

1 AN ACT relating to the Kentucky Retirement Systems.

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

3 ➔Section 1. KRS 16.578 is amended to read as follows:

- 4 (1) If a member dies prior to the first day of the month in which the member would
5 have received his or her first retirement allowance, the member's beneficiary shall
6 be eligible for the benefits provided by this section if the member had on file a
7 written designation of a beneficiary with the retirement office as provided by KRS
8 61.542 and the member met the following conditions at the date of his or her death:
- 9 (a) The member was eligible to retire under KRS 16.576, 16.577, or 16.583(6);
 - 10 (b) The member was in active employment or on authorized leave of absence with
11 five (5) or more years of service credit and died prior to his or her normal
12 retirement date; or
 - 13 (c) The member was not in active employment or on authorized leave of absence
14 with twelve (12) or more years of service credit and died prior to his or her
15 normal retirement date.
- 16 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
17 a single person, then the beneficiary may elect to receive:
- 18 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
19 benefit that would have been paid had the member retired immediately prior
20 to his or her date of death and elected to receive benefits payable under the
21 survivorship one hundred percent (100%) option as provided in KRS
22 61.635(2);
 - 23 (b) A monthly benefit payable for the life of the beneficiary under the beneficiary
24 Social Security adjustment option as provided in KRS 61.635(9) that is the
25 actuarial equivalent to the amount computed under paragraph (a) of this
26 subsection;
 - 27 (c) A monthly benefit payable for a period of sixty (60) months that is the

- 1 actuarial equivalent to the amount computed under paragraph (a) of this
2 subsection;
- 3 (d) A monthly benefit payable for a period of one hundred twenty (120) months
4 that is the actuarial equivalent to the amount computed under paragraph (a) of
5 this subsection;
- 6 (e) If the member began participating in the system prior to January 1, 2014, a
7 monthly benefit payable for sixty (60) months certain,~~[a period of]~~ one
8 hundred twenty (120) months certain, the actuarial equivalent refund, or the
9 Social Security adjustment option that is equivalent to the benefit the
10 member would have been entitled to receive based on his or her years of
11 service and final compensation at the date of his or her death reduced by the
12 survivorship fifty percent (50%) factor as provided for in KRS 61.635(4), then
13 reduced by fifty percent (50%), and that is the actuarial equivalent to the
14 amount computed under paragraph (a) of this subsection; or
- 15 (f) The higher of a refund of the member's accumulated account balance and
16 interest as described in KRS 61.625(1) or a one (1) time lump-sum payment
17 which shall be the actuarial equivalent of the amount payable under paragraph
18 (a) of this subsection for a period of sixty (60) months.
- 19 (3) If the beneficiary eligible for benefits as provided in subsection (1) of this section
20 are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus or
21 the trustee may elect to receive the actuarial equivalent amounts payable under
22 subsection (2)(c), (d), (e), or (f) of this section using the assumption that the
23 beneficiary's age is the same as the member's age.
- 24 (4) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
25 the member's estate, then the beneficiary shall receive the higher of a refund of the
26 member's accumulated account balance and interest as described in KRS 61.625(1)
27 or the one (1) time lump-sum payment payable under subsection (2)(f) of this

1 section, using the assumption that the beneficiary's age is the same as the member's
2 age.

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

5 ➔Section 2. KRS 61.510 is amended to read as follows:

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

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

- 1 (7) "State" means the Commonwealth of Kentucky;
- 2 (8) "Member" means any employee who is included in the membership of the system or
3 any former employee whose membership has not been terminated under KRS
4 61.535;
- 5 (9) "Service" means the total of current service and prior service as defined in this
6 section;
- 7 (10) "Current service" means the number of years and months of employment as an
8 employee, on and after July 1, 1956, except that for members, officers, and
9 employees of the General Assembly this date shall be January 1, 1960, for which
10 creditable compensation is paid and employee contributions deducted, except as
11 otherwise provided, and each member, officer, and employee of the General
12 Assembly shall be credited with a month of current service for each month he
13 serves in the position;
- 14 (11) "Prior service" means the number of years and completed months, expressed as a
15 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
16 creditable compensation was paid; except that for members, officers, and employees
17 of the General Assembly, this date shall be January 1, 1960. An employee shall be
18 credited with one (1) month of prior service only in those months he received
19 compensation for at least one hundred (100) hours of work; provided, however, that
20 each member, officer, and employee of the General Assembly shall be credited with
21 a month of prior service for each month he served in the position prior to January 1,
22 1960. Twelve (12) months of current service in the system are required to validate
23 prior service;
- 24 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
25 from the compensation of a member and credited to his individual account in the
26 members' account, including employee contributions picked up after August 1,
27 1982, pursuant to KRS 61.560(4), together with interest credited, or investment

1 returns earned as provided by KRS 61.5956, on such amounts and any other
2 amounts the member shall have contributed thereto, including interest credited
3 thereon or investment returns earned as provided by KRS 61.5956. "Accumulated
4 contributions" shall not include employee contributions that are deposited into
5 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established
6 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

7 (13) "Creditable compensation":

8 (a) Except as provided by paragraph (b) or (c) of this subsection, means all salary,
9 wages, tips to the extent the tips are reported for income tax purposes, and
10 fees, including payments for compensatory time, paid to the employee as a
11 result of services performed for the employer or for time during which the
12 member is on paid leave, which are includable on the member's federal form
13 W-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 61.560(4). For members of the General Assembly, it
16 shall mean all amounts which are includable on the member's federal form W-
17 2 wage and tax statement under the heading "wages, tips, other
18 compensation," including employee contributions picked up after August 1,
19 1982, pursuant to KRS 6.505(4) or 61.560(4);

20 (b) Includes:

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

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

1 participating prior to September 1, 2008, and who retire after July 1,
2 2023, lump-sum payments for compensatory time upon termination of
3 employment;

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

6 5. Any salary or wages paid to an employee for services as a Kentucky
7 State Police school resource officer as defined by KRS 158.441;

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

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

24 (b) For a member who is employed in a nonhazardous position, whose effective
25 retirement date is between August 1, 2001, and January 1, 2009, and whose
26 total service credit is at least twenty-seven (27) years and whose age and years
27 of service total at least seventy-five (75), final compensation means the

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

10 (c) For a member who begins participating before September 1, 2008, who is
11 employed in a hazardous position, as provided in KRS 61.592, and who
12 retired prior to January 1, 2019, the creditable compensation of the member
13 during the three (3) fiscal years he was paid at the highest average monthly
14 rate divided by the number of months of service credit during that three (3)
15 year period multiplied by twelve (12). The three (3) years may be fractional
16 and need not be consecutive. If the number of months of service credit during
17 the three (3) year period is less than twenty-four (24), one (1) or more
18 additional fiscal years 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, or 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, including employee contributions picked up
18 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
19 system by the employer and the following equivalents shall be used to convert the
20 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
21 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
22 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
23 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 that are adopted by the board. In cases of disability

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

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

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 benefit limits as established by
12 26 U.S.C. sec. 415;

13 (20) "Officers and employees of the General Assembly" means the occupants of those
14 positions enumerated in KRS 6.150. The term shall also apply to assistants who
15 were employed by the General Assembly for at least one (1) regular legislative
16 session prior to July 13, 2004, who elect to participate in the retirement system, and
17 who serve for at least six (6) regular legislative sessions. Assistants hired after July
18 13, 2004, shall be designated as interim employees;

19 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean
20 all positions that average one hundred (100) or more hours per month determined by
21 using the number of months actually worked within a calendar or fiscal year,
22 including all positions 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 which
25 may recur regularly from year to year, the period of time shall not exceed nine
26 (9) months;

27 (b) Emergency positions which are positions which do not exceed thirty (30)

- 1 working days and are nonrenewable;
- 2 (c) Temporary positions which are positions of employment with a participating
3 department for a period of time not to exceed nine (9) months and are
4 nonrenewable;
- 5 (d) Part-time positions which are positions which may be permanent in duration,
6 but which require less than a calendar or fiscal year average of one hundred
7 (100) hours of work per month, determined by using the number of months
8 actually worked within a calendar or fiscal year, in the performance of duty;
9 and
- 10 (e) Interim positions which are positions established for a one-time or recurring
11 need not to exceed nine (9) months;
- 12 (22) "Delayed contribution payment" means an amount paid by an employee for
13 purchase of current service. The amount shall be determined using the same formula
14 in KRS 61.5525, and the payment shall not be picked up by the employer. A
15 delayed contribution payment shall be deposited to the member's account and
16 considered as accumulated contributions of the individual member. In determining
17 payments under this subsection, the formula found in this subsection shall prevail
18 over the one found in KRS 212.434;
- 19 (23) "Parted employer" means a department, portion of a department, board, or agency,
20 such as Outwood Hospital and School, which previously participated in the system,
21 but due to lease or other contractual arrangement is now operated by a publicly held
22 corporation or other similar organization, and therefore is no longer participating in
23 the system. The term "parted employer" shall not include a department, board, or
24 agency that ceased participation in the system pursuant to KRS 61.522;
- 25 (24) "Retired member" means any former member receiving a retirement allowance or
26 any former member who has filed the necessary documents for retirement benefits
27 and is no longer contributing to the retirement system;

- 1 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
2 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
3 pay. The rate shall be certified by the employer;
- 4 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
5 the member in accordance with KRS 61.542 or 61.705 to receive any available
6 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
7 does not mean an estate, trust, or trustee;
- 8 (27) "Recipient" means the retired member or the person or persons designated as
9 beneficiary by the member and drawing a retirement allowance as a result of the
10 member's death or a dependent child drawing a retirement allowance. An alternate
11 payee of a qualified domestic relations order shall not be considered a recipient,
12 except for purposes of KRS 61.623;
- 13 (28) "Level dollar amortization method" means a method of determining the annual
14 amortization payment on the unfunded actuarial accrued liability that is set as an
15 equal dollar amount over the remaining amortization period as of the actuarial
16 valuation date. Under this method, the unfunded actuarially accrued liability shall
17 be projected to be fully amortized at the conclusion of the amortization period;
- 18 (29) "Increment" means twelve (12) months of service credit which are purchased. The
19 twelve (12) months need not be consecutive. The final increment may be less than
20 twelve (12) months;
- 21 (30) "Person" means a natural person;
- 22 (31) "Retirement office" means the Kentucky Retirement Systems office building in
23 Frankfort;
- 24 (32) "Last day of paid employment" means the last date employer and employee
25 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
26 78.615 to the retirement office in order for the employee to receive current service
27 credit for the month. Last day of paid employment does not mean a date the

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

1 property rights to an alternate payee;

2 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
3 participant, who is designated to be paid retirement benefits in a qualified domestic
4 relations order;

5 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
6 member's account and interest credited on such amounts as provided by KRS
7 16.583 and 61.597;

8 (41) "Accumulated account balance" means:

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

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

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

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

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

25 (b) If a retired member, does not become an employee, leased employee, or
26 independent contractor of the employer for which he or she is performing
27 volunteer services for a period of twelve (12)~~at least twenty-four (24)~~ months

1 following the retired member's most recent retirement date;

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

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

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

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

15 ➔Section 3. KRS 61.540 is amended to read as follows:

16 (1) Under administrative regulations promulgated by the board, each member and each
17 employer ~~may~~shall have on file at the retirement office, in the form the board may
18 prescribe~~[prescribes]~~, a statement of the facts pertaining to the member and other
19 information the system may require~~[requires. Until the statement is filed, no~~
20 ~~member shall be eligible to receive any benefits under KRS 61.510 to 61.705 and~~
21 ~~78.510 to 78.852]~~.

22 (2) The system shall prepare and make available upon request to all members a
23 summary plan description, written in a manner that can be understood by the
24 average member or beneficiary, and sufficiently accurate and comprehensive to
25 reasonably apprise them of their rights and obligations under the provisions of KRS
26 16.505 to 16.652, 61.510 to 61.705 and 78.510 to 78.852.

27 (3) The summary plan description shall include:

- 1 (a) The name of the retirement system, the name and address of the executive
2 director, and the name, address and title of each member of the board of
3 trustees;
- 4 (b) The name and address of the person designated for the service of legal
5 process;
- 6 (c) The system's requirements for participation and benefits;
- 7 (d) A description of retirement formulas for normal, early and disability
8 retirement, and survivor benefits;
- 9 (e) A description of the requirements for vesting of pension benefits;
- 10 (f) A reasonable list of circumstances which would result in disqualification,
11 ineligibility, or denial or loss of benefits;
- 12 (g) The sources of financing retirement benefits, and statutory requirements for
13 funding;
- 14 (h) A statement after each actuarial valuation as to whether funding requirements
15 are being met; and
- 16 (i) The procedures to be followed in presenting claims for benefits under the
17 plan, and the remedies available under the plan for the redress of claims which
18 are denied in whole or in part.
- 19 (4) The system may publish the summary plan description in the form of a
20 comprehensive pamphlet or booklet, or in the form of periodic newsletters which
21 shall incorporate all the information required in the summary plan description
22 within a period of two (2) years. Any changes in statutory requirements or
23 administrative practices which alter the provisions of the plan as described in the
24 summary plan description shall be summarized as required in subsection (2) of this
25 section and shall be made available upon request to members in the form of a
26 supplement to a comprehensive booklet, or reported in the periodic newsletter.
- 27 (5) The system shall make available upon request to retirees and beneficiaries the

1 summary plan description.

2 ➔Section 4. KRS 61.565 is amended to read as follows:

- 3 (1) (a) Each employer participating in the State Police Retirement System as
4 provided for in KRS 16.505 to 16.652, the County Employees Retirement
5 System as provided for in KRS 78.510 to 78.852, and the Kentucky
6 Employees Retirement System as provided for in KRS 61.510 to 61.705 shall
7 contribute annually to the respective retirement system an amount determined
8 by the actuarial valuation completed in accordance with KRS 61.670 and as
9 specified by this section. Employer contributions for each respective
10 retirement system shall be equal to the sum of the "normal cost contribution"
11 and the "actuarially accrued liability contribution."
- 12 (b) For purposes of this section, the normal cost contribution shall be computed as
13 a percentage of pay and shall be an annual amount that is sufficient when
14 combined with employee contributions to fund benefits earned during the year
15 in the respective system or plan, including costs for those members who elect
16 to participate in the 401(a) money purchase plan. The amount shall be paid as
17 a percentage of creditable compensation reported for each employee
18 participating in the system or plan and accruing benefits.
- 19 (c) For purposes of this section, the actuarially accrued liability contribution shall
20 be an annual dollar amount that is sufficient to amortize the total unfunded
21 actuarially accrued liability of each system over a closed period of thirty (30)
22 years using the level-dollar amortization method. This method shall be used
23 beginning with the 2019 actuarial valuation, and employer costs for the
24 actuarially accrued liability contribution shall be prorated to each employer as
25 provided by paragraph (f) of this subsection.
- 26 (d) The employer contributions computed under this section shall be determined
27 using:

- 1 1. The entry age normal cost funding method;
- 2 2. An asset smoothing method that smooths investment gains and losses
- 3 over a five (5) year period; and
- 4 3. Other funding methods and assumptions established by the board in
- 5 accordance with KRS 61.670.
- 6 (e) Effective with the 2019 actuarial valuation, the amortization period for the
- 7 Kentucky Employees Retirement System, the County Employees Retirement
- 8 System, and the State Police Retirement System shall be reset to a new thirty
- 9 (30) year closed period for purposes of calculating the actuarially accrued
- 10 liability contribution prescribed by this subsection.
- 11 (f) The dollar value of the actuarially accrued liability contribution specified by
- 12 paragraph (c) of this subsection payable by each individual system employer
- 13 based upon the 2019 actuarial valuation shall be prorated based upon the
- 14 individual employer's average percentage of the total creditable compensation
- 15 reported by all employers in the specific system in fiscal years 2014-2015,
- 16 2015-2016, and 2016-2017, except that the amount shall:
- 17 1. Not apply to any employer who ceases participation and pays the full
- 18 actuarial cost of ceasing participation as provided by KRS 61.522;
- 19 2. Be adjusted for each remaining employer of a system to reflect any
- 20 employer who ceases participation and who pays the full actuarial cost
- 21 of ceasing participation as provided by KRS 61.522; and
- 22 3. Be a single amount for all executive branch departments, program
- 23 cabinets and their respective departments and administrative bodies
- 24 enumerated in KRS 12.020, and any other executive branch agencies
- 25 administratively attached to a department, program cabinet, or
- 26 administrative body enumerated in KRS 12.020.
- 27 (2) (a) Normal cost contribution rates and the actuarially accrued liability

1 contribution shall be determined by the board on the basis of the annual
2 actuarial valuation last preceding the July 1 of a new biennium.

3 (b) The board may amend contribution rates as of July 1 of the second year of a
4 biennium, if it is determined on the basis of a subsequent actuarial valuation
5 that amended contribution rates are necessary to satisfy the requirements of
6 this section.

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

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

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

21 (5) Notwithstanding any other provision of KRS Chapter 61 or 78 to the contrary, the
22 employer contribution established by the board for the County Employees
23 Retirement System that are payable on or after July 1, 2018, and until June 30,
24 2028, for the pension and health insurance funds, including the normal cost
25 contribution and the actuarially accrued liability contribution for each fund, shall
26 not increase by more than *a factor of one and twelve one-hundredths (1.12)*~~twelve~~
27 ~~percent (12%) in terms of projected dollars paid by participating employers]~~ over

1 the prior fiscal year's contribution rate~~[year]~~ as determined by the system's
2 consulting actuary.

3 ➔Section 5. KRS 61.598 is amended to read as follows:

- 4 (1) For purposes of this section, "bona fide promotion or career advancement":
- 5 (a) Means a professional advancement in substantially the same line of work held
6 by the employee in the four (4) years immediately prior to the final five (5)
7 fiscal years preceding retirement or a change in employment position based on
8 the training, skills, education, or expertise of the employee that imposes a
9 significant change in job duties and responsibilities to clearly justify the
10 increased compensation to the member; and
- 11 (b) Does not include any circumstance where an elected official participating in
12 the Kentucky Employees Retirement System or the County Employees
13 Retirement System takes a position of employment with a different employer
14 participating in any of the state-administered retirement systems.
- 15 (2) (a) For employees retiring from the Kentucky Employees Retirement System, the
16 County Employees Retirement System, or the State Police Retirement System
17 on or after January 1, 2018, the systems shall, for each of the retiring
18 employee's last five (5) fiscal years of employment, identify any fiscal year in
19 which the creditable compensation increased at a rate of ten percent (10%)
20 plus one thousand dollars (\$1,000) or more annually over the immediately
21 preceding fiscal year's creditable compensation. The employee's creditable
22 compensation in the fiscal year immediately prior to the employee's last five
23 (5) fiscal years of employment shall be utilized to compare the initial fiscal
24 year in the five (5) fiscal year period.
- 25 (b) Except as limited or excluded by subsections (3) and (4) of this section, any
26 amount of increase in creditable compensation for a fiscal year identified
27 under paragraph (a) of this subsection that exceeds ten percent (10%) plus one

1 thousand dollars (\$1,000) or more than the employee's creditable
2 compensation from the immediately preceding fiscal year shall not be
3 included in the creditable compensation used to calculate the retiring
4 employee's monthly retirement allowance. If the creditable compensation for a
5 specific fiscal year identified under paragraph (a) of this subsection as
6 exceeding the ten percent (10%) plus one thousand dollars (\$1,000) increase
7 limitation is not used to calculate the retiring employee's monthly retirement
8 allowance, then no reduction in creditable compensation shall occur for that
9 fiscal year.

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

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

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

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

- 24 (a) A bona fide promotion or career advancement as defined by subsection (1) of
25 this section;
- 26 (b) A lump-sum payment for compensatory time paid to an employee upon
27 termination of employment;

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

- 1 (c) Kentucky Retirement Systems shall be required to answer inquiries from
2 participating employers regarding this subsection. Upon request of the
3 employer prior to the employee's change of position or hiring, the systems
4 shall make a determination that is binding to the systems as to whether or not
5 a change of position or hiring constitutes a bona fide promotion or career
6 advancement.
- 7 (d) For any additional actuarial costs charged to the employer under this
8 subsection, the systems shall allow the employer to pay the costs without
9 interest over a period of one (1) year from the date of receipt of the employer's
10 final invoice.
- 11 (6) The Kentucky Retirement Systems shall determine whether increases in creditable
12 compensation during the last five (5) fiscal years of employment prior to retirement
13 constitute a bona fide promotion or career advancement and may promulgate
14 administrative regulations in accordance with KRS Chapter 13A to administer this
15 section. All state-administered retirement systems shall cooperate to implement this
16 section.
- 17 (7) Any employer who disagrees with a determination made by the system in
18 accordance with this section regarding whether an increase in compensation
19 constitutes a bona fide promotion or career advancement for purposes of subsection
20 (5) of this section may request a hearing and appeal the decision in accordance with
21 KRS 61.645(16).
- 22 (8) For the fiscal year beginning July 1, 2017, and subsequent years, the Kentucky
23 Retirement Systems shall provide a means for employers to separately report the
24 specific exceptions provided in subsection (4) of this section within the reporting
25 system utilized by the employers for making employer reports under KRS 16.645,
26 61.675, and 78.545. The Kentucky Retirement Systems shall continually provide
27 communication, instructions, training, and educational opportunities for employers

1 regarding how to appropriately report exemptions established by subsection (4) of
2 this section.

3 (9) This section shall not apply to employees participating in the hybrid cash balance
4 plan as provided by KRS 16.583 and 61.597 or to service in the 401(a) money
5 purchase plan as provided by KRS 61.5956.

6 ➔Section 6. KRS 61.637 is amended to read as follows:

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

16 (2) Employer and employee contributions shall be made as provided in KRS 61.510 to
17 61.705 and 78.510 to 78.852 on the compensation paid during reemployment,
18 except where monthly payments were not suspended as provided in subsection (1)
19 of this section or would not increase the retired member's last monthly retirement
20 allowance by at least one dollar (\$1), and the member shall be credited with
21 additional service credit.

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

25 (4) (a) Notwithstanding the provisions of this section, the payments suspended in
26 accordance with subsection (1) of this section shall be paid retroactively to the
27 retired member, or his estate, if he does not receive more than the maximum

1 permissible earnings as provided by the Federal Social Security Act in
2 compensation from participating agencies during any calendar year of
3 reemployment.

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

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

12 1. The retired member's final compensation shall be recomputed using
13 creditable compensation for his period of reemployment; however, the
14 final compensation resulting from the recalculation shall not be less than
15 that of the member when his retirement allowance was last determined;

16 2. If the retired member initially retired on or subsequent to his normal
17 retirement date, his retirement allowance shall be recomputed by using
18 the formula in KRS 61.595(1);

19 3. If the retired member initially retired prior to his normal retirement date,
20 his retirement allowance shall be recomputed using the formula in KRS
21 61.595(2), except that the member's age used in computing benefits shall
22 be his age at the time of his initial retirement increased by the number of
23 months of service credit earned for service performed during
24 reemployment;

25 4. The retirement allowance payments resulting from the recomputation
26 under this subsection shall be payable in the month following the
27 termination of reemployment in lieu of payments under subparagraph 3.

1 The member shall not receive less in benefits as a result of the
2 recomputation than he was receiving prior to reemployment or would
3 receive as determined under KRS 61.691; and

4 5. Any retired member who was reemployed prior to March 26, 1974, shall
5 begin making contributions to the system in accordance with the
6 provisions of this section on the first day of the month following March
7 26, 1974.

8 (5) A retired member, or his estate, shall pay to the retirement fund the total amount of
9 payments which are not suspended in accordance with subsection (1) of this section
10 if the member received more than the maximum permissible earnings as provided
11 by the Federal Social Security Act in compensation from participating agencies
12 during any calendar year of reemployment, except the retired member or his estate
13 may repay the lesser of the total amount of payments which were not suspended or
14 fifty cents (\$0.50) of each dollar earned over the maximum permissible earnings
15 during reemployment if under age sixty-five (65), or one dollar (\$1) for every three
16 dollars (\$3) earned if over age sixty-five (65).

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

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

26 (7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this
27 section shall no longer apply to a retired member who is reemployed in a

1 position covered by the same retirement system from which the member
2 retired. Reemployed retired members shall be treated as new members upon
3 reemployment. Any retired member whose reemployment date preceded
4 August 1, 1998, who does not elect, within sixty (60) days of notification by
5 the retirement systems, to remain under the provisions of subsections (1) to
6 (4) of this section shall be deemed to have elected to participate under this
7 subsection.

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

19 (8) If a retired member accepts employment or begins serving as a volunteer with an
20 employer participating in the systems administered by Kentucky Retirement
21 Systems within twelve (12) months of his or her retirement date, the retired member
22 shall notify the retirement system and the participating employer shall submit the
23 information required or requested by the systems to confirm the individual's
24 employment or volunteer status. The retired member shall not be required to notify
25 the retirement systems regarding any employment or volunteer service with a
26 participating agency that is accepted after twelve (12) months following his or her
27 retirement date.

- 1 (9) If the retired member is under a contract to provide services as an independent
2 contractor or leased employee to an employer participating in the systems
3 administered by Kentucky Retirement Systems within twelve (12) months of his or
4 her retirement date, the member shall submit a copy of that contract to the
5 retirement system, and the retirement system shall determine if the member is an
6 independent contractor or leased employee for purposes of retirement benefits. The
7 retired member and the participating employer shall submit the information required
8 or requested by the systems to confirm the individual's status as an independent
9 contractor or leased employee. The retired member shall not be required to notify
10 the retirement systems regarding any services entered into as an independent
11 contractor or leased employee with a participating agency that the employee enters
12 into after twelve (12) months following his or her retirement date.
- 13 (10) If a member is receiving a retirement allowance, or has filed the forms required for
14 a retirement allowance, and is employed within one (1) month of the member's
15 initial retirement date in a position that is required to participate in the same
16 retirement system from which the member retired, the member's retirement shall be
17 voided and the member shall repay to the retirement system all benefits received.
18 The member shall contribute to the member account established for him prior to his
19 voided retirement. The retirement allowance for which the member shall be eligible
20 upon retirement shall be determined by total service and creditable compensation.
- 21 (11) (a) If a member of the Kentucky Employees Retirement System retires from a
22 department which participates in more than one (1) retirement system and is
23 reemployed within one (1) month of his initial retirement date by the same
24 department in a position participating in another retirement system, the retired
25 member's retirement allowance shall be suspended for the first month of his
26 retirement and the member shall repay to the retirement system all benefits
27 received for the month.

- 1 (b) A retired member of the County Employees Retirement System who after
2 initial retirement is hired by the county from which the member retired shall
3 be considered to have been hired by the same employer.
- 4 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a
5 nonhazardous member who retired prior to age sixty-five (65), is reemployed
6 within six (6) months of the member's termination by the same employer, the
7 member shall obtain from his previous and current employers a copy of the
8 job description established by the employers for the position and a statement
9 of the duties performed by the member for the position from which he retired
10 and for the position in which he has been reemployed.
- 11 (b) The job descriptions and statements of duties shall be filed with the retirement
12 office.
- 13 (13) If the retirement system determines that the retired member has been employed in a
14 position with the same principal duties as the position from which the member
15 retired:
- 16 (a) The member's retirement allowance shall be suspended during the period that
17 begins on the month in which the member is reemployed and ends six (6)
18 months after the member's termination;
- 19 (b) The retired member shall repay to the retirement system all benefits paid from
20 systems administered by Kentucky Retirement Systems under reciprocity,
21 including medical insurance benefits, that the member received after
22 reemployment began;
- 23 (c) Upon termination, or subsequent to expiration of the six (6) month period
24 from the date of termination, the retired member's retirement allowance based
25 on his initial retirement account shall no longer be suspended and the member
26 shall receive the amount to which he is entitled, including an increase as
27 provided by KRS 61.691;

- 1 (d) Except as provided in subsection (7) of this section, if the position in which a
2 retired member is employed after initial retirement is a regular full-time
3 position, the retired member shall contribute to a second member account
4 established for him in the retirement system. Service credit gained after the
5 member's date of reemployment shall be credited to the second member
6 account; and
- 7 (e) Upon termination, the retired member shall be entitled to benefits payable
8 from his second retirement account.
- 9 (14) (a) If the retirement system determines that the retired member has not been
10 reemployed in a position with the same principal duties as the position from
11 which he retired, the retired member shall continue to receive his retirement
12 allowance.
- 13 (b) If the position is a regular full-time position, the member shall contribute to a
14 second member account in the retirement system.
- 15 (15) (a) If a retired member is reemployed at least one (1) month after initial
16 retirement in a different position, or at least six (6) months after initial
17 retirement in the same position, and prior to normal retirement age, the retired
18 member shall contribute to a second member account in the retirement system
19 and continue to receive a retirement allowance from the first member account.
- 20 (b) Service credit gained after reemployment shall be credited to the second
21 member account. Upon termination, the retired member shall be entitled to
22 benefits payable from the second member account.
- 23 (16) A retired member who is reemployed and contributing to a second member account
24 shall not be eligible to purchase service credit under any of the provisions of KRS
25 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 which he was eligible to
26 purchase prior to his initial retirement.
- 27 (17) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (15) of this

1 section, the following shall apply to retired members who are reemployed by an
2 agency participating in one (1) of the systems administered by Kentucky Retirement
3 Systems on or after September 1, 2008:

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

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

26 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a member is
27 receiving a retirement allowance from one (1) of the systems administered by

1 Kentucky Retirement Systems and is employed in a regular full-time position
2 required to participate in one (1) of the systems administered by Kentucky
3 Retirement Systems after a three (3) month period following the member's
4 initial retirement date, the member may continue to receive his or her
5 retirement allowance during the period of reemployment subject to the
6 following provisions:

7 1. If a member is reemployed by a participating agency within twelve (12)
8 months of the member's retirement date, the participating agency shall
9 certify in writing on a form prescribed by the board that no prearranged
10 agreement existed between the employee and agency prior to the
11 employee's retirement for the employee to return to work with the
12 participating agency. If an elected official is reelected to a new term of
13 office in the same position and has retired from the elected office within
14 twelve (12) months prior to taking the new term of office, he or she shall
15 be deemed by the system as having a prearranged agreement under the
16 provisions of this subparagraph and shall have his or her retirement
17 voided. If the participating agency fails to complete the certification, the
18 member's retirement shall be voided and the provisions of paragraph (a)
19 of this subsection shall apply to the member and the employer.
20 Employment that is accepted by the retired member after twelve (12)
21 months following the member's retirement date shall not constitute a
22 prearranged agreement under this paragraph;

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

27 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and

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

7 4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
8 except for any retiree employed as a school resource officer as defined
9 by KRS 158.441, the employer shall be required to reimburse the
10 systems for the cost of the health insurance premium paid by the systems
11 to provide coverage for the retiree, not to exceed the cost of the single
12 premium. Effective July 1, 2015, local school boards shall not be
13 required to pay the reimbursement required by this subparagraph for
14 retirees employed by the board for eighty (80) days or less during the
15 fiscal year;

16 (c) If a member is receiving a retirement allowance from the State Police
17 Retirement System or from hazardous duty retirement coverage with the
18 Kentucky Employees Retirement System or the County Employees Retirement
19 System, or has filed the forms required to receive a retirement allowance from
20 the State Police Retirement System or from hazardous duty retirement
21 coverage with the Kentucky Employees Retirement System or the County
22 Employees Retirement System, and is employed in a regular full-time position
23 required to participate in the State Police Retirement System or in a hazardous
24 duty position with the Kentucky Employees Retirement System or the County
25 Employees Retirement System within one (1) month following the member's
26 initial retirement date, the member's retirement shall be voided, and the
27 member shall repay to the retirement system all benefits received, including

1 any health insurance benefits. If the member is returning to work in a regular
2 full-time position required to participate in one (1) of the systems
3 administered by Kentucky Retirement Systems:

- 4 1. The member shall contribute to a member account established for him or
5 her in one (1) of the systems administered by Kentucky Retirement
6 Systems, and employer contributions shall be paid on behalf of the
7 member by the participating employer; and
- 8 2. Upon subsequent retirement, the member shall be eligible for a
9 retirement allowance based upon total service and creditable
10 compensation, including any additional service or creditable
11 compensation earned after his or her initial retirement was voided;

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

- 21 1. If a member is reemployed by a participating agency within twelve (12)
22 months of the member's retirement date, the participating agency shall
23 certify in writing on a form prescribed by the board that no prearranged
24 agreement existed between the employee and agency prior to the
25 employee's retirement for the employee to return to work with the
26 participating agency. If an elected official is reelected to a new term of
27 office in the same position and has retired from the elected office within

- 1 twelve (12) months prior to taking the new term of office, he or she shall
2 be deemed by the system as having a prearranged agreement under the
3 provisions of this subparagraph and shall have his or her retirement
4 voided. If the participating agency fails to complete the certification, the
5 member's retirement shall be voided and the provisions of paragraph (c)
6 of this subsection shall apply to the member and the employer.
7 Employment that is accepted by the retired member after twelve (12)
8 months following the member's retirement date shall not constitute a
9 prearranged agreement under this paragraph;
- 10 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
11 the contrary, the member shall not contribute to the systems and shall
12 not earn any additional benefits for any work performed during the
13 period of reemployment;
- 14 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
15 except for any retiree employed as a school resource officer as defined
16 by KRS 158.441, the employer shall pay employer contributions as
17 specified by KRS 61.565 and 61.702 on all creditable compensation
18 earned by the employee during the period of reemployment. The
19 additional contributions paid shall be used to reduce the unfunded
20 actuarial liability of the systems;
- 21 4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
22 except for any retiree employed as a school resource officer as defined
23 by KRS 158.441, the employer shall be required to reimburse the
24 systems for the cost of the health insurance premium paid by the systems
25 to provide coverage for the retiree, not to exceed the cost of the single
26 premium;
- 27 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member

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

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

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

- 1 (f) Notwithstanding any provision of this section, any mayor or member of a city
2 legislative body who has not participated in the County Employees Retirement
3 System prior to retirement, but who is otherwise eligible to retire from the
4 Kentucky Employees Retirement System or the State Police Retirement
5 System, shall not be:
- 6 1. Required to resign from his or her position as mayor or as a member of
7 the city legislative body in order to begin drawing benefits from the
8 Kentucky Employees Retirement System or the State Police Retirement
9 System; or
 - 10 2. Subject to any provision of this section as it relates solely to his or her
11 service as a mayor or member of the city legislative body;
- 12 (g) If a member is receiving a retirement allowance from any of the retirement
13 systems administered by the Kentucky Retirement Systems and enters into a
14 contract or becomes a leased employee of an employer under contract with an
15 employer participating in one (1) of the systems administered by the Kentucky
16 Retirement Systems:
- 17 1. At any time following retirement, if the system determines the
18 employment arrangement does qualify as an independent contractor or
19 leased employee, the member may continue to receive his or her
20 retirement allowance during the period of the contract;
 - 21 2. Within three (3) months following the member's initial retirement date,
22 if the system determines the employment arrangement does not qualify
23 as an independent contractor or leased employee, the member's
24 retirement shall be voided in accordance with paragraph (a) of this
25 subsection;
 - 26 3. After three (3) months but within twelve (12) months following the
27 member's initial retirement, if the system determines the employment

1 arrangement does not qualify as an independent contractor or leased
2 employee and that a prearranged agreement existed between the member
3 and the agency for the member to return to work with the agency, the
4 member's retirement shall be voided in accordance with paragraph (a) of
5 this subsection; and

6 4. After a twelve (12) month period following the member's initial
7 retirement, the member may continue to receive his or her retirement
8 allowance during the period of the contract and the member shall not be
9 required to notify the system or submit any documentation for purposes
10 of this section to the system.

11 The initiation of a contract or the initial date of the leased employment of a
12 retired member by a participating agency that occurs after twelve (12) months
13 or more following the retired member's retirement date shall not constitute a
14 prearranged agreement under this subsection; and

15 (h) The Kentucky Retirement Systems shall issue a final determination regarding
16 a certification of the absence of a prearranged agreement or the retired
17 member's qualification as an independent contractor or leased employee as
18 required under this section no later than thirty (30) days after the retired
19 member and participating employer provide all required forms and additional
20 information required by the Kentucky Retirement Systems.

21 (18) The Kentucky Retirement Systems shall promulgate administrative regulations to
22 implement the requirements of this section, including incorporating by reference
23 board-prescribed forms that a retired member and participating agency shall provide
24 the systems under subsections (8), (9), and (17) of this section.

25 ➔Section 7. KRS 61.640 is amended to read as follows:

26 (1) If a member dies prior to the first day of the month in which the member would
27 have received his or her first retirement allowance, the member's beneficiary shall

- 1 be eligible for the benefits provided by this section if the member had on file a
2 written designation of a beneficiary with the retirement office as provided by KRS
3 61.542 and the member met the following conditions at the date of his or her death:
- 4 (a) The member was eligible to retire under KRS 61.559(2) or (3), 61.5956(5)(a)
5 or (b), or 61.597(6)(a) or (b);
 - 6 (b) The member was in active employment or on authorized leave of absence with
7 five (5) or more years of service credit and died prior to his or her normal
8 retirement date or was normal retirement age or older and had at least four (4)
9 years of service credit; or
 - 10 (c) The member was not in active employment or on authorized leave of absence
11 with twelve (12) or more years of service credit and died prior to his or her
12 normal retirement date.
- 13 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
14 a single person, then the beneficiary may elect to receive:
- 15 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
16 benefit that would have been paid had the member retired immediately prior
17 to his or her date of death and elected to receive benefits payable under the
18 survivorship one hundred percent (100%) option as provided in KRS
19 61.635(2);
 - 20 (b) A monthly benefit payable for the life of the beneficiary under the beneficiary
21 Social Security adjustment option as provided in KRS 61.635(9) that is the
22 actuarial equivalent to the amount computed under paragraph (a) of this
23 subsection;
 - 24 (c) A monthly benefit payable for a period of sixty (60) months that is the
25 actuarial equivalent to the amount computed under paragraph (a) of this
26 subsection;
 - 27 (d) A monthly benefit payable for a period of one hundred twenty (120) months

- 1 that is the actuarial equivalent to the amount computed under paragraph (a) of
2 this subsection;
- 3 (e) If the member began participating in the system prior to January 1, 2014, a
4 monthly benefit payable for sixty (60) months certain,~~[a period of]~~ one
5 hundred twenty (120) months certain, the actuarial equivalent refund, or the
6 Social Security adjustment option that is equivalent to the benefit the
7 member would have been entitled to receive based on his or her years of
8 service and final compensation at the date of his or her death reduced by the
9 survivorship fifty percent (50%) factor as provided for in KRS 61.635(4), then
10 reduced by fifty percent (50%), and that is the actuarial equivalent to the
11 amount computed under paragraph (a) of this subsection; or
- 12 (f) The higher of a refund of the member's accumulated account balance as
13 described in KRS 61.625(1) or one (1) time lump-sum payment which shall be
14 the actuarial equivalent of the amount payable under paragraph (a) of this
15 subsection for a period of sixty (60) months.
- 16 (3) If the beneficiary eligible for benefits as provided by subsection (1) of this section
17 are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus or
18 the trustee may elect to receive the actuarial equivalent amounts payable under
19 subsection (2)(c), (d), (e), or (f) of this section using the assumption that the
20 beneficiary's age is the same as the member's age.
- 21 (4) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
22 the member's estate, then the beneficiary shall receive the higher of a refund of the
23 member's accumulated account balance as described in KRS 61.625(1) or the one
24 (1) time lump-sum payment payable under subsection (2)(f) of this section, using
25 the assumption that the beneficiary's age is the same as the member's age.
- 26 (5) Payments of taxable distributions made pursuant to this section shall be subject to
27 state and federal income tax as appropriate.

1 ➔Section 8. KRS 61.645 is amended to read as follows:

- 2 (1) The County Employees Retirement System, Kentucky Employees Retirement
3 System, and State Police Retirement System shall be administered by the board of
4 trustees of the Kentucky Retirement Systems composed of seventeen (17) members,
5 who shall be selected as follows:
- 6 (a) The secretary of the Personnel Cabinet shall serve as trustee for as long as he
7 occupies the position of secretary under KRS 18A.015, except as provided
8 under subsections (5) and (6) of this section;
- 9 (b) Three (3) trustees, who shall be members or retired from the County
10 Employees Retirement System, elected by the members and retired members
11 of the County Employees Retirement System;
- 12 (c) One (1) trustee, who shall be a member or retired from the State Police
13 Retirement System, elected by the members and retired members of the State
14 Police Retirement System;
- 15 (d) Two (2) trustees, who shall be members or retired from the Kentucky
16 Employees Retirement System, elected by the members and retired members
17 of the Kentucky Employees Retirement System; and
- 18 (e) Ten (10) trustees, appointed by the Governor of the Commonwealth, subject
19 to Senate confirmation in accordance with KRS 11.160 for each appointment
20 or reappointment. Of the ten (10) trustees appointed by the Governor:
- 21 1. One (1) trustee shall be knowledgeable about the impact of pension
22 requirements on local governments;
- 23 2. One (1) trustee shall be appointed from a list of three (3) applicants
24 submitted by the Kentucky League of Cities;
- 25 3. One (1) trustee shall be appointed from a list of three (3) applicants
26 submitted by the Kentucky Association of Counties;
- 27 4. One (1) trustee shall be appointed from a list of three (3) applicants

- 1 submitted by the Kentucky School Boards Association; and
- 2 5. Six (6) trustees shall have investment experience. For purposes of this
- 3 subparagraph, a trustee with "investment experience" means an
- 4 individual who does not have a conflict of interest, as provided by KRS
- 5 61.655, and who has at least ten (10) years of experience in one (1) of
- 6 the following areas of expertise:
- 7 a. A portfolio manager acting in a fiduciary capacity;
- 8 b. A professional securities analyst or investment consultant;
- 9 c. A current or retired employee or principal of a trust institution,
- 10 investment or finance organization, or endowment fund acting in
- 11 an investment-related capacity;
- 12 d. A chartered financial analyst in good standing as determined by the
- 13 CFA Institute; or
- 14 e. A university professor, teaching investment-related studies.
- 15 (2) The board is hereby granted the powers and privileges of a corporation, including
- 16 but not limited to the following powers:
- 17 (a) To sue and be sued in its corporate name;
- 18 (b) To make bylaws not inconsistent with the law;
- 19 (c) To conduct the business and promote the purposes for which it was formed;
- 20 (d) Except as provided in KRS 61.650(6), to contract for investment counseling,
- 21 actuarial, auditing, medical, and other professional or technical services as
- 22 required to carry out the obligations of the board subject to KRS Chapters 45,
- 23 45A, 56, and 57;
- 24 (e) To purchase fiduciary liability insurance;
- 25 (f) Except as provided in KRS 61.650(6), to acquire, hold, sell, dispose of,
- 26 pledge, lease, or mortgage, the goods or property necessary to exercise the
- 27 board's powers and perform the board's duties subject to KRS Chapters 45,

1 45A, and 56; and

2 (g) The board shall reimburse any trustee, officer, or employee for any legal
3 expense resulting from a civil action arising out of the performance of his
4 official duties. The hourly rate of reimbursement for any contract for legal
5 services under this paragraph shall not exceed the maximum hourly rate
6 provided in the Legal Services Duties and Maximum Rate Schedule
7 promulgated by the Government Contract Review Committee established
8 pursuant to KRS 45A.705, unless a higher rate is specifically approved by the
9 secretary of the Finance and Administration Cabinet or his or her designee.

10 (3) (a) Notwithstanding the provisions of subsection (1) of this section, each trustee
11 shall serve a term of four (4) years or until his successor is duly qualified
12 except as otherwise provided in this section. An elected trustee or a trustee
13 appointed by the Governor under subsection (1)(e) of this section, shall not
14 serve more than three (3) consecutive four (4) year terms. An elected trustee
15 or a trustee appointed by the Governor under subsection (1)(e) of this section,
16 who has served three (3) consecutive terms may be elected or appointed again
17 after an absence of four (4) years from the board.

18 (b) The term limits established by paragraph (a) of this subsection shall apply to
19 trustees serving on or after July 1, 2012, and all terms of office served prior to
20 July 1, 2012, shall be used to determine if the trustee has exceeded the term
21 limits provided by paragraph (a) of this subsection.

22 (4) (a) The trustees selected by the membership of each of the various retirement
23 systems shall be elected by ballot. For each trustee to be elected, the board
24 may nominate, not less than six (6) months before a term of office of a trustee
25 is due to expire, three (3) constitutionally eligible individuals.

26 (b) Individuals may be nominated by the retirement system members which are to
27 elect the trustee by presenting to the executive director, not less than four (4)

1 months before a term of office of a trustee is due to expire, a petition, bearing
2 the name, last four digits of the Social Security number, and signature of no
3 less than one-tenth (1/10) of the number voting in the last election by the
4 retirement system members.

5 (c) Within four (4) months of the nominations made in accordance with
6 paragraphs (a) and (b) of this subsection, the executive director shall cause to
7 be prepared an official ballot. The ballot shall include the name, address, and
8 position title of each individual nominated by the board and by petition.
9 Provisions shall also be made for write-in votes.

10 (d) Except as provided by paragraph (j) of this subsection, the ballots shall be
11 distributed to the eligible voters by mail to their last known residence address.

12 (e) The ballots shall be addressed to the Kentucky Retirement Systems in care of
13 a predetermined box number at a United States Post Office~~[located within~~
14 ~~Kentucky]~~ or submitted electronically as provided by paragraph (j) of this
15 subsection. Access to this post office box shall be limited to the board's
16 contracted~~[auditing]~~ firm. The individual receiving a plurality of votes shall
17 be declared elected.

18 (f) The eligible voter shall cast his or her ballot by selecting~~[checking a square~~
19 ~~opposite the name of]~~ the candidate of his or her choice. He or she shall sign
20 and mail the ballot or submit the electronic ballot at least thirty (30) days prior
21 to the date the term to be filled is due to expire. The latest mailing date, or
22 date of submission in the case of electronic ballots, shall be provided on the
23 ballot.

24 (g) The board's contracted~~[auditing]~~ firm shall report in writing the outcome to
25 the chair of the board of trustees. Cost of an election shall be payable from the
26 funds of the system for which the trustee is elected.

27 (h) For purposes of this subsection, an eligible voter shall be a person who was a

1 member of the retirement system on December 31 of the year preceding the
2 election year.

3 (i) Each individual who submits a request to be nominated by the board under
4 paragraph (a) of this subsection and each individual who is nominated by the
5 membership under paragraph (b) of this subsection shall:

6 1. Complete an application developed by the retirement systems which
7 shall include but not be limited to a disclosure of any prior felonies and
8 any conflicts of interest that would hinder the individual's ability to
9 serve on the board;

10 2. Submit a resume detailing the individual's education and employment
11 history and a cover letter detailing the member's qualifications for
12 serving as trustee to the board; and

13 3. Authorize the systems to have a criminal background check performed.
14 The criminal background check shall be performed by the Department of
15 Kentucky State Police.

16 (j) In lieu of the ballots mailed to members and retired members as provided by
17 this subsection, the systems may by promulgation of administrative regulation
18 pursuant to KRS Chapter 13A conduct trustee elections using electronic
19 ballots, except that the systems shall mail a paper ballot upon request of any
20 eligible voter.

21 (5) Any vacancy which may occur in an appointed position shall be filled in the same
22 manner which provides for the selection of the particular trustee, and any vacancy
23 which may occur in an elected position shall be filled by appointment by a majority
24 vote of the remaining elected trustees with a person selected from the system in
25 which the vacancy occurs, and if the secretary of the Personnel Cabinet resigns his
26 position as trustee, it shall be filled by appointment made by the Governor;
27 however, any vacancy shall be filled only for the duration of the unexpired term. In

1 the event of a vacancy of an elected trustee, Kentucky Retirement Systems shall
2 notify members of the system in which the vacancy occurs of the vacancy and the
3 opportunity to be considered for the vacant position. Any vacancy shall be filled
4 within ninety (90) days of the position becoming vacant.

5 (6) (a) Membership on the board of trustees shall not be incompatible with any other
6 office unless a constitutional incompatibility exists. No trustee shall serve in
7 more than one (1) position as trustee on the board; and if a trustee holds more
8 than one (1) position as trustee on the board, he shall resign a position.

9 (b) A trustee shall be removed from office upon conviction of a felony or for a
10 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court
11 of competent jurisdiction.

12 (c) A current or former employee of Kentucky Retirement Systems shall not be
13 eligible to serve as a member of the board.

14 (7) Trustees who do not otherwise receive a salary from the State Treasury shall receive
15 a per diem of eighty dollars (\$80) for each day they are in session or on official
16 duty, and they shall be reimbursed for their actual and necessary expenses in
17 accordance with state administrative regulations and standards.

18 (8) (a) The board shall meet at least once in each quarter of the year and may meet in
19 special session upon the call of the chair or the executive director.

20 (b) The board shall elect a chair and a vice chair. The chair shall not serve more
21 than four (4) consecutive years as chair or vice-chair of the board. The vice-
22 chair shall not serve more than four (4) consecutive years as chair or vice-
23 chair of the board. A trustee who has served four (4) consecutive years as
24 chair or vice-chair of the board may be elected chair or vice-chair of the board
25 after an absence of two (2) years from the positions.

26 (c) A majority of the trustees shall constitute a quorum and all actions taken by
27 the board shall be by affirmative vote of a majority of the trustees present.

- 1 (9) (a) The board of trustees shall appoint or contract for the services of an executive
2 director and fix the compensation and other terms of employment for this
3 position without limitation of the provisions of KRS Chapters 18A and KRS
4 64.640. The executive director shall be the chief administrative officer of the
5 board.
- 6 (b) The board of trustees shall authorize the executive director to appoint the
7 employees deemed necessary to transact the business of the system. All
8 employees of the systems, except for the executive director, shall be subject to
9 the state personnel system established pursuant to KRS 18A.005 to 18A.204
10 and shall have their salaries determined by the secretary of the Personnel
11 Cabinet.
- 12 (c) The board shall require the executive director and the employees as it thinks
13 proper to execute bonds for the faithful performance of their duties
14 notwithstanding the limitations of KRS Chapter 62.
- 15 (d) The board shall establish a system of accounting.
- 16 (e) The board shall do all things, take all actions, and promulgate all
17 administrative regulations, not inconsistent with the provisions of KRS 16.505
18 to 16.652, 61.510 to 61.705, and 78.510 to 78.852, necessary or proper in
19 order to carry out the provisions of KRS 16.505 to 16.652, 61.510 to 61.705,
20 and 78.510 to 78.852. Notwithstanding any other evidence of legislative
21 intent, it is hereby declared to be the controlling legislative intent that the
22 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852
23 conform with federal statute or regulation and meet the qualification
24 requirements under 26 U.S.C. sec. 401(a), applicable federal regulations, and
25 other published guidance. Provisions of KRS 16.505 to 16.652, 61.510 to
26 61.705, and 78.510 to 78.852 which conflict with federal statute or regulation
27 or qualification under 26 U.S.C. sec. 401(a), applicable federal regulations,

1 and other published guidance shall not be available. The board shall have the
2 authority to promulgate administrative regulations to conform with federal
3 statute and regulation and to meet the qualification requirements under 26
4 U.S.C. sec. 401(a), including an administrative regulation to comply with 26
5 U.S.C. sec. 401(a)(9).

6 (10) Notwithstanding any statute to the contrary, employees shall not be considered
7 legislative agents under KRS 6.611.

8 (11) The Attorney General, or an assistant designated by him, may attend each meeting
9 of the board and may receive the agenda, board minutes, and other information
10 distributed to trustees of the board upon request. The Attorney General may act as
11 legal adviser and attorney for the board, and the board may contract for legal
12 services, notwithstanding the limitations of KRS Chapter 12 or 13B.

13 (12) (a) The system shall publish an annual financial report showing all receipts,
14 disbursements, assets, and liabilities. The annual report shall include a copy of
15 an audit conducted in accordance with generally accepted auditing standards.
16 Except as provided by paragraph (b) of this subsection, the board may select
17 an independent certified public accountant or the Auditor of Public Accounts
18 to perform the audit. If the audit is performed by an independent certified
19 public accountant, the Auditor of Public Accounts shall not be required to
20 perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at
21 his discretion. All proceedings and records of the board shall be open for
22 inspection by the public. The system shall make copies of the audit required
23 by this subsection available for examination by any member, retiree, or
24 beneficiary in the office of the executive director of the Kentucky Retirement
25 Systems and in other places as necessary to make the audit available to all
26 members, retirees, and beneficiaries. A copy of the annual audit shall be sent
27 to the Legislative Research Commission no later than ten (10) days after

1 receipt by the board.

2 (b) At least once every five (5) years, the Auditor of Public Accounts shall
3 perform the audit described by this subsection, and the system shall reimburse
4 the Auditor of Public Accounts for all costs of the audit. The Auditor of
5 Public Accounts shall determine which fiscal year during the five (5) year
6 period the audit prescribed by this paragraph will be completed.

7 (13) All expenses incurred by or on behalf of the system and the board in the
8 administration of the system during a fiscal year shall be paid from the retirement
9 allowance account. Any other statute to the contrary notwithstanding, authorization
10 for all expenditures relating to the administrative operations of the system shall be
11 contained in the biennial budget unit request, branch budget recommendation, and
12 the financial plan adopted by the General Assembly pursuant to KRS Chapter 48.

13 (14) Any person adversely affected by a decision of the board, except as provided under
14 subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652,
15 61.510 to 61.705, and 78.510 to 78.852, may appeal the decision of the board to the
16 Franklin Circuit Court within sixty (60) days of the board action.

17 (15) (a) A trustee shall discharge his duties as a trustee, including his duties as a
18 member of a committee:

- 19 1. In good faith;
- 20 2. On an informed basis; and
- 21 3. In a manner he honestly believes to be in the best interest of the
22 Kentucky Retirement Systems.

23 (b) A trustee discharges his duties on an informed basis if, when he makes an
24 inquiry into the business and affairs of the Kentucky Retirement Systems or
25 into a particular action to be taken or decision to be made, he exercises the
26 care an ordinary prudent person in a like position would exercise under similar
27 circumstances.

- 1 (c) In discharging his duties, a trustee may rely on information, opinions, reports,
2 or statements, including financial statements and other financial data, if
3 prepared or presented by:
- 4 1. One (1) or more officers or employees of the Kentucky Retirement
5 Systems whom the trustee honestly believes to be reliable and competent
6 in the matters presented;
 - 7 2. Legal counsel, public accountants, actuaries, or other persons as to
8 matters the trustee honestly believes are within the person's professional
9 or expert competence; or
 - 10 3. A committee of the board of trustees of which he is not a member if the
11 trustee honestly believes the committee merits confidence.
- 12 (d) A trustee shall not be considered as acting in good faith if he has knowledge
13 concerning the matter in question that makes reliance otherwise permitted by
14 paragraph (c) of this subsection unwarranted.
- 15 (e) Any action taken as a trustee, or any failure to take any action as a trustee,
16 shall not be the basis for monetary damages or injunctive relief unless:
- 17 1. The trustee has breached or failed to perform the duties of the trustee's
18 office in compliance with this section; and
 - 19 2. In the case of an action for monetary damages, the breach or failure to
20 perform constitutes willful misconduct or wanton or reckless disregard
21 for human rights, safety, or property.
- 22 (f) A person bringing an action for monetary damages under this section shall
23 have the burden of proving by clear and convincing evidence the provisions of
24 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
25 breach or failure to perform was the legal cause of damages suffered by the
26 Kentucky Retirement Systems.
- 27 (g) Nothing in this section shall eliminate or limit the liability of any trustee for

1 any act or omission occurring prior to July 15, 1988.

2 (h) In discharging his or her administrative duties under this section, a trustee
3 shall strive to administer the retirement system in an efficient and cost-
4 effective manner for the taxpayers of the Commonwealth of Kentucky.

5 (16) When an order by the system substantially impairs the benefits or rights of a
6 member, retired member, or recipient, except action which relates to entitlement to
7 disability benefits, or when an employer disagrees with an order of the system as
8 provided by KRS 61.598, the affected member, retired member, recipient, or
9 employer may request a hearing to be held in accordance with KRS Chapter 13B.
10 The board may establish an appeals committee whose members shall be appointed
11 by the chair and who shall have authority to act upon the recommendations and
12 reports of the hearing officer on behalf of the board. The member, retired member,
13 recipient, or employer aggrieved by a final order of the board following the hearing
14 may appeal the decision to the Franklin Circuit Court, in accordance with KRS
15 Chapter 13B.

16 (17) The board shall give the Kentucky Education Support Personnel Association
17 twenty-four (24) hours notice of the board meetings, to the extent possible.

18 (18) The board shall establish a formal trustee education program for all trustees of the
19 board. The program shall include but not be limited to the following:

20 (a) A required orientation program for all new trustees elected or appointed to the
21 board. The orientation program shall include training on:

- 22 1. Benefits and benefits administration;
- 23 2. Investment concepts, policies, and current composition and
24 administration of retirement systems investments;
- 25 3. Laws, bylaws, and administrative regulations pertaining to the
26 retirement systems and to fiduciaries; and
- 27 4. Actuarial and financial concepts pertaining to the retirement systems.

1 If a trustee fails to complete the orientation program within one (1) year from
2 the beginning of his or her first term on the board, the retirement systems shall
3 withhold payment of the per diem and travel expenses due to the board
4 member under this section and KRS 16.640 and 78.780 until the trustee has
5 completed the orientation program;

6 (b) Annual required training for board members on the administration, benefits,
7 financing, and investing of the retirement systems. If a trustee fails to
8 complete the annual required training during the calendar or fiscal year, the
9 retirement systems shall withhold payment of the per diem and travel
10 expenses due to the board member under this section and KRS 16.640 and
11 78.780 until the board member has met the annual training requirements; and

12 (c) The retirement systems shall incorporate by reference in an administrative
13 regulation, pursuant to KRS 13A.2251, the trustee education program.

14 (19) In order to improve public transparency regarding the administration of the systems,
15 the board of trustees shall adopt a best practices model by posting the following
16 information to the retirement systems' Web site and shall make available to the
17 public:

18 (a) Meeting notices and agendas for all meetings of the board. Notices and
19 agendas shall be posted to the retirement systems' Web site at least seventy-
20 two (72) hours in advance of the board or committee meetings, except in the
21 case of special or emergency meetings as provided by KRS 61.823;

22 (b) The Comprehensive Annual Financial Report with the information as follows:
23 1. A general overview and update on the retirement systems by the
24 executive director;
25 2. A listing of the board of trustees;
26 3. A listing of key staff;
27 4. An organizational chart;

- 1 5. Financial information, including a statement of plan net assets, a
2 statement of changes in plan net assets, an actuarial value of assets, a
3 schedule of investments, a statement of funded status and funding
4 progress, and other supporting data;
- 5 6. Investment information, including a general overview, a list of the
6 retirement system's professional consultants, a total net of fees return on
7 retirement systems investments over a historical period, an investment
8 summary, contracted investment management expenses, transaction
9 commissions, and a schedule of investments;
- 10 7. The annual actuarial valuation report on the pension benefit and the
11 medical insurance benefit; and
- 12 8. A general statistical section, including information on contributions,
13 benefit payouts, and retirement systems' demographic data;
- 14 (c) All external audits;
- 15 (d) All board minutes or other materials that require adoption or ratification by
16 the board of trustees. The items listed in this paragraph shall be posted within
17 seventy-two (72) hours of adoption or ratification of the board;
- 18 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;
- 19 (f) The retirement systems' summary plan description;
- 20 (g) A document containing an unofficial copy of the statutes governing the
21 systems administered by Kentucky Retirement Systems;
- 22 (h) A listing of the members of the board of trustees and membership on each
23 committee established by the board, including any investment committees;
- 24 (i) All investment holdings in aggregate, fees, and commissions for each fund
25 administered by the board, which shall be updated on a quarterly basis for
26 fiscal years beginning on or after July 1, 2017. The systems shall request from
27 all managers, partnerships, and any other available sources all information

1 regarding fees and commissions and shall, based on the requested information
2 received:

- 3 1. Disclose the dollar value of fees and commissions paid to each
4 individual manager or partnership;
- 5 2. Disclose the dollar value of any profit sharing, carried interest, or any
6 other partnership incentive arrangements, partnership agreements, or any
7 other partnership expenses received by or paid to each manager or
8 partnership; and
- 9 3. As applicable, report each fee or commission by manager or partnership
10 consistent with standards established by the Institutional Limited
11 Partners Association (ILPA).

12 In addition to the requirements of this paragraph, the systems shall also
13 disclose the name and address of all individual underlying managers or
14 partners in any fund of funds in which system assets are invested;

15 (j) An update of net of fees investment returns, asset allocations, and the
16 performance of the funds against benchmarks adopted by the board for each
17 fund, for each asset class administered by the board, and for each manager.
18 The update shall be posted on a quarterly basis for fiscal years beginning on or
19 after July 1, 2017;

20 (k) A searchable database of the systems' expenditures and a listing of each
21 individual employed by the systems along with the employee's salary or
22 wages. In lieu of posting the information required by this paragraph to the
23 systems' Web site, the systems may provide the information through a Web
24 site established by the executive branch to inform the public about executive
25 branch agency expenditures and public employee salaries and wages;

26 (l) All contracts or offering documents for services, goods, or property purchased
27 or utilized by the systems; and

1 (m) Information regarding the systems' financial and actuarial condition that is
2 easily understood by the members, retired members, and the public.

3 (20) Notwithstanding the requirements of subsection (19) of this section, the retirement
4 systems shall not be required to furnish information that is protected under KRS
5 61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the
6 retirement systems' ability to competitively invest in real estate or other asset
7 classes, except that no provision of this section or KRS 61.878 shall exclude
8 disclosure and review of all contracts, including investment contracts, by the board,
9 the Auditor of Public Accounts, and the Government Contract Review Committee
10 established pursuant to KRS 45A.705 or the disclosure of investment fees and
11 commissions as provided by this section. If any public record contains material
12 which is not excepted under this section, the systems shall separate the excepted
13 material by removal, segregation, or redaction, and make the nonexcepted material
14 available for examination.

15 (21) Notwithstanding any other provision of KRS 16.505 to 16.652, 61.510 to 61.705,
16 and 78.510 to 78.852 to the contrary, no funds of the systems administered by
17 Kentucky Retirement Systems, including fees and commissions paid to an
18 investment manager, private fund, or company issuing securities, who manages
19 systems assets, shall be used to pay fees and commissions to placement agents. For
20 purposes of this subsection, "placement agent" means a third-party individual, who
21 is not an employee, or firm, wholly or partially owned by the entity being hired,
22 who solicits investments on behalf of an investment manager, private fund, or
23 company issuing securities.

24 ➔Section 9. KRS 78.510 is amended to read as follows:

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

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

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

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

1 section;

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

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

11 (12) "Accumulated contributions" means the sum of all amounts deducted from the
12 compensation of a member and credited to his individual account in the members'
13 account, including employee contributions picked up after August 1, 1982, pursuant
14 to KRS 78.610(4), together with interest credited, or investment returns earned as
15 provided by KRS 61.5956, on the amounts, and any other amounts the member
16 shall have contributed thereto, including interest credited thereon or investment
17 returns earned as provided by KRS 61.5956. "Accumulated contributions" shall not
18 include employee contributions that are deposited into accounts established
19 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,
20 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

21 (13) "Creditable compensation":

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

1 August 1, 1982, pursuant to KRS 78.610(4);

2 (b) Includes:

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

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

2 (c) Excludes:

- 3 1. Uniform, equipment, or any other expense allowances paid on or after
4 January 1, 2019, living allowances, expense reimbursements, lump-sum
5 payments for accrued vacation leave, sick leave except as provided in
6 KRS 78.616(5), and other items determined by the board;
- 7 2. For employees who begin participating on or after September 1, 2008,
8 lump-sum payments for compensatory time;
- 9 3. Training incentive payments for city officers paid as set out in KRS
10 64.5277 to 64.5279;
- 11 4. For employees who begin participating on or after August 1, 2016,
12 nominal fees paid for services as a volunteer;
- 13 5. For employees who are employed in a nonhazardous position, who
14 began participating prior to September 1, 2008, and who retire after July
15 1, 2023, lump-sum payments for compensatory time upon termination of
16 employment; and
- 17 6. Any salary or wages paid to an employee for services as a Kentucky
18 State Police school resource officer as defined by KRS 158.441;

19 (14) "Final compensation" means:

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

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

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

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

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

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

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

27 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were

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

1 administrative duties pursuant to the provisions of KRS 78.510 to 78.852;

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

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

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

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

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

25 (e) Part-time positions that are positions that may be permanent in duration, but
26 that require less than a calendar or fiscal year average of one hundred (100)
27 hours of work per month, determined by using the number of months actually

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

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

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

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

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

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

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

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

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

- 1 (30) "Delayed contribution payment" means an amount paid by an employee for current
2 service obtained under KRS 61.552. The amount shall be determined using the
3 same formula in KRS 61.5525, except the determination of the actuarial cost for
4 classified employees of a school board shall be based on their final compensation,
5 and the payment shall not be picked up by the employer. A delayed contribution
6 payment shall be deposited to the member's account and considered as accumulated
7 contributions of the individual member. In determining payments under this
8 subsection, the formula found in this subsection shall prevail over the one found in
9 KRS 212.434;
- 10 (31) "Participating" means an employee is currently earning service credit in the system
11 as provided in KRS 78.615;
- 12 (32) "Month" means a calendar month;
- 13 (33) "Membership date" means the date upon which the member began participating in
14 the system as provided in KRS 78.615;
- 15 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
16 retired member, as defined by subsection (23) of this section;
- 17 (35) "Qualified domestic relations order" means any judgment, decree, or order,
18 including approval of a property settlement agreement, that:
- 19 (a) Is issued by a court or administrative agency; and
20 (b) Relates to the provision of child support, alimony payments, or marital
21 property rights to an alternate payee;
- 22 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
23 participant, who is designated to be paid retirement benefits in a qualified domestic
24 relations order;
- 25 (37) "Accumulated employer credit" means the employer pay credit deposited to the
26 member's account and interest credited on such amounts as provided by KRS
27 16.583 and 61.597;

- 1 (38) "Accumulated account balance" means:
- 2 (a) For members who began participating in the system prior to January 1, 2014,
- 3 the member's accumulated contributions;
- 4 (b) For members who began participating in the system on or after January 1,
- 5 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
- 6 the combined sum of the member's accumulated contributions and the
- 7 member's accumulated employer credit; or
- 8 (c) For nonhazardous members who are participating in the 401(a) money
- 9 purchase plan as provided by KRS 61.5956, the combined sum of the
- 10 member's accumulated contributions and the member's accumulated employer
- 11 contributions in the 401(a) money purchase plan;
- 12 (39) "Volunteer" means an individual who:
- 13 (a) Freely and without pressure or coercion performs hours of service for an
- 14 employer participating in one (1) of the systems administered by Kentucky
- 15 Retirement Systems without receipt of compensation for services rendered,
- 16 except for reimbursement of actual expenses, payment of a nominal fee to
- 17 offset the costs of performing the voluntary services, or both; and
- 18 (b) If a retired member, does not become an employee, leased employee, or
- 19 independent contractor of the employer for which he or she is performing
- 20 volunteer services for a period of twelve (12)~~at least twenty-four (24)~~ months
- 21 following the retired member's most recent retirement date;
- 22 (40) "Nominal fee" means compensation earned for services as a volunteer that does not
- 23 exceed five hundred dollars (\$500) per month. Compensation earned for services as
- 24 a volunteer from more than one (1) participating employer during a month shall be
- 25 aggregated to determine whether the compensation exceeds the five hundred dollars
- 26 (\$500) per month maximum provided by this subsection;
- 27 (41) "Nonhazardous position" means a position that does not meet the requirements of

- 1 KRS 61.592 or has not been approved by the board as a hazardous position;
- 2 (42) "Accumulated employer contribution" means the employer contribution deposited
- 3 to the member's account and any investment returns on such amounts as provided
- 4 by KRS 61.5956; and
- 5 (43) "Monthly average pay" means the higher of the member's monthly final rate of pay
- 6 or the average monthly creditable compensation earned by the deceased member
- 7 during his or her last twelve (12) months of employment.