance~~ for benefits provided in KRS 161.520, an annuity actuarially equivalent at
2 the attained age of the beneficiary to the annuity that would have been paid to the
3 deceased member had retirement been effective on the day immediately preceding
4 the member's death. Under the provisions of KRS 61.680, benefits shall be
5 processed as if the member retired for service. In exercising this right the spouse or
6 legal dependent shall be limited to selecting an option providing either a straight life
7 annuity with refundable balance or a term certain option. A spouse may receive the
8 annuity provided by this section at the same time as children are qualifying for
9 survivors' benefits under the provisions of KRS 161.520; however, a legal
10 dependent, other than a spouse, may not receive these payments if children have
11 qualified for benefits under that section.

12 (2) A spouse qualifying for an annuity under subsection (1) of this section may defer
13 the payments in order to reduce the actuarial discounts to be applied due to age.

14 (3) Upon death of a member in active contributing status at the time of his death, who
15 had a minimum of twenty-seven (27) years of service, the spouse, if named as the
16 primary beneficiary of the member's account shall be entitled to a monthly
17 minimum allowance of three hundred dollars (\$300) as the basic straight life
18 annuity. This provision applies to surviving spouses of members who were
19 receiving benefit payments under KRS 161.520 as of June 30, 1986, and to
20 surviving spouses of members who die on or after July 1, 1986. ~~This subsection~~
21 ~~does not apply to individuals who become members on or after January 1, 2019.~~

22 ➔Section 55. KRS 161.540 is repealed and reenacted to read as follows:

23 (1) (a) Effective January 1, 2019, each individual who is a contributing nonuniversity
24 member, shall contribute to the retirement system twelve and eight hundred
25 fifty-five thousandths percent (12.855%) of annual compensation, of which:

26 1. Nine and one hundred five thousandths percent (9.105%) of annual
27 compensation shall be used to fund pension benefits; and

- 1 2. Three and three-quarters percent (3.75%) of annual compensation shall
2 be used to fund retiree health benefits.
- 3 (b) Effective January 1, 2019, each individual who is a contributing university
4 member, shall contribute to the retirement system ten and four-tenths percent
5 (10.4%) of annual compensation, of which:
- 6 1. Seven and six hundred twenty-five thousandths percent (7.625%) of
7 annual compensation shall be used to fund pension benefits; and
- 8 2. Two and seven hundred seventy-five thousandths percent (2.775%) of
9 annual compensation shall be used to fund retiree health benefits.
- 10 (c) When the medical insurance fund established under KRS 161.420(5) achieves
11 a sufficient prefunded status as determined by the retirement system's actuary,
12 the board of trustees shall recommend to the General Assembly that the
13 contributions required under paragraph (a)2. or (b)2. of this subsection shall,
14 in an actuarially accountable manner, be either decreased, suspended, or
15 eliminated.
- 16 (d) Payments authorized by statute that are made to retiring members, who
17 became members of the system before July 1, 2008, for not more than sixty
18 (60) days of unused accrued annual leave shall be considered as part of the
19 member's annual compensation, and shall be used only for the member's final
20 year of active service. The contribution of members shall not exceed these
21 applicable percentages on annual compensation. When a member retires, if it
22 is determined that he has made contributions on a salary in excess of the
23 amount to be included for the purpose of calculating his final average salary,
24 any excess contribution shall be refunded to him in a lump sum at the time of
25 the payment of his first retirement allowance. In the event a member is
26 awarded a court-ordered back salary payment the employer shall deduct and
27 remit the member contribution on the salary payment, plus interest to be paid

1 by the employer, to the retirement system unless otherwise specified by the
2 court order.

3 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for
4 the purpose of compliance with Section 414(h) of the United States Internal
5 Revenue Code, pick up the member contributions required by this section for all
6 compensation earned after August 1, 1982, and the contributions so picked up shall
7 be treated as employer contributions in determining tax treatment under the United
8 States Internal Revenue Code and KRS 141.010. The picked-up member
9 contribution shall satisfy all obligations to the retirement system satisfied prior to
10 August 1, 1982, by the member contribution, and the picked-up member
11 contribution shall be in lieu of a member contribution. Each employer shall pay
12 these picked-up member contributions from the same source of funds which is used
13 to pay earnings to the member. The member shall have no option to receive the
14 contributed amounts directly instead of having them paid by the employer to the
15 system. Member contributions picked-up after August 1, 1982, shall be treated for
16 all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent
17 as member contributions made prior to August 1, 1982.

18 ➔Section 56. KRS 161.545 is repealed, reenacted, and amended to read as
19 follows:

20 (1) (a) Members may make contributions and receive service credit for substitute,
21 part-time, or any service other than regular full-time teaching as provided in
22 the administrative regulations of the board of trustees if contributions were not
23 otherwise made as a result of the service~~]. This paragraph does not apply to~~
24 ~~members who retired on or after January 1, 2019, and are reemployed on or~~
25 ~~after January 1, 2019].~~

26 (b) Members placed on leave of absence during a period of full-time employment
27 as defined in KRS 161.220(21) may make contributions and receive service

1 credit for this leave only if contributions are made by the end of the fiscal year
2 next succeeding the year in which the leave was effective as provided in
3 administrative regulations promulgated by the board of trustees. Contributions
4 permitted after August 1, 1982, shall not be picked-up pursuant to KRS
5 161.540(2).

6 (2) Active contributing members of the Teachers' Retirement System, or former
7 members who are currently participating in a state-administered retirement system,
8 who were granted leaves of absence during a period of full-time employment as
9 defined in KRS 161.220(21) since July 1, 1964, for reasons of health as defined
10 under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs. 2601 et seq.,
11 child rearing, or to improve their educational qualifications, and did not purchase
12 the leave of absence as provided in subsection (1) of this section may obtain credit
13 for the leave of absence as provided under the administrative regulations of the
14 board of trustees and under the following conditions:

15 (a) The leave of absence shall be verified by a copy of the board of education
16 minutes which granted the leave of absence or by other documentation that
17 was generated contemporaneously with the leave that is determined by the
18 retirement system to reasonably establish that a leave of absence was granted;
19 and

20 (b) The member shall contribute the required percentage based on the salary
21 received for the year immediately preceding the leave of absence plus interest
22 at the rate of eight percent (8%) compounded annually from the beginning of
23 the school year following the year of the leave of absence, and by depositing
24 in the state accumulation fund an amount equal to this total.

25 (c) The member shall receive credit for no more than two (2) years under the
26 provisions of this subsection.

27 (3) Contributions permitted under this section after August 1, 1982, shall not be picked-

1 up pursuant to KRS 161.540(2).

2 (4) Notwithstanding any other provisions of this section to the contrary, purchase of
3 service credit under subsection (2) of this section~~;~~

4 ~~(a) —]for individuals who become members on or after July 1, 2008, [but prior to January~~
5 ~~1, 2019,]shall be purchasable only at the full actuarial cost~~;~~ and~~

6 ~~(b) — Shall not apply to individuals who become members on or after January 1,~~
7 ~~2019.]~~

8 ➔Section 57. KRS 161.5465 is repealed, reenacted, and amended to read as
9 follows:

10 On or after August 1, 1998, a member of the Teachers' Retirement System in active
11 contributing status who has a minimum of twenty (20) years of service credit may
12 purchase up to a maximum of five (5) years of service credit that is not otherwise
13 purchasable under any of the provisions of KRS 161.220 to 161.716 and that meets the
14 definition of nonqualified service as provided in Section 1526 of the Federal Taxpayer
15 Relief Act of 1997. The member shall pay the full actuarial cost of the service credit as
16 provided in KRS 161.220(22). The payment shall not be picked up by the employer as
17 described in KRS 161.540(2), and the member's payment shall be credited to the
18 member's contribution account and shall be considered accumulated contributions of the
19 member. Payment by the member may be by lump sum or by installment payments as
20 provided in KRS 161.597. Notwithstanding any other statute to the contrary, the
21 Kentucky Teachers' Retirement System shall recognize nonqualified service credit
22 purchased with another retirement system only to the extent that the member had an
23 equivalent number of full months of active employment in the position covered by the
24 other retirement system during the period that the nonqualified service was purchased.
25 This section shall not apply to~~;~~

26 ~~(1) —]individuals who become members on or after July 1, 2008, [but prior to January 1,~~
27 ~~2019,] except that a teacher of a local school board may purchase up to ten (10) months~~

1 of service under this section if the teacher is retiring and has completed the prior school
2 year with at least twenty-six (26) years and two (2) months of service but less than
3 twenty-seven (27) years of service~~[-; and~~
4 ~~(2) — Individuals who become members on or after January 1, 2019].~~

5 ➔Section 58. KRS 161.547 is repealed, reenacted, and amended to read as
6 follows:
7 ~~[An individual who became]~~A member of the retirement system ***having***~~[prior to January~~
8 ~~1, 2019, who has]~~ service as a Kentucky legislator which is not credited by any retirement
9 system administered by the Commonwealth of Kentucky may present such service, not to
10 exceed four (4) years, for credit in the retirement system by paying the full actuarial cost
11 of the service as determined by the system actuary. The member may purchase all or part
12 of his service as a legislator, but no less than one (1) year of service. The entire payment
13 shall be placed in the teachers' saving fund.

14 ➔Section 59. KRS 161.548 is repealed, reenacted, and amended to read as
15 follows:
16 ~~[An individual who became]~~A member of the Teachers' Retirement System ~~[prior to~~
17 ~~January 1, 2019,]~~who is in an active contributing status with the system, and who was
18 formerly employed in a regional community service program for mental health and
19 individuals with an intellectual disability, organized and operated under the provisions of
20 KRS 210.370 to 210.480, which does not participate in a state-administered retirement
21 system, may obtain credit for the period of his service in the regional community program
22 for mental health and individuals with an intellectual disability by paying to the Teachers'
23 Retirement System the full actuarial cost of the service credit purchased, as provided in
24 KRS 161.220(22). The service credit purchased may not be used for meeting the service
25 requirements set forth in KRS 161.600(1)(a) or 161.661(1). The payment shall not be
26 picked up, as described in KRS 161.540(2), and the entire payment shall be placed in the
27 teachers' savings fund.

1 ➔Section 60. KRS 161.549 is repealed, reenacted, and amended to read as
2 follows:

3 ~~[An individual who became]~~A member of the Teachers' Retirement System ~~[prior to~~
4 ~~January 1, 2019,]~~who is in an active contributing status with the system, and who was
5 formerly employed by a Federal Head Start agency, operated under 42 U.S.C. secs. 9831
6 et seq., which does not participate in a state-administered retirement system, may obtain
7 credit for the period of the member's service in the Head Start program by purchasing this
8 service credit under the same conditions that out-of-state service credit may be purchased
9 under KRS 161.515. The service credit purchased may not be used for meeting the
10 service requirements set forth in KRS 161.600(1)(a) or 161.661(1). Payment for the
11 service credit purchased may be made in installments in lieu of a lump-sum payment. The
12 payment shall not be picked up, as described in KRS 161.540(2), and the entire payment
13 shall be placed in the teachers' savings fund.

14 ➔Section 61. KRS 161.550 is repealed, reenacted, and amended to read as
15 follows:

16 (1) (a) ~~[Effective July 1, 2020, and for each fiscal year occurring thereafter,]~~Each
17 employer, except as provided under KRS 161.555, shall contribute annually to
18 the Teachers' Retirement System a base permanent employer contribution
19 equal to:

20 1. Thirteen and one hundred five thousandths percent (13.105%) of the
21 total annual compensation of nonuniversity members it employs, of
22 which:

23 a. Twelve and three hundred fifty-five thousandths percent
24 (12.355%) of the total annual compensation shall be used to fund
25 pension and life insurance benefits; and

26 b. Three-quarters of a percent (0.75%) of annual compensation shall
27 be used to provide funding to the medical insurance fund as

1 provided under KRS 161.420(5). If the board of trustees
 2 establishes a trust fund under 26 U.S.C. sec. 115, the board may
 3 deposit the employer contribution provided in this subparagraph in
 4 that trust fund; and

5 2. Thirteen and sixty-five hundredths percent (13.65%) of the total annual
 6 compensation of university members of the retirement system it
 7 employs, of which:

8 a. Ten and eight hundred seventy-five thousandths percent (10.875%)
 9 of the total annual compensation shall be used to fund pension and
 10 life insurance benefits; and

11 b. Two and seven hundred seventy-five thousandths percent
 12 (2.775%) of annual compensation shall be used to provide funding
 13 to the medical insurance fund as provided under KRS 161.420(5).

14 (b) If the board of trustees establishes a trust fund under 26 U.S.C. sec. 115, the
 15 board may deposit the employer contribution provided in this subparagraph in
 16 that trust fund.

17 ~~{(b) Effective July 1, 2020, and for each year thereafter, each employer shall pay~~
 18 ~~the additional contributions needed to fund the Teachers' Retirement System~~
 19 ~~pension fund and life insurance fund on an actuarially sound basis as~~
 20 ~~determined by the system's actuarial valuation completed in accordance with~~
 21 ~~KRS 161.400 and as specified by this section. The amount payable under the~~
 22 ~~provisions of this paragraph shall:~~

23 1. ~~Be in addition to the amounts provided under paragraph (a)1.a. and~~
 24 ~~(a)2.a. of this subsection;~~

25 2. ~~Not include the cost or funding of benefits established by KRS 161.553;~~
 26 ~~and~~

27 3. ~~Shall be prorated to each employer based upon the individual employer's~~

1 average percentage of the total compensation reported by all employers
2 in the system in fiscal years 2014-2015, 2015-2016, and 2016-2017,
3 except that the amount shall be paid by state appropriation only for those
4 employers who cover memberships specified by KRS 161.220(4)(a).

5 ~~(c) The contributions payable under paragraphs (a)1.a., (a)2.a., and (b) of this~~
6 ~~subsection by employers and the state shall be equal to the sum of the "normal~~
7 ~~cost" contribution and the "actuarially accrued liability contribution," except~~
8 ~~that the minimum contribution to fund pension and life insurance benefits~~
9 ~~shall not be less than the combined employer contribution to fund pension and~~
10 ~~life insurance benefits specified by paragraph (a) of this subsection and~~
11 ~~subsection (3) of this section.~~

12 ~~(d) For purposes of this subsection, the normal cost contribution shall be~~
13 ~~computed as a percentage of payroll and shall be an annual amount that is~~
14 ~~sufficient when combined with employee contributions to fund pension and~~
15 ~~life insurance benefits earned during the year, including costs for members~~
16 ~~participating in the hybrid cash balance plan.~~

17 ~~(e) For purposes of this subsection, the actuarially accrued liability contribution~~
18 ~~shall be an annual amount that is sufficient to amortize the total unfunded~~
19 ~~actuarially accrued liability over a closed period of thirty (30) years using:~~

20 1. ~~The level percentage of payroll amortization method in the 2018~~
21 ~~actuarial valuation with a payroll growth assumption of two and six~~
22 ~~hundred twenty five thousandths percent (2.625%);~~

23 2. ~~The level percentage of payroll amortization method in the 2019~~
24 ~~actuarial valuation with a payroll growth assumption of one and seventy~~
25 ~~five hundredths percent (1.75%);~~

26 3. ~~The level percentage of payroll amortization method in the 2020~~
27 ~~actuarial valuation with a payroll growth assumption of eight hundred~~

1 ~~seventy five thousandths percent (0.875%); and~~

2 ~~4. The level dollar amortization method in the 2021 actuarial valuation and~~
3 ~~for each valuation occurring thereafter.~~

4 ~~—The amortization period shall be reset to a new thirty (30) year closed period~~
5 ~~beginning with the 2018 actuarial valuation.~~

6 ~~(f) Effective with the 2018 actuarial valuation, which determines the employer~~
7 ~~rates payable on or after July 1, 2020, the employer contributions computed~~
8 ~~under this section shall be determined using:~~

9 ~~1. The entry age normal cost funding method;~~

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

12 ~~3. Other funding methods and assumptions established by the board in~~
13 ~~accordance with KRS 161.400.]~~

14 (2) In addition to the required contributions in subsection (1) of this section, the state
15 shall contribute annually to the Kentucky Teachers' Retirement System a percentage
16 of the total salaries of the state-funded and federally funded members it employs to
17 pay the cost of health insurance coverage for retirees who are not eligible for
18 Medicare and who retire on or after July 1, 2010, less the amounts that are
19 otherwise required to be paid by the retirees under KRS 161.675. The Kentucky
20 Teachers' Retirement System may also request an additional amount necessary to
21 ensure payment of medical insurance costs through fiscal year 2015-2016 which
22 shall not be subject to the limitations of paragraph (c) of this subsection. The board
23 shall deposit funds in the medical insurance fund unless the board of trustees has
24 established a trust fund under 26 U.S.C. sec. 115 for this purpose. In this case, the
25 board may deposit the employer contribution in that trust fund. This contribution
26 shall be known as the state medical insurance fund stabilization contribution. The
27 percentage to be contributed by the state under this subsection:

- 1 (a) Shall be determined by the retirement system's actuary for each biennial
2 budget period;
- 3 (b) May be suspended or adjusted by the General Assembly if in its judgment the
4 welfare of the Commonwealth so demands; and
- 5 (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible for
6 Medicare who retire on or after July 1, 2010, or the amount contributed by
7 employers under subsection (3) of this section.
- 8 (3) ~~[Effective January 1, 2019,]~~All employers who employ nonuniversity members
9 shall make a contribution for each payroll on behalf of their active employees who
10 participate in the Teachers' Retirement System in an amount equal to~~[-~~
11 ~~(a)]~~ three percent (3%) of payroll of those active employees. The contribution
12 specified by this paragraph~~[that is paid on or after January 1, 2019,]~~ shall be
13 used to fund retiree health benefits~~[-; and~~
14 ~~(b) Two percent (2%) of payroll for those members who participate in the hybrid~~
15 ~~cash balance plan as provided by KRS 161.235. The amount of funding~~
16 ~~provided by this paragraph shall be used to offset any additional costs paid~~
17 ~~under subsection (1)(b) of this section].~~
- 18 (4) **When the medical insurance fund established under KRS 161.420(5) achieves a**
19 **sufficient prefunded status as determined by the Kentucky Teachers' Retirement**
20 **System's actuary, the board of trustees shall recommend to the General Assembly**
21 **that the contributions required under subsections (2) and (3) of this section shall,**
22 **in an actuarially accountable manner, be either decreased, suspended, or**
23 **eliminated.**
- 24 (5) **Each employer shall remit the required employer contributions to the retirement**
25 **system under the terms and conditions specified for member contributions under**
26 **KRS 161.560. The state shall provide annual appropriations based upon**
27 **estimated funds needed to meet the requirements of KRS 161.155, 161.168,**

1 *161.507(4), 161.515, 161.545, 161.553, 161.605, 161.612, and 161.620(1), (3), (5),*
2 *(6), and (7).*

3 **(6)** In the event an annual appropriation for the amounts specified by subsection
4 (1)(a)1. of this section is less than the amount of these requirements, the state shall
5 make up the deficit in the next biennium budget appropriation to the retirement
6 system. Employer contributions to the retirement system are for the exclusive
7 purpose of providing benefits to members and annuitants and these contributions
8 shall be considered deferred compensation to the members.

9 ➔Section 62. KRS 161.568 is repealed, reenacted, and amended to read as
10 follows:

11 (1) Eligibility to participate in the optional retirement plan shall be determined by the
12 board of regents of each of the state public postsecondary education institutions
13 identified in KRS 161.220(4)(b). The employees of these institutions of higher
14 education who are initially employed on or after the implementation date of the
15 optional retirement plan may make an election to participate in the optional
16 retirement plan within thirty (30) days after their employment date. This election
17 shall be irrevocable except as otherwise provided in this subsection. No member of
18 the Kentucky Teachers' Retirement System who terminates employment and is
19 subsequently reemployed by the same or another public postsecondary education
20 institution which participates in the Kentucky Teachers' Retirement System may be
21 eligible to elect to participate in the optional retirement plan unless the date of
22 reemployment is at least six (6) months after the date of termination. All elections
23 made under this subsection shall be in writing and shall be filed with the
24 appropriate officer of the employer institution. Persons who originally elected to
25 participate in the optional retirement plan may later change their elections only as
26 follows:

27 (a) Any person otherwise eligible for membership in the Kentucky Teachers'

1 Retirement System may irrevocably elect one (1) time during his or her
2 lifetime to change his or her election and to prospectively participate in the
3 Kentucky Teachers' Retirement System. This election to change from the
4 optional retirement plan to Kentucky Teachers' Retirement System shall be
5 effective beginning on the first day of the first month immediately following
6 the date that written application for the election is received in the retirement
7 system's office on forms prescribed by the system. Any person exercising this
8 election shall not be entitled to purchase as service credit in the Kentucky
9 Teachers' Retirement System any prior service with his or her postsecondary
10 education institution employer;

11 (b) Any person otherwise eligible for membership in the Kentucky Teachers'
12 Retirement System who previously elected to participate in the optional
13 retirement plan may irrevocably elect one (1) time within his or her first six
14 (6) years and six (6) months of continuous service in any one (1) or more of
15 the institutions identified in KRS 161.220(4)(b), to change his or her election
16 and to prospectively participate in the Kentucky Teachers' Retirement System
17 and also become eligible to purchase as service credit his or her prior service
18 with his or her postsecondary education employer. This election to change
19 from the optional retirement plan to the Kentucky Teachers' Retirement
20 System shall be effective beginning on the first day of the first month
21 immediately following the date that written application for the election is
22 received in the retirement system's office on forms prescribed by the
23 retirement system. Persons electing to change from the optional retirement
24 plan to the Kentucky Teachers' Retirement System may purchase service
25 credit only for their prior years of service for a postsecondary education
26 institution identified in KRS 161.220(4)(b) during which they participated in
27 the optional retirement plan. The election to purchase prior service as service

1 credit shall be received in the retirement system's office on forms prescribed
2 by the retirement system within the six (6) year and six (6) month period
3 provided to make the election to begin participation in the Kentucky Teachers'
4 Retirement System. The cost of purchasing this service shall be calculated by
5 adding both the employer and member contributions that would have been
6 paid to the Kentucky Teachers' Retirement System had the individual
7 purchasing this service participated in the Kentucky Teachers' Retirement
8 System instead of the optional retirement plan, less the amount contributed to
9 the Kentucky Teachers' Retirement System by the postsecondary education
10 institution as provided by KRS 161.569(5), or KRS 161.569(5)(a)2. as it
11 existed on June 30, 2007. Interest at Kentucky Teachers' Retirement System's
12 actuarially assumed rate shall be paid on these net contributions by the person
13 electing to change to the Kentucky Teachers' Retirement System from the
14 optional retirement plan. These payments shall not be picked up as described
15 in KRS 161.540(2). Persons who elect to change from the optional retirement
16 plan to the Kentucky Teachers' Retirement System may elect to purchase as
17 service credit, beginning with the most recent years, any portion of their prior
18 years of service during which time they participated in the optional retirement
19 plan, or none of those years. Members may purchase service credit for prior
20 years of service by rolling over funds from their optional retirement plan
21 account as provided under KRS 161.5461, or by rolling over or transferring
22 other plan funds as permitted by the rules set forth in the Internal Revenue
23 Code, or by making an after-tax lump-sum cash payment~~]. This paragraph~~
24 ~~does not apply to individuals who become members on or after January 1,~~
25 ~~2019];~~

- 26 (c) Effective July 1, 2008, persons otherwise eligible for membership in the
27 Kentucky Teachers' Retirement System may irrevocably elect one (1) time to

1 change their election and to prospectively participate in the Kentucky
2 Teachers' Retirement System and purchase service credit for their prior years
3 of service during which they participated in the optional retirement plan. This
4 election shall be filed in writing with the Kentucky Teachers' Retirement
5 System no later than December 31, 2008. Persons who change their election
6 prior to July 1, 2008, to prospectively participate in the Kentucky Teachers'
7 Retirement System may purchase service credit for their prior years of service
8 during which they participated in the optional retirement plan. The purchase
9 of prior years of service under this paragraph shall be subject to the same
10 conditions and purchase costs as described in paragraph (b) of this subsection,
11 except that the election to purchase service credit shall be on file with the
12 Kentucky Teachers' Retirement System no later than December 31, 2008[
13 ~~This paragraph does not apply to individuals who become members on or after~~
14 ~~January 1, 2019]; and~~

- 15 (d) Persons electing to change to the Kentucky Teachers' Retirement System
16 under paragraphs (a), (b), and (c) of this subsection shall be eligible to
17 participate, based upon their age and allowable service credit, in the disability,
18 survivorship, and medical insurance programs under the conditions and in the
19 degree as they exist on the date that they file their election with the retirement
20 system, but shall be subject to any changes to those programs from that date
21 forward, including any changes that may affect their eligibility for or degree of
22 participation in those programs. Prior service purchased as service credit as
23 permitted under paragraphs (b) and (c) of this subsection shall not be
24 considered for meeting eligibility requirements or determining the extent of
25 participation in these programs. Persons electing to change to the Kentucky
26 Teachers' Retirement System shall not be eligible for the survivorship or
27 disability programs based upon medical conditions that existed prior to the

1 filing of their elections.

2 (2) Elections of eligible employees hired on or after the implementation date of the
3 optional retirement plan at their employer institution shall be effective on the date
4 of their employment. If an eligible employee hired subsequent to the
5 implementation date at the employer institution fails to make the election provided
6 for in this section, the employee shall become a member of the regular retirement
7 plan of the Kentucky Teachers' Retirement System.

8 ➔Section 63. KRS 161.580 is repealed, reenacted, and amended to read as
9 follows:

10 (1) The board of trustees shall provide for the maintenance of an individual account for
11 each member showing the amount of the member's accumulated
12 contributions~~[account balance]~~. Such individual accounts shall be identified in the
13 records of the system by name, date of birth, and Social Security number. It shall
14 collect and keep in convenient form such data as is necessary for the preparation of
15 the required mortality and service tables and for the compilation of such other
16 information as is required for the actuarial valuation of the assets and liabilities of
17 the various funds of the retirement system.

18 (2) The board shall prepare and furnish to all active contributing members a summary
19 plan description, written in a manner calculated to be understood by the average
20 member or annuitant, and sufficiently accurate and comprehensive to reasonably
21 apprise them of their rights and obligations under the Teachers' Retirement System.
22 The board may furnish the summary plan description by posting it on the retirement
23 system's Web site.

24 (3) The summary plan description shall include:

25 (a) The name of the retirement system, the name and address of the executive
26 secretary, and the name, address, and title of each member of the board of
27 trustees;

- 1 (b) The name and address of the person designated for the service of legal
2 process;
- 3 (c) The system's requirements for participation and benefits;
- 4 (d) A description of retirement formulas for normal, early, and disability
5 retirement, and survivor benefits;
- 6 (e) A description of the requirements for vesting of pension benefits;
- 7 (f) A list of circumstances which would result in disqualification, ineligibility, or
8 denial or loss of benefits;
- 9 (g) The sources of financing retirement benefits, and statutory requirements for
10 funding;
- 11 (h) A statement after each actuarial valuation as to whether funding requirements
12 are being met; and
- 13 (i) The procedures to be followed in presenting claims for benefits under the
14 plan, and the remedies available under the plan for the redress of claims which
15 are denied in whole or in part.
- 16 (4) The board may publish the summary plan description in the form of a
17 comprehensive pamphlet or booklet, or in the form of periodic newsletters which
18 shall incorporate all the information required in the summary plan description
19 within a period of two (2) years. Any changes in statutory requirements or
20 administrative practices which alter the provisions of the plan as described in the
21 summary plan description shall be summarized as required in subsection (2) of this
22 section and furnished to active contributing members in the form of a supplement to
23 a comprehensive booklet, or reported in the periodic newsletter.
- 24 (5) The board shall provide to annuitants so much of the summary plan description as
25 they need to understand changes in benefits which apply to them.

26 ➔Section 64. KRS 161.585 is repealed, reenacted, and amended to read as
27 follows:

- 1 (1) Each member's or annuitant's account shall be administered in a confidential
2 manner, and specific data regarding a member or annuitant shall not be released for
3 publication, except that:
- 4 (a) The member or annuitant may authorize the release of his or her account
5 information;
- 6 (b) The board of trustees may release member or annuitant account information to
7 the employer or to other state and federal agencies as it deems necessary or in
8 response to a lawful subpoena or order issued by a court of law; or
- 9 (c) 1. Upon request by any person, the system shall release the following
10 information from the accounts of any member or annuitant of the
11 Kentucky Teachers' Retirement System, if the member or annuitant is a
12 current or former officeholder in the Kentucky General Assembly:
- 13 a. The first and last name of the member or annuitant;
- 14 b. The status of the member or annuitant, including but not limited to
15 whether he or she is a contributing member, a member who is not
16 contributing but has not retired, a retiree receiving a monthly
17 retirement allowance, or a retiree who has returned to work
18 following retirement with an agency participating in the system;
- 19 c. If the individual is an annuitant, the monthly retirement allowance
20 that he or she was receiving at the end of the most recently
21 completed fiscal year;
- 22 d. If the individual is a member who has not yet retired, the estimated
23 monthly retirement allowance that he or she is eligible to receive
24 on the first date he or she would be eligible for an unreduced
25 retirement allowance, using his or her service credit~~[- accumulated~~
26 ~~account balance,]~~ and final average salary at the end of the most
27 recently completed fiscal year; and

- 1 e. The current or last participating employer of the member or
2 annuitant, if applicable.
- 3 2. No information shall be disclosed under this paragraph from an account
4 that is paying benefits to a beneficiary due to the death of a member or
5 annuitant.
- 6 (2) The release of information under subsection (1)(c) of this section shall not
7 constitute a violation of the Open Records Act, KRS 61.870 to 61.884.
- 8 (3) Medical records which are included in a member's or annuitant's file maintained by
9 the Teachers' Retirement System are confidential and shall not be released unless
10 authorized by the member or annuitant in writing or as otherwise provided by law or
11 in response to a lawful subpoena or order issued by a court of law.
- 12 (4) (a) When a subpoena is served upon any employee of the Kentucky Teachers'
13 Retirement System requiring the production of any data, information, or
14 records, it is sufficient if the employee of the Kentucky Teachers' Retirement
15 System charged with the responsibility of being custodian of the original, or
16 his or her designated staff, delivers within five (5) working days by certified
17 mail or by personal delivery to the person specified in the subpoena either of
18 the following:
- 19 1. Legible and durable copies of records certified by the employee or
20 designated staff; or
- 21 2. An affidavit stating the information required by the subpoena.
- 22 (b) The production of records or an affidavit shall be in lieu of any personal
23 testimony of any employee of the Kentucky Teachers' Retirement System
24 unless, after the production of records or an affidavit, a separate subpoena is
25 served upon the retirement system specifically directing the testimony of an
26 employee of the retirement system. When a subpoena is served on any
27 employee of the retirement system requiring the employee to give testimony

1 or produce records for any purpose, in the absence of a court order requiring
2 the testimony of or production of records by a specific employee, the system
3 may designate an employee to give testimony or produce records upon the
4 matter referred to in the subpoena. The board of trustees may promulgate an
5 administrative regulation for the recovery of reasonable travel and
6 administrative expenses for those occasions when an employee of the
7 retirement system is required to travel from his or her home or office to
8 provide testimony or records. Recoverable expenses may include the wages,
9 salary, and overtime paid to the employee by the retirement system for the
10 period of time that the employee is away from the office. The cost of these
11 expenses shall be borne by the party issuing the subpoena compelling the
12 employee's travel. The board of trustees may also promulgate an
13 administrative regulation establishing a reasonable fee for the copying,
14 compiling, and mailing of requested records.

15 (c) The certification required by this subsection shall be signed before a notary
16 public by the employee and shall include the full name of the member or
17 annuitant, the member or annuitant identification number assigned to the
18 member or annuitant by the retirement system, and a legend substantially to
19 the following effect: "The records are true and complete reproductions of the
20 original, microfiched, or electronically stored records which are housed in the
21 retirement system's office. This certification is given in lieu of the
22 undersigned's personal appearance."

23 (d) When an affidavit or copies of records are personally delivered, a receipt shall
24 be presented to the person receiving the records for his or her signature and
25 shall be immediately signed and returned to the person delivering the records.
26 When an affidavit or copies of records are sent via certified mail, the receipt
27 used by the postal authorities shall be sufficient to prove receipt of the

1 affidavit or copies of records.

2 (e) When the affidavit or copies of records are delivered to a party for use in
3 deposition they shall, after termination of the deposition, be delivered
4 personally or by certified mail to the clerk of the court or other body before
5 which the action or proceeding is pending.

6 (f) Upon completion of delivery by the retirement system of copies of records by
7 their deposit in the mail or by their personal delivery to the requesting party,
8 the retirement system shall cease to have any responsibility or liability for the
9 records and their continued maintenance in a confidential manner.

10 (g) Records of the Kentucky Teachers' Retirement System that are susceptible to
11 reproduction may be proved as to foundation, identity, and authenticity
12 without preliminary testimony, by use of legible and durable copies, certified
13 in accordance with the provisions of this subsection.(h) The provisions of
14 this subsection shall not be construed to prohibit the Kentucky Teachers'
15 Retirement System from asserting any exemption, exception, or relief
16 provided under the Kentucky Rules of Civil Procedure or other applicable
17 law.

18 (5) For purposes of this section, "records" includes retirement estimates, affidavits, and
19 other documents prepared by the Kentucky Teachers' Retirement System in
20 response to information requested in a lawful subpoena or order issued by a court of
21 law.

22 ➔Section 65. KRS 161.590 is repealed, reenacted, and amended to read as
23 follows:

24 (1) At retirement the total service credited to a teacher shall consist of prior and
25 subsequent service rendered by him for which service credit has been allowed.

26 (2) Kentucky service, presented at the time of retirement, may not be used in
27 calculating benefits under KRS [~~161.235,~~]161.525, 161.620, or 161.661, if such

1 service has been used to increase benefits in another retirement system, not
2 including Old Age and Survivors Insurance Benefits under the Social Security
3 Administration.

4 (3) No service credit shall be added to a member's account after the effective date of
5 retirement for service.

6 ➔Section 66. KRS 161.595 is repealed, reenacted, and amended to read as
7 follows:

8 (1) Upon service retirement, ~~[an individual who becomes]~~ a member of the Teachers'
9 Retirement System ~~[prior to January 1, 2019,]~~ may obtain credit for all or any part
10 of the service otherwise creditable under the Kentucky Employees Retirement
11 System, the County Employees Retirement System, or in the service of the United
12 States government for which service credit is not otherwise given, upon the
13 payment by the member of the full actuarial cost of the service credit purchased as
14 defined in KRS 161.220(22). Such payments shall not be picked up, as described in
15 KRS 161.540(2).

16 (2) The amount paid under this section shall be considered as accumulated
17 contributions of the individual member.

18 (3) No person shall be allowed credit for the same period of service in more than one
19 (1) of these three (3) retirement systems.

20 ➔Section 67. KRS 161.600 is repealed, reenacted, and amended to read as
21 follows:

22 (1) Effective July 1, 1988, a member of the retirement system may qualify for service
23 retirement by meeting one (1) of the following requirements:

24 (a) Attainment of age sixty (60) years and completion of five (5) years of
25 Kentucky service;

26 (b) 1. For an individual who becomes a member before July 1, 2008,
27 attainment of age fifty-five (55) years and completion of a minimum of

1 five (5) years of Kentucky service with an actuarial reduction of the
2 basic allowance of five percent (5%) for each year the member's age is
3 less than sixty (60) years or for each year the member's years of
4 Kentucky service credit is less than twenty-seven (27), whichever is the
5 lesser number; and

6 2. For an individual who becomes a member on or after July 1, 2008,
7 attainment of age fifty-five (55) years and completion of a minimum of
8 ten (10) years of Kentucky service with an actuarial reduction of the
9 basic retirement allowance of six percent (6%) for each year the
10 member's age is less than sixty (60) years or for each year the member's
11 years of Kentucky service credit is less than twenty-seven (27),
12 whichever is the lesser number;

13 (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state
14 service earned in accordance with the provisions of KRS 161.515(2) may be
15 used to meet this requirement; or

16 (d) Completion of the necessary years of service under provisions of KRS
17 61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS
18 61.680. A member retiring under this paragraph who has not attained age
19 fifty-five (55) shall incur an actuarial reduction of the basic allowance
20 determined by the system's actuary for each year the member's service credit is
21 less than twenty-seven (27).

22 (2) Any person who has been a member in Kentucky for twenty-seven (27) years or
23 more and who withdraws from covered employment may continue to pay into the
24 fund each year until the end of the fiscal year in which he reaches the age of sixty-
25 five (65) years, the current contribution rate based on the annual compensation
26 received during the member's last full year in covered employment, less any
27 payment received for accrued sick leave or accrued leave from an employer. The

1 member shall be entitled to receive a retirement allowance as provided in KRS
2 161.620 at any time after withdrawing from covered employment and payment of
3 contributions under this subsection. No member shall make contributions as
4 provided for in this subsection if the member is at the same time making
5 contributions to another retirement system in Kentucky supported wholly or in part
6 by public funds.

7 (3) Service credit in the Kentucky Employees Retirement System, the State Police
8 Retirement System, the Legislators' Retirement Plan, the County Employees
9 Retirement System, or the Judicial Retirement System may be used in meeting the
10 service requirements of subsection (1)(a), (b), and (c) of this section, provided the
11 service is subsequent to July 1, 1956.

12 (4) Upon death, disability, or service retirement, a member's accounts under all state
13 supported retirement systems shall be consolidated, as provided by this section and
14 by KRS 61.680, for the purpose of determining eligibility and amount of benefits,
15 which shall include medical benefits. Upon determination of benefits, each system
16 shall pay the applicable percentage of total benefits. The effective date of retirement
17 under this subsection shall be determined by each retirement system for the portion
18 of the payments that will be made.

19 (5) No retirement annuity shall be effective until written application and option election
20 forms are filed with the retirement office in accordance with administrative
21 regulations of the board of trustees. A member may withdraw his or her retirement
22 application, postpone his or her effective retirement date, or change his or her
23 retirement option if these elections are made no later than the fifteenth day of the
24 month in which the member has made application for retirement.

25 (6) The surviving spouse of an active contributing member, if named as beneficiary of
26 the member's account, may purchase retirement credit that the member was eligible
27 to purchase prior to the member's death.

1 ~~[(7) Effective January 1, 2019, subsections (1) to (3) of this section do not apply to~~
2 ~~individuals who become members of the Teachers' Retirement System on or after~~
3 ~~January 1, 2019. Individuals who become members of the Teachers' Retirement~~
4 ~~System on or after January 1, 2019, shall receive the retirement benefits prescribed~~
5 ~~by KRS 161.235.]~~

6 ➔Section 68. KRS 161.605 is repealed, reenacted, and amended to read as
7 follows:

8 Any member retired by reason of service may return to work in a position covered by the
9 Kentucky Teachers' Retirement System and continue to receive his or her retirement
10 allowance under the following conditions:

11 (1) Any member who is retired with thirty (30) or more years of service may return to
12 work in a full-time or a part-time position covered by the Kentucky Teachers'
13 Retirement System and earn up to a maximum of seventy-five percent (75%) of the
14 member's last annual compensation measured on a daily rate to be determined by
15 the board of trustees. For purposes of determining whether the salary of a member
16 returning to work is seventy-five percent (75%) or less of the member's last annual
17 compensation, all remuneration paid and benefits provided to the member, on an
18 actual dollar or fair market value basis as determined by the retirement system, shall
19 be considered. Members who were retired on or before June 30, 2002, shall be
20 entitled to return to work under the provisions of this section as if they had retired
21 with thirty (30) years of service. Nonqualified service credit purchased under the
22 provisions of KRS 161.5465 or elsewhere with any state-administered retirement
23 system shall not be used to meet the thirty (30) year requirement set forth in this
24 subsection. Out-of state teaching service provided in public schools for kindergarten
25 through grade twelve (12) may count toward the thirty (30) year requirement set
26 forth in this subsection even if it is not purchased as service credit, if the member
27 obtains from his or her out-of-state employer certification of this service on forms

- 1 prescribed by the retirement system;
- 2 (2) Any member who is retired with less than thirty (30) years of service after June 30,
3 2002, may return to work in a full-time or part-time position covered by the
4 Kentucky Teachers' Retirement System and earn up to a maximum of sixty-five
5 percent (65%) of the member's last annual compensation measured on a daily rate to
6 be determined by the board of trustees. For purposes of determining whether the
7 salary of a member returning to work is sixty-five percent (65%) or less of the
8 member's last annual compensation, all remuneration paid and benefits provided to
9 the member, on an actual dollar or fair market value basis as determined by the
10 retirement system, shall be considered;
- 11 (3) Reemployment of a retired member under subsection (1) or (2) of this section in a
12 full-time teaching or nonteaching position in a local school district shall be
13 permitted only if the employer certifies to the Kentucky Teachers' Retirement
14 System that there are no other qualified applicants available to fill the teaching or
15 nonteaching position. The employer may use any source considered reliable
16 including but not limited to data provided by the Education Professional Standards
17 Board and the Department of Education to determine whether other qualified
18 applicants are available to fill the teaching or nonteaching position. The Kentucky
19 Board of Education shall promulgate administrative regulations to establish
20 procedures to determine whether other qualified applicants are available to fill a
21 teaching or nonteaching position and, if not, for filling the position with a retired
22 member who will then be permitted to return to work in that position under
23 subsection (1) or (2) of this section. The administrative regulations shall assure that
24 a retired member shall not be hired in a teaching or nonteaching position by a local
25 school district until the superintendent of the school district assures the Kentucky
26 Teachers' Retirement System that every reasonable effort has been made to recruit
27 other qualified applicants for the position on an annual basis;

1 (4) Under this section, an employer may employ full-time a number of retired members
2 not to exceed three percent (3%) of the membership actively employed full-time by
3 that employer. The board of trustees may reduce this three percent (3%) cap upon
4 recommendation of the retirement system's actuary if a reduction is necessary to
5 maintain the actuarial soundness of the retirement system. The board of trustees
6 may increase the three percent (3%) cap upon a determination that an increase is
7 warranted to help address a shortage in the number of available teachers and upon
8 the determination of the retirement system's actuary that the proposed cap increase
9 allows the actuarial soundness of the retirement system to be maintained. For
10 purposes of this subsection, "full-time" means the same as defined by KRS
11 161.220(21). A local school district may exceed the quota established by this
12 subsection by making an annual written request to the Kentucky Department of
13 Education which the department may approve on a year-by-year basis if the
14 statewide quota has not been met. A district's written request to exceed its quota
15 shall be submitted no sooner than two (2) weeks after the start of the school year;

16 (5) (a) ~~Except as provided by subsection (10) of this section,~~ A member returning
17 to work in a full-time or part-time position under subsection (1) or (2) of this
18 section will contribute to an account with the retirement system that will be
19 administered independently from and with no reciprocal impact with the
20 member's original retirement account, or any other account from which the
21 member is eligible to draw a retirement allowance.

22 (b) ~~Except as provided by subsection (10) of this section,~~ A member returning
23 to work under subsection (1) or (2) of this section shall make contributions to
24 the retirement system at the rate provided under KRS 161.540. The new
25 account shall independently meet the five (5) year vesting requirement as well
26 as all other conditions set forth in KRS 161.600(1) before any retirement
27 allowance is payable from this account. The retirement allowance accruing

1 under this new account shall be calculated pursuant to KRS 161.620(1)(b).
2 This new account shall not entitle the member to a duplication of the benefits
3 offered under KRS 161.620(7) or 161.675, nor shall this new account provide
4 the benefits offered by KRS 161.520, 161.525, 161.620(3), 161.655, 161.661,
5 or 161.663.

6 (c) A member returning to work under subsection (1) or (2) of this section shall
7 waive his or her medical insurance with the Kentucky Teachers' Retirement
8 System during the period of reemployment and shall receive the medical
9 insurance coverage that is generally provided by the member's active employer
10 to the other members of the retirement system that the active employer
11 employs. If medical insurance coverage is not available from the employer,
12 the Kentucky Teachers' Retirement System may provide coverage for the
13 member.

14 (d) A member returning to work under subsection (1) or (2) of this section shall
15 not be eligible to purchase service credit for any service provided after the
16 member's effective date of retirement but prior to the date that the member
17 returns to work. A member returning to work under subsection (1) or (2) of
18 this section shall not be eligible to purchase service credit that the member
19 would have otherwise been eligible to purchase prior to the member's initial
20 retirement.

21 (e) A member who returns to work under subsection (1) or (2) of this section, or
22 in the event of the death of the member, the member's estate or applicably
23 designated beneficiary, shall be entitled, within ninety (90) days of the posting
24 of the annual report submitted by the employer, to a refund of contributions as
25 permitted and limited by KRS 161.470;

26 (6) The board of trustees may annually, on July 1, adjust the current daily rate of a
27 member's last annual compensation, for each full twelve (12) month period that has

1 elapsed subsequent to the member earning his or her last annual compensation, by
2 the percentage increase in the annual average of the consumer price index for all
3 urban consumers for the calendar year preceding the adjustment as published by the
4 Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each
5 annual adjustment shall become part of the member's daily rate base. Failure to
6 comply with the salary limitations set forth in subsections (1) and (2) of this section
7 as may be adjusted by this subsection shall result in a reduction of the member's
8 retirement allowance or any other benefit to which the member would otherwise be
9 entitled on a dollar-for-dollar basis for each dollar that the member exceeds these
10 salary limitations. Notwithstanding any other provision of law to the contrary, a
11 member retiring from a local school district who returns to work for a local school
12 district under subsection (1) or (2) of this section shall be entitled, without any
13 reduction to his or her retirement allowance or any other retirement benefit, to earn
14 a minimum amount equal to one hundred seventy dollars (\$170) per day;

15 (7) (a) A retired member returning to work under subsection (1) or (2) of this section
16 shall have separated from service for a period of at least one (1) year if
17 returning to work for the same employer on a full-time basis, and at least three
18 (3) months if returning to work for a different employer on a full-time basis. A
19 retired member returning to work under subsection (1) or (2) of this section on
20 a part-time basis shall have separated from service for a period of at least three
21 (3) months before returning to work for any employer.

22 (b) As an alternative to the separation-from-service requirements in paragraph (a)
23 of this subsection, a retired member who is returning to work for the same
24 employer in a full-time position under subsections (1) and (2) of this section
25 may elect a separation-from-service of not less than two (2) months followed
26 by a forfeiture of the retired member's retirement allowance on a month-to-
27 month basis for each month that the member has separated from service for

1 less than twelve (12) full months. A retired member returning to work for the
2 same employer in a part-time position, or for a different employer in a full-
3 time position, may elect an alternative separation-from-service requirement of
4 at least two (2) months followed by a forfeiture of the member's retirement
5 allowance for one (1) month. During the period that the member forfeits his or
6 her retirement allowance and thereafter, member and employer contributions
7 shall be made to the retirement system as a result of employment in any
8 position subject to membership in the retirement system. The member shall
9 contribute to an account with the retirement system subject to the conditions
10 set forth in subsection (5) of this section. For purposes of measuring the
11 separation-from-service requirements set forth throughout this section, a
12 member's separation-from-service begins on the first day following the last
13 day of paid employment for the member prior to retirement.

14 (c) Failure to comply with the separation-from-service requirements in this
15 subsection voids a member's retirement and the member shall be required to
16 return all the retirement benefits he or she received, with interest, for the
17 period of time that the member returned to work without a sufficient
18 separation from service;

19 (8) (a) Effective July 1, 2004, local school districts may employ retired members in
20 full-time or part-time teaching or administrative positions without limitation
21 on the compensation of the retired members that is otherwise required by
22 subsections (1) and (2) of this section. Under provisions of this subsection, a
23 local school district may only employ retired members to fill critical shortage
24 positions for which there are no other qualified applicants as determined by
25 the local superintendent. The number of retired members that a local school
26 district may employ under this subsection shall be no more than two (2)
27 members per local school district or one percent (1%) of the total active

1 members employed by the local school district on a full-time basis as defined
2 under KRS 161.220(21), whichever number is greater. Retired members
3 returning to work under this subsection shall be subject to the separation-
4 from-service requirements set forth in subsection (7) of this section. Retired
5 members returning to work under this subsection shall waive their medical
6 insurance coverage with the retirement system during their period of
7 reemployment and receive medical insurance coverage that is offered to other
8 full-time members employed by the local school district. Retired members
9 returning to work under this subsection shall contribute to an account subject
10 to the conditions set forth in subsection (5) of this section. Retired members
11 returning to work under this subsection shall make contributions to the
12 retirement system at the rate provided under KRS 161.540. The employer
13 shall make contributions at the rate provided under KRS 161.550. Local
14 school districts shall make annual payments to the retirement system on the
15 compensation paid to the reemployed retirees at the rates determined by the
16 retirement system's actuary that reflect any accrued liability resulting from the
17 reemployment of these members.

18 (b) The Department of Education may employ retired members in full-time or
19 part-time teaching or nonteaching positions without the limitations on
20 compensation otherwise required by subsections (1) and (2) of this section to
21 fill critical shortage areas in the schools it operates, including the Kentucky
22 School for the Blind, the Kentucky School for the Deaf, and the Kentucky
23 Virtual High School, and to serve on audit teams. The department shall be
24 subject to the same requirements as local school districts as provided in
25 paragraph (a) of this subsection, except the Kentucky Teachers' Retirement
26 System shall determine the maximum number of employees that may be
27 employed under this paragraph;

1 (9) The return to work limitations set forth in this section shall apply to retired
2 members who are returning to work in the same position from which they retired, or
3 a position substantially similar to the one from which they retired, or a position
4 described in KRS 161.046 or any position listed in KRS 161.220(4) which requires
5 membership in the retirement system. Positions which generally require certification
6 or graduation from a four (4) year college or university as a condition of
7 employment which are created, or changed to remove the position from coverage
8 under KRS 161.220(4) are also subject to the return to work limitations set forth in
9 this section. The board of trustees shall determine whether employment in a
10 nonteaching position is subject to this subsection;

11 ~~(10) [(a) Notwithstanding the provisions of this section, individuals who retire and
12 begin drawing a retirement allowance from one (1) or more of the systems or plans
13 administered by the Kentucky Retirement Systems, the Teachers' Retirement
14 System, or the Judicial Form Retirement System on or after January 1, 2019, who
15 are reemployed on or after January 1, 2019, with an employer participating in the
16 Teachers' Retirement System shall not be eligible to contribute to or earn benefits in
17 a second retirement account during the period of reemployment. Employers shall be
18 required to pay the employer normal cost for pension benefits established by KRS
19 161.550 for any period of full-time reemployment to help pay down the unfunded
20 liability of the Teachers' Retirement System pension fund.~~

21 ~~(b)]~~The provisions of subsections (1) to (8) of this section are not subject to KRS
22 161.714;

23 (11) Any member retired by reason of service may waive his or her annuity and return to
24 full-time employment in a position covered by the Kentucky Teachers' Retirement
25 System under the following conditions:

26 (a) The member shall receive no annuity payments while employed in a covered
27 position, shall waive his or her medical insurance coverage with the Kentucky

1 Teachers' Retirement System during the period of reemployment, and shall
2 receive the medical insurance coverage that is generally offered by the
3 member's active employer to the other members of the retirement system
4 employed by the active employer. The member's estate or, if there is a
5 beneficiary applicably designated by the member, then the beneficiary, shall
6 continue to be eligible for life insurance benefits as provided in KRS 161.655.
7 Service subsequent to retirement shall not be used to improve an annuity,
8 except as provided in paragraphs (b) and (c) of this subsection;

9 (b) Any member who waives regular annuity benefits and returns to teaching or
10 covered employment shall be entitled to make contributions on the salaries
11 received for this service and have his retirement annuity recalculated as
12 provided in the regular retirement formula in KRS 161.620(1), less any
13 applicable actuarial discount applied to the original retirement allowance due
14 to the election of a joint and last survivor option. Retirement option and
15 beneficiary designation on original retirement shall not be altered by
16 postretirement employment, and dependents and spouses of the members shall
17 not become eligible for benefits under KRS 161.520, 161.525, or 161.661
18 because of postretirement employment;

19 (c) When a member returns to full-time teaching or covered employment as
20 provided in subsection (b) of this section, the employer is required to withhold
21 and remit regular retirement contributions. The member must be employed
22 full-time for at least one (1) consecutive contract year to be eligible to
23 improve an annuity. The member shall be returned to the annuity rolls on July
24 1 following completion of the contract year or on the first day of the month
25 following the month of termination of service if full-time employment
26 exceeds one (1) consecutive contract year. Any discounts applied at the time
27 of the original retirement due to service or age may be reduced or eliminated

1 due to additional employment if full-time employment is for one (1)
2 consecutive contract year or longer; and

3 (d) A member retired by reason of service who has been employed the equivalent
4 of twenty-five (25) days or more during a school year under KRS 161.605
5 may waive the member's retirement annuity and return to regular employment
6 covered by the Kentucky Teachers' Retirement System during that school year
7 a maximum of one (1) time during any five (5) year period, beginning with
8 that school year;

9 (12) Retired members may be employed in a part-time teaching capacity by an agency
10 described in KRS 161.220(4)(b) or (n), not to exceed the equivalent of twelve (12)
11 teaching hours in any one (1) fiscal year. Retired members may be employed for a
12 period not to exceed the equivalent of one hundred (100) days in any one (1) fiscal
13 year in a part-time administrative or nonteaching capacity by an agency described in
14 KRS 161.220(4)(b) or (n) in a position that would otherwise be covered by the
15 retirement system. The return to work provisions set forth in subsections (1) to (8)
16 of this section shall not apply to retired members who return to work solely for an
17 agency described in KRS 161.220(4)(b) or (n). Calculation of the number of days
18 and teaching hours for part-time teaching, substitute teaching, or part-time
19 employment in a nonteaching capacity under this section shall not exceed the ratio
20 between a school year and the actual months of retirement for the member during
21 that school year. The board of trustees by administrative regulation may establish
22 fractional equivalents of a day of teaching service. Any member who exceeds the
23 twelve (12) hour or one hundred (100) day limitations of this subsection shall be
24 subject to having his or her retirement voided and be required to return all
25 retirement allowances and other benefits paid to the member or on the member's
26 behalf since the effective date of retirement. In lieu of voiding a member's
27 retirement, the system may reduce the member's retirement allowance or any other

1 benefit to which the member would otherwise be entitled on a dollar-for-dollar basis
2 for each dollar of compensation that the member earns in employment exceeding
3 twelve (12) hours, one hundred (100) days, or any apportionment of the two (2)
4 combined;

5 (13) When a retired member returns to employment in a part-time teaching capacity or in
6 a nonteaching capacity as provided in subsection (12) of this section, the employer
7 shall contribute annually to the retirement system on the compensation paid to the
8 retired member at rates determined by the retirement system actuary that reflect
9 accrued liability for retired members who return to work under subsection (12) of
10 this section; and

11 (14) For retired members who return to work during any one (1) fiscal year in both a
12 position described in KRS 161.220(4)(b) or (n) and in a position described under
13 another provision under KRS 161.220(4), and for retired members who return to
14 work in a position described under KRS 161.220(4)(b) or (n) in both a teaching and
15 an administrative or nonteaching capacity, the board of trustees shall adopt a
16 methodology for a pro rata apportionment of days and hours that the retired member
17 may work in each position.

18 ➔Section 69. KRS 161.612 is repealed, reenacted, and amended to read as
19 follows:

20 Effective July 1, 2002, any individual occupying a position on a part-time basis that
21 requires certification or graduation from a four (4) year college or university as a
22 condition of employment and any individual providing part-time or substitute teaching
23 services that are the same or similar to those teaching services provided by certified, full-
24 time teachers shall be a member of the Kentucky Teachers' Retirement System, according
25 to the conditions and only to the extent set forth in this section, if the individual is
26 employed by one (1) of the public boards, institutions, or agencies set forth in KRS
27 161.220, excluding those public boards, institutions, and agencies described in KRS

1 161.220(4)(b) and (n). Members providing part-time and substitute services shall
2 participate in the retirement system as follows:

3 (1) Members providing part-time and substitute services shall accrue service credit as
4 provided under KRS 161.500 and be entitled to a retirement allowance upon
5 meeting the service retirement conditions of KRS ~~[161.235 or]161.600[, as~~
6 ~~applicable]~~. The board of trustees shall adopt a methodology for accrediting service
7 credit to these members on a pro rata basis. The methodology adopted by the board
8 of trustees may be amended as necessary to ensure its actuarial soundness. The
9 retirement allowance for members providing part-time and substitute services shall
10 be calculated pursuant to KRS ~~[161.235 or]161.620[, as applicable]~~, except that the
11 provisions of KRS 161.620(3) shall not apply. Members providing part-time and
12 substitute services who meet the service retirement conditions of KRS ~~[161.235 or~~
13 ~~]161.600[, as applicable,]~~ may also be eligible to participate as approved by the
14 board of trustees in the medical insurance program provided by the retirement
15 system under KRS 161.675. Members providing part-time and substitute services
16 shall make contributions to the Kentucky Teachers' Retirement System at the rate
17 provided under KRS 161.540. A member who provides part-time or substitute
18 services, or in the event of the death of the member, the member's estate or
19 applicably designated beneficiary, will be entitled, within ninety (90) days of the
20 posting of the annual report submitted by the member's employer, to a refund of
21 contributions as permitted and limited by KRS 161.470;

22 (2) The board of trustees shall adopt eligibility conditions under which members
23 providing part-time and substitute services may participate in the benefits provided
24 under KRS 161.520, 161.655, 161.661, and 161.663. The board of trustees may
25 permit members providing part-time or substitute services to participate in other
26 benefits offered by the retirement system by promulgating administrative
27 regulations that establish eligibility conditions for participation in these benefits. All

- 1 eligibility conditions adopted by the board of trustees pursuant to this subsection
2 may be amended as necessary to ensure their actuarial soundness;
- 3 (3) In addition to the pro rata methodology adopted by the board of trustees under
4 subsection (1) of this section, members providing part-time and substitute services
5 shall be subject to all limitations and conditions regarding the accrual, retention,
6 accreditation, and use of service credit that apply to members providing full-time
7 services. In addition to the eligibility conditions set forth by the board of trustees
8 under subsection (2) of this section, members providing part-time and substitute
9 services shall be subject to all limitations and conditions regarding both the
10 eligibility to participate and the extent of participation in any benefit offered under
11 KRS 161.220 to 161.716 that apply to members providing full-time services;
- 12 (4) Notwithstanding any other provisions of this section to the contrary, instructional
13 assistants who provide teaching services in the local school districts on a full-time
14 basis in positions covered by the County Employees Retirement System who are
15 used as substitute teachers on an emergency basis for five (5) days or less during
16 any one (1) fiscal year shall not be considered members of the Teachers' Retirement
17 System during that period in which they are serving as substitute teachers for five
18 (5) days or less;
- 19 (5) The board of trustees may adopt a pro rata methodology to determine the annual
20 compensation of members providing part-time and substitute services in order to
21 determine benefits provided under KRS 161.661 and 161.663. Members providing
22 part-time and substitute services who had retirement contributions posted to their
23 accounts during the previous fiscal year and who have not had those contributions
24 refunded to them are eligible to vote for the board of trustees;
- 25 (6) The board of trustees of the Teachers' Retirement System shall be responsible for
26 final determination of membership eligibility and may direct employers to take
27 whatever action that may be necessary to correct any error relating to membership;f

1 ~~(7) Effective January 1, 2019, this section does not apply to any individual who retires~~
2 ~~on or after January 1, 2019, and is reemployed on or after January 1, 2019;]~~ and

3 ~~(7)~~~~(8)~~ The provisions of this section are not subject to KRS 161.714.

4 ➔Section 70. KRS 161.615 is repealed, reenacted, and amended to read as
5 follows:

6 (1) The board of trustees is authorized to implement a limited defined contribution plan
7 for the sole purpose of providing retirement allowance payments for retired
8 members who have been approved by the retirement system for full-time
9 reemployment as provided in KRS 161.605.

10 (2) The defined contribution plan shall be administered separately from the regular
11 benefits provided for members of the retirement system, except that the
12 contributions to the plan shall be invested in the same manner as other contributions
13 to the retirement system.

14 (3) The provisions of this section apply only to those retired members who were
15 permitted to return to work under the critical shortage provisions of KRS
16 161.605(7) as they existed on June 30, 2002. The provisions of this section shall not
17 apply to any retired member returning to work on or after July 1, 2002.

18 (4) Separate member accounts shall be maintained for participants in this plan which
19 shall reflect the annual contributions made to the participant's account based on the
20 rates and interest levels specified in KRS 161.605.

21 (5) When the retiree's reemployment terminates, the total contributions and accrued
22 interest in the participant's account will be paid in a lump-sum payment or on an
23 actuarial straight life monthly basis to the retiree. If the member dies prior to
24 making application for a retirement allowance under this plan, the beneficiary
25 designated by the participant for this plan shall receive a refund of the funds in the
26 account. If there is a remaining balance in the account at the death of the participant
27 after retirement from this plan, it shall be paid to the beneficiary designated by the

1 participant for this benefit.

2 (6) Retired members shall be eligible to receive their retirement annuity when approved
3 for reemployment and participation in this plan. Service as a reemployed retiree
4 may not be used in any manner for credit under the regular retirement benefit plans
5 provided by the retirement system.

6 ~~[(7) Notwithstanding the provisions of subsections (1) to (6) of this section, any plan
7 established pursuant to this section shall, effective January 1, 2019, be closed to any
8 future employee or employer contributions.]~~

9 ➔Section 71. KRS 161.620 is repealed, reenacted, and amended to read as
10 follows:

11 (1) The retirement allowance, in the form of a life annuity with refundable balance, of a
12 member retiring for service shall be calculated as follows:

13 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise
14 provided by this section, the annual allowance for each year of service shall be
15 two percent (2%) of the final average salary for service performed prior to
16 July 1, 1983, and two and one-half percent (2.5%) of the final average salary
17 for service performed after July 1, 1983, for all nonuniversity members. The
18 annual retirement allowance for each year of service performed by members
19 of the Teachers' Retirement System who are university members shall be two
20 percent (2%) of the final average salary. Actuarial discounts due to age or
21 service credit at retirement may be applied as provided in this section;

22 (b) For individuals who become nonuniversity members of the Teachers'
23 Retirement System on or after July 1, 2002, and before July 1, 2008, who
24 upon retirement have earned less than ten (10) full years of service credit, the
25 retirement allowance shall be two percent (2%) of the member's final average
26 salary for each year of service. For individuals who become nonuniversity
27 members of the Teachers' Retirement System on or after July 1, 2002, and

1 before July 1, 2008, and who upon retirement have earned at least ten (10) full
2 years of service credit, the annual allowance for each year of service shall be
3 two and one-half percent (2.5%) of the member's final average salary;

4 (c) The board of trustees may approve for members who initially retire on or after
5 July 1, 2004, and who become nonuniversity members before July 1, 2008, a
6 retirement allowance of three percent (3%) of the member's final average
7 salary for each year of service credit earned in excess of thirty (30) years.

8 This three percent (3%) factor shall be in lieu of the two and one-half percent
9 (2.5%) factor provided for in paragraph (b) of this subsection for every year or
10 fraction of a year of service in excess of thirty (30) years. Upon approval of
11 this three percent (3%) retirement factor, the board of trustees may establish
12 conditions of eligibility regarding the type of service credit that will qualify
13 for meeting the requirements of this subsection. This subsection is optional
14 with the board of trustees and shall not be subject to KRS 161.714;

15 (d) For individuals who become nonuniversity members of the Teachers'
16 Retirement System on or after July 1, 2008, the retirement allowance shall be:

17 1. a. One and seven-tenths percent (1.7%) of the member's final average
18 salary for each year of service if the member has earned ten (10) or
19 less years of service at retirement;

20 b. Two percent (2%) of the member's final average salary for each
21 year of service if the member has earned greater than ten (10) but
22 no more than twenty (20) years of service at retirement;

23 c. Two and three-tenths percent (2.3%) of the member's final average
24 salary for each year of service if the member has earned greater
25 than twenty (20) but no more than twenty-six (26) years of service
26 at retirement; or

27 d. Two and one-half percent (2.5%) of the member's final average

1 salary for each year of service if the member has earned greater
2 than twenty-six (26) but no more than thirty (30) years of service at
3 retirement; and

4 2. Three percent (3%) of the member's final average salary for each year of
5 service earned in excess of thirty (30) years of service at retirement
6 subject to the same terms and conditions as set forth in paragraph (c)2.
7 of this subsection;

8 (e) For individuals who become university members of the Teachers' Retirement
9 System on or after July 1, 2008, the retirement allowance shall be:

10 1. One and one-half percent (1.5%) of the member's final average salary for
11 each year of service if the member has earned ten (10) or less years of
12 service at retirement;

13 2. One and seven-tenths percent (1.7%) of the member's final average
14 salary for each year of service if the member has earned greater than ten
15 (10) but no more than twenty (20) years of service at retirement;

16 3. One and eighty-five hundredths percent (1.85%) of the member's final
17 average salary for each year of service if the member has earned greater
18 than twenty (20) but less than twenty-seven (27) years of service at
19 retirement; or

20 4. Two percent (2%) of the member's final average salary for each year of
21 service if the member has earned twenty-seven (27) or more years of
22 service at retirement; and

23 (f) The retirement allowance of a member at retirement, as measured on a life
24 annuity, shall not exceed the member's last yearly salary or the member's final
25 average salary, whichever is the greater amount. For purposes of this section,
26 "yearly salary" means the compensation earned by a member during the most
27 recent period of contributing service, either consecutive or nonconsecutive,

1 preceding the member's effective retirement date and shall be subject to the
2 provisions of KRS 161.220(9) and (10).

3 (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance
4 of each retired member and of each beneficiary of a retirement option shall be
5 increased in the amount of one and one-half percent (1.5%), provided the retired
6 member had been retired for at least the full twelve (12) months immediately
7 preceding the date that the increase is effective. In the event that the retired member
8 had been retired for less than the full twelve (12) months immediately preceding the
9 date that the increase is effective, then the increase shall be reduced on a pro rata
10 basis by each month that the retired member had not been retired for the full twelve
11 (12) months immediately preceding the effective date of the increase.

12 (3) Any member qualifying for retirement under a life annuity with refundable balance
13 shall be entitled to receive an annual allowance amounting to not less than four
14 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty
15 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the
16 member. These minimums shall apply to the retired members receiving annuity
17 payments and to those members retiring on or subsequent to the effective dates
18 listed in this subsection, except the following:

19 (a) Individuals who become members of the Kentucky Teachers' Retirement
20 System on or after July 1, 2008; or

21 (b) Members whose retirement allowance payment is reduced below the
22 minimum allowance as a result of its division in a qualified domestic relations
23 order or any other provision permitted under KRS 161.700.

24 (4) The minimum retirement allowance provided in this section shall apply in the case
25 of members retired or retiring under an option other than a life annuity with
26 refundable balance in the same proportion to the benefits of the member and his
27 beneficiary or beneficiaries as provided in the duly-adopted option tables at the time

1 of the member's retirement.

2 (5) Effective July 1, 2008, the monthly allowance of each retired member and each
3 recipient of a retirement option of the retired member may be increased in an
4 amount not to exceed three and one-half percent (3.5%) of the monthly allowance in
5 effect the previous month, provided the retired member had been retired for at least
6 the full twelve (12) months immediately preceding the date that the increase is
7 effective. In the event that the retired member had been retired for less than the full
8 twelve (12) months immediately preceding the date that the increase is effective,
9 then the increase shall be reduced on a pro rata basis by each month that the retired
10 member had not been retired for the full twelve (12) months immediately preceding
11 the effective date of the increase. The level of increase provided for in this
12 subsection shall be determined by the funding provided in the 2008-2010 biennium
13 budget appropriation.

14 (6) Effective July 1, 2009, the monthly allowance of each retired member and each
15 recipient of a retirement option of the retired member may be increased in an
16 amount not to exceed seven-tenths of one percent (0.7%) of the monthly allowance
17 in effect the previous month, provided the retired member had been retired for at
18 least the full twelve (12) months immediately preceding the date that the increase is
19 effective. In the event that the retired member had been retired for less than the full
20 twelve (12) months immediately preceding the date that the increase is effective,
21 then the increase shall be reduced on a pro rata basis by each month that the retired
22 member had not been retired for the full twelve (12) months immediately preceding
23 the effective date of the increase. The level of increase provided for in this
24 subsection shall be determined by the funding provided in the 2008-2010 biennium
25 budget appropriation.

26 (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be
27 payable for the benefit of an adult child of a member retired for service when the

1 child's mental or physical condition is sufficient to cause dependency on the
2 member at the time of retirement. Eligibility for this payment shall continue for the
3 life of the child or until the time the mental or physical condition creating the
4 dependency no longer exists or the child marries. Benefits under this subsection
5 shall apply to legally adopted survivors provided the proceedings for the adoption
6 were initiated at least one (1) year prior to the death of the member. The board of
7 trustees shall be the sole judge of eligibility or dependency and may require formal
8 application or information relating thereto.

9 (8) Members of the Teachers' Retirement System shall be subject to the annuity income
10 limitations imposed by Section 415 of the Internal Revenue Service Code.

11 (9) Compensation in excess of the limitations imposed by Section 401(a)(17) of the
12 Internal Revenue Code shall not be used in determining a member's retirement
13 annuity. The limitation on compensation for eligible members shall not be less than
14 the amount which was allowed to be taken into account by the retirement system in
15 effect on July 1, 1993. For this purpose, an eligible member is an individual who
16 was a member of the retirement system before the first plan year beginning after
17 December 31, 1995.

18 ~~[(10) Effective January 1, 2019, subsections (1) to (7) of this section do not apply to~~
19 ~~individuals who become members of the Teachers' Retirement System on or after~~
20 ~~January 1, 2019.]~~

21 ➔Section 72. KRS 161.623 is repealed, reenacted, and amended to read as
22 follows:

23 (1) Effective July 1, 1982, and thereafter, a district board of education or other
24 employer of members of the Teachers' Retirement System may compensate, at the
25 time of retirement for service, an active contributing member for unused sick-leave
26 days in accordance with this section.

27 (2) Upon the member's application for service retirement, the employer shall certify the

1 retiring member's unused accumulated sick-leave balance to the board of trustees of
2 the Kentucky Teachers' Retirement System. The member's sick-leave balance,
3 expressed in days, shall be divided by one hundred eighty-five (185) days to
4 determine the amount of service credit that may be considered for addition to the
5 member's retirement account for the purpose of determining the retirement
6 allowance under KRS 161.620~~[, subject to the limitation of subsection (9)(a) of this~~
7 ~~section]~~. Notwithstanding any statute to the contrary, sick-leave credit that is
8 accredited under this section or by one (1) of the other state-administered retirement
9 systems shall not be used for the purpose of determining whether the member is
10 eligible to receive a retirement allowance from the Kentucky Teachers' Retirement
11 System.

12 (3) The board shall compute the cost to the retirement system of the sick-leave credit
13 for each retiring member and shall bill the last employer of the retiring member for
14 such cost. The employer shall pay the cost of such service credit to the retirement
15 system within fifteen (15) days after receiving notification of the cost from the
16 board.

17 (4) Retiring members who receive service credit under this section shall not be eligible
18 to receive compensation for accrued sick leave under KRS 161.155(10) or any other
19 statutory provision.

20 (5) Employer participation is optional and the employer may opt to purchase less
21 service credit than the member is eligible to receive provided the same percentage
22 of reduction is made applicable to all retiring members of the employer during a
23 school fiscal year.

24 (6) The board of trustees shall formulate and adopt necessary rules and regulations for
25 the administration of the foregoing provisions.

26 (7) Payments to the retirement system for service credit obtained under this section or
27 for compensation credit obtained under KRS 161.155(10) shall be based on the full

1 actuarial cost as defined in KRS 161.220(22).

2 (8) For an individual who becomes a member on or after July 1, 2008, the
3 maximum amount of unused accumulated sick leave that may be considered
4 for addition to the member's retirement account for purposes of determining
5 the retirement allowance under KRS 161.620 shall not exceed three hundred
6 (300) days~~[or the amount specified by subsection (9)(a) of this section.~~

7 ~~(9) Notwithstanding any other provision of KRS 161.220 to 161.716 to the
8 contrary:~~

9 ~~(a) The maximum amount of sick leave converted to additional service credit
10 under the provisions of this section shall not exceed the service credit based
11 upon the level of sick leave accumulated on December 31, 2018, by a member
12 whose employer participates in the sick leave program authorized by this
13 section; and~~

14 ~~(b) On or after August 1, 2018, no employers may opt to participate in the sick
15 leave program authorized by this section].~~

16 ➔Section 73. KRS 161.630 is repealed, reenacted, and amended to read as
17 follows:

18 (1) ~~[(a) An individual who became]~~A member~~[prior to January 1, 2019], upon~~
19 retirement, shall receive a retirement allowance in the form of a life annuity, with
20 refundable balance, as provided in KRS 161.620, unless an election is made before
21 the effective date of retirement to receive actuarially equivalent benefits under
22 options which the board of trustees approves.}

23 ~~(b) An individual who is participating in the hybrid cash balance plan as provided
24 by KRS 161.235 may, before the effective date of retirement, elect to receive
25 his or her accumulated account balance annuitized into a monthly payment
26 under one (1) of the actuarial equivalent payment options approved by the
27 board of trustees.~~

1 ~~(e)~~—]No option shall provide for a benefit with an actuarial value at the age of
2 retirement greater than that provided in KRS ~~[161.235(7)(a) or]~~161.620~~[, as~~
3 ~~applicable]~~. This section does not apply to disability allowances as provided in KRS
4 161.661(1).

5 (2) The retirement option chosen by a retiree at the time of service retirement shall
6 remain in force unless the retiree ~~[became a member prior to January 1, 2019, and~~
7 ~~]elects to make a change under the following conditions:~~

8 (a) A divorce, annulment, or marriage dissolution following retirement shall, at
9 the election of the retiree, cancel any optional plan selected at retirement that
10 provides continuing benefits to a spousal beneficiary and return the retiree to a
11 single lifetime benefit equivalent as determined by the board; or

12 (b) Following marriage or remarriage, or the death of the designated beneficiary, a
13 retiree may elect a new optional plan of payment based on the actuarial
14 equivalent of a single lifetime benefit at the time of the election, as determined
15 by the board. The plan shall become effective the first of the month following
16 receipt of an application on a form approved by the board.

17 (3) Except as otherwise provided in this section, a beneficiary designation shall not be
18 changed after the effective date of retirement except for retirees who elect the life
19 annuity with refundable balance or the predetermined years certain and life
20 thereafter option. A member may remove a beneficiary at any time, but shall not
21 designate a substitute beneficiary. If a member elects to remove a beneficiary, the
22 member's retirement allowance shall not change regardless of the retirement option
23 selected by the member, even if the removed beneficiary predeceases the member.

24 (4) A member who experiences a qualifying event under subsection (2) of this section
25 and who elects a new optional plan of payment shall make that election within sixty
26 (60) days of the qualifying event.

27 ➔Section 74. KRS 161.655 is repealed, reenacted, and amended to read as

1 follows:

- 2 (1) Effective July 1, 2000, the Teachers' Retirement System shall ~~for those individuals~~
3 ~~who became members prior to January 1, 2019~~:
- 4 (a) Provide a life insurance benefit in a minimum amount of five thousand dollars
5 (\$5,000) for its members who are retired for service or disability. This life
6 insurance benefit shall be payable upon the death of a member retired for
7 service or disability to the member's estate or to a party designated by the
8 member on a form prescribed by the retirement system; and
- 9 (b) Provide a life insurance benefit in a minimum amount of two thousand dollars
10 (\$2,000) for its active contributing members. This life insurance benefit shall
11 be payable upon the death of an active contributing member to the member's
12 estate or to a party designated by the member on a form prescribed by the
13 retirement system.
- 14 (2) The member may name one (1) primary and one (1) contingent beneficiary for
15 receipt of the life insurance benefit. To the extent permitted by the Internal Revenue
16 Code, a trust may be designated as beneficiary for receipt of the life insurance
17 benefit. Members may designate as beneficiaries only presently identifiable and
18 existing individuals, or trusts where otherwise permitted, without contingency
19 instructions, on forms prescribed by the retirement system. In the event that a
20 member fails to designate a beneficiary, or all designated beneficiaries predecease
21 the member, the member's estate shall be deemed to be the beneficiary. Any
22 beneficiary designation made by the member, including the estate should the estate
23 become the beneficiary by default, shall remain in effect until changed by the
24 member on forms prescribed by the retirement system, except in the event of
25 subsequent marriage or divorce. A valid marriage license shall terminate any
26 previously designated beneficiary, even that of a trust, and establish the spouse as
27 beneficiary unless, subsequent proof of the marriage, the member or retired member

1 redesignates someone other than the new spouse as the beneficiary. A final divorce
2 decree shall terminate the beneficiary status of an ex-spouse unless, subsequent to
3 divorce, the member redesignates the former spouse as a beneficiary. A final
4 divorce decree shall not terminate the designation of a trust as beneficiary regardless
5 of who is designated as beneficiary of the trust.

6 (3) Application for payment of life insurance proceeds shall be made to the Teachers'
7 Retirement System together with acceptable evidence of death and eligibility. The
8 reciprocal provisions of KRS 61.680(2)(a) shall not apply to the coverage and
9 payment of proceeds by the life insurance benefit under this section.

10 (4) Suit or civil action shall not be required for the collection of the proceeds of the life
11 insurance benefit provided for by this section, but nothing in this section shall
12 prevent the maintenance of suit or civil action against the beneficiary or legal
13 representative receiving the proceeds of the life insurance benefit.

14 (5) Upon the death of a member of the Teachers' Retirement System, the life insurance
15 provided pursuant to subsection (1) of this section may be assigned by the
16 designated beneficiary to a bank or licensed funeral home.

17 ➔Section 75. KRS 161.661 is repealed, reenacted, and amended to read as
18 follows:

19 (1) Any member who has completed five (5) or more years of accredited service in the
20 public schools of Kentucky after July 1, 1941, may retire for disability and be
21 granted a disability allowance if found to be eligible as provided in this section.
22 Application for disability benefits shall be made within one (1) year of the last
23 contributing service in Kentucky, and the disability must have occurred during the
24 most recent period of employment in a position covered by the Teachers' Retirement
25 System and subsequent to the completion of five (5) years of teaching service in
26 Kentucky. A disability occurring during the regular vacation immediately following
27 the last period of active service in Kentucky or during an official leave for which

1 the member is entitled to make regular contributions to the retirement system, shall
2 be considered as having occurred during a period of active service. The annual
3 disability allowance shall be equal to sixty percent (60%) of the member's final
4 average salary. ~~Individuals who became~~ Members ~~prior to January 1, 2019,~~ who
5 have twenty-seven (27) or more years of service credit are eligible for service
6 retirement only. ~~Individuals who become members on or after January 1, 2019,~~
7 ~~who have met the requirements of KRS 161.235(6)(b) shall be eligible for service~~
8 ~~retirement only.~~

9 (2) The provisions of KRS 161.520, 161.525, and subsections (3), (4), and (5) of this
10 section shall not apply to disability retirees whose benefits were calculated on the
11 service retirement formula nor to survivors of these members.

12 (3) Members shall earn one (1) year of entitlement to disability retirement, at sixty
13 percent (60%) of the member's final average salary, for each four (4) years of
14 service in a covered position, but any member meeting the service requirement for
15 disability retirement shall be credited with no less than five (5) years of eligibility.

16 (4) A member retired by reason of disability shall continue to earn service credit at the
17 rate of one (1) year for each year retired for disability. This service shall be credited
18 to the member's account at the expiration of entitlement as defined in subsection (3)
19 of this section, or when the member's eligibility for disability benefits is terminated
20 upon recommendation of a medical review committee, and this service shall be used
21 in calculating benefits as provided in subsection (5) of this section, but under no
22 circumstances shall this service be used to provide the member with more than
23 twenty-seven (27) years of total service credit ~~or the level of service credit needed~~
24 ~~to meet the requirements of KRS 161.235(6)(b), as applicable~~. The service credit
25 shall be valued at the same level as service earned by active members as provided
26 under KRS ~~161.235,~~ 161.600 and, ~~or~~ 161.620, ~~as applicable. Members~~
27 ~~participating in the hybrid cash balance plan as provided by KRS 161.235 shall also~~

1 ~~be credited with employer credits and interest credits for each year of service earned~~
2 ~~under the provisions of this subsection based upon the salary in which the last~~
3 ~~employer credit was paid. Payments during the entitlement period as specified by~~
4 ~~subsection (3) of this section shall not reduce the accumulated account balance of a~~
5 ~~member participating in the hybrid cash balance plan].~~

6 (5) Any member retired by reason of disability and remaining disabled at the expiration
7 of the entitlement period shall have his disability benefits recalculated using the
8 service retirement formula with service credit~~[and any additional accumulated~~
9 ~~account balance earned]~~ as set out in subsection (4) of this section. ~~[For persons~~
10 ~~who became members prior to January 1, 2019,]~~The retirement allowance shall be
11 calculated as set forth in KRS 161.620, except that those persons less than sixty
12 (60) years of age shall be considered as sixty (60) years of age.~~[For persons who~~
13 ~~become members on or after January 1, 2019, the retirement allowance or benefit~~
14 ~~shall be calculated as set forth in KRS 161.235, except that those persons less than~~
15 ~~age sixty five (65) shall be considered as sixty five (65) years of age.]~~ Members
16 having their disability benefits recalculated under this subsection shall not be
17 entitled to a benefit based upon an average of their three (3) highest salaries as set
18 forth in KRS 161.220(9), unless approved otherwise by the board of trustees.

19 (6) Members who have their disability retirement allowance recalculated at the
20 expiration of the entitlement period shall continue to have coverage under the post-
21 retirement medical insurance program. Restrictions on employment shall remain in
22 effect until the member attains age seventy (70) or until the member's eligibility is
23 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability
24 retirees whose retirement allowances have been recalculated at the expiration of the
25 entitlement period. Members who have their disability retirement allowance
26 recalculated at the expiration of their entitlement period shall be entitled to a
27 minimum monthly allowance of five hundred dollars (\$500) as the basic straight life

1 annuity. The minimum allowance shall be effective July 1, 1992, and shall apply to
2 those members who have had their allowance recalculated prior to that date and to
3 disability retirees who will have their benefit allowance recalculated on or after that
4 date.

5 (7) Effective July 1, 1992, members retired for disability prior to July 1, 1964, shall be
6 entitled to a minimum monthly allowance of five hundred dollars (\$500) as their
7 basic straight life annuity and their surviving spouse shall be eligible for survivor
8 benefits as provided in KRS 161.520(1)(a) and (b).

9 (8) Any member retired by reason of disability may voluntarily waive disability benefits
10 and return to teaching or any ~~individual who became a member prior to January~~
11 ~~1, 2019~~, who is age sixty (60) years or older, may elect to waive disability benefits
12 and retire for service on the basis of service credited to the member on the effective
13 date of the disability retirement~~, or any individual who becomes a member on or~~
14 ~~after January 1, 2019, who is sixty five (65) years of age or older, may elect to~~
15 ~~waive disability benefits and retire for service on the basis of his or her accumulated~~
16 ~~account balance and service credited to the member on the effective date of~~
17 ~~disability retirement~~.

18 (9) In order to qualify for retirement by reason of disability a member must suffer from
19 a physical or mental condition presumed to be permanent in duration and of a nature
20 as to render the member incapable of being gainfully employed in a covered
21 position. The incapability must be revealed by a competent examination by a
22 licensed physician or physicians and must be approved by a majority of a medical
23 review committee.

24 (10) A member retired by reason of disability shall be required to undergo periodic
25 examinations at the discretion of the board of trustees to determine whether the
26 disability allowance shall be continued. When examination and recommendation of
27 a medical review committee indicate the disability no longer exists, the allowance

1 shall be discontinued.

2 (11) Eligibility for payment shall begin on the first day of the month following receipt of
3 the application in the Teachers' Retirement System office, or the first of the month
4 next following the last payment of salary or sick leave benefits by the employer,
5 whichever is the later date.

6 (12) No person who receives a disability allowance may be employed in a position that
7 entails duties or qualification requirements similar to positions subject to
8 participation in the retirement system either within or without the State of
9 Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the
10 allowance from the first date of this service. A member who applies for and is
11 approved for disability retirement on or after July 1, 2002, and whose annual
12 disability benefit is less than forty thousand dollars (\$40,000) may earn income in
13 any occupation other than covered employment only to the extent that the annual
14 income from the other employment when added to the annual disability benefit does
15 not exceed forty thousand dollars (\$40,000). For any member who exceeds this
16 limit as a result of income from other employment, the Kentucky Teachers'
17 Retirement System shall reduce the member's disability benefit on a dollar-for-
18 dollar basis for each dollar that the member's combined annual disability benefit and
19 annual income from other employment exceeds forty thousand dollars (\$40,000).
20 The board of trustees may annually increase the forty thousand dollar (\$40,000)
21 limit by the percentage increase in the annual average of the consumer price index
22 for all urban consumers for the most recent calendar year as published by the
23 Federal Bureau of Labor Statistics, not to exceed five percent (5%).

24 (13) All members who applied for disability retirement before July 1, 2002, and were
25 approved as a result of that application shall be subject to the income limitations as
26 they existed on June 30, 2002, until July 1, 2006. Effective July 1, 2006, the twenty-
27 seven thousand dollar (\$27,000) limitation shall be increased to forty thousand

1 dollars (\$40,000) and may be adjusted by the board of trustees by the consumer
2 price index in the manner described in subsection (12) of this section. The recipient
3 of a disability allowance who engages in any gainful occupation other than covered
4 employment must make a report of the duties involved, compensation received, and
5 any other pertinent information required by the board of trustees.

6 (14) The board of trustees shall designate medical review committees, each consisting of
7 three (3) licensed physicians. A medical review committee shall pass upon all
8 applications for disability retirement and upon all applicant statements, medical
9 certifications, and examinations submitted in connection with disability
10 applications. The disposition of each case shall be recommended by a medical
11 review committee in writing to the retirement system. Members of a medical review
12 committee shall follow administrative regulations regarding procedures as the board
13 of trustees may enact and shall be paid reasonable fees and expenses as authorized
14 by the board of trustees in compliance with the provisions of KRS 161.330 and
15 161.340. The retirement system may secure additional medical examinations and
16 information as it deems necessary. A member may appeal any final agency decision
17 denying his or her disability retirement application pursuant to the provisions of
18 KRS 161.250(2).

19 (15) A disability may be presumed to be permanent if the condition creating the
20 disability may be reasonably expected to continue for one (1) year or more from the
21 date of application for disability benefits.

22 (16) Any member who has voluntarily waived disability benefits or whose disability
23 benefits have been discontinued on recommendation of a medical review
24 committee, may apply for reinstatement of disability benefits. The application for
25 reinstatement must be made to the retirement system within twelve (12) months of
26 the date disability benefits terminated. If the termination of benefits were voluntary,
27 the reinstatement may be made without medical examination if application is made

1 within three (3) months of the termination date. Other applications for reinstatement
2 will be processed in the same manner as new applications for benefits.

3 (17) No person who is receiving disability benefits under this section may be employed
4 in a position which qualifies the person for membership in a retirement system
5 financed wholly or in part with public funds. Employment in a position prohibited
6 by this subsection shall result in disqualification for those disability benefits from
7 the date of employment in the prohibited position.

8 (18) Any person who is receiving benefits and becomes disqualified from receiving
9 those benefits under this section, or becomes disqualified from receiving a portion
10 of those benefits due to income from other than covered employment, shall
11 immediately notify the Teachers' Retirement System of this disqualification in
12 writing and shall return all benefits paid after the date of disqualification. Failure to
13 comply with these provisions shall create an indebtedness of that person to the
14 Teachers' Retirement System. Interest at the rate of eight percent (8%) per annum
15 shall be charged if the debt is not repaid within sixty (60) days after the date of
16 disqualification. Failure to repay this debt creates a lien in favor of the Teachers'
17 Retirement System upon all property of the person who improperly receives benefits
18 and does not repay those benefits. The Kentucky Teachers' Retirement System may,
19 in order to collect an outstanding debt, reduce or terminate any benefit that a
20 member is otherwise entitled to receive.

21 ➔Section 76. KRS 161.650 is repealed and reenacted to read as follows:

22 (1) In the case of death of a member who has retired by reason of service or disability,
23 any portion of the member's accumulated contributions, including member
24 contributions to the state accumulation fund and regular interest to the date of
25 retirement, that has not, and will not be paid as an allowance or benefit shall be paid
26 to the member's beneficiary in such manner as the board of trustees elects.

27 (2) The member may designate a primary beneficiary or two (2) or more cobeneficiaries

1 to receive any remaining accumulated member contributions payable under this
2 section. A contingent beneficiary may be designated in addition to the primary
3 beneficiary or the cobeneficiaries. The member may designate two (2) or more
4 contingent beneficiaries. To the extent permitted by the Internal Revenue Code, a
5 trust may be designated as beneficiary for receipt of any remaining funds of the
6 member's accumulated contributions. Members may designate as beneficiaries only
7 presently identifiable and existing individuals, or trusts where otherwise permitted,
8 without contingency instructions, on forms prescribed by the retirement system.
9 Cobeneficiaries shall be composed of a single class of individuals, or trusts where
10 permitted, who will share in equal proportions in any payment that may become
11 available under this section. Any beneficiary designation made by the member shall
12 remain in effect until changed by the member on forms prescribed by the retirement
13 system, except in the event of subsequent divorce. A final divorce decree shall
14 terminate the beneficiary status of an ex-spouse unless, subsequent to divorce, the
15 member redesignates the former spouse as a beneficiary. A final divorce decree
16 shall not terminate the designation of a trust as beneficiary regardless of who is
17 designated as beneficiary of the trust. In the event that the member fails to designate
18 a beneficiary or all designated beneficiaries predecease the member, any remaining
19 accumulated member contributions shall be payable to the member's estate.

20 ➔Section 77. KRS 161.700 is repealed, reenacted, and amended to read as
21 follows:

22 (1) Except as otherwise provided by this section and KRS 161.655(5), the right of a
23 member to a retirement allowance and to the return of contributions, any benefit or
24 right accrued or accruing to any person under KRS 161.220 to 161.716, and the
25 money in the various funds established pursuant to KRS 161.220 to 161.716 are
26 hereby exempt from any state or municipal tax, and shall not be subject to
27 execution, garnishment, attachment, or other process, and shall not be assigned.

- 1 (2) Notwithstanding subsection (1) of this section, retirement benefits accrued or
2 accruing to any person under this retirement system on or after January 1, 1998,
3 shall be subject to the tax imposed by KRS 141.020, to the extent provided in KRS
4 141.010 and 141.0215.
- 5 (3) Retirement allowance, disability allowance, accumulated contributions~~account~~
6 ~~balance~~, or any other benefit under the retirement system shall not be classified as
7 marital property pursuant to KRS 403.190(1), except to the extent permitted under
8 KRS 403.190(4). Retirement allowance, disability allowance, accumulated
9 contributions, or any other benefit under the retirement system shall not be
10 considered as an economic circumstance during the division of marital property in
11 an action for dissolution of marriage pursuant to KRS 403.190(1)(d), except to the
12 extent permitted under KRS 403.190(4).
- 13 (4) Qualified domestic relations orders issued by a court or administrative agency shall
14 be honored by the retirement system if:
- 15 (a) The benefits payable pursuant to the order meet the requirements of a
16 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The
17 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)
18 in administering qualified domestic relations orders;
- 19 (b) The order meets the requirements established by the retirement system and by
20 subsections (4) to (12) of this section. The board of trustees of the retirement
21 system shall establish the requirements, procedures, and forms necessary for
22 the administration of qualified domestic relations order by promulgation of
23 administrative regulations in accordance with KRS Chapter 13A; and
- 24 (c) The order is on the form established by the retirement system pursuant to the
25 retirement system's authority provided under paragraph (b) of this subsection.
- 26 (5) A qualified domestic relations order shall not:
- 27 (a) Require the retirement system to take any action not authorized under state or

- 1 federal law;
- 2 (b) Require the retirement system to provide any benefit, allowance, or other
3 payment not authorized under state or federal law;
- 4 (c) Grant or be construed to grant the alternate payee any separate right, title, or
5 interest in or to any retirement benefit other than to receive payments from the
6 participant's account in accordance with the administrative regulations
7 promulgated by the system and as provided by subsections (4) to (12) of this
8 section; or
- 9 (d) Grant any separate interest to any person other than the participant.
- 10 (6) Any qualified domestic relations order submitted to the retirement system shall
11 specify the dollar amount or percentage amount of the participant's benefit to be
12 paid to the alternate payee. In calculating the amount to be paid to the alternate
13 payee, the court or administrative agency that is responsible for issuing the order
14 shall follow the requirements set forth in the administrative regulations promulgated
15 by the board of trustees. Notwithstanding any other statute to the contrary, the board
16 shall not be required to honor a qualified domestic relations order that does not
17 follow the requirements set forth in the administrative regulations promulgated by
18 the board of trustees.
- 19 (7) If the qualified domestic relations order meets the requirements established by the
20 system and by subsections (4) to (12) of this section, payments to the alternate
21 payee shall be distributed under the following conditions:
- 22 (a) If the participant is retired and is receiving a monthly ~~benefit~~^{retirement}
23 ~~allowance~~, the month following the date the retirement system receives a
24 qualified domestic relations order that complies with the administrative
25 regulations promulgated by the retirement system and subsections (4) to (12)
26 of this section; or
- 27 (b) If the participant is not retired, the month of the participant's effective

1 retirement date in which the first retirement allowance is payable to the
2 participant or the month in which the participant receives a refund of his or
3 her accumulated contributions~~[account—balance]~~ as provided by KRS
4 161.470(6).

- 5 (8) An alternate payee's benefits and rights under a qualified domestic relations order
6 shall terminate upon the earlier of:
- 7 (a) The death of the participant;
 - 8 (b) The death of the alternate payee; or
 - 9 (c) The termination of benefits to the participant under any provision of KRS
10 161.220 to 161.716.
- 11 (9) An alternate payee shall not receive a monthly payment under a qualified domestic
12 relations order if the participant is not receiving a monthly retirement allowance.
- 13 (10) The cost of living adjustment provided to the participant pursuant to KRS 161.620
14 shall be divided between the participant and alternate payee in a qualified domestic
15 relations order as follows:
- 16 (a) If the order specifies the alternate payee is to receive a percentage of the
17 participant's benefit, then the cost of living adjustment shall be divided
18 between the participant and the alternate payee based upon the percentage of
19 the total benefit each is receiving upon the participant's retirement or upon the
20 date the order is approved by the retirement system, whichever is later; or
 - 21 (b) If the order specifies that the alternate payee is to receive a set dollar amount
22 of the participant's benefit, then the order shall specify that:
 - 23 1. The cost of living adjustment shall be divided between the participant
24 and the alternate payee based upon the percentage of the total benefit
25 each is receiving upon the participant's retirement or upon the date the
26 order is approved by the retirement system, whichever is later; or
 - 27 2. The alternate payee shall receive no cost of living adjustment.

1 If the order does not specify the division of the cost of living adjustment as
2 required by this paragraph, then no cost of living adjustment shall be payable
3 to the alternate payee. If no cost of living adjustment is provided to the
4 alternate payee, then the participant shall receive the full cost of living
5 adjustment he or she would have received if the order had not been applied to
6 the participant's account.

7 (11) Except in cases involving child support payments, the retirement system may charge
8 reasonable and necessary fees and expenses to the recipient and the alternate payee
9 of a qualified domestic relations order for the administration of the qualified
10 domestic relations order by retirement system. All fees and expenses shall be
11 established by the administrative regulations promulgated by the board of trustees
12 of the retirement system. The qualified domestic relations order shall specify
13 whether the fees and expenses provided by this subsection shall be paid:

- 14 (a) Solely by the participant;
15 (b) Solely by the alternate payee; or
16 (c) Equally shared by the participant and alternate payee.

17 (12) The retirement system shall honor a qualified domestic relations order issued prior
18 to July 15, 2010, for prospective benefit payments if the order or an amended
19 version of the order meets the requirements established by this section and the
20 administrative regulations promulgated by the retirement system. The order shall
21 not apply to benefit payments issued by the retirement system prior to the date the
22 order was approved by the retirement system.

23 ➔Section 78. KRS 161.714 is repealed, reenacted, and amended to read as
24 follows:

25 ~~[(1) For persons who became members in the Teachers' Retirement System prior to~~
26 ~~January 1, 2019,]~~It is hereby declared that in consideration of the contributions by
27 members and in further consideration of benefits received by the state from the member's

1 employment, KRS 161.220 to 161.710 shall constitute, except as provided in KRS 6.696,
2 an inviolable contract of the Commonwealth, and the benefits provided herein, except as
3 provided in KRS 6.696, shall not be subject to reduction or impairment by alteration,
4 amendment, or repeal, ~~except:~~

5 (a) ~~As provided in KRS 6.696; and~~

6 (b) ~~The General Assembly reserves the right to amend, reduce, or suspend any~~
7 ~~legislative changes to the provisions of KRS 161.220 to 161.716 that become~~
8 ~~effective on or after July 1, 2018.~~

9 (2) (a) ~~For persons who become members in the Teachers' Retirement System on or~~
10 ~~after January 1, 2019, the General Assembly reserves the right to amend,~~
11 ~~suspend, or reduce the benefits and rights provided under KRS 161.220 to~~
12 ~~161.716 if, in its judgment, the welfare of the Commonwealth so demands,~~
13 ~~except that the amount of benefits the member has accrued at the time of~~
14 ~~amendment, suspension, or reduction shall not be affected.~~

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

19 (c) ~~The provisions of this subsection shall not be construed to limit the General~~
20 ~~Assembly's authority to change any other benefit or right specified by KRS~~
21 ~~161.220 to 161.716, except the benefits specified by paragraph (b) of this~~
22 ~~subsection for members who begin participating in the Teachers' Retirement~~
23 ~~System on or after January 1, 2019.~~

24 (3) ~~The provisions of this section shall not be construed to limit the General Assembly's~~
25 ~~authority to amend, reduce, or suspend the benefits and rights of members of the~~
26 ~~Teachers' Retirement System as provided by KRS 161.220 to 161.716 that the~~
27 ~~General Assembly had the authority to amend, reduce, or suspend, prior to July 1,~~

1 ~~2018~~.

2 ➔Section 79. KRS 7A.250 is repealed, reenacted, and amended to read as
3 follows:

4 The Public Pension Oversight Board:

- 5 (1) Shall, from time to time, conduct an impartial review of all the laws governing the
6 state-administered retirement systems and recommend any changes it may find
7 desirable with respect to benefits and administration, funding of benefits,
8 investments of funds, and the improvement of language, structure, and organization
9 of the statutes;
- 10 (2) ~~Shall~~~~May~~, once every five (5) years, review the benefits provided to employees
11 who begin participating in the systems administered by Kentucky Retirement
12 Systems on or after January 1, 2014, ~~and the Teachers' Retirement System on or~~
13 ~~after January 1, 2019,~~ and recommend any changes to the provisions affecting
14 these employees that are necessary to maintain the actuarial soundness of the
15 systems;
- 16 (3) Shall review semiannually the investment programs of the state-administered
17 retirement systems, including a review of asset allocation targets and ranges, risk
18 factors, asset class benchmarks, total return objectives, relative volatility,
19 performance evaluation guidelines, investment policies, and securities litigation
20 policies and recoveries from fraud or other corporate malfeasance. The board may
21 establish an advisory committee, as provided by KRS 7A.260, which may include
22 investment professionals to assist in complying with the provisions of this
23 subsection;
- 24 (4) May review any benefits, bylaws, policies, or charters established by the state-
25 administered retirement systems;
- 26 (5) Shall, at the request of the Speaker of the House of Representatives or the President
27 of the Senate, evaluate proposed changes to laws affecting the state-administered

- 1 retirement systems and report to the Speaker or the President on the probable costs,
2 actuarial implications, and desirability as a matter of public policy;
- 3 (6) May review all new or amended administrative regulations of the state-administered
4 retirement systems and provide comments to the Administrative Regulation Review
5 Subcommittee established by KRS 13A.020;
- 6 (7) Shall research issues related to the state-administered retirement systems as directed
7 by the Legislative Research Commission;
- 8 (8) Shall at least once every five (5) years have an actuarial audit performed for the
9 state-administered retirement systems to evaluate the reliability of each system's
10 actuarial assumptions and methods. The actuarial audit shall be performed by an
11 actuary retained by the Public Pension Oversight Board;
- 12 (9) ~~Shall~~May prior to each budget biennium ~~{occurring on or after July 1, 2020, }~~ have
13 an actuarial review of the funding requests and needs submitted by the state-
14 administered retirement systems. The review shall be performed by an actuary
15 retained by the Public Pension Oversight Board; and
- 16 (10) Shall publish an annual report covering the board's evaluation and recommendations
17 with respect to the operations of the state-administered retirement systems. The
18 report shall be submitted to the Legislative Research Commission no later than
19 December 31 of each year and shall include at a minimum any legislative
20 recommendations made by the board, a summary of the financial and actuarial
21 condition of the state-administered retirement systems, and an analysis of the
22 adequacy of the current levels of funding.

23 ➔Section 80. KRS 11A.010 is amended to read as follows:

24 As used in this chapter, unless the context otherwise requires:

- 25 (1) "Business" means any corporation, limited liability company, partnership, limited
26 partnership, sole proprietorship, firm, enterprise, franchise, association,
27 organization, self-employed individual, holding company, joint stock company,

- 1 receivership, trust, or any legal entity through which business is conducted, whether
2 or not for profit;
- 3 (2) "Commission" means the Executive Branch Ethics Commission;
- 4 (3) "Compensation" means any money, thing of value, or economic benefit conferred
5 on, or received by, any person in return for services rendered, or to be rendered, by
6 himself or another;
- 7 (4) "Family" means spouse and children, as well as a person who is related to a public
8 servant as any of the following, whether by blood or adoption: parent, brother,
9 sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-
10 in-law, son-in-law, daughter-in-law, stepfather, stepmother, stepson, stepdaughter,
11 stepbrother, stepsister, half brother, half sister;
- 12 (5) "Gift" means a payment, loan, subscription, advance, deposit of money, services, or
13 anything of value, unless consideration of equal or greater value is received; "gift"
14 does not include gifts from family members, campaign contributions, the waiver of
15 a registration fee for a presenter at a conference or training described in KRS
16 45A.097(5), or door prizes available to the public;
- 17 (6) "Income" means any money or thing of value received or to be received as a claim
18 on future services, whether in the form of a fee, salary, expense allowance,
19 forbearance, forgiveness, interest, dividend, royalty, rent, capital gain, or any other
20 form of compensation or any combination thereof;
- 21 (7) "Officer" means all major management personnel in the executive branch of state
22 government, including the secretary of the cabinet, the Governor's chief executive
23 officers, cabinet secretaries, deputy cabinet secretaries, general counsels,
24 commissioners, deputy commissioners, executive directors, principal assistants,
25 division directors, members and full-time chief administrative officers of the Parole
26 Board, Kentucky Claims Commission, Kentucky Retirement Systems board of
27 trustees, Kentucky Teachers' Retirement System board of trustees, ~~the Kentucky~~

- 1 ~~Public Employees Deferred Compensation Authority board of trustees,]Public~~
2 Service Commission, Worker's Compensation Board and its administrative law
3 judges, the Kentucky Occupational Safety and Health Review Commission, the
4 Kentucky Board of Education, the Council on Postsecondary Education, and any
5 person who holds a personal service contract to perform on a full-time basis for a
6 period of time not less than six (6) months a function of any position listed in this
7 subsection;
- 8 (8) "Official duty" means any responsibility imposed on a public servant by virtue of
9 his or her position in the state service;
- 10 (9) "Public servant" means:
- 11 (a) The Governor;
- 12 (b) The Lieutenant Governor;
- 13 (c) The Secretary of State;
- 14 (d) The Attorney General;
- 15 (e) The Treasurer;
- 16 (f) The Commissioner of Agriculture;
- 17 (g) The Auditor of Public Accounts; and
- 18 (h) All employees in the executive branch including officers as defined in
19 subsection (7) of this section and merit employees;
- 20 (10) "Agency" means every state office, cabinet, department, board, commission, public
21 corporation, or authority in the executive branch of state government. A public
22 servant is employed by the agency by which his or her appointing authority is
23 employed, unless his or her agency is attached to the appointing authority's agency
24 for administrative purposes only, or unless the agency's characteristics are of a
25 separate independent nature distinct from the appointing authority and it is
26 considered an agency on its own, such as an independent department;
- 27 (11) "Lobbyist" means any person employed as a legislative agent as defined in KRS

- 1 6.611(23) or any person employed as an executive agency lobbyist as defined in
2 KRS 11A.201(8);
- 3 (12) "Lobbyist's principal" means the entity in whose behalf the lobbyist promotes,
4 opposes, or acts;
- 5 (13) "Candidate" means those persons who have officially filed candidacy papers or who
6 have been nominated by their political party pursuant to KRS 118.105, 118.115,
7 118.325, or 118.760 for any of the offices enumerated in subsections (9)(a) to (g) of
8 this section;
- 9 (14) "Does business with" or "doing business with" means contracting, entering into an
10 agreement, leasing, or otherwise exchanging services or goods with a state agency
11 in return for payment by the state, including accepting a grant, but not including
12 accepting a state entitlement fund disbursement;
- 13 (15) "Public agency" means any governmental entity;
- 14 (16) "Appointing authority" means the agency head or any person whom he or she has
15 authorized by law to act on behalf of the agency with respect to employee
16 appointments;
- 17 (17) "Represent" means to attend an agency proceeding, write a letter, or communicate
18 with an employee of an agency on behalf of someone else;
- 19 (18) "Directly involved" means to work on personally or to supervise someone who
20 works on personally;
- 21 (19) "Sporting event" means any professional or amateur sport, athletic game, contest,
22 event, or race involving machines, persons, or animals, for which admission tickets
23 are offered for sale and that is viewed by the public; and
- 24 (20) "Person" means an individual, proprietorship, firm, partnership, limited partnership,
25 joint venture, joint stock company, syndicate, business or statutory trust, donative
26 trust, estate, company, corporation, limited liability company, association, club,
27 committee, organization, or group of persons acting in concert.

1 ➔Section 81. KRS 18A.245 is amended to read as follows:

- 2 (1) The authority shall be administered by a board of trustees composed of seven (7)
3 members, who shall be as follows:
- 4 (a) Secretary, Finance and Administration Cabinet, ex officio;
 - 5 (b) Secretary of personnel, ex officio;
 - 6 (c) The state controller, ex officio; and
 - 7 (d) Four (4) at-large members appointed by the Governor, ~~[who do not have a~~
8 ~~conflict of interest as provided by KRS 18A.262,]~~one (1) of whom shall have
9 at least five (5) years of investment or banking experience and one (1) of
10 whom shall be a representative of a nonstate government employer.
- 11 (2) The members of the board appointed by the Governor shall serve for a period of
12 four (4) years and the ex officio members of the board shall serve only for the
13 period of their term of office. Each ex officio member may designate a proxy by
14 written notice to the authority prior to call of order of each meeting, and the proxy
15 shall be entitled to participate as a full voting member.
- 16 (3) Any vacancy which may occur shall be filled in the same manner provided for the
17 selection of the particular member for a full term. Vacancies shall be filled for the
18 unexpired term only.
- 19 (4) Membership on the board of trustees shall not be incompatible with any other office
20 unless a constitutional incompatibility exists, and no member shall be subject to
21 removal from office, except upon conviction of a felony, or of a misdemeanor
22 involving moral turpitude.
- 23 (5) Board members who do not otherwise receive a salary or compensation from the
24 State Treasury shall receive a per diem of one hundred dollars (\$100) for each day
25 they are in session or on official duty, and they shall be reimbursed for their actual
26 and necessary expenses in accordance with state administrative regulations and
27 standards applicable to state employees.

- 1 (6) The board shall meet at least once in each quarter of the year, and may meet in
2 special session upon the call of the chairman. It shall elect a chairman and a vice
3 chairman. A majority of the members shall constitute a quorum, and all actions
4 taken by the board shall be by affirmative vote of a majority of the members
5 present.
- 6 (7) The authority shall be attached to the Personnel Cabinet for administrative purposes
7 only. The board may take but is not limited to the following actions:
- 8 (a) Appoint such employees as it deems necessary and fix the compensation for
9 all employees of the board, subject to the approval of the secretary. The
10 authority shall be headed by an executive director who shall be appointed by
11 the board of directors of the authority without the limitations imposed by KRS
12 12.040 and KRS Chapter 18A. The executive director of the authority and
13 employees appointed by the board shall serve at its will and pleasure. All
14 other staff of the authority shall be employed under KRS 18A.005 to 18A.200;
- 15 (b) Require such employees as it thinks proper to execute bonds for the faithful
16 performance of their duties;
- 17 (c) Establish a system of accounting;
- 18 (d) Contract for such services as may be necessary for the operation or
19 administration of deferred compensation plans authorized in KRS 18A.230 to
20 18A.275, including annual audits;
- 21 (e) Do all things, take all actions, and adopt plans for participation consistent with
22 federal law and with the provisions of KRS 18A.230 to 18A.275, including
23 but not limited to:
- 24 1. Amending the board's plan for the Kentucky Public Employees 401(k)
25 Deferred Compensation Plan or the Kentucky Employees 457 Deferred
26 Compensation Plan, or both such plans, to adopt, maintain, and
27 terminate a deemed IRA program under Internal Revenue Code Section

- 1 408;
- 2 2. Amending the board's plan for the Kentucky Public Employees 401(k)
- 3 Deferred Compensation Plan to adopt, maintain, and terminate a
- 4 qualified Roth contribution program under Internal Revenue Code
- 5 Section 402A; and
- 6 3. Adopting, maintaining, and terminating an Internal Revenue Code
- 7 Section 403(b) plan for qualified employees; ~~and~~
- 8 4. ~~Upon the request of the Kentucky Retirement Systems board of trustees,~~
- 9 ~~establishing an investment program for the 401(a) defined contribution~~
- 10 ~~plan as provided by KRS 61.5956;]~~ and
- 11 (f) Contract with persons or companies duly licensed by the state of Kentucky
- 12 and applicable federal regulatory agencies, at the cost of the trust fund, to
- 13 provide investment advice to participants in the plans, with respect to their
- 14 selection of permitted investments in the plans.
- 15 (8) The Attorney General, or an assistant designated by him, may act as legal adviser
- 16 and attorney for the board. The board may also appoint legal counsel in accordance
- 17 with KRS Chapter 12.
- 18 (9) The board shall prepare an annual financial report showing all receipts,
- 19 disbursements, assets, and liabilities and shall submit a copy to the Governor and
- 20 the Legislative Research Commission. All board meetings and records shall be open
- 21 for inspection by the public.
- 22 ➔Section 82. The following KRS sections are repealed:
- 23 18A.262 Conflicts of interest for Kentucky Public Employees Deferred Compensation
- 24 Authority employees and trustees. (Declared void -- See LRC Note Below)
- 25 61.5956 Optional 401(a) money purchase plan for new nonhazardous members who
- 26 begin participating in KERS or CERS on or after January 1, 2019. (Declared void --
- 27 See LRC Note Below)

1 161.235 Establishment of hybrid cash balance plan for new Teachers' Retirement
2 System members who begin participating on or after January 1, 2019 -- TRS
3 members with fewer than five years of service may elect participation. (Declared
4 void -- See LRC Note Below).