

1 AN ACT relating to retirement costs and declaring an emergency.

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

3 ➔Section 1. KRS 61.565 is repealed, reenacted, and amended to read as follows:

4 (1) (a) Each employer participating in the State Police Retirement System as
5 provided for in KRS 16.505 to 16.652, the County Employees Retirement
6 System as provided for in KRS 78.510 to 78.852, and the Kentucky
7 Employees Retirement System as provided for in KRS 61.510 to 61.705 shall
8 contribute annually to the respective retirement system an amount determined
9 by the actuarial valuation completed in accordance with KRS 61.670 and as
10 specified by this section. Employer contributions for each respective
11 retirement system shall be equal to the sum of the "normal cost contribution"
12 and the "actuarially accrued liability contribution."

13 (b) For purposes of this section, the normal cost contribution shall be computed as
14 a percentage of pay and shall be an annual amount that is sufficient when
15 combined with employee contributions to fund benefits earned during the year
16 in the respective system~~[or plan, including costs for those members who elect~~
17 ~~to participate in the 401(a) money purchase plan]~~. The amount shall be:

18 1. Paid as a percentage of creditable compensation reported for each
19 employee participating in the system~~[or plan]~~ and accruing benefits;

20 ***and***

21 **2. The same percentage of pay for all employees who are participating in**
22 **the same retirement system, except that separate percentage rates shall**
23 **be developed in each system for those employers whose employees are**
24 **participating in hazardous duty retirement coverage as provided by**
25 **KRS 61.592.**

26 (c) For purposes of this section, the actuarially accrued liability contribution ***for***
27 **all employers, except for nonhazardous employers in the Kentucky**

1 *Employees Retirement System*, shall be:

2 1. *Computed by amortizing*~~[an annual dollar amount that is sufficient to~~
 3 ~~amortize]~~ the total unfunded actuarially accrued liability of each system
 4 over a closed period of thirty (30) years *beginning with the 2019*
 5 *actuarial valuation* using the *level percentage of payroll*~~[level dollar]~~
 6 amortization method, *except that any increase or decrease in the*
 7 *unfunded actuarially accrued liability occurring after the completion*
 8 *of the 2019 actuarial valuation shall be amortized over a closed period*
 9 *of twenty (20) years beginning with the actuarial valuation in which*
 10 *the increase or decrease in the unfunded actuarially accrued liability*
 11 *is recognized. An increase or decrease in the unfunded actuarially*
 12 *accrued liability may result from, but not be limited to, legislative*
 13 *changes to benefits, changes in actuarial methods or assumptions, or*
 14 *actuarial gains or losses;*

15 2. *Paid as a percentage of payroll on the creditable compensation*
 16 *reported for each employee participating in the system and accruing*
 17 *benefits; and*

18 3. *The same percentage of pay for all employees who are participating in*
 19 *the same retirement system, except that separate percentage rates shall*
 20 *be developed in each system for those employers whose employees are*
 21 *participating in hazardous duty retirement coverage as provided by*
 22 *KRS 61.592.*

23 (d) 1. *For purposes of this section, the actuarially accrued liability*
 24 *contribution for nonhazardous employers in the Kentucky Employees*
 25 *Retirement System on or after July 1, 2020:*

26 a. *Shall be an annual dollar amount that is sufficient to amortize*
 27 *the total unfunded actuarially accrued liability of the system over*

1 a closed period of thirty (30) years beginning with the 2019
2 actuarial valuation using the level percentage of payroll
3 amortization method, except that any increase or decrease in the
4 unfunded actuarially accrued liability occurring after the
5 completion of the 2019 actuarial valuation shall be amortized
6 over a closed period of twenty (20) years beginning with the
7 actuarial valuation in which the increase or decrease in the
8 unfunded actuarially accrued liability is recognized. An increase
9 or decrease in the unfunded actuarially accrued liability may
10 result from, but not be limited to, legislative changes to benefits,
11 changes in actuarial methods or assumptions, or actuarial gains
12 or losses;

13 b. Shall be prorated to each individual nonhazardous employer in
14 the Kentucky Employees Retirement System by multiplying the
15 annual dollar amount of the actuarially accrued liability
16 contribution for the system as determined by subdivision a. of
17 this subparagraph by the individual employer's percentage of the
18 system's total actuarially accrued liability as of the June 30,
19 2019, actuarial valuation which shall be determined solely by the
20 system's consulting actuary. The individual employer's
21 percentage of the system's total actuarially accrued liability as of
22 the June 30, 2019, actuarial valuation shall be used to determine
23 the individual employer's prorated dollar amount of the system's
24 actuarially accrued liability contribution in all future fiscal years
25 of the amortization periods, except that the employer's
26 percentage shall be adjusted to reflect any employer who
27 voluntarily or involuntarily ceases participation as provided by

1 KRS 61.522 and except as provided by subparagraph 4. of this
2 paragraph. For purposes of this subdivision, all executive
3 branch departments, program cabinets and their respective
4 departments, and administrative bodies enumerated in KRS
5 12.020, and any other executive branch agencies
6 administratively attached to a department, program cabinet, or
7 administrative body enumerated in KRS 12.020 shall be
8 considered a single individual employer and only one (1) value
9 shall be computed for these employers. For purposes of this
10 subdivision, all employers of the legislative branch, including the
11 Legislative Research Commission and the General Assembly,
12 that cover legislators and staff who participate in the Kentucky
13 Employees Retirement System, shall be considered a single
14 individual employer and only one (1) value shall be computed for
15 these employers. For purposes of this subdivision, all employers
16 of the judicial branch, including the Administrative Office of the
17 Courts, the Judicial Form Retirement System, and all master
18 commissioners, shall be considered a single individual employer
19 and only one (1) value shall be computed for these employers;
20 c. Shall be payable by an individual employer in equal monthly
21 dollar installments during the fiscal year in accordance with the
22 reporting requirements specified by KRS 61.675 so that the
23 individual employer pays its full prorated dollar amount of the
24 actuarially accrued liability contribution as determined by
25 subdivision b. of this subparagraph; and
26 d. Notwithstanding subdivision b. of this subparagraph for those
27 individual participating employers who are local and district

1 health departments governed by KRS Chapter 212, community
2 mental health centers, and employers whose employees are not
3 subject to KRS 18A.005 to 18A.200, who received or were eligible
4 to receive a distribution of general fund appropriations in the
5 2018-2020 biennial executive branch budget to assist in paying
6 retirement costs under 2018 Ky. Acts ch. 169, Part I, G., 4., (5);
7 2018 Ky. Acts ch. 169, Part I, G., 5., (2); or 2018 Ky. Acts ch.
8 169, Part I, G., 9., (2), shall not, once the initial dollar amounts
9 are established by the 2019 valuation, be adjusted in terms of
10 dollars paid by the individual employer, except that adjustments
11 shall be made by the system upon completion of an actuarial
12 investigation as provided by KRS 61.670, so long as at least four
13 (4) years have passed since the last adjustment to the actuarially
14 accrued liability contribution for these employers.

15 2. Individual employers, solely for purposes of collecting employer
16 contributions from various fund sources during the fiscal year, may
17 convert the actuarially accrued liability contribution established by
18 this paragraph to a percentage of pay and may adjust the percent of
19 pay during the fiscal year in order to pay the required dollar value of
20 actuarially accrued liability contribution required by this paragraph.
21 No provision of this subparagraph shall be construed to reduce an
22 individual employer's actuarially accrued liability contribution as
23 otherwise provided by this paragraph.

24 3. The provisions of this paragraph shall not apply to those employers
25 who cease participation as provided by KRS 61.522.~~[This method shall~~
26 ~~be used beginning with the 2019 actuarial valuation, and employer costs~~
27 ~~for the actuarially accrued liability contribution shall be prorated to each~~

1 employer as provided by paragraph (f) of this subsection.]

2 **4. In the event an individual Kentucky Employees Retirement System**
 3 **nonhazardous employer who is required to pay an actuarially accrued**
 4 **liability contribution as provided by this paragraph and as calculated**
 5 **from the 2019 actuarial valuation, merges with another employer or**
 6 **entity, forms a new or separate employer or entity, or splits or**
 7 **separates operations into multiple employers or entities, the system**
 8 **shall, except for those employers or entities who pay the costs to cease**
 9 **participation as provided by KRS 61.522, have full authority to assign**
 10 **a portion or all of the total actuarially accrued liability contribution to**
 11 **the merged, new, split, or separate employers or entities, regardless of**
 12 **whether or not the merged, new, split, or separate employers or entities**
 13 **participate in the system. In the case of an independent district board**
 14 **of health who ceases to operate or who has a county or counties who**
 15 **withdraw from the independent district board of health, the systems**
 16 **shall assign the total actuarially accrued liability contribution in**
 17 **accordance with subsection (3) of Section 3 of this Act. The system**
 18 **shall establish by administrative regulations the process of assigning**
 19 **actuarially accrued liability contributions as authorized by this**
 20 **subparagraph.**

21 ~~(e)~~~~(d)~~ The employer contributions computed under this section shall be
 22 determined using:

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

1 ~~(f)~~^(e) Effective with the 2019 actuarial valuation, the amortization period for
 2 the Kentucky Employees Retirement System, the County Employees
 3 Retirement System, and the State Police Retirement System ***for liabilities***
 4 ***accrued as of the 2019 actuarial valuation*** shall be reset to a new thirty (30)
 5 year closed period for purposes of calculating the actuarially accrued liability
 6 contribution prescribed by ***paragraphs (c) and (d) of*** this subsection.

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

- 13 1. ~~Not apply to any employer who ceases participation and pays the full~~
 14 ~~actuarial cost of ceasing participation as provided by KRS 61.522;~~
- 15 2. ~~Be adjusted for each remaining employer of a system to reflect any~~
 16 ~~employer who ceases participation and who pays the full actuarial cost~~
 17 ~~of ceasing participation as provided by KRS 61.522; and~~
- 18 3. ~~Be a single amount for all executive branch departments, program~~
 19 ~~cabinets and their respective departments and administrative bodies~~
 20 ~~enumerated in KRS 12.020, and any other executive branch agencies~~
 21 ~~administratively attached to a department, program cabinet, or~~
 22 ~~administrative body enumerated in KRS 12.020.]~~

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

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

1 on the basis of a subsequent actuarial valuation that amended contribution
 2 rates are necessary to satisfy the requirements of this section.}

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

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

14 (4) **All employers, including** the General Assembly, shall pay the full actuarially
 15 required **contributions**~~[contribution rate]~~, as prescribed by this section, to the
 16 Kentucky Employees Retirement System and the State Police Retirement System in
 17 fiscal years occurring on or after **July 1, 2020**~~[July 1, 2014]~~.

18 (5) Notwithstanding any other provision of KRS Chapter 61 or 78 to the contrary, the
 19 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 2. KRS 61.510 is amended to read as follows:

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

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

- 1 (10) "Current service" means the number of years and months of employment as an
2 employee, on and after July 1, 1956, except that for members, officers, and
3 employees of the General Assembly this date shall be January 1, 1960, for which
4 creditable compensation is paid and employee contributions deducted, except as
5 otherwise provided, and each member, officer, and employee of the General
6 Assembly shall be credited with a month of current service for each month he
7 serves in the position;
- 8 (11) "Prior service" means the number of years and completed months, expressed as a
9 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
10 creditable compensation was paid; except that for members, officers, and employees
11 of the General Assembly, this date shall be January 1, 1960. An employee shall be
12 credited with one (1) month of prior service only in those months he received
13 compensation for at least one hundred (100) hours of work; provided, however, that
14 each member, officer, and employee of the General Assembly shall be credited with
15 a month of prior service for each month he served in the position prior to January 1,
16 1960. Twelve (12) months of current service in the system are required to validate
17 prior service;
- 18 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
19 from the compensation of a member and credited to his individual account in the
20 members' account, including employee contributions picked up after August 1,
21 1982, pursuant to KRS 61.560(4), together with interest credited, or investment
22 returns earned as provided by KRS 61.5956, on such amounts and any other
23 amounts the member shall have contributed thereto, including interest credited
24 thereon or investment returns earned as provided by KRS 61.5956. "Accumulated
25 contributions" shall not include employee contributions that are deposited into
26 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established
27 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

1 (13) "Creditable compensation":

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

14 (b) Includes:

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

- 1 or violations of state or federal discrimination statutes, which shall be
2 credited to the fiscal year during which the wages were earned or should
3 have been paid by the employer. This subparagraph shall also include
4 lump-sum payments for reinstated wages pursuant to KRS 61.569,
5 which shall be credited to the period during which the wages were
6 earned or should have been paid by the employer;
- 7 4. Amounts which are not includable in the member's gross income by
8 virtue of the member having taken a voluntary salary reduction provided
9 for under applicable provisions of the Internal Revenue Code; and
- 10 5. Elective amounts for qualified transportation fringes paid or made
11 available on or after January 1, 2001, for calendar years on or after
12 January 1, 2001, that are not includable in the gross income of the
13 employee by reason of 26 U.S.C. sec. 132(f)(4); and
- 14 (c) Excludes:
- 15 1. Uniform, equipment, or any other expense allowances paid on or after
16 January 1, 2019, living allowances, expense reimbursements, lump-sum
17 payments for accrued vacation leave, and other items determined by the
18 board;
- 19 2. For employees who begin participating on or after September 1, 2008,
20 lump-sum payments for compensatory time;
- 21 3. For employees participating in a nonhazardous position who began
22 participating prior to September 1, 2008, and who retire after July 1,
23 2023, lump-sum payments for compensatory time upon termination of
24 employment;
- 25 4. For employees who begin participating on or after August 1, 2016,
26 nominal fees paid for services as a volunteer; and
- 27 5. Any salary or wages paid to an employee for services as a Kentucky

1 State Police school resource officer as defined by KRS 158.441;

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. If
10 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) or
12 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~~[dollar]~~ amortization method" means a method of
8 determining the annual amortization payment on the unfunded actuarial accrued
9 liability as expressed as a percentage of payroll~~[that is set as an equal dollar~~
10 ~~amount]~~ over a set period of years but that may be converted to a dollar value for
11 purposes of subsection (1)(d) of Section 1 of this Act~~[the remaining amortization~~
12 ~~period as of the actuarial valuation date]~~. Under this method, the percentage of
13 payroll shall be projected to remain constant for all years remaining in the set
14 period and the unfunded actuarially accrued liability shall be projected to be fully
15 amortized at the conclusion of the set~~[amortization]~~ 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;

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;

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 3. KRS 212.792 is amended to read as follows:

14 (1) The board shall establish a compensation plan for all employees of the department.

15 (2) The employees of the department shall be employed and governed in accordance
16 with the board's merit system. The board shall provide for the recruitment,
17 examination, appointment, promotion, transfer, lay-off, removal, discipline,
18 compensation, and welfare of the department's employees by establishing a system
19 of personnel administration based on merit principles. The systems shall include a
20 personnel board of at least five (5) members appointed by the board for two (2) year
21 terms. The personnel board shall establish rules and regulations governing the
22 administration of the personnel system. The district director of health shall function
23 as the appointing authority for personnel matters of the board. The board shall have
24 one (1) year from the implementation of KRS 212.780 to 212.794 to provide for a
25 merit system.

26 (3) Notwithstanding the provisions of KRS 61.510 to 61.692 and 78.510 to 78.852 all
27 regular full-time, present and future public health employees of an independent

1 district department of health shall be included within the provisions of the Kentucky
2 Retirement ~~Systems~~[System]. **In the event that an independent district board of**
3 **health ceases to operate or a county withdraws from an independent district**
4 **board of health, the counties making up the ceasing independent district board of**
5 **health, or the withdrawing county or counties, shall pay their share of actuarially**
6 **accrued liability contributions to the Kentucky Employees Retirement System as**
7 **provided by subsection (1)(d) of Section 1 of this Act based upon the county's**
8 **prorated share of costs in the independent district board of health established by**
9 **KRS 212.794(1).**

10 (4) When a personnel board is organized as provided in this section, all health
11 department employees shall be transferred to and continued in the service of the
12 department created under KRS 212.782. Any health department employee who is in
13 classified service at the time of the establishment of a personnel system shall be
14 continued in the classified service of the newly created department with the same
15 status held in the district department of health.

16 ➔Section 4. The Kentucky Retirement Systems board of trustees shall amend the
17 2019 actuarial valuation for the Kentucky Employees Retirement System, County
18 Employees Retirement System, and State Police Retirement System in accordance with
19 the provisions of Section 1 of this Act and shall provide the information to the Governor
20 and General Assembly for purposes of the 2020-2022 biennial budgeting process.

21 ➔Section 5. Notwithstanding Section 1 of this Act and KRS 61.702, the employer
22 contribution rates for County Employees Retirement System from July 1, 2020, through
23 June 30, 2021, shall remain 24.06 percent, consisting of 19.30 percent for pension and
24 4.76 percent for health insurance, for nonhazardous duty employees and 39.58 percent,
25 consisting of 30.06 percent for pension and 9.52 percent for health insurance, for
26 hazardous duty employees. Any future increases in the County Employees Retirement
27 System after June 30, 2021, as provided by subsection (5) of Section 1 of this Act, shall

1 use the employer contribution rate established by this section for County Employees
2 Retirement System employers as the base rate to calculate future increases in County
3 Employees Retirement System employer contribution rates.

4 ➔Section 6. Whereas ensuring the financial health of the Kentucky Employees
5 Retirement System, County Employees Retirement System, and State Police Retirement
6 System is imperative, an emergency is declared to exist, and this Act takes effect upon its
7 passage and approval by the Governor or upon its otherwise becoming law.