

1 AN ACT relating to the Kentucky Employees Retirement System's employers,
2 declaring an emergency, and making an appropriation therefor.

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

4 ➔Section 1. KRS 61.565 (Effective April 1, 2021) is amended to read as follows:

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

13 (b) For purposes of this section, the normal cost contribution shall be computed as
14 a percentage of pay and shall be an annual amount that is sufficient when
15 combined with employee contributions to fund benefits earned during the year
16 in the respective system. The amount shall be:

- 17 1. Paid as a percentage of creditable compensation reported for each
18 employee participating in the system and accruing benefits; and
- 19 2. The same percentage of pay for all employees who are participating in
20 the same retirement system, except that separate percentage rates shall
21 be developed in each system for those employers whose employees are
22 participating in hazardous duty retirement coverage as provided by KRS
23 61.592.

24 (c) For purposes of this section, the actuarially accrued liability contribution ***for***
25 ***all employers, except for contributions paid by nonhazardous employers in***
26 ***the Kentucky Employees Retirement System on or after July 1, 2021,*** shall
27 be:

- 1 1. Computed by amortizing the total unfunded actuarially accrued liability
2 of each system over a closed period of thirty (30) years beginning with
3 the 2019 actuarial valuation using the level percentage of payroll
4 amortization method, except that any increase or decrease in the
5 unfunded actuarially accrued liability occurring after the completion of
6 the 2019 actuarial valuation shall be amortized over a closed period of
7 twenty (20) years beginning with the actuarial valuation in which the
8 increase or decrease in the unfunded actuarially accrued liability is
9 recognized. An increase or decrease in the unfunded actuarially accrued
10 liability may result from, but not be limited to, legislative changes to
11 benefits, changes in actuarial methods or assumptions, or actuarial gains
12 or losses;
- 13 2. Paid as a percentage of payroll on the creditable compensation reported
14 for each employee participating in the system and accruing benefits; and
- 15 3. The same percentage of pay for all employees who are participating in
16 the same retirement system, except that separate percentage rates shall
17 be developed in each system for those employers whose employees are
18 participating in hazardous duty retirement coverage as provided by KRS
19 61.592.
- 20 (d) 1. For purposes of this section, the actuarially accrued liability
21 contribution for nonhazardous employers in the Kentucky Employees
22 Retirement System on or after July 1, 2021:
- 23 a. Shall be an annual dollar amount that is sufficient to amortize
24 the total unfunded actuarially accrued liability of the system over
25 a closed period of thirty (30) years beginning with the 2019
26 actuarial valuation using the level percentage of payroll
27 amortization method, except that any increase or decrease in the

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

10 b. Shall be prorated to each individual nonhazardous employer in
11 the Kentucky Employees Retirement System by multiplying the
12 annual dollar amount of the actuarially accrued liability
13 contribution for the system as determined by subdivision a. of
14 this subparagraph by the individual employer's percentage of the
15 system's total actuarially accrued liability as of the June 30,
16 2019 actuarial valuation which shall be determined solely by the
17 system's consulting actuary. The individual employer's
18 percentage of the system's total actuarially accrued liability as of
19 the June 30, 2019, actuarial valuation shall be used to determine
20 the individual employer's prorated dollar amount of the system's
21 actuarially accrued liability contribution in all future fiscal years
22 of the amortization period or periods, except that the employer's
23 percentage shall be adjusted to reflect any employer who
24 voluntarily or involuntarily ceases participation as provided by
25 KRS 61.522 and except as provided by subparagraph 4. of this
26 paragraph. For purposes of this subdivision, all executive
27 branch departments, program cabinets and their respective

1 departments, and administrative bodies enumerated in KRS
2 12.020, and any other executive branch agencies
3 administratively attached to a department, program cabinet, or
4 administrative body enumerated in KRS 12.020 shall be
5 considered a single individual employer and only one (1) value
6 shall be computed for these employers. For purposes of this
7 subdivision, all employers of the legislative branch, including the
8 Legislative Research Commission and the General Assembly that
9 covers legislators and staff who participate in the Kentucky
10 Employees Retirement System, shall be considered a single
11 individual employer and only one (1) value shall be computed for
12 these employers. For purposes of this subdivision, all employers
13 of the judicial branch, including the Administrative Office of the
14 Courts, the Judicial Form Retirement System, and all master
15 commissioners, shall be considered a single individual employer
16 and only one (1) value shall be computed for these employers;

17 c. Shall be payable by an individual employer in equal monthly
18 dollar installments during the fiscal year in accordance with the
19 reporting requirements specified by KRS 61.675 so that the
20 individual employer pays its full prorated dollar amount of the
21 actuarially accrued liability contribution as determined by
22 subdivision b. of this subparagraph; and

23 d. Notwithstanding subdivision b. of this subparagraph for those
24 individual participating employers who are local and district
25 health departments governed by KRS Chapter 212, community
26 mental health centers, and employers whose employees are not
27 subject to KRS 18A.005 to 18A.200, who received or were eligible

1 to receive a distribution of general fund appropriations in the
2 2018-2020 biennial executive branch budget to assist in paying
3 retirement costs under 2018 Ky. Acts ch. 169, Part I, G., 4., (5);
4 2018 Ky. Acts ch. 169, Part I, G., 5., (2); or 2018 Ky. Acts ch.
5 169, Part I, G., 9., (2), shall not, once the initial dollar amounts
6 are established in accordance with this paragraph, be adjusted in
7 terms of dollars paid by the individual employer, except that
8 adjustments shall be made by the system upon completion of an
9 actuarial investigation as provided by KRS 61.670, so long as at
10 least four (4) years have passed since the last adjustment to the
11 actuarially accrued liability contribution for these employers.

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

21 3. The provisions of this paragraph shall not apply to those employers
22 who cease participation as provided by KRS 61.522.

23 4. In the event an individual Kentucky Employees Retirement System
24 nonhazardous employer who is required to pay an actuarially accrued
25 liability contribution as provided by this paragraph and as calculated
26 from the 2019 actuarial valuation or subsequent valuations, merges
27 with another employer or entity, forms a new or separate employer or

1 entity, or splits or separates operations into multiple employers or
 2 entities, the system shall, except for those employers or entities who
 3 pay the costs to cease participation as provided by KRS 61.522, have
 4 full authority to assign a portion or all of the total actuarially accrued
 5 liability contribution to the merged, new, split, or separate employers
 6 or entities, regardless of whether or not the merged, new, split, or
 7 separate employers or entities participate in the system. In the case of
 8 an independent district board of health who ceases to operate or who
 9 has a county or counties who withdraw from the independent district
 10 board of health, the systems shall assign the total actuarially accrued
 11 liability contribution in accordance with subsection (3) of Section 3 of
 12 this Act. The system shall establish by administrative regulations the
 13 process of assigning actuarially accrued liability contributions as
 14 authorized by this subparagraph.

15 (e) The employer contributions computed under this section shall be determined
 16 using:

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

22 (2) (a) Except as limited by subsection (1)(d)1.d. of this section as it relates to the
 23 Kentucky Employees Retirement System, normal cost contribution rates and
 24 the actuarially accrued liability contribution shall be determined by the board
 25 on the basis of the annual actuarial valuation last preceding the July 1 of a new
 26 biennium.

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

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

4 (c) The board shall not have the authority to amend contribution rates as of July 1
5 of the second year of the biennium for the Kentucky Employees Retirement
6 System and the State Police Retirement System.

7 (3) The system shall advise each employer prior to July 1 of any change in the employer
8 contribution rate. Based on the employer contribution rate, each employer shall
9 include in the budget sufficient funds to pay the employer contributions as
10 determined by the board under this section.

11 (4) All employers, including the General Assembly, shall pay the full actuarially
12 required contributions, as prescribed by this section, to the Kentucky Employees
13 Retirement System and the State Police Retirement System in fiscal years occurring
14 on or after July 1, 2020.

15 ➔Section 2. KRS 61.510 (Effective April 1, 2021) is amended to read as follows:

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

17 (1) "System" means the Kentucky Employees Retirement System created by KRS
18 61.510 to 61.705;

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

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

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

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

1 credited with one (1) month of prior service only in those months he received
2 compensation for at least one hundred (100) hours of work; provided, however, that
3 each member, officer, and employee of the General Assembly shall be credited with
4 a month of prior service for each month he served in the position prior to January 1,
5 1960. Twelve (12) months of current service in the system are required to validate
6 prior service;

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

16 (13) "Creditable compensation":

17 (a) Means all salary, wages, tips to the extent the tips are reported for income tax
18 purposes, and fees, including payments for compensatory time, paid to the
19 employee as a result of services performed for the employer or for time during
20 which the member is on paid leave, which are includable on the member's
21 federal form W-2 wage and tax statement under the heading "wages, tips,
22 other compensation," including employee contributions picked up after
23 August 1, 1982, pursuant to KRS 61.560(4). For members of the General
24 Assembly, it shall mean all amounts which are includable on the member's
25 federal form W-2 wage and tax statement under the heading "wages, tips,
26 other compensation," including employee contributions picked up after
27 August 1, 1982, pursuant to KRS 6.505(4) or 61.560(4);

1 (b) Includes:

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

1 (c) Excludes:

- 2 1. Living allowances, expense reimbursements, lump-sum payments for
3 accrued vacation leave, and other items determined by the board;
- 4 2. For employees who begin participating on or after September 1, 2008,
5 lump-sum payments for compensatory time;
- 6 3. For employees who begin participating on or after August 1, 2016,
7 nominal fees paid for services as a volunteer; and
- 8 4. Any salary or wages paid to an employee for services as a Kentucky
9 State Police school resource officer as defined by KRS 158.441;

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

11 (a) For a member who begins participating before September 1, 2008, who is
12 employed in a nonhazardous position, the creditable compensation of the
13 member during the five (5) fiscal years he or she was paid at the highest
14 average monthly rate divided by the number of months of service credit during
15 that five (5) year period multiplied by twelve (12). The five (5) years may be
16 fractional and need not be consecutive. If the number of months of service
17 credit during the five (5) year period is less than forty-eight (48), one (1) or
18 more additional fiscal years shall be used;

19 (b) For a member who is employed in a nonhazardous position, whose effective
20 retirement date is between August 1, 2001, and January 1, 2009, and whose
21 total service credit is at least twenty-seven (27) years and whose age and years
22 of service total at least seventy-five (75), final compensation means the
23 creditable compensation of the member during the three (3) fiscal years the
24 member was paid at the highest average monthly rate divided by the number
25 of months of service credit during that three (3) years period multiplied by
26 twelve (12). The three (3) years may be fractional and need not be
27 consecutive. If the number of months of service credit during the three (3)

1 year period is less than twenty-four (24), one (1) or more additional fiscal
2 years shall be used. Notwithstanding the provision of KRS 61.565, the
3 funding for this paragraph shall be provided from existing funds of the
4 retirement allowance;

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

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

23 (e) For a member who begins participating on or after September 1, 2008, but
24 prior to January 1, 2014, who is employed in a hazardous position as provided
25 in KRS 61.592, the creditable compensation of the member during the three
26 (3) complete fiscal years he or she was paid at the highest average monthly
27 rate divided by three (3). Each fiscal year used to determine final

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

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

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

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

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

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

1 and

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

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

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

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

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

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

27 (27) "Recipient" means the retired member or the person or persons designated as

1 beneficiary by the member and drawing a retirement allowance as a result of the
2 member's death or a dependent child drawing a retirement allowance. An alternate
3 payee of a qualified domestic relations order shall not be considered a recipient,
4 except for purposes of KRS 61.623;

5 (28) "Level percentage of payroll amortization method" means a method of determining
6 the annual amortization payment on the unfunded actuarial accrued liability as
7 expressed as a percentage of payroll over a set period of years **but that may be**
8 **converted to a dollar value for purposes of subsection (1)(d) of Section 1 of this**
9 **Act.** Under this method, the percentage of payroll shall be projected to remain
10 constant for all years remaining in the set period of time and the unfunded
11 actuarially accrued liability shall be projected to be fully amortized at the
12 conclusion of the set period of years;

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

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

17 (31) "Retirement office" means the Kentucky Public Pensions Authority's office building
18 in Frankfort;

19 (32) "Last day of paid employment" means the last date employer and employee
20 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
21 78.615 to the retirement office in order for the employee to receive current service
22 credit for the month. Last day of paid employment does not mean a date the
23 employee receives payment for accrued leave, whether by lump sum or otherwise, if
24 that date occurs twenty-four (24) or more months after previous contributions;

25 (33) "Objective medical evidence" means reports of examinations or treatments; medical
26 signs which are anatomical, physiological, or psychological abnormalities that can
27 be observed; psychiatric signs which are medically demonstrable phenomena

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

1 member's account and interest credited on such amounts as provided by KRS
2 16.583 and 61.597;

3 (41) "Accumulated account balance" means:

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

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

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

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

16 (b) If a retired member, does not become an employee, leased employee, or
17 independent contractor of the employer for which he or she is performing
18 volunteer services for a period of at least twelve (12) months following the
19 retired member's most recent retirement date;

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

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

27 (45) "Monthly average pay" means the higher of the member's monthly final rate of pay

1 or the average monthly creditable compensation earned by the deceased member
2 during his or her last twelve (12) months of employment;

3 (46) "Authority" means the Kentucky Public Pensions Authority as provided by KRS
4 61.505; and

5 (47) "Executive director" means the executive director of the Kentucky Public Pensions
6 Authority.

7 ➔Section 3. KRS 212.792 is amended to read as follows:

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

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

20 (3) Notwithstanding the provisions of KRS 61.510 to 61.692 and 78.510 to 78.852 all
21 regular full-time, present and future public health employees of an independent
22 district department of health shall be included within the provisions of the Kentucky
23 Retirement ~~Systems~~[System]. **In the event that an independent district board of**
24 **health ceases to operate or a county withdraws from an independent district**
25 **board of health, the counties making up the ceasing independent district board of**
26 **health, or the withdrawing county or counties, shall pay their share of actuarially**
27 **accrued liability contributions to the Kentucky Employees Retirement System as**

1 *provided by subsection (1)(d) of Section 1 of this Act based upon the county's*
2 *prorated share of costs in the independent district board of health established by*
3 *KRS 212.794(1).*

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

10 ➔Section 4. The Kentucky Retirement Systems board of trustees shall amend the
11 actuarial valuation for the Kentucky Employees Retirement System in accordance with
12 the provisions of Section 1 of this Act so that employer costs can be determined for fiscal
13 year 2021-2022 and shall provide the information to the Governor and General Assembly
14 for purposes of the fiscal year 2021-2022 budgeting process.

15 ➔Section 5. Whereas ensuring the financial health of the Kentucky Employees
16 Retirement System is critical to the Commonwealth of Kentucky and to members,
17 retirees, and employers of the system, an emergency is declared to exist, and this Act
18 takes effect upon its passage and approval by the Governor or upon its otherwise
19 becoming law.