

1 AN ACT relating to retirement and declaring an emergency.

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

3 ➔SECTION 1. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
4 READ AS FOLLOWS:

5 *(1) The provisions of this section shall only apply to members of the County*
6 *Employees Retirement System who began participating in the system prior to*
7 *January 1, 2014, who have service in a nonhazardous position.*

8 *(2) (a) A member who began participating prior to September 1, 2008, is eligible*
9 *for a retirement allowance determined under paragraphs (4)(a) or (4)(b) of*
10 *this section, as applicable, for his or her service if:*

11 *1. The member has attained normal retirement age and has four (4) or*
12 *more years of service, at least one (1) of which is current service;*

13 *2. The member has twenty-seven (27) or more years of service, at least*
14 *fifteen (15) of which are current service;*

15 *3. The member has attained age fifty-five (55) and has five (5) or more*
16 *years of service, at least one (1) of which is current service; or*

17 *4. The member is less than age fifty-five (55) and has twenty-five (25) or*
18 *more years of service, at least fifteen (15) of which are current service.*

19 *(b) In lieu of any other benefits due under 78.510 to 78.852, a member who*
20 *began participating prior to September 1, 2008, who has attained normal*
21 *retirement age and who has obtained at least one (1) month of service credit*
22 *but no more than forty-seven (47) months of service may elect to receive an*
23 *annual retirement allowance payable monthly or less frequently, as*
24 *determined by the board, which shall be determined by multiplying his or*
25 *her accumulated contributions by two (2) and converting this amount to an*
26 *annual retirement allowance based on an annuity rate adopted by the board*
27 *which would pay the actuarial equivalent of twice his or her accumulated*

1 contributions over the lifetime of the retired member.

2 (c) A member who began participating prior to September 1, 2008, who has
3 earned vested service credit in a retirement system, other than the Teachers'
4 Retirement System, sponsored by a Kentucky institution of higher
5 education, the Council on Postsecondary Education, or the Higher
6 Education Assistance Authority, may count the vested service toward
7 attaining the necessary years of service credit as provided in subparagraphs
8 (a)2. and (a)4. of this subsection to qualify for a retirement allowance. The
9 credit from a Kentucky institution of higher education, the Council on
10 Postsecondary Education, or the Higher Education Assistance Authority
11 shall not be used toward the minimum fifteen (15) years of current service
12 required by subparagraphs (a)2. and (a)4. of this subsection or to calculate
13 his or her retirement allowance pursuant to this section. The provisions of
14 this paragraph shall not be construed to limit the use of Teachers'
15 Retirement System credit pursuant to KRS 61.680(2)(a).

16 (3) A member who began participating on or after September 1, 2008, but prior to
17 January 1, 2014, is eligible for a retirement allowance determined under
18 paragraph (4)(c) of this section if:

19 (a) The member has attained normal retirement age and has at least five (5)
20 years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or
21 another state-administered retirement system;

22 (b) The member is fifty-seven (57) years of age or older and has an age and
23 years of service total of at least eighty-seven (87) years. The years of service
24 used to determine eligibility for a retirement allowance under this
25 paragraph shall only include years of service credited under KRS 16.543(1),
26 61.543(1), or 78.615(1), or another state-administered retirement system; or

27 (c) The member is sixty (60) years of age or older and has at least ten (10) years

1 of service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another
2 state-administered retirement system .

3 (4) Upon retirement under the conditions specified by subsection (2) and (3) of this
4 section except as provided by paragraph (2)(b) of this section, a member covered
5 by this section may receive an annual retirement allowance, payable monthly
6 during his or her lifetime, which shall consist of an amount equal to:

7 (a) Two and two-tenths percent (2.2%) of final compensation multiplied by the
8 number of years of service credit, if the member began participating prior to
9 August 1, 2004;

10 (b) Two percent (2.0%) of final compensation multiplied by the number of
11 years of service credit, if the member began participating on or after August
12 1, 2004, but prior to September 1, 2008;

13 (c) If the member began participating on or after September 1, 2008, but prior
14 to January 1, 2014:

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

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

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

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

retirement; and

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

(d) The annual retirement allowance determined under this subsection shall:

1. Not be reduced for a member retiring under the provisions specified by paragraph (2)(a)1., (2)(a)2., (3)(a), and (3)(b) of this section; and

2. Be reduced for a member retiring under the provisions specified by paragraphs (2)(a)3., (2)(a)4., and (3)(c) of this section by an amount determined by the board's actuary to reflect the earlier commencement of benefits.

➔SECTION 2. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

(1) A member of the County Employees Retirement System who is participating in a nonhazardous position and who began participating in the system on or after January 1, 2014, or a member who makes an election pursuant to KRS 61.5955, shall receive the retirement benefits provided by this section in lieu of the retirement benefits provided under Section 1 of this Act. The retirement benefit provided by this section shall be known as the hybrid cash balance plan and shall operate as another benefit tier within the County Employees Retirement System.

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

(a) Contributions made by the member as provided by KRS 78.510 to 78.852, except for employee contributions prescribed by paragraph (3)(b) of Section 14 of this Act;

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

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

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

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

10 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
11 contributed to the hybrid cash balance plan or the Kentucky Retirement
12 Systems during the fiscal year.

13 (b) If the member contributed to the hybrid cash balance plan or the Kentucky
14 Retirement Systems during the fiscal year, the interest credit added to the
15 member's account for that fiscal year shall be determined by multiplying the
16 member's accumulated account balance on June 30 of the preceding fiscal
17 year by a percentage increase equal to:

18 1. Four percent (4%); plus

19 2. Seventy-five percent (75%) of the system's geometric average net
20 investment return in excess of a four percent (4%) rate of return.

21 (c) If the member did not contribute to the hybrid cash balance plan or the
22 Kentucky Retirement Systems during the fiscal year, the interest credit
23 added to the member's account for that fiscal year shall be determined by
24 multiplying the member's accumulated account balance on June 30 of the
25 preceding fiscal year by four percent (4%).

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

- 1 1. Means the annual average geometric investment return, net of
2 administrative and investment fees and expenses, over the last five (5)
3 fiscal years as of the date the interest is credited to the member's
4 account; and
5 2. Shall be expressed as a percentage and based upon the system in
6 which the member has an account.

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

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

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

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

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

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

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

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

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

9 (b) Receive the actuarial equivalent of his or her retirement allowance
10 calculated under paragraph (a) of this subsection payable under one (1) of
11 the options set forth in KRS 61.635, except for the option provided by KRS
12 61.635(11); or

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

14 (8) The provisions of this section shall not apply to members who began participating
15 in the Kentucky Employees Retirement System, County Employees Retirement
16 System, or the State Police Retirement System prior to January 1, 2014, except as
17 provided by KRS 61.5955.

18 ➔SECTION 3. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
19 READ AS FOLLOWS:

20 (1) The provisions of this section shall only apply to members of the County
21 Employees Retirement System who began participating in the system prior to
22 January 1, 2014, who have service in a hazardous position.

23 (2) (a) A member who began participating prior to September 1, 2008, is eligible
24 for a retirement allowance determined under paragraph (4)(a) of this
25 section for his or her service if:

26 1. The member has attained normal retirement age and has five (5) or
27 more years of service, at least one (1) of which is current service;

1 2. The member has twenty (20) or more years of service, at least fifteen
2 (15) of which are current service; or

3 3. The member has attained age fifty (50) and has fifteen (15) or more
4 years of service.

5 (b) In lieu of any other benefits due under 78.510 to 78.852, a member who
6 began participating prior to September 1, 2008, who has attained normal
7 retirement age and who has obtained at least one (1) month of service credit
8 but no more than fifty-nine (59) months of service may elect to receive an
9 annual retirement allowance payable monthly or less frequently, as
10 determined by the board, which shall be determined by multiplying his or
11 her accumulated contributions by two (2) and converting this amount to an
12 annual retirement allowance based on an annuity rate adopted by the board
13 which would pay the actuarial equivalent of twice his or her accumulated
14 contributions over the lifetime of the retired member.

15 (3) A member who began participating on or after September 1, 2008, but prior to
16 January 1, 2014, is eligible for a retirement allowance determined under
17 paragraph (4)(b) of this section for his or her service if:

18 (a) The member has attained normal retirement age and has five (5) years of
19 service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another
20 state-administered retirement system;

21 (b) The member has twenty-five (25) or more years of service credited under
22 KRS 16.543(1), 61.543(1), or 78.615(1), or another state-administered
23 retirement system; or

24 (c) The member has attained age fifty (50) and has fifteen (15) years of service
25 credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another state-
26 administered retirement system.

27 (4) (a) A member of the system covered by this section who began participating

1 prior to September 1, 2008, may elect to receive an annual retirement
2 allowance, payable monthly during his lifetime, equal to two and five-tenths
3 percent (2.5%) of final compensation for each year of service credit.

4 (b) A member of the system covered by this section, who begins participating in
5 the system on or after September 1, 2008, but prior to January 1, 2014, shall
6 be eligible to receive an annual retirement allowance, payable monthly
7 during his or her lifetime, equal to:

8 1. One and three-tenths percent (1.3%) of final compensation for each
9 year of service credit if the employee has earned ten (10) or less years
10 of service at retirement;

11 2. One and one-half percent (1.5%) of final compensation for each year
12 of service credit if the employee has earned greater than ten (10) but
13 no more than twenty (20) years of service at retirement;

14 3. Two and one-quarter percent (2.25%) of final compensation for each
15 year of service credit if the employee has earned greater than twenty
16 (20) but less than twenty-five (25) years of service at retirement; or

17 4. Two and one-half percent (2.5%) of final compensation for each year
18 of service credit if the employee has earned twenty-five (25) or more
19 years of service at retirement.

20 (c) The annual retirement allowance determined under this subsection, shall:

21 1. Not be reduced for a member retiring under the provisions specified by
22 paragraph (2)(a)1., (2)(a)2., (3)(a), and (3)(b) of this section; and

23 2. Be reduced for a member retiring under the provisions specified by
24 paragraphs (2)(a)3. and (3)(c) of this section by an amount determined
25 by the board's actuary to reflect the earlier commencement of benefits.

26 ➔SECTION 4. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
27 READ AS FOLLOWS:

1 (1) A member of the County Employees Retirement System in a hazardous position
2 covered by this section, who begins participating in the system on or after
3 January 1, 2014, or a member who makes an election pursuant to KRS 61.5955,
4 shall receive the retirement benefits provided by this section in lieu of the
5 retirement benefits provided under Section 3 of this Act. The retirement benefit
6 provided by this section shall be known as the hybrid cash balance plan and shall
7 operate as another benefit tier within the County Employees Retirement System.

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

10 (a) Contributions made by the member as provided by KRS 78.510 to 78.852,
11 except for employee contributions prescribed by paragraph (3)(b) of Section
12 14 of this Act;

13 (b) An employer pay credit of seven and one-half percent (7.5%) of the
14 creditable compensation earned by the employee for each month the
15 employee is contributing to the hybrid cash balance plan provided by this
16 section; and

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

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

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

26 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
27 contributed to the hybrid cash balance plan or the Kentucky Retirement

1 Systems during the fiscal year.

2 **(b) If the member contributed to the hybrid cash balance plan or the Kentucky**
3 **Retirement Systems during the fiscal year, the interest credit added to the**
4 **member's account for that fiscal year shall be determined by multiplying the**
5 **member's accumulated account balance on June 30 of the preceding fiscal**
6 **year by a percentage increase equal to:**

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

8 **2. Seventy-five percent (75%) of the system's geometric average net**
9 **investment return in excess of a four percent (4%) rate of return.**

10 **(c) If the member did not contribute to the hybrid cash balance plan or the**
11 **Kentucky Retirement Systems during the fiscal year, the interest credit**
12 **added to the member's account for that fiscal year shall be determined by**
13 **multiplying the member's accumulated account balance on June 30 of the**
14 **preceding fiscal year by four percent (4%).**

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

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

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

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

27 **(5) (a) Upon termination of employment, a member who has less than five (5)**

1 years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1),
2 who elects to take a refund of his or her accumulated account balance as
3 provided by KRS 61.625, shall forfeit the accumulated employer credit, and
4 shall only receive a refund of his or her accumulated contributions.

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

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

12 (a) At his or her normal retirement date, provided he or she has earned five (5)
13 or more years of service credited under KRS 16.543(1), 61.543(1), or
14 78.615(1), or another state-administered retirement system; or

15 (b) At any age, provided he or she has earned twenty-five (25) or more years of
16 service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another
17 state-administered retirement system.

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

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

23 (b) Receive the actuarial equivalent of his or her retirement allowance
24 calculated under paragraph (a) of this subsection payable under one (1) of
25 the options set forth in KRS 61.635, except for the option provided by KRS
26 61.635(11); or

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

1 (8) The provisions of this section shall not apply to members who began participating
2 in the Kentucky Employees Retirement System, County Employees Retirement
3 System, or the State Police Retirement System prior to January 1, 2014, except as
4 provided by KRS 61.5955.

5 ➔SECTION 5. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
6 READ AS FOLLOWS:

7 (1) Effective August 1, 1996, to July 1, 2008, a recipient of a retirement allowance
8 under KRS 78.510 to 78.852 shall have his or her retirement allowance increased
9 on July 1 of each year by the percentage increase in the annual average of the
10 consumer price index for all urban consumers for the most recent calendar year
11 as published by the federal Bureau of Labor Statistics, not to exceed five percent
12 (5%). In determining the annual employer contribution rate, only the cost of
13 increases granted as of the most recent valuation date shall be recognized. The
14 benefits of this subsection as provided on August 1, 1996, to July 1, 2008, shall
15 not be considered as benefits protected by the inviolable contract provisions of
16 KRS 78.852. The General Assembly reserves the right to suspend or reduce the
17 benefits conferred in this subsection if in their judgment the welfare of the
18 Commonwealth so demands.

19 (2) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a
20 retirement allowance under KRS 78.510 to 78.852 shall have his or her
21 retirement allowance increased by one and one-half percent (1.5%), if:

22 1. The funding level of the pension fund is greater than one hundred
23 percent (100%) and subsequent legislation authorizes the use of any
24 surplus actuarial assets to provide an increase in retirement
25 allowances described by this subsection for the pension fund which
26 has the surplus actuarial assets; or

27 2. The General Assembly directs payment of employer contributions to

1 fully prefund the increase described by this subsection in the year the
2 increase is provided.

3 **(b) The board of trustees of the system shall, at least thirty (30) days prior to the**
4 **beginning of regular sessions of the General Assembly held in even-**
5 **numbered years, advise the General Assembly of the following:**

6 **1. Which pension funds have a funding level greater than one hundred**
7 **percent (100%) and can support an increase in recipients' retirement**
8 **allowances as provided by paragraph (a) of this subsection over the**
9 **next budget biennium without reducing the funding level of the**
10 **pension fund below one hundred percent (100%); and**

11 **2. If no surplus actuarial assets are available, the level of employer**
12 **contribution funds needed to fully prefund an increase for pension**
13 **fund recipients over the next budget biennium if a one and one-half**
14 **percent (1.5%) increase is provided annually over the biennium.**

15 **(c) For purposes of this subsection, "funding level" means the actuarial value**
16 **of assets divided by the actuarially accrued liability expressed as a**
17 **percentage that is determined and reported by the system's actuary in the**
18 **system's actuarial valuation for each pension fund.**

19 **(d) The full increase described by this subsection shall only be provided if the**
20 **recipient has been receiving a benefit for at least twelve (12) months prior to**
21 **the effective date of the increase. If the recipient has been receiving a**
22 **benefit for less than twelve (12) months prior to the effective date of the**
23 **increase provided by this subsection, the increase shall be reduced on a pro**
24 **rata basis for each month the recipient has not been receiving benefits in**
25 **the twelve (12) months preceding the effective date of the increase.**

26 **(e) The benefits of this subsection as provided on July 1, 2009, and thereafter**
27 **shall not be considered as benefits protected by the inviolable contract**

1 provisions of KRS 78.852. The General Assembly reserves the right to
2 suspend or reduce the benefits conferred in this subsection if, in its
3 judgment, the welfare of the Commonwealth so demands.

4 ➔SECTION 6. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
5 READ AS FOLLOWS:

6 (1) For purposes of this section:

7 (a) "Hazardous position" for employees who began participating in the County
8 Employees Retirement System prior to September 1, 2008, means any
9 position whose principal duties involve active law enforcement, including
10 the positions of probation and parole officer, active fire suppression or
11 prevention, correctional officers with duties that routinely and regularly
12 require face-to-face contact with inmates, or other positions, including but
13 not limited to paramedics and emergency medical technicians, with duties
14 that require frequent exposure to a high degree of danger or peril and also
15 require a high degree of physical conditioning; and

16 (b) "Hazardous position" for employees who begin participating in the County
17 Employees Retirement System on or after September 1, 2008, means police
18 officers and firefighters as defined in KRS 61.315(1), paramedics,
19 correctional officers with duties that routinely and regularly require face-to-
20 face contact with inmates, and emergency medical technicians, if:

21 1. The employee's duties require frequent exposure to a high degree of
22 danger or peril and a high degree of physical conditioning; and

23 2. The employee's duties are not primarily clerical or administrative.

24 (2) (a) Each employer may request of the board hazardous coverage for those
25 positions as defined in subsection (1) of this section. Upon request, each
26 employer shall certify to the system, in the manner prescribed by the board,
27 the names of all employees working in a hazardous position as defined in

1 subsection (1) of this section for which coverage is requested. The
2 certification of the employer shall bear the approval of the agent or agency
3 responsible for the budget of the employer indicating that the required
4 employer contributions have been provided for in the budget of the
5 employer. The system shall determine whether the employees whose names
6 have been certified by the employer are working in positions meeting the
7 definition of a hazardous position as provided by subsection (1) of this
8 section.

9 (b) Each employer shall also certify, under penalty of perjury in accordance
10 with KRS Chapter 523, that each employee's actual job duties are
11 accurately reflected in the job description provided to the system. The
12 system shall determine whether the employees whose names have been
13 certified by the employer are working in positions meeting the definition of
14 a hazardous position as defined in subsection (1) of this section.

15 (c) The board shall have the authority to remove any employee from hazardous
16 coverage if the board determines the employee is not working in a
17 hazardous position or if the employee is classified in a hazardous position
18 but has individual job duties that do not meet the definition of a hazardous
19 position or are not accurately reflected in the job descriptions filed by the
20 employer with the system.

21 (3) (a) If the employer participated in the system prior to electing hazardous
22 coverage, the employer may pay to the system the cost of converting the
23 nonhazardous service to hazardous service from the date of participation to
24 the date the payment is made, or the employer may establish a payment
25 schedule for payment of the cost of the hazardous service above that which
26 would be funded within the existing employer contribution rate. The
27 employer may extend the payment schedule to a maximum of thirty (30)

1 years. Payments made by the employer under this subsection shall be
2 deposited to the retirement allowance account of the proper retirement or
3 retiree health fund and shall not be considered accumulated contributions
4 of the individual members.

5 **(b) If the employer elects not to make the additional payment as provided by**
6 **paragraph (a) of this subsection, the employee may pay the cost of**
7 **converting the service and provide payment for the cost as provided by**
8 **subsection (9) of Section 52 of this Act. Payments made by the employee**
9 **under this subsection shall not be picked up, as described in KRS 78.610(4),**
10 **by the employer.**

11 **(c) If neither the employer nor employee makes the payment, the service prior**
12 **to hazardous position coverage shall remain nonhazardous.**

13 **(d) The provisions of this subsection shall not apply to members who begin**
14 **participating in the system on or after January 1, 2014.**

15 **(4) Any person employed in a hazardous position shall be required to undergo a**
16 **thorough medical examination by a licensed physician, and a copy of the medical**
17 **report of the physician shall be retained on file by the person's employer and**
18 **made available to the system upon request.**

19 **(5) If doubt exists regarding the benefits payable to a hazardous position employee**
20 **under this section, the board shall determine the benefits payable under 78.510 to**
21 **78.852.**

22 ➔SECTION 7. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
23 READ AS FOLLOWS:

24 **The disability retirement provisions contained in this section shall apply to a person**
25 **whose last date of paid employment was in a nonhazardous position.**

26 **(1) Any person may qualify to retire on disability, subject to the following conditions:**

27 **(a) The person shall have sixty (60) months of service, twelve (12) of which**

1 shall be current service credited under KRS 16.543(1), 61.543(1), or
2 78.615(1);

3 (b) For a person whose membership date is prior to August 1, 2004, the person
4 shall not be eligible for an unreduced retirement allowance;

5 (c) The person's application shall be on file in the retirement office no later
6 than twenty-four (24) months after the person's last day of paid employment
7 in a regular full-time position, as defined in KRS 78.510; and

8 (d) The person shall receive a satisfactory determination pursuant to Section 69
9 of this Act.

10 (2) A person's disability reapplication based on the same claim of incapacity shall be
11 accepted and reconsidered for disability if accompanied by new objective medical
12 evidence. The reapplication shall be on file in the retirement office no later than
13 twenty-four (24) months after the person's last day of paid employment in a
14 regular full-time position.

15 (3) Upon the examination of the objective medical evidence by licensed physicians
16 pursuant to Section 69 of this Act, it shall be determined that:

17 (a) The person, since his or her last day of paid employment, has been mentally
18 or physically incapacitated to perform the job, or jobs of like duties, from
19 which he or she received his or her last paid employment. In determining
20 whether the person may return to a job of like duties, any reasonable
21 accommodation by the employer as provided in 42 U.S.C. sec. 12111(9) and
22 29 C.F.R. pt. 1630 shall be considered;

23 (b) The incapacity is a result of bodily injury, mental illness, or disease. For
24 purposes of this section, "injury" means any physical harm or damage to
25 the human organism other than disease or mental illness;

26 (c) The incapacity is deemed to be permanent; and

27 (d) The incapacity does not result directly or indirectly from bodily injury,

1 mental illness, disease, or condition which pre-existed membership in the
2 system or reemployment, whichever is most recent. For purposes of this
3 subsection, reemployment shall not mean a change of employment between
4 employers participating in the Kentucky Retirement Systems or the County
5 Employees Retirement System with no loss of service credit.

6 (4) Paragraph (d) of subsection (3) of this section shall not apply if:

7 (a) The incapacity is a result of bodily injury, mental illness, disease, or
8 condition which has been substantially aggravated by an injury or accident
9 arising out of or in the course of employment; or

10 (b) The person has at least sixteen (16) years' current or prior service for
11 employment with employers participating in the Kentucky Retirement
12 Systems or the County Employees Retirement System.

13 (5) (a) 1. An incapacity shall be deemed to be permanent if it is expected to
14 result in death or can be expected to last for a continuous period of
15 not less than twelve (12) months from the person's last day of paid
16 employment in a regular full-time position.

17 2. The determination of a permanent incapacity shall be based on the
18 medical evidence contained in the member's file and the member's
19 residual functional capacity and physical exertion requirements.

20 (b) The person's residual functional capacity shall be the person's capacity for
21 work activity on a regular and continuing basis. The person's physical
22 ability shall be assessed in light of the severity of the person's physical,
23 mental, and other impairments. The person's ability to walk, stand, carry,
24 push, pull, reach, handle, and other physical functions shall be considered
25 with regard to physical impairments. The person's ability to understand,
26 remember, and carry out instructions and respond appropriately to
27 supervision, coworkers, and work pressures in a work setting shall be

1 considered with regard to mental impairments. Other impairments,
2 including skin impairments, epilepsy, visual sensory impairments, postural
3 and manipulative limitations, and environmental restrictions, shall be
4 considered in conjunction with the person's physical and mental
5 impairments to determine residual functional capacity.

6 (c) The person's physical exertion requirements shall be determined based on
7 the following standards:

8 1. Sedentary work shall be work that involves lifting no more than ten
9 (10) pounds at a time and occasionally lifting or carrying articles such
10 as large files, ledgers, and small tools. Although a sedentary job
11 primarily involves sitting, occasional walking and standing may also
12 be required in the performance of duties.

13 2. Light work shall be work that involves lifting no more than twenty
14 (20) pounds at a time with frequent lifting or carrying of objects
15 weighing up to ten (10) pounds. A job shall be in this category if
16 lifting is infrequently required but walking and standing are
17 frequently required, or if the job primarily requires sitting with
18 pushing and pulling of arm or leg controls. If the person has the
19 ability to perform substantially all of these activities, the person shall
20 be deemed capable of light work. A person deemed capable of light
21 work shall be deemed capable of sedentary work unless the person has
22 additional limitations such as the loss of fine dexterity or inability to
23 sit for long periods.

24 3. Medium work shall be work that involves lifting no more than fifty
25 (50) pounds at a time with frequent lifting or carrying of objects
26 weighing up to twenty-five (25) pounds. If the person is deemed
27 capable of medium work, the person shall be deemed capable of light

1 and sedentary work.

2 4. Heavy work shall be work that involves lifting no more than one
3 hundred (100) pounds at a time with frequent lifting or carrying of
4 objects weighing up to fifty (50) pounds. If the person is deemed
5 capable of heavy work, the person shall also be deemed capable of
6 medium, light, and sedentary work.

7 5. Very heavy work shall be work that involves lifting objects weighing
8 more than one hundred (100) pounds at a time with frequent lifting or
9 carrying of objects weighing fifty (50) or more pounds. If the person is
10 deemed capable of very heavy work, the person shall be deemed
11 capable of heavy, medium, light, and sedentary work.

12 (6) Upon disability retirement, an employee may receive a disability retirement
13 allowance during his or her lifetime which shall be:

14 (a) For a member who began participating prior to August 1, 2004, an annual
15 retirement allowance payable monthly and determined in the same manner
16 as for retirement at his normal retirement date with years of service and
17 final compensation being determined as of the date of his or her disability,
18 except that service credit shall be added to the person's total service
19 beginning with his or her last date of paid employment and continuing to
20 his or her sixty-fifth birthday; however, the maximum service credit added
21 shall not exceed the total service the person had upon his or her last day of
22 paid employment, and the maximum combined service credit for calculating
23 his or her disability retirement allowance, including total service and added
24 service shall not exceed twenty-five (25) years. If, however, a person covered
25 by this paragraph has accumulated twenty-five (25) or more years of total
26 service, he or she shall receive added service necessary to bring his or her
27 combined service credit, including total and added service, to twenty-seven

1 (27) years;

2 **(b) For a member who began participating on or after August 1, 2004, but prior**
3 **to January 1, 2014, the higher of twenty percent (20%) of the member's**
4 **monthly final rate of pay or the monthly retirement allowance determined**
5 **in the same manner as for retirement at his or her normal retirement date**
6 **with years of service and final compensation being determined as of the**
7 **date of his or her disability; or**

8 **(c) For a member who begins participating on or after January 1, 2014, in the**
9 **hybrid cash balance plan as provided by Section 2 of this Act, the higher of**
10 **twenty percent (20%) of the member's monthly final rate of pay or the**
11 **retirement allowance determined in the same manner as for retirement at**
12 **his or her normal retirement date under Section 2 of this Act.**

13 **(7) No benefit provided in this section shall be reduced as a result of any change in**
14 **the extent of disability of any retired member who is normal retirement age or**
15 **older.**

16 **(8) A person whose last day of paid employment was in a nonhazardous position who**
17 **is totally and permanently disabled due to a duty-related injury may be eligible**
18 **for benefits based upon the definitions, criteria, and requirements specified by**
19 **KRS 61.621.**

20 ➔SECTION 8. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
21 READ AS FOLLOWS:

22 **The disability retirement provisions contained in this section shall apply to a person**
23 **whose last date of paid employment was in a hazardous position.**

24 **(1) (a) For purposes of this section:**

25 **1. "Total and permanent disability" means a disability which results in**
26 **the member's incapacity to engage in any occupation for**
27 **remuneration or profit. Loss by severance of both hands at or above**

1 the wrists, or both feet at or above the ankles, or one (1) hand above
2 the wrist and one (1) foot above the ankle, or the complete, irrevocable
3 loss of the sight of both eyes shall be considered as total and
4 permanent; and

5 2. "Hazardous disability" means a disability which results in an
6 employee's total incapacity to continue as an employee in a hazardous
7 position, but the employee is not necessarily deemed to be totally and
8 permanently disabled to engage in other occupations for remuneration
9 or profit.

10 (b) In determining whether the disability meets the requirement of this section,
11 any reasonable accommodation provided by the employer as provided in 42
12 U.S.C. sec. 12111(9) and 29 C.F.R. pt. 1630 shall be considered.

13 (c) If the board determines that the total and permanent disability of a member
14 receiving a retirement allowance under this section has ceased, then the
15 board shall determine if the member has a hazardous disability as defined
16 by KRS 78.510.

17 (2) Any person may qualify to retire on disability, subject to the following:

18 (a) The person shall have sixty (60) months of service, twelve (12) of which
19 shall be current service credited under KRS 16.543(1), 61.543(1), or
20 78.615(1). The service requirement shall be waived if the disability is a total
21 and permanent disability or a hazardous disability and is a direct result of
22 an act in line of duty;

23 (b) For a person whose membership date is prior to August 1, 2004, the person
24 shall not be eligible for an unreduced retirement allowance;

25 (c) The person's application shall be on file in the retirement office no later
26 than twenty-four (24) months after the person's last day of paid
27 employment, as defined in KRS 78.510, in a regular full-time position that

1 has been approved as a hazardous position in accordance with Section 6 of
2 this Act;

3 (d) The person shall receive a satisfactory determination pursuant to Section 69
4 of this Act; and

5 (e) A person's disability application based on the same claim of incapacity shall
6 be accepted and reconsidered for disability if accompanied by new objective
7 medical evidence. The application shall be on file in the retirement office no
8 later than twenty-four (24) months after the person's last day of paid
9 employment in a regular full-time hazardous position.

10 (3) Upon the examination of the objective medical evidence by licensed physicians
11 pursuant to Section 69 of this Act, it shall be determined that:

12 (a) The incapacity results from bodily injury, mental illness, or disease. For
13 purposes of this section, "injury" means any physical harm or damage to
14 the human organism other than disease or mental illness;

15 (b) The incapacity is deemed to be permanent; and

16 (c) The incapacity does not result directly or indirectly from:

17 1. Injury intentionally self-inflicted while sane or insane; or

18 2. Bodily injury, mental illness, disease, or condition which pre-existed
19 membership in the system or reemployment, whichever is most recent,
20 unless:

21 a. The disability results from bodily injury, mental illness, disease,
22 or a condition which has been substantially aggravated by an
23 injury or accident arising out of or in the course of employment;
24 or

25 b. The person has at least sixteen (16) years' current or prior
26 service for employment with employers participating in the
27 County Employees Retirement System or the Kentucky

Retirement Systems.

For purposes of this subparagraph, "reemployment" shall not mean a change of employment between employers participating in the County Employees Retirement System or the Kentucky Retirement Systems with no loss of service credit.

(4) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months from the person's last day of paid employment in a hazardous position.

2. The determination of a permanent incapacity shall be based on the medical evidence contained in the member's file and the member's residual functional capacity and physical exertion requirements.

(b) The person's residual functional capacity shall be the person's capacity for work activity on a regular and continuing basis. The person's physical ability shall be assessed in light of the severity of the person's physical, mental, and other impairments. The person's ability to walk, stand, carry, push, pull, reach, handle, and other physical functions shall be considered with regard to physical impairments. The person's ability to understand, remember, and carry out instructions and respond appropriately to supervision, coworkers, and work pressures in a work setting shall be considered with regard to mental impairments. Other impairments, including skin impairments, epilepsy, visual sensory impairments, postural and manipulative limitations, and environmental restrictions, shall be considered in conjunction with the person's physical and mental impairments to determine residual functional capacity.

(c) The person's physical exertion requirements shall be determined based on the following standards:

- 1 1. Sedentary work shall be work that involves lifting no more than ten
2 (10) pounds at a time and occasionally lifting or carrying articles such
3 as large files, ledgers, and small tools. Although a sedentary job
4 primarily involves sitting, occasional walking and standing may also
5 be required in the performance of duties.
- 6 2. Light work shall be work that involves lifting no more than twenty
7 (20) pounds at a time with frequent lifting or carrying of objects
8 weighing up to ten (10) pounds. A job shall be in this category if
9 lifting is infrequently required but walking and standing are
10 frequently required, or if the job primarily requires sitting with
11 pushing and pulling of arm or leg controls. If the person has the
12 ability to perform substantially all of these activities, the person shall
13 be deemed capable of light work. A person deemed capable of light
14 work shall be deemed capable of sedentary work unless the person has
15 additional limitations such as the loss of fine dexterity or inability to
16 sit for long periods.
- 17 3. Medium work shall be work that involves lifting no more than fifty
18 (50) pounds at a time with frequent lifting or carrying of objects
19 weighing up to twenty-five (25) pounds. If the person is deemed
20 capable of medium work, the person shall be deemed capable of light
21 and sedentary work.
- 22 4. Heavy work shall be work that involves lifting no more than one
23 hundred (100) pounds at a time with frequent lifting or carrying of
24 objects weighing up to fifty (50) pounds. If the person is deemed
25 capable of heavy work, the person shall also be deemed capable of
26 medium, light, and sedentary work.
- 27 5. Very heavy work shall be work that involves lifting objects weighing

1 more than one hundred (100) pounds at a time with frequent lifting or
2 carrying of objects weighing fifty (50) or more pounds. If the person is
3 deemed capable of very heavy work, the person shall be deemed
4 capable of heavy, medium, light, and sedentary work.

5 (5) Upon disability retirement, an employee may receive a disability retirement
6 allowance payable during his or her lifetime which shall be:

7 (a) For a member who began participating in the system prior to August 1,
8 2004, an annual retirement allowance payable monthly and determined in
9 the same manner as for retirement at his normal retirement date with years
10 of service and final compensation being determined as of the date of his
11 disability, except that service shall be added beginning with his or her last
12 date of paid employment and continuing to his or her fifty-fifth birthday.
13 The maximum service credit added shall not exceed the total service the
14 member had on his or her last day of paid employment, and the maximum
15 service credit for calculating his or her retirement allowance, including his
16 or her total service and service added under this section, shall not exceed
17 twenty (20) years;

18 (b) For a member who begins participating on or after August 1, 2004, but
19 prior to January 1, 2014, the higher of twenty-five percent (25%) of the
20 member's monthly final rate of pay or the retirement allowance determined
21 in the same manner as for retirement at his or her normal retirement date
22 with years of service and final compensation being determined as of the
23 date of his or her disability; or

24 (c) For a member who begins participating on or after January 1, 2014, in the
25 hybrid cash balance plan as provided by Section 4 of this Act, the disability
26 retirement allowance shall be the higher of twenty-five percent (25%) of the
27 member's monthly final rate of pay or the retirement allowance determined

1 in the same manner as for retirement at his or her normal retirement date
2 under Section 4 of this Act.

3 (6) If the member receives a satisfactory determination of total and permanent
4 disability or hazardous disability pursuant to Section 69 of this Act and the
5 disability is the direct result of an act in line of duty, the member's retirement
6 allowance shall be calculated as follows:

7 (a) For the disabled member, benefits as provided in subsection (5) of this
8 section except that the monthly retirement allowance payable shall not be
9 less than twenty-five percent (25%) of the member's monthly final rate of
10 pay; and

11 (b) For each dependent child of the member on his or her disability retirement
12 date, who is alive at the time any particular payment is due, a monthly
13 payment equal to ten percent (10%) of the disabled member's monthly final
14 rate of pay; however, total maximum dependent children's benefit shall not
15 exceed forty percent (40%) of the member's monthly final rate of pay. The
16 payments shall be payable to each dependent child, or to a legally appointed
17 guardian or as directed by the system.

18 (7) No benefit provided in this section shall be reduced as a result of any change in
19 the extent of disability of any retired member who is normal retirement age or
20 older.

21 (8) If a regular full-time member in a hazardous position has been approved for
22 benefits under a hazardous disability, the board shall, upon request of the
23 member, permit the member to receive the hazardous disability allowance while
24 accruing benefits in a nonhazardous position, subject to proper medical review of
25 the nonhazardous position's job description by the Authority's medical examiner.

26 ➔SECTION 9. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
27 READ AS FOLLOWS:

- 1 (1) Once each year following the retirement of a person on a disability retirement
2 allowance, or less frequently as determined by the Authority's medical examiner
3 but not less than once every five (5) years, the system may require the person,
4 prior to his or her normal retirement date, to undergo an employment and
5 medical staff review and, if necessary, be required to file at the retirement office
6 on the review form prescribed by the Authority current employment information
7 and current medical information for the bodily injury, mental illness, or disease
8 for which he or she receives a disability retirement allowance. The person shall
9 have one hundred eighty (180) days from the day the Authority mailed the review
10 form to the person's last address on file in the retirement office to file at the
11 retirement office the review form and the current employment and medical
12 information. The person shall certify to the Authority that the review form,
13 including current employment and medical information, is ready to be evaluated
14 by the medical examiner in accordance with Section 10 of this Act.
- 15 (2) If, after good faith efforts, the person informs the Authority that he or she has
16 been unable to obtain the employment or medical information, the Authority
17 shall assist the person in obtaining the records and may use the powers granted
18 pursuant to KRS 61.685(1) to obtain the records.
- 19 (3) If the person fails or refuses to file at the retirement office the review form,
20 including the current employment and medical information, his or her retirement
21 allowance shall be discontinued or reduced on the first day of the month
22 following the expiration of the one hundred eighty (180) days from the day the
23 Authority mailed the review form to the person's last address on file in the
24 retirement office. The Authority shall send notice of the discontinuance or
25 reduction of the disability retirement allowance by United States first-class mail
26 to the person's last address on file in the retirement office. If the person's benefits
27 are discontinued or reduced under this section, his or her rights to further

1 disability retirement allowances shall cease, except as provided by Section 10 of
2 this Act.

3 ➔SECTION 10. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
4 TO READ AS FOLLOWS:

5 (1) If the Authority's medical examiner determines that a recipient of a disability
6 retirement allowance is, prior to his or her normal retirement date, employed in a
7 position with the same or similar duties, or in a position with duties requiring
8 greater residual functional capacity and physical exertion, as the position from
9 which he or she was disabled, except where the recipient has returned to work on
10 a trial basis not to exceed nine (9) months, the system may reduce or discontinue
11 the retirement allowance. Each recipient of a disability retirement allowance who
12 is engaged in gainful employment shall notify the Authority of any employment;
13 otherwise, the system shall have the right to recover payments of a disability
14 retirement allowance made during the employment.

15 (2) If the Authority's medical examiner determines that a recipient of a disability
16 retirement allowance is, prior to his or her normal retirement date, no longer
17 incapacitated by the bodily injury, mental illness, or disease for which he or she
18 receives a disability retirement allowance, the system may reduce or discontinue
19 the retirement allowance.

20 (3) The system shall have full power and authority to reduce or discontinue a
21 disability retirement allowance and the Authority shall utilize the services of a
22 medical examiner as provided in Section 69 of this Act, in determining whether to
23 continue, reduce, or discontinue a disability retirement allowance under this
24 section.

25 (a) The Authority shall select a medical examiner to evaluate the forms and
26 medical information submitted by the person. If there is objective medical
27 evidence of a mental impairment, the medical examiner may request the

1 Authority's licensed mental health professional to assist in determining the
2 level of the mental impairment.

3 (b) The medical examiners shall be paid a reasonable amount by the retirement
4 system for each case evaluated.

5 (c) The medical examiner shall recommend that disability retirement allowance
6 be continued, reduced, or discontinued.

7 1. If the medical examiner recommends that the disability retirement
8 allowance be continued, the system shall make retirement payments in
9 accordance with the retirement plan selected by the person.

10 2. If the medical examiner recommends that the disability retirement
11 allowance be reduced or discontinued, the Authority shall send notice
12 of the recommendation by United States first-class mail to the person's
13 last address on file in the retirement office.

14 a. The person shall have sixty (60) days from the day that the
15 Authority mailed the notice to file at the retirement office
16 additional supporting employment or medical information and
17 certify to the Authority that the forms and additional supporting
18 employment information or medical information are ready to be
19 evaluated by the medical examiner or to appeal the
20 recommendation of the medical examiner to reduce or
21 discontinue the disability retirement allowance by filing at the
22 retirement office a request for a formal hearing.

23 b. If the person fails or refuses to file at the retirement office the
24 forms, the additional supporting employment information, and
25 current medical information or to appeal the recommendation of
26 the medical examiners to reduce or discontinue the disability
27 retirement allowance, his or her retirement allowance shall be

1 discontinued on the first day of the month following the
2 expiration of the period of the sixty (60) days from the day the
3 Authority mailed the notice of the recommendation to the
4 person's last address on file in the retirement office.

5 (d) The medical examiner shall make a recommendation based upon the
6 evaluation of additional supporting medical information submitted in
7 accordance with paragraph (c)2.a. of this subsection.

8 1. If the medical examiner recommends that the disability retirement
9 allowance be continued, the system shall make disability retirement
10 payments in accordance with the retirement plan selected by the
11 person.

12 2. If the medical examiner recommends that the disability retirement
13 allowance be reduced or discontinued based upon the evaluation of
14 additional supporting medical information, the Authority shall send
15 notice of this recommendation by United States first-class mail to the
16 person's last address on file in the retirement office.

17 a. The person shall have sixty (60) days from the day that the
18 Authority mailed the notice of the recommendation to appeal the
19 recommendation to reduce or discontinue the disability
20 retirement allowance by filing at the retirement office a request
21 for formal hearing.

22 b. If the person fails or refuses to appeal the recommendation of
23 the medical examiners to reduce or discontinue the disability
24 retirement allowance, his retirement allowance shall be
25 discontinued on the first day of the month following the
26 expiration of the period of the sixty (60) days from the day the
27 Authority mailed the notice of the recommendation to the

1 person's last address on file in the retirement office.

2 (e) Any person whose disability benefits have been reduced or discontinued,
3 pursuant to paragraph (c)2. or (d)2. of this subsection, may file at the
4 retirement office a request for formal hearing to be conducted in
5 accordance with KRS Chapter 13B. The right to demand a formal hearing
6 shall be limited to a period of sixty (60) days after the person had notice, as
7 described in paragraph (c) or (d) of this subsection. The request for formal
8 hearing shall be filed with the Authority, at the retirement office in
9 Frankfort. The request for formal hearing shall include a short and plain
10 statement of the reasons the reduction, discontinuance, or denial of
11 disability retirement is being contested.

12 (f) Failure of the person to request a formal hearing within the period of time
13 specified shall preclude the person from proceeding any further with
14 contesting the reduction or discontinuation of disability retirement
15 allowance, except as provided in subsection (6)(d) of this section. This
16 paragraph shall not limit the person's right to appeal to a court.

17 (g) A final order of the board shall be based on substantial evidence appearing
18 in the record as a whole and shall set forth the decision of the board and the
19 facts and law upon which the decision is based. If the board orders that the
20 person's disability retirement allowance be discontinued or reduced, the
21 order shall take effect on the first day of the month following the day the
22 Authority mailed the order to the person's last address on file in the
23 retirement office. Judicial review of the final board order shall not operate
24 as a stay and the system shall discontinue or reduce the person's disability
25 retirement allowance as provided in this section.

26 (h) Notwithstanding any other provisions of this section, the Authority may
27 require the person to submit to one (1) or more medical or psychological

1 examinations at any time. The system shall be responsible for any costs
2 associated with any examinations of the person requested by the medical
3 examiner or the system for the purpose of providing medical information
4 deemed necessary by the medical examiner or the system. Notice of the time
5 and place of the examination shall be mailed to the person or his or her
6 legal representative. If the person fails or refuses to submit to one (1) or
7 more medical examinations, his or her rights to further disability retirement
8 allowance shall cease.

9 (i) All requests for a hearing pursuant to this section shall be made in writing.

10 (4) The board may establish an appeals committee whose members shall be
11 appointed by the chair and who shall have the authority to act upon the
12 recommendations and reports of the hearing officer pursuant to this section on
13 behalf of the board. The board may also establish a joint appeals committee with
14 the Kentucky Retirement Systems.

15 (5) Any person aggrieved by a final order of the board may seek judicial review after
16 all administrative appeals have been exhausted by filing a petition for judicial
17 review in the Franklin Circuit Court in accordance with KRS Chapter 13B.

18 (6) If a disability retirement allowance is reduced or discontinued for a person who
19 began participating prior to January 1, 2014, the person may apply for early
20 retirement benefits as provided under Section 1 or 3 of this Act, as applicable,
21 subject to the following provisions:

22 (a) The person may not change his or her beneficiary or payment option;

23 (b) If the person has returned to employment with an employer participating in
24 the County Employees Retirement System or the Kentucky Retirement
25 Systems, the service and creditable compensation shall be used in
26 recomputing his or her benefit, except that the person's final compensation
27 shall not be less than the final compensation last used in determining his or

1 her retirement allowance;

2 (c) The benefit shall be reduced as provided by subsection (4) of Section 1 of
3 this Act or subsection (4) of Section 3 of this Act;

4 (d) The person shall remain eligible for reinstatement of his or her disability
5 allowance upon reevaluation by the medical examiners until his or her
6 normal retirement age. The person shall apply for reinstatement of
7 disability benefits in accordance with the provisions of this section. An
8 application for reinstatement of disability benefits shall be administered as
9 an application under Sections 8 or 9 of this Act, as applicable, and only the
10 bodily injuries, mental illnesses, diseases, or conditions for which the
11 person was originally approved for disability benefits shall be considered.
12 Bodily injuries, mental illnesses, diseases, or conditions that came into
13 existence after the person's last day of paid employment shall not be
14 considered as a basis for reinstatement of disability benefits. Bodily injuries,
15 mental illnesses, diseases, or conditions alleged by the person as being
16 incapacitating, but which were not the basis for the award of disability
17 retirement benefits, shall not be considered. If the person establishes that
18 the disability benefits should be reinstated, the system shall pay disability
19 benefits effective from the first day of the month following the month in
20 which the person applied for reinstatement of the disability benefits; and

21 (e) Upon attaining normal retirement age, the person shall receive the higher
22 of either his or her disability retirement allowance or his or her early
23 retirement allowance.

24 (7) No disability retirement allowance shall be reduced or discontinued by the system
25 after the person's normal retirement date except in case of reemployment as
26 provided for by Section 16 of this Act. If a disability retirement allowance has
27 been reduced or discontinued, except if the person is reemployed as provided for

1 by Section 16 of this Act, the retirement allowance shall be reinstated upon
2 attainment of the person's normal retirement date to the retirement allowance
3 prior to adjustment. No reinstated payment shall be less than the person is
4 receiving upon attainment of the person's normal retirement date.

5 ➔SECTION 11. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
6 TO READ AS FOLLOWS:

7 Notwithstanding any other provisions of KRS 78.510 to 78.852, a maximum disability
8 benefit is hereby established which shall apply, upon disability retirement, to any
9 disabled employee's account to which service credit is added to determine disability
10 benefits or in any case where disability benefits are determined by computing a
11 percentage of the disabled employee's final monthly rate of pay. The maximum
12 disability benefit shall be determined by the following formula:

13 (1) Add the monthly benefit payable to the disabled employee from the County
14 Employees Retirement System and the Kentucky Retirement Systems, using the
15 monthly disability retirement allowance without any reduction due to the
16 selection of an optional payment plan under KRS 61.635 but excluding dependent
17 children's allowances, if any, to his monthly benefit, if any, from Social Security,
18 even though these payments may not begin for a period of time as required for
19 qualification under the federal Social Security law, excluding spouse or
20 dependent benefits, and his monthly benefit, if any, from workers' compensation,
21 even though these payments may not have begun as of the date the disabled
22 member applies for disability retirement benefits, excluding spouse or dependent
23 children's allowances, from workers' compensation, to arrive at a projected
24 combined monthly benefit.

25 (2) If the projected combined monthly benefit exceeds one hundred percent (100%)
26 of the disabled employee's final rate of pay or his final compensation, whichever
27 is greater, his disability retirement allowance from the County Employees

1 Retirement System and the Kentucky Retirement Systems shall be reduced to an
2 amount which would cause his projected combined monthly benefit to equal one
3 hundred percent (100%) of his final rate of pay or his final compensation,
4 whichever is greater; however, the disability retirement allowance shall not be
5 reduced below an amount which would result from a computation of his
6 disability retirement allowance from the County Employees Retirement System
7 and the Kentucky Retirement Systems using the disabled employee's actual total
8 service.

9 (3) The system may pay estimated benefits to a disabled employee, upon qualification
10 for disability retirement, based on an estimate of his Social Security and workers'
11 compensation benefits until the amounts are actually determined, at which time a
12 final calculation of the member's actual benefits shall be determined and his
13 account corrected retroactive to his effective retirement date.

14 (4) Any increase in Social Security benefits or workers' compensation benefits which
15 becomes law, regardless of their effective date, subsequent to the disabled
16 employee's effective retirement date, shall not be considered in determination of
17 the maximum benefit payable, as the maximum benefit payable is based on the
18 amount of combined benefits under these programs as of the disabled employee's
19 effective retirement date.

20 (5) Any disabled recipient whose potential payments from the system were reduced as
21 provided for in this section shall advise the Authority if his payments under the
22 Federal Social Security Act or Workers' Compensation Act cease at any time
23 subsequent to his effective retirement date. Upon investigation, if the system
24 determines that the disabled recipient continues to be eligible for disability
25 benefits, the system may increase his retirement allowance by adding to his
26 payment an amount equal to the reduction applied upon the effective retirement
27 date in accordance with subsection (2) of this section.

1 (6) The amount of combined disability benefit payments made to an individual on or
2 after April 1 2021, from the Kentucky Retirement Systems and the County
3 Employees Retirement System shall not be increased as a result of the passage of
4 this Act.

5 ➔SECTION 12. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
6 TO READ AS FOLLOWS:

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

13 (a) 1. The member had service in a nonhazardous position and was eligible
14 to retire under subsection (2) or (3) of Section 1 of this Act or
15 subsection (6) of Section 2 of this Act; or

16 2. The member had service in a hazardous position and was eligible to
17 retire under subsection (2) or (3) of Section 3 of this Act or subsection
18 (6) of Section 4 of this Act;

19 (b) The member was in active employment or on authorized leave of absence
20 with five (5) or more years of service credit and died prior to his or her
21 normal retirement date or in the case of a nonhazardous member, was
22 normal retirement age or older and had at least four (4) years of service
23 credit; or

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

27 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section

1 is a single person, then the beneficiary may elect to receive:

2 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
3 benefit that would have been paid had the member retired immediately prior
4 to his or her date of death and elected to receive benefits payable under the
5 survivorship one hundred percent (100%) option as provided in KRS
6 61.635(2);

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

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

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

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

25 (f) The higher of a refund of the member's accumulated account balance as
26 described in KRS 61.625(1) or one (1) time lump-sum payment which shall
27 be the actuarial equivalent of the amount payable under paragraph (a) of

1 this subsection for a period of sixty (60) months.

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

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

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

14 (6) (a) The beneficiary of a member with service in a nonhazardous position who
15 dies as a result of a duty-related injury may be eligible for benefits based
16 upon the definitions, criteria, and benefits specified by KRS 61.621.

17 (b) The beneficiary of a member with service in a hazardous position who dies
18 as a direct result of an act in line of duty may be eligible for benefits from
19 the system based upon the definitions, criteria, and benefits specified by
20 Section 13 of this Act.

21 ➔SECTION 13. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
22 TO READ AS FOLLOWS:

23 The provisions of this section shall apply to members in a hazardous position.

24 (1) If a member dies as a direct result of an act in line of duty as defined in Section
25 18 of this Act and is survived by a spouse:

26 (a) The surviving spouse shall be the beneficiary, and this shall supersede the
27 designation of all previous beneficiaries of the deceased member's

1 retirement account except as provided in KRS 61.542(2)(e);

2 (b) The surviving spouse, provided he or she supersedes all previously
3 designated beneficiaries, may elect to receive a lump-sum payment of ten
4 thousand dollars (\$10,000) and a monthly payment equal to seventy-five
5 percent (75%) of the member's monthly average pay beginning in the
6 month following the member's death and continuing each month until the
7 death of the surviving spouse; and

8 (c) In addition, if the member is also survived by dependent children, monthly
9 payments shall be made for each dependent child equal to ten percent (10%)
10 of the deceased member's monthly average pay, except that the combined
11 maximum payment made to the:

12 1. Surviving spouse and dependent children under this subsection shall
13 not exceed one hundred percent (100%) of the deceased member's
14 monthly average pay; and

15 2. Dependent children, while the surviving spouse is living, shall not
16 exceed twenty-five percent (25%) of the deceased member's monthly
17 average pay. Payments made to the dependent children under this
18 subsection shall be divided equally among all the dependent children.

19 (2) If a member dies as a result of an act in line of duty as defined in Section 18 of
20 this Act and is not survived by a spouse but is survived by a dependent child or
21 children, the following benefits shall be paid to the dependent child or children:

22 (a) Fifty percent (50%) of the deceased member's monthly average pay, if the
23 deceased member has one (1) dependent child;

24 (b) Sixty-five percent (65%) of the deceased member's monthly average pay, if
25 the deceased member has two (2) dependent children; or

26 (c) Seventy-five percent (75%) of the deceased member's monthly average pay,
27 if the deceased member has three (3) or more dependent children.

1 Payments made to the dependent children under this subsection shall be divided
2 equally among all the dependent children.

3 (3) If a member dies as a direct result of an act in line of duty as defined in Section
4 18 of this Act and the member has on file in the retirement office at the time of
5 his or her death a written designation of only one (1) beneficiary other than his
6 or her spouse who has not been superseded by the surviving spouse as provided
7 by subsection (1)(a) of this section, and who is a dependent receiving at least one-
8 half (1/2) of his or her support from the deceased member, the beneficiary may
9 elect to receive a lump-sum payment of ten thousand dollars (\$10,000).

10 (4) The payments provided by this section shall commence in the month following
11 the date of death of the member and shall be payable to the spouse, dependent
12 children, beneficiaries, or to a legally appointed guardian or as directed by the
13 system. Benefits to a dependent child under this section shall be payable
14 notwithstanding an election by a surviving spouse or beneficiary to withdraw the
15 deceased member's accumulated account balance as provided in KRS 61.625 or
16 to elect benefits under any other provisions of KRS 78.510 to 78.852.

17 (5) A surviving spouse or beneficiary eligible for benefits under subsection (1) or (3)
18 of this section who is also eligible for benefits under any other provisions of KRS
19 78.510 to 78.852 may elect benefits under this section or any other section of KRS
20 78.510 to 78.852 but cannot elect to receive both.

21 (6) (a) A surviving spouse or beneficiary applying for benefits under subsection (1)
22 or (3) of this section who is also eligible for benefits under Section 12 of this
23 Act may elect to receive benefits under paragraph (2)(a) or (b) of Section 12
24 of this Act while the application for benefits under subsection (1) or (3) of
25 this section is pending.

26 (b) If a final determination results in a finding of eligibility for benefits under
27 subsection (1) or (3) of this section, the system shall recalculate the benefits

1 due the surviving spouse or beneficiary in accordance with this subsection.

2 (c) If the surviving spouse or beneficiary has been paid less than the amount of
3 benefits to which the surviving spouse or beneficiary was entitled to receive
4 under this section, the system shall pay the additional funds due to the
5 surviving spouse or beneficiary.

6 (d) If the surviving spouse or beneficiary has been paid more than the amount
7 of benefits to which the surviving spouse or beneficiary was entitled to
8 receive under this section, the system shall deduct the amount overpaid to
9 the surviving spouse or beneficiary from the ten thousand dollars (\$10,000)
10 lump-sum payment and from the monthly retirement allowance payments
11 until the amount owed to the systems has been recovered.

12 ➔SECTION 14. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
13 TO READ AS FOLLOWS:

14 (1) For purposes of this section:

15 (a) "Hospital and medical insurance plan" may include, at the board's
16 discretion, any one (1) or more of the following:

17 1. Any hospital and medical expense policy or certificate, provider-
18 sponsored integrated health delivery network, self-insured medical
19 plan, health maintenance organization contract, or other health
20 benefit plan;

21 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or
22 health reimbursement arrangement or a similar account as may be
23 permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or account,
24 at the board's discretion, may reimburse any medical expense
25 permissible under 26 U.S.C. sec. 213; or

26 3. A medical insurance reimbursement program established by the board
27 through the promulgation of administrative regulation under which

1 members purchase individual health insurance coverage through a
2 health insurance exchange established under 42 U.S.C. sec. 18031 or
3 18041;

4 (b) "Monthly contribution rate" shall be the amount determined by the board
5 based upon the requirements of paragraphs (4)(a) to (4)(c) of this section,
6 except that for members who began participating in the system on or after
7 July 1, 2003, the term shall mean the amount determined in paragraph
8 (4)(d) of this section; and

9 (c) "Months of service" shall mean the total months of combined service used
10 to determine benefits under the system, except service added to determine
11 disability benefits or service otherwise prohibited from being used to
12 determine retiree health benefits under KRS 78.510 to 78.852 shall not be
13 counted as "months of service."

14 (2) (a) 1. The board of trustees of the system shall arrange by appropriate
15 contract or on a self-insured basis to provide a group hospital and
16 medical insurance plan coverage for:

17 a. Present and future recipients of a retirement allowance from the
18 County Employees Retirement System; and

19 b. The spouse and each qualified dependent of a recipient who is a
20 former member or the beneficiary, provided the spouse and
21 dependent meet the requirements to participate in the hospital
22 and medical insurance plans established, contracted, or
23 authorized by the system.

24 2. Any recipient who chooses coverage under a hospital and medical
25 insurance plan shall pay, by payroll deduction from the retirement
26 allowance, electronic funds transfer, or by another method, the
27 difference between the premium cost of the hospital and medical

1 insurance plan coverage selected and the monthly contribution rate to
2 which he or she would be entitled under this section.

3 (b) 1. For present and future recipients of a retirement allowance from the
4 system who are not eligible for Medicare, the board may authorize
5 these participants to be included in the Kentucky Employees Health
6 Plan as provided by KRS 18A.225 to 18A.2287 and shall provide
7 benefits for recipients in the plan equal to those provided to state
8 employees having the same Medicare hospital and medical insurance
9 eligibility status. Notwithstanding the provisions of any other statute,
10 system recipients shall be included in the same class as current state
11 employees for purposes of determining medical insurance policies and
12 premiums in the Kentucky Employees Health Plan as provided by
13 KRS 18A.225 to 18A.2287.

14 2. Regardless of age, if a recipient or the spouse or dependent child of a
15 recipient who elects coverage becomes eligible for Medicare, he or she
16 shall participate in the plans offered by the systems for Medicare
17 eligible recipients. Individuals participating in the Medicare eligible
18 plans may be required to obtain and pay for Medicare Part A and Part
19 B coverage in order to participate in the Medicare eligible plans
20 offered by the system.

21 3. The system shall continue to provide the same hospital and medical
22 insurance plan coverage for recipients and qualifying dependents
23 after the age of sixty-five (65) as before the age of sixty-five (65), if the
24 recipient is not eligible for Medicare coverage.

25 (c) For recipients of a retirement allowance who are not eligible for the same
26 level of hospital and medical benefits as recipients living in Kentucky
27 having the same Medicare hospital and medical insurance eligibility status,

1 the board shall provide a medical insurance reimbursement plan as
2 described in subsection (6) of this section.

3 (d) Notwithstanding anything in KRS Chapter 78 to the contrary, the board of
4 trustees, in its discretion, may take necessary steps to ensure compliance
5 with 42 U.S.C. secs. 300bb-1 et seq.

6 (3) (a) Each employer participating in the County Employees Retirement System as
7 provided in KRS 78.510 to 78.852 shall contribute to the insurance trust
8 fund established by KRS 61.701 the amount necessary to provide the
9 monthly contribution rate as provided for under this section. Such employer
10 contribution rate shall be developed by appropriate actuarial method as a
11 part of the determination of each respective employer contribution rate
12 determined under KRS 78.635.

13 (b) 1. Each employer described in paragraph (a) of this subsection shall
14 deduct from the creditable compensation of each member whose
15 membership date begins on or after September 1, 2008, an amount
16 equal to one percent (1%) of the member's creditable compensation.
17 The deducted amounts shall, at the discretion of the board, be credited
18 to accounts established pursuant to 26 U.S.C. sec. 401(h), within the
19 funds established in KRS 78.520, or the insurance trust fund
20 established under KRS 61.701. Notwithstanding the provisions of this
21 paragraph, a transfer of assets between the accounts established
22 pursuant to 26 U.S.C. sec. 401(h), within the funds established in KRS
23 78.520, and the insurance trust fund established under KRS 61.701
24 shall not be allowed.

25 2. The employer shall file the contributions as provided by subparagraph
26 1. of this paragraph at the retirement office in accordance with KRS
27 78.625. Any interest or penalties paid on any delinquent contributions

1 shall be credited to accounts established pursuant to 26 U.S.C. sec.
2 401(h), within the funds established in KRS 78.520, or the insurance
3 trust fund established under KRS 61.701. Notwithstanding any
4 minimum compensation requirements provided by law, the deductions
5 provided by this paragraph shall be made, and the compensation of
6 the member shall be reduced accordingly.

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

10 4. Every member shall be deemed to consent and agree to the deductions
11 made pursuant to this paragraph, and the payment of salary or
12 compensation less the deductions shall be a full and complete
13 discharge of all claims for services rendered by the person during the
14 period covered by the payment, except as to any benefits provided by
15 KRS 78.510 to 78.852. No member may elect whether to participate in,
16 or choose the contribution amount to accounts established pursuant to
17 26 U.S.C. sec. 401(h) within the funds established in KRS 78.520, or
18 the insurance trust fund established under KRS 61.701. The member
19 shall have no option to receive the contribution required by this
20 paragraph directly instead of having the contribution paid to accounts
21 established pursuant to 26 U.S.C. sec. 401(h) within the funds
22 established in KRS 78.520, or the insurance trust fund established
23 under KRS 61.701. No member may receive a rebate or refund of
24 contributions. If a member establishes a membership date prior to
25 September 1, 2008, pursuant to subsection (2) or (3) of Section 52 of
26 this Act, then this paragraph shall not apply to the member and all
27 contributions previously deducted in accordance with this paragraph

1 shall be refunded to the member without interest. The contribution
2 made pursuant to this paragraph shall not act as a reduction or offset
3 to any other contribution required of a member or recipient under
4 KRS 78.510 to 78.852.

5 5. The board of trustees, at its discretion, may direct that the
6 contributions required by this paragraph be accounted for within
7 accounts established pursuant to 26 U.S.C. sec. 401(h) within the
8 funds established in KRS 78.520, or the insurance trust fund
9 established under KRS 61.701, through the use of separate accounts.

10 (4) (a) The premium required to provide hospital and medical insurance plan
11 coverage under this section shall be paid wholly or partly from funds
12 contributed by:

13 1. The recipient of a retirement allowance, by payroll deduction from his
14 or her retirement allowance, electronic funds transfer, or by other
15 method;

16 2. The insurance trust fund established by KRS 61.701 or accounts
17 established pursuant to 26 U.S.C. sec. 401(h) within the funds
18 established in KRS 78.520;

19 3. Another state-administered retirement system, including the systems
20 administered by Kentucky Retirement Systems, under a reciprocal
21 arrangement, except that any portion of the premium paid from the
22 funds specified by subparagraph 2. of this paragraph under a
23 reciprocal agreement shall not exceed the amount that would be
24 payable under this section if all the member's service were in the
25 County Employees Retirement System. If the board provides for cross-
26 referencing of insurance premiums, the employer's contribution for
27 the working member or spouse shall be applied toward the premium,

1 and the insurance trust fund established under KRS 61.701 or
2 accounts established pursuant to 26 U.S.C. sec. 401(h) within the
3 funds established in KRS 78.520, shall pay the balance; or

4 4. A combination of the fund sources described by subparagraph 1. to 3.
5 of this paragraph.

6 Group rates under the hospital and medical insurance plan shall be made
7 available to the spouse, each dependent child, and each disabled child,
8 regardless of the disabled child's age, of a recipient who is a former member
9 or the beneficiary, if the premium for the hospital and medical insurance
10 for the spouse, each dependent child, and each disabled child, or beneficiary
11 is paid by payroll deduction from the retirement allowance, electronic funds
12 transfer, or by another method. For purposes of this subsection only, a child
13 shall be considered disabled if he or she has been determined to be eligible
14 for federal Social Security disability benefits or meets the dependent
15 disability standard established by the Department of Employee Insurance in
16 the Personnel Cabinet.

17 (b) For a member who began participating in the system prior to July 1, 2003,
18 the monthly contribution rate shall be paid by the system from the funds
19 specified under paragraph (a)2. of this subsection and shall be equal to a
20 percentage of the single premium to cover the retired member as follows:

21 1. One hundred percent (100%) of the monthly premium for single
22 coverage shall be paid for a retired member who had two hundred
23 forty (240) months of service or more upon retirement or for a retired
24 member who when he or she was an employee was disabled as a direct
25 result of an act in line of duty as defined in subsection (48) of Section
26 18 of this Act or as a result of a duty-related injury as defined in KRS
27 61.621;

1 2. Seventy-Five percent (75%) of the monthly premium for single
2 coverage shall be paid for a retired member who had less than two
3 hundred forty (240) months of service but at least one hundred eighty
4 (180) months of service upon retirement, provided such retired
5 member agrees to pay the remaining twenty-five percent (25%) by
6 payroll deduction from his or her retirement allowance, electronic
7 funds transfer, or by another method;

8 3. Fifty percent (50%) of the monthly premium for single coverage shall
9 be paid for a retired member who had less than one hundred eighty
10 (180) months of service but had at least one hundred twenty (120)
11 months of service upon retirement, provided such retired member
12 agrees to pay the remaining fifty percent (50%) by payroll deduction
13 from his or her retirement allowance, electronic funds transfer, or by
14 another method; or

15 4. Twenty-five percent (25%) of the monthly premium for single
16 coverage shall be paid for a retired member who had less than one
17 hundred twenty (120) months of service but had at least forty-eight
18 (48) months of service upon retirement, provided such retired member
19 agrees to pay the remaining seventy-five percent (75%) by payroll
20 deduction from his or her retirement allowance, electronic funds
21 transfer, or by another method.

22 Notwithstanding the foregoing provisions of this paragraph, an employee
23 participating in the system prior to July 1, 2003, who is killed as a direct
24 result of an act in line of duty as defined in subsection (48) of Section 18 of
25 this Act or as a result of a duty-related injury as defined in KRS 61.621,
26 shall have the monthly premium paid for the beneficiary, if the beneficiary
27 is the member's spouse, and for each dependent child, so long as they

1 individually remain eligible for a monthly retirement benefit.

2 (c) 1. For a member who began participating in the system prior to July 1,
3 2003, who was determined to be in a hazardous position in the County
4 Employees Retirement System, the funds specified under paragraph
5 (a)2. of this subsection shall also pay a percentage of the monthly
6 contribution rate sufficient to fund the premium costs for hospital and
7 medical insurance coverage for the spouse and for each dependent
8 child of a recipient.

9 2. The percentage of the monthly contribution rate paid for the spouse
10 and each dependent child of a recipient who was in a hazardous
11 position in accordance with subparagraph 1. of this paragraph shall
12 be based solely on the member's service in a hazardous position using
13 the formula in paragraph (b) of this subsection, except that for any
14 recipient of a retirement allowance from the County Employees
15 Retirement System who was contributing to the system on January 1,
16 1998, for service in a hazardous position, the percentage of the
17 monthly contribution shall be based on the total of hazardous service
18 and any nonhazardous service as a police or firefighter with the same
19 agency, if that agency was participating in the County Employees
20 Retirement System but did not offer hazardous duty coverage for its
21 police and firefighters at the time of initial participation.

22 (d) For members who begin participating in the system on or after July 1,
23 2003:

24 1. Participation in the insurance benefits provided under this section
25 shall not be allowed until the member has earned at least one hundred
26 twenty (120) months of service in the state-administered retirement
27 systems, except that for members who begin participating in the

1 system on or after September 1, 2008, participation in the insurance
2 benefits provided under this section shall not be allowed until the
3 member has earned at least one hundred eighty (180) months of
4 service credited under KRS 78.615(1) or another state-administered
5 retirement system.

6 2. A member who meets the minimum service requirements as provided
7 by subparagraph 1. of this paragraph shall upon retirement be eligible
8 for the following monthly contribution rate to be paid on their behalf
9 from the funds specified under paragraph (a)2. of this subsection:

10 a. For members with service in a nonhazardous position, a monthly
11 insurance contribution of ten dollars (\$10) for each year of
12 service as a participating employee in a nonhazardous position;
13 and

14 b. For members with service in a hazardous position, a monthly
15 insurance contribution of fifteen dollars (\$15) for each year of
16 service as a participating employee in a hazardous position.
17 Upon the death of the retired member, the beneficiary, if the
18 beneficiary is the member's spouse, shall be entitled to a monthly
19 insurance contribution of ten dollars (\$10) for each year of
20 service the member attained as a participating employee in a
21 hazardous position.

22 3. The minimum service requirement to participate in benefits as
23 provided by subparagraph 1. of this paragraph shall be waived for a
24 member who is disabled as a result of an act in line of duty as defined
25 in subsection (48) of Section 18 of this Act or as a result of a duty
26 related injury as defined by KRS 61.621 and the member shall be
27 entitled to the benefits payable under this subsection as though the

1 member had twenty (20) years of service in the position for which the
2 disabling condition occurred.

3 4. Notwithstanding the provisions of this paragraph, the minimum
4 service requirement to participate in benefits as provided by
5 subparagraph 1. of this paragraph shall be waived for a for a member
6 who dies a as a result of an act in line of duty as defined in subsection
7 (48) of Section 18 of this Act or as a result of a duty-related injury as
8 defined in KRS 61.621, and the premium for the member's spouse and
9 for each dependent child as defined in Section 18 of this Act shall be
10 paid in full by the systems so long as they individually remain eligible
11 for a monthly retirement benefit.

12 5. Except as provided by subparagraph 4. of this paragraph, the monthly
13 insurance contribution amount shall be increased July 1 of each year
14 by one and one-half percent (1.5%). The increase shall be cumulative
15 and shall continue to accrue after the member's retirement for as long
16 as a monthly insurance contribution is payable to the retired member
17 or beneficiary.

18 6. The benefits of this paragraph provided to a member whose
19 participation begins on or after July 1, 2003, shall not be considered
20 as benefits protected by the inviolable contract provisions of KRS
21 78.852. The General Assembly reserves the right to suspend or reduce
22 the benefits conferred in this paragraph if in its judgment the welfare
23 of the Commonwealth so demands.

24 7. An employee whose membership date is on or after September 1, 2008,
25 who retires and is reemployed in a regular full-time position required
26 to participate in the system or the Kentucky Retirement Systems shall
27 not be eligible for health insurance coverage or benefits provided by

1 this section and shall take coverage with his or her employing agency
2 during the period of reemployment in a regular full-time position.

3 (e) For members with service in another state-administered retirement system
4 who select hospital and medical insurance plan coverage through the
5 system:

6 1. The system shall compute the member's combined service, including
7 service credit in another state-administered retirement system, and
8 calculate the portion of the member's premium monthly contribution
9 rate to be paid by the funds specified under paragraph (a)2. of this
10 subsection according to the criteria established in paragraphs (a) to
11 (d) of this subsection. Each state-administered retirement system shall
12 pay annually to the insurance trust fund established under KRS
13 61.701 the portion of the system's cost of the retiree's monthly
14 contribution for single coverage for hospital and medical insurance
15 plan which shall be equal to the percentage of the member's number
16 of months of service in the other state-administered retirement plan
17 divided by his or her total combined service and in conjunction with
18 the reciprocal agreement established between the system and the other
19 state-administered retirement systems. The amounts paid by the other
20 state-administered retirement plans and by the County Employees
21 Retirement System from funds specified under paragraph (a)2. of this
22 subsection shall not be more than one hundred percent (100%) of the
23 monthly contribution adopted by the respective boards of trustees;

24 2. A member may not elect coverage for hospital and medical benefits
25 through more than one (1) of the state-administered retirement
26 systems; and

27 3. A state-administered retirement system shall not pay any portion of a

1 member's monthly contribution for medical insurance unless the
2 member is a recipient or annuitant of the plan.

3 (5) Premiums paid for hospital and medical insurance coverage procured under
4 authority of this section shall be exempt from any premium tax which might
5 otherwise be required under KRS Chapter 136. The payment of premiums by the
6 funds described by subsection (4)(a)2. of this section shall not constitute taxable
7 income to an insured recipient. No commission shall be paid for hospital and
8 medical insurance procured under authority of this section.

9 (6) The board shall promulgate an administrative regulation to establish a medical
10 insurance reimbursement plan to provide reimbursement for hospital and
11 medical insurance plan premiums of recipients of a retirement allowance who
12 are not eligible for the same level of hospital and medical benefits as recipients
13 living in Kentucky and having the same Medicare hospital and medical insurance
14 eligibility status. An eligible recipient shall file proof of payment for hospital and
15 medical insurance plan coverage with the retirement office. Reimbursement to
16 eligible recipients shall be made on a quarterly basis. The recipient shall be
17 eligible for reimbursement of substantiated medical insurance premiums for an
18 amount not to exceed the total monthly contribution rate determined under
19 subsection (4) of this section. The plan shall not be made available if all
20 recipients are eligible for the same coverage as recipients living in Kentucky.

21 ➔SECTION 15. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
22 TO READ AS FOLLOWS:

23 (1) (a) Upon the death of a retired member of the system, who was receiving a
24 monthly retirement allowance based on a minimum of forty-eight (48)
25 months of service, a death benefit of five thousand dollars (\$5,000) shall be
26 paid.

27 (b) If the retired member had more than one (1) account in the County

1 Employees Retirement System or is eligible for a benefit from the Kentucky
2 Retirement Systems under the provisions of KRS 61.705, the combined
3 payment from the County Employees Retirement System under this section
4 and the Kentucky Retirement Systems under KRS 61.705 shall not exceed
5 five thousand dollars (\$5,000). Each system's cost shall be prorated between
6 the systems based upon the level of service credit in each system.

7 (c) Application for the death benefit made to the system shall include
8 acceptable evidence of death and of the eligibility of the applicant to act on
9 the deceased retired member's behalf.

10 (2) (a) The death benefit shall be paid to a beneficiary named by the retired
11 member. Upon retirement or any time thereafter, the retired member may
12 designate on the form prescribed by the board, death benefit designation, a
13 person, the retired member's estate, a trust or trustee, or a licensed funeral
14 home, as the beneficiary of the death benefit provided by this section or
15 Section 74 of this Act. The beneficiary for the death benefit may or may not
16 be the same beneficiary designated in accordance with KRS 61.590(1) but
17 only one (1) designation shall be available to a retired member who has
18 service in both the County Employees Retirement System and the Kentucky
19 Retirement Systems.

20 (b) If the beneficiary designated under this section is a person and that person
21 dies prior to the member, or if the beneficiary was the retired member's
22 spouse and they were divorced on the date of the retired member's death,
23 then the retired member's estate shall become the beneficiary, unless the
24 retired member has filed a subsequent death benefit designation.

25 (c) If a licensed funeral home is designated as beneficiary and the licensed
26 funeral home cannot be reasonably identified or located by the system at the
27 time of the retired member's death, then the retired member's estate shall

1 become the beneficiary of the death benefit.

2 (3) If, at the time of the retired member's death, a debt to the County Employees
3 Retirement System remains on his or her account, the balance owed shall be
4 deducted from the five thousand dollars (\$5,000) death benefit.

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

8 ➔SECTION 16. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
9 TO READ AS FOLLOWS:

10 (1) A retired member whose disability retirement was discontinued pursuant to
11 Section 10 of this Act and who is reemployed by an employer participating in the
12 system or the Kentucky Retirement Systems prior to his or her normal retirement
13 date shall have his or her accounts combined upon termination for determining
14 eligibility for benefits. If the member is eligible for retirement, the member's
15 service and creditable compensation earned as a result of his or her
16 reemployment shall be used in the calculation of benefits, except that the
17 member's final compensation shall not be less than the final compensation last
18 used in determining his or her retirement allowance. The member shall not
19 change beneficiary or payment option designations.

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

1 service with a participating agency that is accepted after twelve (12) months
2 following his or her retirement date.

3 (b) If the retired member is under a contract to provide services as an
4 independent contractor or leased employee to an employer participating in
5 the systems administered by Kentucky Retirement Systems or the County
6 Employees Retirement System within twelve (12) months of his or her
7 retirement date, the member shall submit a copy of that contract to the
8 Authority, and the Authority shall determine if the member is an
9 independent contractor or leased employee for purposes of retirement
10 benefits. The retired member and the participating employer shall submit
11 the information required or requested by the Authority to confirm the
12 individual's status as an independent contractor or leased employee. The
13 retired member shall not be required to notify the Authority regarding any
14 services entered into as an independent contractor or leased employee with
15 a participating agency that the employee enters into after twelve (12)
16 months following his or her retirement date.

17 (3) Retired members of the County Employees Retirement System who returned to
18 work with an employer that participates in the County Employees Retirement
19 System or Kentucky Retirement Systems prior to September 1, 2008, shall be
20 governed by the provisions of subsections (1) to (16) of Section 65 of this Act.

21 (4) The following shall apply to retired members of the County Employees
22 Retirement System who are reemployed on or after September 1, 2008, by an
23 agency participating in the systems administered by the County Employees
24 Retirement System or the Kentucky Retirement Systems:

25 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a retired
26 member is receiving a retirement allowance from the County Employees
27 Retirement System, or has filed the forms required to receive a retirement

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

- 12 1. The member shall contribute to a member account established for him
13 or her in the County Employees Retirement System or the Kentucky
14 Retirement Systems, and employer contributions shall be paid on
15 behalf of the member by the participating employer to the system; and
16 2. Upon subsequent retirement, the member shall be eligible for a
17 retirement allowance based upon total service and creditable
18 compensation, including any additional service or creditable
19 compensation earned after his or her initial retirement was voided;

20 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a retired
21 member is receiving a retirement allowance from the County Employees
22 Retirement System and is employed in a regular full-time position required
23 to participate in the County Employees Retirement System or the Kentucky
24 Retirement Systems after a three (3) month period following the member's
25 initial retirement date, the member may continue to receive his or her
26 retirement allowance during the period of reemployment subject to the
27 following provisions:

1 1. If a member is reemployed by a participating employer within twelve
2 (12) months of the member's retirement date, the participating
3 employer shall certify in writing on a form prescribed by the Authority
4 that no prearranged agreement existed between the employee and
5 employer prior to the employee's retirement for the employee to return
6 to work with the participating employer. If the participating employer
7 fails to complete the certification or the Authority determines a
8 prearranged agreement exists, the member's retirement shall be
9 voided and the provisions of paragraph (a) of this subsection shall
10 apply to the member and the employer. For purposes of this
11 paragraph:

12 a. If an elected official is reelected to a new term of office in the
13 same position and has retired from the elected office within
14 twelve (12) months prior to taking the new term of office, he or
15 she shall be deemed by the Authority as having a prearranged
16 agreement; and

17 b. Employment that is accepted by the retired member after twelve
18 (12) months following the member's retirement date shall not
19 constitute a prearranged agreement under this paragraph;

20 2. Notwithstanding any other provision of KRS Chapter 78 to the
21 contrary, the member shall not contribute to the system and shall not
22 earn any additional benefits for any work performed during the period
23 of reemployment;

24 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
25 except for any retiree employed as a school resource officer as defined
26 by KRS 158.441, the employer shall pay employer contributions as
27 specified by KRS 78.635 and Section 14 of this Act on all creditable

1 compensation earned by the employee during the period of
2 reemployment. The additional contributions paid shall be used to
3 reduce the unfunded actuarial liability of the system; and

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

13 (c) If a member is receiving a retirement allowance from hazardous position
14 coverage with the County Employees Retirement System, or has filed the
15 forms required to receive a retirement allowance from the County
16 Employees Retirement System for service in a hazardous position, and is
17 employed in a regular full-time hazardous position required to participate
18 in the County Employees Retirement System or the Kentucky Retirement
19 Systems within one (1) month following the member's initial retirement
20 date, the member's retirement shall be voided, and the member shall repay
21 to the system all benefits received, including any health insurance benefits.
22 If the member is returning to work in a regular full-time position required
23 to participate in the County Employees Retirement System or the Kentucky
24 Retirement Systems:

25 1. The member shall contribute to a member account established for him
26 or her in the County Employees Retirement System or the Kentucky
27 Retirement Systems, and employer contributions shall be paid on

1 behalf of the member by the participating employer; and

2 2. Upon subsequent retirement, the member shall be eligible for a
3 retirement allowance based upon total service and creditable
4 compensation, including any additional service or creditable
5 compensation earned after his or her initial retirement was voided;

6 (d) If a member is receiving a retirement allowance from the hazardous
7 position coverage with the County Employees Retirement System and is
8 employed in a regular full-time hazardous position required to participate
9 in the County Employees Retirement System or the Kentucky Retirement
10 Systems after a one (1) month period following the member's initial
11 retirement date, the member may continue to receive his or her retirement
12 allowance during the period of reemployment subject to the following
13 provisions:

14 1. If a member is reemployed by a participating employer within twelve
15 (12) months of the member's retirement date, the participating
16 employer shall certify in writing on a form prescribed by the Authority
17 that no prearranged agreement existed between the employee and
18 employer prior to the employee's retirement for the employee to return
19 to work with the participating employer. If the participating employer
20 fails to complete the certification or the Authority determines a
21 prearranged agreement exists, the member's retirement shall be
22 voided and the provisions of paragraph (c) of this subsection shall
23 apply to the member and the employer. For purposes of this
24 paragraph:

25 a. If an elected official is reelected to a new term of office in the
26 same position and has retired from the elected office within
27 twelve (12) months prior to taking the new term of office, he or

1 she shall be deemed by the system as having a prearranged
2 agreement; and

3 b. Employment that is accepted by the retired member after twelve
4 (12) months following the member's retirement date shall not
5 constitute a prearranged agreement under this paragraph;

6 2. Notwithstanding any other provision of KRS Chapter 78 to the
7 contrary, the member shall not contribute to the system or the
8 Kentucky Retirement Systems and shall not earn any additional
9 benefits for any work performed during the period of reemployment;

10 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
11 except for any retiree employed as a school resource officer as defined
12 by KRS 158.441, the employer shall pay employer contributions as
13 specified by Sections 14 of this Act and KRS 78.635 on all creditable
14 compensation earned by the employee during the period of
15 reemployment. The additional contributions paid shall be used to
16 reduce the unfunded actuarial liability of the system; and

17 4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
18 except for any retiree employed as a school resource officer as defined
19 by KRS 158.441, the employer shall be required to reimburse the
20 system for the cost of the health insurance premium paid by the
21 system to provide coverage for the retiree, not to exceed the cost of the
22 single premium;

23 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
24 who qualifies as a volunteer for an employer participating in the County
25 Employees Retirement System or the Kentucky Retirement Systems and who
26 is receiving reimbursement of actual expenses, a nominal fee for his or her
27 volunteer services, or both, shall not be considered an employee of the

1 participating employer and shall not be subject to paragraphs (a) to (d) of
2 this subsection if:

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

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

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

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

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

26 (f) Notwithstanding any provision of this section, any mayor or member of a
27 city legislative body shall not be required to resign from his or her position

1 as mayor or as a member of the city legislative body in order to begin
2 drawing benefits from the systems administered by the Kentucky Retirement
3 Systems or the County Employees Retirement System or subject to any
4 provision of this section as it relates solely to his or her service as a mayor
5 or member of the city legislative body, if the mayor or member of a city
6 legislative body:

7 1. Has not participated in the County Employees Retirement System
8 prior to retirement, but is otherwise eligible to retire from the
9 Kentucky Employees Retirement System or the State Police Retirement
10 System; or

11 2. Has been or is participating in the County Employees Retirement
12 System and is at least sixty two (62) years of age. If a mayor or
13 member of a city legislative body who is at least sixty-two (62) years of
14 age retires from the systems administered by Kentucky Retirement
15 Systems or the County Employees Retirement System but remains in
16 office after his or her effective retirement date, the mayor or member
17 of the city legislative body shall not accrue any further service credit
18 or benefits in the systems administered by Kentucky Retirement
19 Systems or the County Employees Retirement System for any
20 employment occurring on or after the effective retirement date;

21 (g) If a member is receiving a retirement allowance from the County
22 Employees Retirement System and enters into a contract or becomes a
23 leased employee of an employer under contract with an employer
24 participating in the County Employees Retirement System or the Kentucky
25 Retirement Systems:

26 1. At any time following retirement, if the Authority determines the
27 employment arrangement does qualify as an independent contractor

1 or leased employee, the member may continue to receive his or her
2 retirement allowance during the period of the contract;

3 2. Within three (3) months following the member's initial retirement
4 date, if the Authority determines the employment arrangement does
5 not qualify as an independent contractor or leased employee, the
6 member's retirement shall be voided in accordance with paragraph (a)
7 of this subsection;

8 3. After three (3) months but within twelve (12) months following the
9 member's initial retirement, if the Authority determines the
10 employment arrangement does not qualify as an independent
11 contractor or leased employee and that a prearranged agreement
12 existed between the member and the agency for the member to return
13 to work with the agency, the member's retirement shall be voided in
14 accordance with paragraph (a) of this subsection; and

15 4. After a twelve (12) month period following the member's initial
16 retirement, the member may continue to receive his or her retirement
17 allowance during the period of the contract and the member shall not
18 be required to notify the Authority or submit any documentation for
19 purposes of this section to the Authority. The initiation of a contract
20 or the initial date of the leased employment of a retired member by a
21 participating agency that occurs after twelve (12) months or more
22 following the retired member's retirement date shall not constitute a
23 prearranged agreement under this subsection;

24 (h) The Authority shall issue a final determination regarding a certification of
25 the absence of a prearranged agreement or the retired member's
26 qualification as an independent contractor or leased employee as required
27 under this section no later than thirty (30) days after the retired member

1 and participating employer provide all required forms and additional
2 information required by the Authority; and

3 (i) Retired members of one (1) of the systems administered by Kentucky
4 Retirement Systems who are reemployed by an employer in the County
5 Employees Retirement System on or after September 1, 2008, shall not be
6 eligible to earn a second retirement account in the County Employees
7 Retirement System for his or her service to the employer.

8 (5) The Authority shall promulgate administrative regulations to implement the
9 requirements of this section, including incorporating by reference Authority -
10 prescribed forms that a retired member and participating agency shall provide the
11 systems under subsections (1) and (4) of this section.

12 (6) "Reemployment" or "reinstatement" as used in this section shall not include a
13 retired member who has been ordered reinstated by the Personnel Board under
14 authority of KRS 18A.095. A retired member who has been ordered reinstated by
15 the Personnel Board under authority of KRS 18A.095 or by court order or by
16 order of the Human Rights Commission and accepts employment by an agency
17 participating in the Kentucky Employees Retirement System or County
18 Employees Retirement System shall void his or her retirement by reimbursing the
19 system in the full amount of his or her retirement allowance payments received.

20 ➔SECTION 17. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
21 TO READ AS FOLLOWS:

22 The provisions of KRS 61.680 are hereby recognized and shall be followed in
23 computing benefits of any member of the County Employees Retirement System who
24 also has an account with the Kentucky Employees Retirement System, the State Police
25 Retirement System, or the Kentucky Teachers' Retirement System.

26 ➔Section 18. KRS 78.510 (Effective April 1, 2021) is amended to read as
27 follows:

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

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

3 (2) "Board" means the board of trustees of the system as provided in KRS 78.782;

4 (3) "County" means any county, or nonprofit organization created and governed by a
5 county, counties, or elected county officers, sheriff and his or her employees, county
6 clerk and his or her employees, circuit clerk and his or her deputies, former circuit
7 clerks or former circuit clerk deputies, or political subdivision or instrumentality,
8 including school boards, cities, charter county governments, urban-county
9 governments, consolidated local governments, or unified local governments
10 participating in the system by order appropriate to its governmental structure, as
11 provided in KRS 78.530, and if the board is willing to accept the agency,
12 organization, or corporation, the board being hereby granted the authority to
13 determine the eligibility of the agency to participate;

14 (4) "School board" means any board of education participating in the system by order
15 appropriate to its governmental structure, as provided in KRS 78.530, and if the
16 board is willing to accept the agency or corporation, the board being hereby granted
17 the authority to determine the eligibility of the agency to participate;

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

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

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

- 1 (8) "Member" means any employee who is included in the membership of the system or
2 any former employee whose membership has not ceased under KRS 78.535;
- 3 (9) "Service" means the total of current service and prior service as defined in this
4 section;
- 5 (10) "Current service" means the number of years and months of employment as an
6 employee, on and after July 1, 1958, for which creditable compensation is paid and
7 employee contributions deducted, except as otherwise provided;
- 8 (11) "Prior service" means the number of years and completed months, expressed as a
9 fraction of a year, of employment as an employee, prior to July 1, 1958, for which
10 creditable compensation was paid. An employee shall be credited with one (1)
11 month of prior service only in those months he received compensation for at least
12 one hundred (100) hours of work. Twelve (12) months of current service in the
13 system shall be required to validate prior service;
- 14 (12) "Accumulated contributions" means the sum of all amounts deducted from the
15 compensation of a member and credited to his individual account in the members'
16 account, including employee contributions picked up after August 1, 1982, pursuant
17 to KRS 78.610(4), together with interest credited, on the amounts, and any other
18 amounts the member shall have contributed thereto, including interest credited
19 thereon. "Accumulated contributions" shall not include employee contributions that
20 are deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the
21 fund established in KRS 78.520, as prescribed by subsection (3)(b) of Section 14 of
22 this Act~~[KRS 61.702(2)(b)]~~;
- 23 (13) "Creditable compensation":
- 24 (a) Except as limited by paragraph (c) of this subsection, means all salary, wages,
25 and fees, including payments for compensatory time, paid to the employee as
26 a result of services performed for the employer or for time during which the
27 member is on paid leave, which are includable on the member's federal form

1 W-2 wage and tax statement under the heading "wages, tips, other
2 compensation", including employee contributions picked up after August 1,
3 1982, pursuant to KRS 78.610(4). The creditable compensation of fee officers
4 who receive salary, fees, maintenance, or other perquisites as a result of their
5 official duties is the gross amount received decreased by the cost of salary
6 paid deputies and clerks and the cost of office supplies and other official
7 expenses;

8 (b) Includes:

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

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

8 (c) Excludes:

- 9 1. Living allowances, expense reimbursements, lump-sum payments for
10 accrued vacation leave, sick leave except as provided in KRS 78.616(5),
11 and other items determined by the board;
- 12 2. For employees who begin participating on or after September 1, 2008,
13 lump-sum payments for compensatory time;
- 14 3. Training incentive payments for city officers paid as set out in KRS
15 64.5277 to 64.5279;
- 16 4. For employees who begin participating on or after August 1, 2016,
17 nominal fees paid for services as a volunteer; and
- 18 5. Any salary or wages paid to an employee for services as a Kentucky
19 State Police school resource officer as defined by KRS 158.441;

20 (14) "Final compensation" means:

- 21 (a) For a member who begins participating before September 1, 2008, who is
22 employed in a nonhazardous position, the creditable compensation of the
23 member during the five (5) fiscal years he or she was paid at the highest
24 average monthly rate divided by the number of months of service credit during
25 that five (5) year period multiplied by twelve (12). The five (5) years may be
26 fractional and need not be consecutive. If the number of months of service
27 credit during the five (5) year period is less than forty-eight (48), one (1) or

1 more additional fiscal years shall be used;

2 (b) For a member who is employed in a nonhazardous position, whose effective
3 retirement date is between August 1, 2001, and January 1, 2009, and whose
4 total service credit is at least twenty-seven (27) years and whose age and years
5 of service total at least seventy-five (75), final compensation means the
6 creditable compensation of the member during the three (3) fiscal years the
7 member was paid at the highest average monthly rate divided by the number
8 of months of service credit during that three (3) year period multiplied by
9 twelve (12). The three (3) years may be fractional and need not be
10 consecutive. If the number of months of service credit during the three (3)
11 year period is less than twenty-four (24), one (1) or more additional fiscal
12 years shall be used;

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

22 (d) For a member who begins participating on or after September 1, 2008, but
23 prior to January 1, 2014, who is employed in a nonhazardous position, the
24 creditable compensation of the member during the five (5) complete fiscal
25 years immediately preceding retirement divided by five (5). Each fiscal year
26 used to determine final compensation must contain twelve (12) months of
27 service credit. If the member does not have five (5) complete fiscal years that

1 each contain twelve (12) months of service credit, then one (1) or more
2 additional fiscal years, which may contain less than twelve (12) months of
3 service credit, shall be added until the number of months in the final
4 compensation calculation is at least sixty (60) months; or

5 (e) For a member who begins participating on or after September 1, 2008, but
6 prior to January 1, 2014, who is employed in a hazardous position as provided
7 in KRS 61.592, the creditable compensation of the member during the three
8 (3) complete fiscal years he or she was paid at the highest average monthly
9 rate divided by three (3). Each fiscal year used to determine final
10 compensation must contain twelve (12) months of service credit. If the
11 member does not have three (3) complete fiscal years that each contain twelve
12 (12) months of service credit, then one (1) or more additional fiscal years,
13 which may contain less than twelve (12) months of service credit, shall be
14 added until the number of months in the final compensation calculation is at
15 least thirty-six (36) months;

16 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
17 calculated during the twelve (12) month period immediately preceding the
18 member's effective retirement date, and shall include employee contributions picked
19 up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to
20 the system by the employer and the following equivalents shall be used to convert
21 the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
22 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half
23 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve
24 (12) months, one (1) year;

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

27 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the

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

8 (18) "Normal retirement date", unless otherwise provided in KRS 78.510 to 78.852,
9 means:

10 (a) For a member with service in a nonhazardous position, the sixty-fifth
11 birthday of a member~~[unless otherwise provided in KRS 78.510 to 78.852];~~

12 (b) For a member with service in a hazardous position who begins participating
13 before September 1, 2008, the first day of the month following a member's
14 fifty-fifth birthday; or

15 (c) For a member with service in a hazardous position who begins participating
16 on or after September 1, 2008, the first day of the month following a
17 member's sixtieth birthday;

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

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

26 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean
27 all positions that average one hundred (100) or more hours per month, determined

1 by using the number of hours actually worked in a calendar or fiscal year, or eighty
2 (80) or more hours per month in the case of noncertified employees of school
3 boards, determined by using the number of hours actually worked in a calendar or
4 school year, unless otherwise specified, except:

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

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

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

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

22 (e) Part-time positions that are positions that may be permanent in duration, but
23 that require less than a calendar or fiscal year average of one hundred (100)
24 hours of work per month, determined by using the number of months actually
25 worked within a calendar or fiscal year, in the performance of duty, except in
26 case of noncertified employees of school boards, the school term average shall
27 be eighty (80) hours of work per month, determined by using the number of

1 months actually worked in a calendar or school year, in the performance of
2 duty;

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

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

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

11 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
12 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
13 in the event of the member's death. As used in Section 14 of this Act ~~[KRS 61.702]~~,
14 beneficiary shall not mean an estate, trust, or trustee;

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

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

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

23 (29) "Retirement office" means the Kentucky Public Pensions Authority office building
24 in Frankfort, unless otherwise designated by the Kentucky Public Pensions
25 Authority;

26 (30) "Vested" for purposes of determining eligibility for purchasing service credit
27 under Section 52 of this Act means the employee has at least forty-eight (48)

- 1 months of service if age sixty-five (65) or older or at least sixty (60) months of
2 service if under the age of sixty-five (65). For purposes of this paragraph, service
3 shall mean service in the systems administered by the Kentucky Retirement
4 Systems and County Employees Retirement System~~["Delayed contribution~~
5 ~~payment" means an amount paid by an employee for current service obtained under~~
6 ~~KRS 61.552. The amount shall be determined using the same formula in KRS~~
7 ~~61.5525, except the determination of the actuarial cost for classified employees of a~~
8 ~~school board shall be based on their final compensation, and the payment shall not~~
9 ~~be picked up by the employer. A delayed contribution payment shall be deposited to~~
10 ~~the member's account and considered as accumulated contributions of the individual~~
11 ~~member. In determining payments under this subsection, the formula found in this~~
12 ~~subsection shall prevail over the one found in KRS 212.434];~~
13 (31) "Participating" means an employee is currently earning service credit in the system
14 as provided in KRS 78.615;
15 (32) "Month" means a calendar month;
16 (33) "Membership date" means the date upon which the member began participating in
17 the system as provided in KRS 78.615;
18 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
19 retired member, as defined by subsection (23) of this section;
20 (35) "Qualified domestic relations order" means any judgment, decree, or order,
21 including approval of a property settlement agreement, that:
22 (a) Is issued by a court or administrative agency; and
23 (b) Relates to the provision of child support, alimony payments, or marital
24 property rights to an alternate payee;
25 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
26 participant, who is designated to be paid retirement benefits in a qualified domestic
27 relations order;

- 1 (37) "Accumulated employer credit" means the employer pay credit deposited to the
2 member's account and interest credited on such amounts as provided by Sections 2
3 and 4 of this Act~~[KRS 16.583 and 61.597]~~;
- 4 (38) "Accumulated account balance" means:
- 5 (a) For members who began participating in the system prior to January 1, 2014,
6 the member's accumulated contributions; or
- 7 (b) For members who began participating in the system on or after January 1,
8 2014, in the hybrid cash balance plan as provided by Sections 2 and 4 of this
9 Act~~[KRS 16.583 and 61.597]~~, the combined sum of the member's
10 accumulated contributions and the member's accumulated employer credit;
- 11 (39) "Volunteer" means an individual who:
- 12 (a) Freely and without pressure or coercion performs hours of service for an
13 employer participating in one (1) of the systems administered by Kentucky
14 Retirement Systems or the County Employees Retirement System without
15 receipt of compensation for services rendered, except for reimbursement of
16 actual expenses, payment of a nominal fee to offset the costs of performing
17 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 at least twelve (12) months following the
21 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 Section 6 of this Act~~[KRS 61.592]~~ or has not been approved by the board as a
2 hazardous position;

3 (42) "Hazardous position" means a position that meets the requirements of Section 6 of
4 this Act~~[KRS 61.592]~~ and has been approved by the board as hazardous;

5 (43) "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. Under this method,
8 the percentage of payroll shall be projected to remain constant for all years
9 remaining in the set period and the unfunded actuarially accrued liability shall be
10 projected to be fully amortized at the conclusion of the set period;

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

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

21 (46) "Objective medical evidence" means reports of examinations or treatments;
22 medical signs which are anatomical, physiological, or psychological
23 abnormalities that can be observed; psychiatric signs which are medically
24 demonstrable phenomena indicating specific abnormalities of behavior, affect,
25 thought, memory, orientation, or contact with reality; or laboratory findings
26 which are anatomical, physiological, or psychological phenomena that can be
27 shown by medically acceptable laboratory diagnostic techniques, including but

1 not limited to chemical tests, electrocardiograms, electroencephalograms, X-rays,
2 and psychological tests;

3 (47) "Hazardous disability" as used in KRS 78.510 to 78.852 means a disability which
4 results in an employee's total incapacity to continue as an employee in a
5 hazardous position, but the employee is not necessarily deemed to be totally and
6 permanently disabled to engage in other occupations for remuneration or profit;

7 (48) "Act in line of duty" means, for purposes of members serving in a hazardous
8 position, an act occurring which was required in the performance of the principal
9 duties of the hazardous position as defined by the job description;

10 (49) "Dependent child" means a child in the womb and a natural or legally adopted
11 child of the member who has neither attained age eighteen (18) nor married or
12 who is an unmarried full-time student who has not attained age twenty-two (22).
13 Solely in the case of a member who dies as a direct result of an act in line of duty
14 as defined in this section or who dies as a result of a duty-related injury as
15 defined in KRS 61.621, "dependent child" also means a naturally or legally
16 adopted disabled child of the member, regardless of the child's age, if the child
17 has been determined to be eligible for federal Social Security disability benefits or
18 is being claimed as a qualifying child for tax purposes due to the child's total and
19 permanent disability;

20 (50) "Normal retirement age" means the age at which the member meets the
21 requirements for his or her normal retirement date as provided by subsection (18)
22 of this section; and

23 (51) "Disability retirement date" means the first day of the month following the last
24 day of paid employment;

25 (52)~~(45)~~ "Monthly average pay" means the higher of the member's monthly final rate of
26 pay or the average monthly creditable compensation earned by the deceased
27 member during his or her last twelve (12) months of employment;

1 ~~(53)~~~~((46))~~ "Authority" means the Kentucky Public Pensions Authority as provided by
2 KRS 61.505; and

3 ~~(54)~~~~((47))~~ "Executive director" means the executive director of the Kentucky Public
4 Pensions Authority.

5 ➔Section 19. KRS 78.540 (Effective April 1, 2021) is amended to read as
6 follows:

7 Membership in the system shall consist of the following:

- 8 (1) (a) All persons who become employees of a participating county after the date the
9 county first participates in the system, except that:
- 10 1. Mayors and members of city legislative bodies may decline prior to their
11 participation in the system; and
 - 12 2. City managers or other appointed local government executives who
13 participate in a retirement system, other than Social Security, may
14 decline prior to their participation in the system;
- 15 (b) All persons who are employees of a county on the date the county first
16 participates in the system, either in service or on authorized leave from
17 service, and who elect within thirty (30) days next following the county's
18 participation, or in the case of persons on authorized leave, within thirty (30)
19 days of their return to active service, to become members and thereby agree to
20 make contributions as provided in KRS 78.520 to 78.852;
- 21 (c) All persons who are employees of a county who did not elect to participate
22 within thirty (30) days of the date the county first participated in the system or
23 within thirty (30) days of their return to active service and who subsequently
24 elect to participate the first day of a month after the county's date of
25 participation;
- 26 (d) All persons who declined participation as provided by paragraph (a) of this
27 subsection and who later elect to participate. Persons who elect to participate

1 under this paragraph may purchase service credit for any prior years in
2 accordance with subsection (5)(a) of Section 52 of this Act~~[by paying a~~
3 ~~delayed contribution payment]~~, provided the person began participating in the
4 system prior to January 1, 2014. The service shall not be included in the
5 member's total service for purposes of determining benefits under Section 14
6 of this Act~~[KRS 61.702]~~; and

7 (e) All persons electing coverage in the system under KRS 78.530(3)(d).

8 (2) The provisions of subsection (1)(a) to (c) of this section notwithstanding, cities
9 which participate in the CERS and close existing local pension systems to new, or
10 all members pursuant to the provisions of KRS 78.530, 95.520, 95.621, or 95.852
11 shall not be required to provide membership in the County Employees Retirement
12 System to employees in any employee category not covered by a city pension
13 system at the date of participation.

14 (3) Membership in the system shall not include:

15 (a) Persons who are not eligible to participate in the system as provided by KRS
16 78.535; or

17 (b) Employees who are simultaneously participating in another state-administered
18 defined benefit plan within Kentucky other than those administered by the
19 Kentucky Retirement Systems or the County Employees Retirement System~~;~~
20 ~~except for employees who have ceased to contribute to one (1) of the state-~~
21 ~~administered retirement plans as provided in KRS 21.360].~~

22 (4) (a) The membership of any person in the system shall cease:

- 23 1. Upon withdrawal of his or her accumulated account balance at or any
24 time after termination of employment, regardless of length of service;
- 25 2. Upon retirement;
- 26 3. Upon death;
- 27 4. For persons hired prior to August 1, 2000, upon termination of

1 employment with prejudice, as defined by paragraph (b) of this
2 subsection; or

3 5. For persons hired on or after August 1, 2000, upon conviction of a
4 felony relating to the person's employment as provided in paragraph (c)
5 of this subsection.

6 (b) For purposes of KRS 78.510 to 78.852, termination of employment with
7 prejudice shall mean termination as the result of conviction of the member in
8 a court of competent jurisdiction of embezzlement or larceny of public funds
9 or property or malfeasance in office, or the forcing of a member to make
10 restitution for any funds or property criminally taken by the member at the
11 time of termination of employment.

12 (c) Notwithstanding any provision of law to the contrary, an employee hired on or
13 after August 1, 2000, who participates in the system and who is convicted, in
14 any state or federal court of competent jurisdiction, of a felony related to his
15 or her employment shall forfeit rights and benefits earned under the system,
16 except for the return of his or her accumulated contributions and interest
17 credited on those contributions. The payment of retirement benefits ordered
18 forfeited shall be stayed pending any appeal of the conviction. If the
19 conviction is reversed on final judgment, no retirement benefit shall be
20 forfeited. The employer shall notify the system when an employee is convicted
21 under the provisions of this subsection.

22 (d) When membership ceases, except in the case of retirement, the member shall
23 thereafter lose all right to any retirement allowance or benefits under KRS
24 78.510 to 78.852 arising from service prior to the date of such cessation of
25 membership.

26 ➔Section 20. KRS 78.545 (Effective April 1, 2021) is amended to read as
27 follows:

1 The following matters shall be administered for the County Employees Retirement
2 System in the same manner subject to the same limitations and requirements as provided
3 for the Kentucky Employees Retirement System as follows:

4 (1) Statement of member and employer, as provided for by KRS 61.540;

5 (2) Beneficiary to be designated by member, change, rights, as provided for by KRS
6 61.542;

7 (3) Service credit determination, as provided for by KRS 61.545;

8 ~~(4) [Service credit, Armed Forces, as provided for by KRS 61.555;~~

9 ~~(5) Normal and early retirement eligibility requirements, as provided for by KRS~~
10 ~~61.559;~~

11 ~~(6) Retirement allowance increases as provided for by KRS 61.691;~~

12 ~~(7)~~ Retirement application procedure, effective retirement date, as provided for by KRS
13 61.590;

14 ~~[(8) Disability retirement, conditions, as provided for by KRS 61.600;~~

15 ~~(9) Disability retirement, allowance, as provided for by KRS 61.605;~~

16 ~~(10) Medical examination after disability retirement, as provided for by KRS 61.610;~~

17 ~~(11) Disability retirement allowance, reduction, as provided for by KRS 61.615;~~

18 ~~(12) Determination of retirement allowance, as provided for by KRS 61.595;]~~

19 ~~(5)~~~~[(13)]~~ Refund of contributions, conditions, as provided for by KRS 61.625;

20 ~~(6)~~~~[(14)]~~ Refund of contributions, death after retirement, as provided for by KRS
21 61.630;

22 ~~(7)~~~~[(15)]~~ Recontribution and delayed contribution payments, purchase of service credit,
23 interest, and installment payments, as provided for by KRS 61.552;

24 ~~(8)~~~~[(16)]~~ Optional retirement plans, as provided for by KRS 61.635;

25 ~~[(17) Suspension of retirement payments on reemployment, reinstatement, as provided for~~
26 ~~by KRS 61.637;~~

27 ~~(18) Death before retirement, beneficiary's options, as provided for by KRS 61.640;]~~

- 1 ~~(9)~~~~[(19)]~~ Board of trustees, conflict of interest, as provided for by KRS 61.655;
- 2 ~~(10)~~~~[(20)]~~ Custodian of funds, payments made, when, as provided for by KRS 61.660;
- 3 ~~(11)~~~~[(21)]~~ Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 4 ~~(12)~~~~[(22)]~~ Correction of errors in records, as provided for by KRS 61.685;
- 5 ~~(13)~~~~[(23)]~~ Exemptions of retirement allowances, and qualified domestic relations orders,
- 6 as provided for by KRS 61.690;
- 7 ~~(14)~~~~[(24)]~~ Credit for service prior to membership date, as provided for by KRS 61.526;
- 8 ~~(15)~~~~[(25)]~~ Members' account, confidential, as provided for by KRS 61.661;
- 9 ~~[(26) Retirement plan for employees determined to be in a hazardous position, as~~
- 10 ~~provided for by KRS 61.592;~~
- 11 ~~(27) Maximum disability benefit, as provided for by KRS 61.607;]~~
- 12 ~~(16)~~~~[(28)]~~ Consent of employees to deductions and reciprocal arrangement between
- 13 systems, as provided for by KRS 61.680;
- 14 ~~[(29) Hospital and medical insurance plan, as provided by KRS 61.702;~~
- 15 ~~(30) Death benefit, as provided by KRS 61.705;]~~
- 16 ~~(17)~~~~[(31)]~~ Reinstated employee, contributions on creditable compensation, as provided
- 17 for by KRS 61.569;
- 18 ~~(18)~~~~[(32)]~~ Statement to be made under oath, good faith reliance, as provided for in KRS
- 19 61.699;
- 20 ~~[(33) Disability procedure for members in hazardous positions as provided for in KRS~~
- 21 ~~61.582;]~~
- 22 ~~(19)~~~~[(34)]~~ Direct deposit of recipient's retirement allowance as provided for in KRS
- 23 61.623;
- 24 ~~(20)~~~~[(35)]~~ Death or disability from a duty-related injury as provided in KRS 61.621;
- 25 ~~[(36) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;]~~
- 26 ~~(21)~~~~[(37)]~~ Payment of small accounts upon death of member, retiree, or recipient without
- 27 formal administration of the estate as provided in KRS 61.703;

1 ~~[(38) Hybrid cash balance plan provided to new members as provided by KRS 61.597;]~~

2 ~~(22)~~~~[(39)]~~ Employer payment of increases in creditable compensation and adjustments to
3 creditable compensation during the last five (5) years of employment as provided by
4 KRS 61.598;

5 ~~(23)~~~~[(40)]~~ Calculation of retirement allowance, as provided by KRS 61.599; and

6 ~~(24)~~~~[(41)]~~ Benefit election for members of the Kentucky Retirement Systems as provided
7 by KRS 61.5955.

8 Effective April 1, 2021, as it relates to KRS ~~[16.582, 61.545, 61.552,]~~ 61.590, 61.598,
9 ~~[61.600, 61.615,]~~61.655, ~~[61.660,]~~61.665, and~~[61.691,]~~ 61.703~~[, and 61.705]~~,
10 references to "Kentucky Retirement Systems" or "systems administered by Kentucky
11 Retirement Systems" as it relates to benefit eligibility shall include the County Employees
12 Retirement System and references to "Kentucky Retirement Systems" or the "Kentucky
13 Retirement Systems board of trustees" as it relates to administrative decisions, duties,
14 requirements, or conflict of interest provisions shall for purposes of the County
15 Employees Retirement System mean the County Employees Retirement System or
16 County Employees Retirement System board of trustees, as applicable.

17 ➔Section 21. KRS 78.610 (Effective April 1, 2021) is amended to read as
18 follows:

19 (1) Each employee shall~~[, commencing on August 1, 1990,]~~ contribute, for each pay
20 period for which he or she receives compensation:~~[,]~~

21 (a) 1. Five percent (5%) of his or her creditable compensation *if the employee*
22 *is participating in a nonhazardous position; or*

23 2. *Eight percent (8%) of his creditable compensation if the employee is*
24 *participating in a hazardous position; and*

25 (b) *The amount specified by paragraph (3)(b) of Section 14 of this Act for*
26 *employees who begin participating on or after September 1, 2008.*

27 (2) The agency reporting official of a participating county shall cause to be deducted

1 from the "creditable compensation" of each employee for each and every payroll
2 period subsequent to the date the county participated in the system the contribution
3 payable by the member as provided in KRS 78.510 to 78.852. The agency reporting
4 official shall promptly pay the deducted employee contributions to the system in
5 accordance with KRS 78.625.

6 (3) The deductions provided for in subsection (2) of this section shall be made
7 notwithstanding that the minimum compensation provided by law for any employee
8 shall be reduced thereby. Every employee shall be deemed to consent and agree to
9 the deductions made as provided in subsection (2) of this section; and payment of
10 salary or compensation less the deductions shall be a full and complete discharge of
11 all claims for services rendered by the person during the period covered by the
12 payment, except as to any benefits provided by KRS 78.510 to 78.852.

13 (4) Each employer shall, solely for the purpose of compliance with Section 414(h) of
14 the United States Internal Revenue Code, pick up the employee contributions
15 required by this section for all compensation earned after August 1, 1982, and the
16 contributions picked up shall be treated as employer contributions in determining
17 tax treatment under the United States Internal Revenue Code and KRS 141.010.
18 These contributions shall not be included as gross income of the employee until the
19 contributions are distributed or made available to the employee. The picked-up
20 employee contribution shall satisfy all obligations to the retirement system satisfied
21 prior to August 1, 1982, by the employee contribution, and the picked-up employee
22 contribution shall be in lieu of an employee contribution. Each employer shall pay
23 these picked-up employee contributions from the same source of funds which is
24 used to pay earnings to the employee. The employee shall have no option to receive
25 the contributed amounts directly instead of having them paid by the employer to the
26 system. Employee contributions picked up after August 1, 1982, shall be treated for
27 all purposes of KRS 78.510 to 78.852 in the same manner and to the same extent as

1 employee contributions made prior to August 1, 1982.

2 (5) The provisions of this section shall not apply to individuals who are not eligible for
3 membership as provided by KRS 78.535.

4 ➔Section 22. KRS 78.615 (Effective April 1, 2021) is amended to read as
5 follows:

6 (1) Employee contributions shall be deducted each payroll period from the creditable
7 compensation of each employee of an employer~~[agency]~~ participating in the system
8 while he or she is classified as regular full-time as defined in KRS 78.510 unless the
9 person did not elect to become a member as provided by KRS 78.540 or is not
10 eligible to participate in the system as provided by KRS 78.535. After August 1,
11 1982, employee contributions shall be picked up by the employer pursuant to KRS
12 78.610(4).

13 (a) For employees who are not employed by a school board, service credit shall
14 be allowed for each month contributions are deducted or picked up during a
15 fiscal or calendar year, if the employee receives creditable compensation for
16 an average of one hundred (100) hours or more of work per month based on
17 the actual hours worked in a calendar or fiscal year. If the average number of
18 hours of work is less than one hundred (100) hours per month, the employee
19 shall be allowed credit only for those months he or she receives creditable
20 compensation for one hundred (100) hours of work.

21 (b) For noncertified employees of school boards, for service prior to July 1, 2000,
22 service credit shall be allowed for each month contributions are deducted or
23 picked up under the employee's employment contract during a school year
24 determined by dividing the actual number of contracted calendar days worked
25 by twenty (20) and rounded to the nearest whole month if the employee
26 receives creditable compensation for an average of eighty (80) or more hours
27 of work per month based on the employee's employment contract. The school

1 board shall certify the number of calendar days worked, the rate of pay, and
2 the hours in a work day for each employee monthly or annually. The employer
3 shall file at the retirement office the final monthly report or the annual report
4 for a fiscal year no later than twenty (20) days following the completion of the
5 fiscal year. The retirement system shall impose a penalty on the employer of
6 one thousand dollars (\$1,000) if the information is not submitted by the date
7 required with an additional two hundred and fifty dollars (\$250) for each
8 additional thirty (30) day period the information is reported late.

- 9 1. If the employee works fewer than the number of contracted calendar
10 days, the employee shall receive service credit determined by dividing
11 the actual number of contracted calendar days worked by twenty (20)
12 and rounded to the nearest whole month, provided that the number of
13 hours worked during the period averages eighty (80) or more hours.
- 14 2. If the employee works fewer than the number of contracted calendar
15 days and the average number of hours worked is less than eighty (80) per
16 month, then the employee shall receive service credit for each calendar
17 month in which he or she worked eighty (80) or more hours.
- 18 3. The retirement system shall refund contributions and service credit for
19 any period for which the employee is not given credit under this
20 subsection.

- 21 (c) For noncertified employees of school boards, for service on and after July 1,
22 2000, at the close of each fiscal year, the retirement system shall add service
23 credit to the account of each employee who made contributions to his or her
24 account during the year. Employees shall be entitled to a full year of service
25 credit if their total paid calendar days were not less than one hundred eighty
26 (180) calendar days for a regular school or fiscal year. In the event an
27 employee is paid for less than one hundred eighty (180) calendar days, the

1 employee may purchase credit according to administrative regulations
2 promulgated by the system. In no case shall more than one (1) year of service
3 be credited for all service performed in one (1) fiscal year. Employees who
4 complete their employment contract prior to the close of a fiscal year and elect
5 to retire prior to the close of a fiscal year shall have their service credit
6 reduced by eight percent (8%) for each calendar month that the retirement
7 becomes effective prior to July 1. Employees who are employed and paid for
8 less than the number of calendar days required in their normal employment
9 year shall be entitled to pro rata service credit for the fractional service. This
10 credit shall be based upon the number of calendar days employed and the
11 number of calendar days in the employee's annual employment agreement or
12 normal employment year. Service credit may not exceed the ratio between the
13 school or fiscal year and the number of months or fraction of a month the
14 employee is employed during that year.

15 (d) Notwithstanding paragraph (c) of this subsection, a noncertified employee of a
16 school board who retires between July 1, 2000, and August 1, 2001, may
17 choose to have service earned between July 1, 2000, and August 1, 2001,
18 credited as described in paragraph (b) of this subsection, if the employee or
19 retired member notifies the retirement system within one (1) year of his or her
20 initial retirement. The decision once made shall be irrevocable.

21 (2) Employee contributions shall not be deducted from the creditable compensation of
22 any employee or picked up by the employer while he or she is seasonal, emergency,
23 temporary, or part-time. No service credit shall be earned.

24 (3) Contributions shall not be made or picked up by the employer and no service credit
25 shall be earned by a member while on leave except:

26 (a) A member on military leave shall be entitled to service credit in accordance
27 with Section 52 of this Act~~[KRS 61.555]~~; and

1 (b) A member on approved educational leave~~[who meets the criteria established~~
2 ~~by the state Personnel Cabinet for approved educational leave]~~, who is
3 receiving seventy-five percent (75%) or more of full salary, shall receive
4 service credit and shall pay member contributions in accordance with KRS
5 78.610, and his or her employer shall pay employer contributions ~~for the~~
6 ~~contributions shall be picked up~~ in accordance with KRS 78.635. If a tuition
7 agreement is broken by the member, the member and employer contributions
8 paid or picked up during the period of educational leave shall be refunded.

9 (4) The retirement office, upon detection, shall refund any erroneous employer and
10 employee contributions made to the retirement system and any interest credited in
11 accordance with KRS 78.640.

12 ➔Section 23. KRS 78.616 is amended to read as follows:

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

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

25 (3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590,
26 the employer shall certify the retiring employee's unused, accumulated sick-
27 leave balance to the system. The member's sick-leave balance, expressed in

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

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

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

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

- 25 1. The member shall receive no more than twelve (12) months of service
26 credit upon retirement for accumulated unused sick leave accrued while
27 contributing to the retirement system from which the retirement benefit

1 is to be paid;

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

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

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

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

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

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

27 (b) The rate of compensation for each unused sick-leave day shall be based on the

1 daily salary rate calculated from the employee's current rate of pay. Payment
2 for unused sick-leave days shall be incorporated into the employee's final
3 compensation if the employee and employer make the regular employee and
4 employer contributions, respectively, on the sick-leave payment.

- 5 (c) The number of sick-leave days for which the employee is compensated shall
6 be divided by the average number of working days per month in county
7 service and rounded to the nearest number of whole months. This number of
8 months shall be added to the employee's total service credit and to the number
9 of months used to determine creditable compensation, pursuant to KRS
10 78.510, but no more than sixty (60) months shall be used to determine final
11 compensation. For an employee who begins participating on or after
12 September 1, 2008, but prior to January 1, 2014, the number of months added
13 to the employee's total service credit under this paragraph shall not exceed
14 twelve (12) months, and the additional service shall not be used to determine
15 whether a member is eligible to receive a retirement allowance under KRS
16 78.510 to 78.852~~[or to reduce any applicable actuarial reductions]~~.

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

- 22 (6) Any city of the first class that has two (2) or more sick-leave programs for its
23 employees may purchase service credit with the retirement system for up to six (6)
24 months of unused sick leave for each retiring employee who participates in the sick-
25 leave program administered to a majority of the eligible employees of the city. An
26 employee participating in a sick-leave program administered to a minority of the
27 eligible employees shall become eligible for the purchase of service credit under

1 this subsection when the employee commences participating in the sick-leave
2 program that is administered to a majority of the eligible employees of the city.

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

7 ➔Section 24. KRS 78.625 (Effective April 1, 2021) is amended to read as
8 follows:

9 (1) The employer shall prepare the reporting records necessary for the system to
10 administer the provisions of KRS 78.510 to 78.852 and, from time to time, shall
11 furnish the information the system may require in the discharge of its duties. Upon
12 employment of an employee, the employer shall inform him or her of his or her
13 duties and obligations in connection with the system as a condition of employment.

14 (2) The agency reporting official of the county shall file the following at the retirement
15 office on or before the tenth day of the month following the period being reported:

16 (a) The employee and employer contributions required under KRS ~~{61.702,~~
17 ~~{78.610, and 78.635;~~

18 (b) The employer contributions and reimbursements for retiree health insurance
19 premiums required under Section 16 of this Act ~~{KRS 61.637}; and~~

20 (c) A record of all contributions to the system on the forms prescribed by the
21 systems.

22 (3) (a) If the agency reporting official fails to file at the retirement office all
23 contributions and reports on or before the tenth day of the month following
24 the period being reported, interest on the delinquent contributions at the
25 actuarial rate adopted by the board compounded annually, but not less than
26 one thousand dollars (\$1,000), may be added to the amount due the system.

27 (b) Delinquent contributions, with interest at the rate adopted by the board

1 compounded annually, or penalties may be recovered by action in the Franklin
2 Circuit Court against the county liable or may, at the request of the board, be
3 deducted from any other moneys payable to the county by any department or
4 agency of the state.

5 (4) If an agency is delinquent in the payment of contributions due in accordance with
6 any of the provisions of KRS 78.510 to 78.852, refunds and retirement allowance
7 payments to members of this agency may be suspended until the delinquent
8 contributions, with interest at the rate adopted by the board compounded annually,
9 or penalties have been paid to the system.

10 (5) The system may at any time conduct an audit of the employer in order to determine
11 if the employer is complying with the provisions of KRS 78.510 to 78.852. The
12 system shall have access to and may examine all books, accounts, reports,
13 correspondence files, and records of any employer. Every employer, employee, or
14 agency reporting official of a county, as defined in KRS 78.510(3), having records
15 in its possession or under its control, shall permit access to and examination of the
16 records upon the request of the system.

17 ➔Section 25. KRS 78.630 is amended to read as follows:

18 **Except as provided by KRS 61.701,** all of the assets of the system shall be held ~~and~~
19 ~~invested in~~ the county employees' retirement fund and credited, according to the purpose
20 for which they are held, to one (1) of three (3) accounts, namely, the members' account,
21 the retirement allowance account, and accounts established pursuant to 26 U.S.C. sec.
22 401(h) within the funds established in KRS ~~{16.510, 61.515, and }~~78.520, as prescribed
23 by **paragraph (3)(b) of Section 14 of this Act**~~{KRS 61.702(2)(b)}.~~

24 ➔Section 26. KRS 78.635 (Effective April 1, 2021) is amended to read as
25 follows:

26 (1) (a) Except as provided by subsection **(4)**~~{(5)}~~ of this section, each employer
27 participating in the County Employees Retirement System as provided for in

1 KRS 78.510 to 78.852 shall contribute annually to the system an amount
2 determined by the actuarial valuation completed in accordance with KRS
3 78.784 and as specified by this section. Employer contributions for the
4 system shall be equal to the sum of~~equal to the percent, as computed under~~
5 ~~subsection (2) of this section, of the creditable compensation of its employees~~
6 ~~to be known as~~ the "normal cost contribution~~contributions,~~" and ~~{an~~
7 ~~additional amount to be known as~~ the "actuarially accrued liability
8 ~~contribution"~~ ~~{ which shall be computed by amortizing the total unfunded~~
9 ~~actuarially accrued liability over a period of thirty (30) years using the level-~~
10 ~~percentage of payroll amortization method. The thirty (30) year amortization~~
11 ~~period shall begin with the 2013 actuarial valuation.~~

12 ~~(b) Any significant increase in the actuarially accrued liability due to benefit~~
13 ~~improvements shall be amortized using the level percentage of payroll~~
14 ~~amortization method over a separate thirty (30) year period commencing in~~
15 ~~the year of the actuarial valuation in which the benefit improvements are first~~
16 ~~reflected].~~

17 ~~(b){(2)}~~ For purposes of this section, the normal cost contribution shall be
18 computed as a percentage of pay and shall be an annual amount that is
19 sufficient when combined with employee contributions to fund benefits
20 earned during the year in the system. The amount shall be:

21 1. Paid as a percentage of creditable compensation reported for each
22 employee participating in the system and accruing benefits; and

23 2. The same percentage of pay for all employees who are participating in
24 the system, except that separate percentage rates shall be developed in
25 each system for those employers whose employees are participating in
26 hazardous duty retirement coverage as provided by Section 6 of this

27 Act~~{The normal contribution rate shall be determined by the entry age~~

1 normal cost funding method. The actuarially accrued liability shall be
2 determined by actuarial method consistent with the methods prescribed
3 for determining the normal contribution rate. Normal contributions and
4 the actuarially accrued liability contribution shall be determined on
5 actuarial assumptions and methods adopted by the board].

6 (c) For purposes of this section, the actuarially accrued liability contribution
7 shall be:

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

1 (d) The employer contributions computed under this section shall be
2 determined using:

3 1. The entry age normal cost funding method;

4 2. An asset smoothing method that smooths investment gains and losses
5 over a five (5) year period; and

6 3. Other funding methods and assumptions established by the board in
7 accordance with KRS 78.784.

8 ~~(2)(3)~~ Normal contribution and the actuarially accrued liability contribution rates
9 shall be determined by the board on the basis of the annual actuarial valuation last
10 preceding the July 1 of a new fiscal year.

11 ~~(3)(4)~~ Employer contribution rates as provided by this section shall:

12 ~~(a) Be developed separately for employers providing benefits to employees in~~
13 ~~nonhazardous positions and for employers providing benefits to employees in~~
14 ~~hazardous positions; and~~

15 ~~(b)~~ include an employer contribution rate to fund pension benefits and an
16 employer contribution rate to fund retiree health benefits.

17 ~~(4)(5)~~ The employer contribution rate established by the board for the County
18 Employees Retirement System that is payable on or after July 1, 2018, and until
19 June 30, 2028, for the pension and retiree health insurance funds, including the
20 normal cost contribution and the actuarially accrued liability contribution for each
21 fund, shall not increase by more than a factor of one and twelve one hundredths
22 (1.12) over the prior fiscal year's employer contribution rate as determined by the
23 system's consulting actuary.

24 ~~(5)(6)~~ The system shall advise each employer prior to the beginning of each fiscal
25 year of any change in the employer contribution rate. Based on the employer contribution
26 rate, each employer shall include in the budget sufficient funds to pay the employer
27 contributions as determined by the board under this section.

1 ➔ Section 27. KRS 78.640 is amended to read as follows:

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

3 (a) All members' contributions, or contributions picked up by the employer after
4 August 1, 1982, and interest allowances~~[or investment returns]~~ as provided in
5 KRS 78.510 to 78.852 shall be credited, except as provided by paragraph
6 (3)(b) of Section 14 of this Act~~[KRS 61.702(2)(b)]~~; and

7 (b) For members who begin participating in the system on or after January 1,
8 2014, ~~[who are participating in the hybrid cash balance plan,]~~ the employer
9 pay credit and interest credited on such amounts as provided by Sections 2
10 and 4 of this Act~~[KRS 16.583 and 61.597]~~ shall be credited~~[-; and~~

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

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

19 (2) Each member's contribution or contribution picked up by the employer shall be
20 credited to the individual account of the contributing member, except as provided
21 by paragraph (3)(b) of Section 14 of this Act~~[KRS 61.702(2)(b)]~~.

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

24 ~~(a)†~~ Each member shall have his individual account credited with interest on June
25 30 of each year.

26 (b) For a member who begins participating before September 1, 2008, interest
27 shall be credited to his individual account at a rate determined by the board

1 but not less than two percent (2%) per annum on the accumulated account
2 balance of the member on June 30 of the preceding fiscal year.

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

8 (d) For a member who begins participating on or after January 1, 2014, in the
9 hybrid cash balance plan, interest shall be credited in accordance with KRS
10 16.583 and 61.597.

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

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

16 (b) Upon the retirement of a member who began participating in the system on or
17 after January 1, 2014~~[, or who elects to participate in the 401(a) money~~
18 ~~purchase plan]~~, who elects to annuitize his or her accumulated account
19 balance~~[in the hybrid cash balance plan or 401(a) money purchase plan]~~ as
20 prescribed by subsection (7)(a) or (b) of Section 2 of this Act or subsection
21 (7)(a) or (b) of Section 4 of this Act~~[KRS 16.583(7)(a) or (b), 61.5956(6)(a)~~
22 ~~or (b), or 61.597(7)(a) or (b)]~~, the member's accumulated account balance
23 shall be transferred to the retirement allowance account.

24 ➔Section 28. KRS 78.650 is amended to read as follows:

25 The retirement allowance account shall be the account in which shall be accumulated all
26 employer contributions and amounts transferred from the members' account, and to which
27 all income from the invested assets of the system shall be credited. From this account

1 shall be paid the expenses of the system and the board in administration of the system,
2 retirement allowances, and any other benefits payable after a member's retirement and
3 from this account shall be transferred to the members' account:

4 (1) The employer pay credit added monthly to each member's individual accounts as
5 provided by Sections 2 and 4 of this Act ~~[KRS 16.583 and 61.597;~~

6 ~~(2) — The employer contribution for the 401(a) money purchase plan as provided by KRS~~
7 ~~61.5956]; and~~

8 ~~(2)(3)~~ The interest credited annually to each ~~[a]~~ member's individual account as
9 provided by KRS 78.510 to 78.852.

10 ➔Section 29. KRS 78.782 (Effective April 1, 2021) is amended to read as
11 follows:

12 (1) The County Employees Retirement System shall be administered by the board of
13 trustees composed of nine (9) members, who shall be selected as follows:

14 (a) Three (3) trustees, who shall be members or retired from the County
15 Employees Retirement System, elected by the members and retired members
16 of the County Employees Retirement System, of which:

17 1. Two (2) shall have a majority of his or her service credit earned in the
18 County Employees Retirement System in a nonhazardous position; and

19 2. One (1) shall have a majority of his or her service credit earned in the
20 County Employees Retirement System in a hazardous position;

21 (b) Six (6) trustees appointed by the Governor, subject to Senate confirmation in
22 accordance with KRS 11.160 for each appointment or reappointment. Of the
23 six (6) trustees appointed by the Governor:

24 1. One (1) trustee with retirement experience shall be appointed from a list
25 of three (3) applicants submitted by the Kentucky League of Cities;

26 2. One (1) trustee with investment experience shall be appointed from a list
27 of three (3) applicants submitted by the Kentucky League of Cities;

- 1 3. One (1) trustee with retirement experience shall be appointed from a list
- 2 of three (3) applicants submitted by the Kentucky Association of
- 3 Counties;
- 4 4. One (1) trustee with investment experience shall be appointed from a list
- 5 of three (3) applicants submitted by the Kentucky Association of
- 6 Counties;
- 7 5. One (1) trustee with retirement experience shall be appointed from a list
- 8 of three (3) applicants submitted by the Kentucky School Boards
- 9 Association; and
- 10 6. One (1) trustee with investment experience shall be appointed from a list
- 11 of three (3) applicants submitted by the Kentucky School Boards
- 12 Association.

13 Notwithstanding the provisions of KRS 12.070(3), the Governor shall appoint
14 each individual trustee described by subparagraphs 1. to 6. of this paragraph
15 solely from each corresponding individual list required to be submitted by the
16 Kentucky League of Cities, the Kentucky Association of Counties, or the
17 Kentucky School Boards Association as provided by subparagraphs 1. to 6. of
18 this paragraph, and the Governor shall not be able to reject the list of
19 applicants submitted, request that another list be provided, or use a list
20 different from the one (1) individual list required to be submitted for each
21 specific appointment **or reappointment**;

22 (c) For purposes of paragraph (b) of this subsection, a trustee with "investment
23 experience" means an individual who does not have a conflict of interest, as
24 provided by KRS 61.655, and who has at least ten (10) years of experience in
25 one (1) of the following areas of expertise:

- 26 1. A portfolio manager acting in a fiduciary capacity;
- 27 2. A professional securities analyst or investment consultant;

- 1 3. A current or retired employee or principal of a trust institution,
2 investment or finance organization, or endowment fund acting in an
3 investment-related capacity;
- 4 4. A chartered financial analyst in good standing as determined by the CFA
5 Institute; or
- 6 5. A university professor, teaching investment-related studies; and
- 7 (d) For purposes of paragraph (b) of this subsection, a trustee with "retirement
8 experience" means an individual who does not have a conflict of interest, as
9 provided by KRS 61.655, and who has at least ten (10) years of experience in
10 one (1) of the following areas of expertise:
 - 11 1. Experience in retirement or pension plan management;
 - 12 2. A certified public accountant with relevant experience in retirement or
13 pension plan accounting;
 - 14 3. An actuary with relevant experience in retirement or pension plan
15 consulting;
 - 16 4. An attorney licensed to practice law in the Commonwealth of Kentucky
17 with relevant experience in retirement or pension plans; or
 - 18 5. A current or former university professor whose primary area of emphasis
19 is economics or finance.
- 20 (2) The board is hereby granted the powers and privileges of a corporation, including
21 but not limited to the following powers:
 - 22 (a) To sue and be sued in its corporate name;
 - 23 (b) To make bylaws not inconsistent with the law;
 - 24 (c) To conduct the business and promote the purposes for which it was formed;
 - 25 (d) Except as provided in KRS 78.790(6), to contract for investment counseling,
26 auditing, medical, and other professional or technical services as required to
27 carry out the obligations of the board subject to the provisions of KRS

- 1 Chapters 45, 45A, 56, and 57. Actuarial consulting services shall be provided
2 by a firm hired by the Kentucky Public Pensions Authority;
- 3 (e) To purchase fiduciary liability insurance;
- 4 (f) Except as provided in KRS 78.790(6), to acquire, hold, sell, dispose of,
5 pledge, lease, or mortgage, the goods or property necessary to exercise the
6 board's powers and perform the board's duties subject to KRS Chapters 45,
7 45A, and 56; and
- 8 (g) The board shall reimburse any trustee, officer, or employee for any legal
9 expense resulting from a civil action arising out of the performance of his or
10 her official duties. The hourly rate of reimbursement for any contract for legal
11 services under this paragraph shall not exceed the maximum hourly rate
12 provided in the Legal Services Duties and Maximum Rate Schedule
13 promulgated by the Government Contract Review Committee established
14 pursuant to KRS 45A.705, unless a higher rate is specifically approved by the
15 secretary of the Finance and Administration Cabinet or his or her designee.
- 16 (3) Notwithstanding the provisions of subsection (1) of this section, each trustee shall
17 serve a term of four (4) years or until his or her successor is duly qualified except as
18 otherwise provided in this section. An elected or appointed trustee shall not serve
19 more than three (3) consecutive four (4) year terms. An elected or appointed trustee
20 who has served three (3) consecutive terms may be elected or appointed again after
21 an absence of four (4) years from the board.
- 22 (4) (a) The trustees selected by the membership of the system shall be elected by
23 ballot. For each trustee to be elected, the board may nominate, not less than
24 six (6) months before a term of office of a trustee is due to expire, three (3)
25 constitutionally eligible individuals.
- 26 (b) Individuals may be nominated by the system members by presenting to the
27 executive director, not less than four (4) months before a term of office of a

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

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

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

11 (e) The ballots shall be addressed to the County Employees Retirement System in
12 care of a predetermined box number at a United States Post Office or
13 submitted electronically as provided by paragraph (j) of this subsection.
14 Access to this post office box shall be limited to the board's contracted firm.
15 The individual receiving a plurality of votes shall be declared elected.

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

21 (g) The board's contracted firm shall report in writing the outcome to the chair of
22 the board of trustees. Costs of an election shall be payable from the funds of
23 the system.

24 (h) For purposes of this subsection, an eligible voter shall be a person who was a
25 member of the system on December 31 of the year preceding the election year.

26 (i) Each individual who submits a request to be nominated by the board under
27 paragraph (a) of this subsection and each individual who is nominated by the

1 membership under paragraph (b) of this subsection shall:

- 2 1. Complete an application developed by the system which shall include
3 but not be limited to a disclosure of any prior felonies and any conflicts
4 of interest that would hinder the individual's ability to serve on the
5 board;
- 6 2. Submit a resume detailing the individual's education and employment
7 history and a cover letter detailing the member's qualifications for
8 serving as trustee to the board; and
- 9 3. Authorize the system to have a criminal background check performed.
10 The criminal background check shall be performed by the Department of
11 Kentucky State Police.

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

17 (5) (a) Any vacancy which may occur in an appointed position during a term of
18 office shall be filled in the same manner which provides for the selection of
19 the particular trustee, and any vacancy which may occur in an elected position
20 during a term of office shall be filled by appointment by a majority vote of
21 the remaining elected trustees; however, any vacancy shall be filled only for
22 the duration of the unexpired term. In the event of a vacancy of an elected
23 trustee during a term of office, the system shall notify members of the
24 vacancy and the opportunity to be considered for the vacant position. Any
25 vacancy shall be filled within ninety (90) days of the position becoming
26 vacant.

27 (b) Any appointments or reappointments to an appointed position on the board

1 shall be made at least thirty (30) days prior to an appointed member's term
2 of office ending. The Governor's office shall, with each appointment or
3 reappointment, request lists to be submitted and base selections on those
4 lists solely under the procedures and requirements provided by subsection
5 (1)(b) of this section.

- 6 (6) (a) Membership on the board of trustees shall not be incompatible with any other
7 office unless a constitutional incompatibility exists. No trustee shall serve in
8 more than one (1) position as trustee on the board and, if a trustee holds more
9 than one (1) position as trustee on the board, he or she shall resign a position.
- 10 (b) A trustee shall be removed from office upon conviction of a felony or for a
11 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court
12 of competent jurisdiction.
- 13 (c) A current or former employee of the County Employees Retirement System,
14 Kentucky Retirement Systems, or the Kentucky Public Pensions Authority
15 shall not be eligible to serve as a member of the board.
- 16 (7) Trustees who do not otherwise receive a salary from the State Treasury shall receive
17 a per diem of eighty dollars (\$80) for each day they are in session or on official
18 duty, and they shall be reimbursed for their actual and necessary expenses in
19 accordance with state administrative regulations and standards.
- 20 (8) (a) The board shall meet at least once in each quarter of the year and may meet in
21 special session upon the call of the chair or the chief executive
22 officer~~[executive director]~~.
- 23 (b) The board shall elect a chair and a vice chair. The chair shall not serve more
24 than four (4) consecutive years as chair or vice chair of the board. The vice
25 chair shall not serve more than four (4) consecutive years as chair or vice chair
26 of the board. A trustee who has served four (4) consecutive years as chair or
27 vice chair of the board may be elected chair or vice chair of the board after an

1 absence of two (2) years from the positions.

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

4 (9) (a) The board of trustees shall appoint or contract for the services of a chief
5 executive officer and general counsel and fix the compensation and other
6 terms of employment for these positions~~[this position]~~ without limitation of
7 the provisions of KRS Chapters 18A and 45A and KRS 64.640. The chief
8 executive officer shall serve as the legislative~~[-legal,]~~ and executive adviser to
9 the board. The general counsel shall serve as legal adviser to the board. The
10 chief executive officer and general counsel~~[-and]~~ shall work with the
11 executive director of the Kentucky Public Pensions Authority to carry out the
12 provisions of KRS 78.510 to 78.852. The executive director of the Kentucky
13 Public Pensions Authority shall be the chief administrative officer of the
14 board.

15 (b) The board shall require the chief executive officer and may require the
16 general counsel to execute bonds for the faithful performance of his or her
17 duties notwithstanding the limitations of KRS Chapter 62.

18 (c) The board shall have a system of accounting established by the Kentucky
19 Public Pensions Authority.

20 (d) The board shall do all things, take all actions, and promulgate all
21 administrative regulations, not inconsistent with the provisions of KRS 78.510
22 to 78.852, necessary or proper in order to carry out the provisions of KRS
23 78.510 to 78.852. Notwithstanding any other evidence of legislative intent, it
24 is hereby declared to be the controlling legislative intent that the provisions of
25 KRS 78.510 to 78.852 conform with federal statute or regulation and meet the
26 qualification requirements under 26 U.S.C. sec. 401(a), applicable federal
27 regulations, and other published guidance. Provisions of KRS 78.510 to

1 78.852 which conflict with federal statute or regulation or qualification under
2 26 U.S.C. sec. 401(a), applicable federal regulations, and other published
3 guidance shall not be available. The board shall have the authority to
4 promulgate administrative regulations to conform with federal statute and
5 regulation and to meet the qualification requirements under 26 U.S.C. sec.
6 401(a), including an administrative regulation to comply with 26 U.S.C. sec.
7 401(a)(9).

8 (e) Notwithstanding any other provision of statute to the contrary, including but
9 not limited to any provision of KRS Chapter 12, the Governor shall have no
10 authority to change any provision of KRS 78.510 to 78.852 by executive order
11 or action, including but not limited to reorganizing, replacing, amending, or
12 abolishing the membership of the County Employees Retirement System
13 board of trustees.

14 (10) The chief executive officer and general counsel of the board shall serve during its
15 will and pleasure. Notwithstanding any statute to the contrary, the chief executive
16 officer shall not be considered a legislative agent under KRS 6.611.

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

22 (12) (a) The system shall publish an annual financial report showing all receipts,
23 disbursements, assets, and liabilities. The annual report shall include a copy of
24 an audit conducted in accordance with generally accepted auditing standards.
25 Except as provided by paragraph (b) of this subsection, the board may select
26 an independent certified public accountant or the Auditor of Public Accounts
27 to perform the audit. If the audit is performed by an independent certified

1 public accountant, the Auditor of Public Accounts shall not be required to
2 perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at
3 his or her discretion. All proceedings and records of the board shall be open
4 for inspection by the public. The system shall make copies of the audit
5 required by this subsection available for examination by any member, retiree,
6 or beneficiary in the offices of the County Employees Retirement System and
7 in other places as necessary to make the audit available to all members,
8 retirees, and beneficiaries. A copy of the annual audit shall be sent
9 electronically to the Legislative Research Commission no later than ten (10)
10 days after receipt by the board.

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

16 (13) All expenses incurred by or on behalf of the system and the board in the
17 administration of the system during a fiscal year shall be paid from the retirement
18 allowance account, including any administrative expenses for the Kentucky
19 Public Pensions Authority that are assigned to the County Employees Retirement
20 System by KRS 61.505. The board shall submit any administrative expenses that
21 are specific to the County Employees Retirement System that are not otherwise
22 covered by subsection (11)(a) of Section 76 of this Act.

23 (14) Except as provided under subsection (16) of this section or KRS 61.665, any person
24 adversely affected by a decision of the board involving KRS 78.510 to 78.852 may
25 appeal the decision of the board to the Franklin Circuit Court within sixty (60) days
26 of the board action.

27 (15) (a) A trustee shall discharge his or her duties as a trustee, including his or her

1 duties as a member of a committee:

- 2 1. In good faith;
- 3 2. On an informed basis; and
- 4 3. In a manner he or she honestly believes to be in the best interest of the
- 5 County Employees Retirement System.

6 (b) A trustee discharges his or her duties on an informed basis if, when he or she
7 makes an inquiry into the business and affairs of the system or into a
8 particular action to be taken or decision to be made, he or she exercises the
9 care an ordinary prudent person in a like position would exercise under similar
10 circumstances.

11 (c) In discharging his or her duties, a trustee may rely on information, opinions,
12 reports, or statements, including financial statements and other financial data,
13 if prepared or presented by:

- 14 1. One (1) or more officers or employees of the system or authority whom
15 the trustee honestly believes to be reliable and competent in the matters
16 presented;
- 17 2. Legal counsel, public accountants, actuaries, or other persons as to
18 matters the trustee honestly believes are within the person's professional
19 or expert competence; or
- 20 3. A committee of the board of trustees of which he or she is not a member
21 if the trustee honestly believes the committee merits confidence.

22 (d) A trustee shall not be considered as acting in good faith if he or she has
23 knowledge concerning the matter in question that makes reliance otherwise
24 permitted by paragraph (c) of this subsection unwarranted.

25 (e) Any action taken as a trustee, or any failure to take any action as a trustee,
26 shall not be the basis for monetary damages or injunctive relief unless:

- 27 1. The trustee has breached or failed to perform the duties of the trustee's

1 office in compliance with this section; and

2 2. In the case of an action for monetary damages, the breach or failure to
3 perform constitutes willful misconduct or wanton or reckless disregard
4 for human rights, safety, or property.

5 (f) A person bringing an action for monetary damages under this section shall
6 have the burden of proving by clear and convincing evidence the provisions of
7 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
8 breach or failure to perform was the legal cause of damages suffered by the
9 system.

10 (g) In discharging his or her administrative duties under this section, a trustee
11 shall strive to administer the system in an efficient and cost-effective manner
12 for the taxpayers of the Commonwealth of Kentucky and shall take all actions
13 available under the law to contain costs for the trusts, including costs for
14 participating employers, members, and retirees.

15 (16) When an order by the system substantially impairs the benefits or rights of a
16 member, retired member, or recipient, except action which relates to entitlement to
17 disability benefits, the affected member, retired member, or recipient may request a
18 hearing to be held in accordance with KRS Chapter 13B. The board may establish
19 an appeals committee whose members shall be appointed by the chair and who shall
20 have authority to act upon the recommendations and reports of the hearing officer
21 on behalf of the board. The member, retired member, recipient, or employer
22 aggrieved by a final order of the board following the hearing may appeal the
23 decision to the Franklin Circuit Court, in accordance with KRS Chapter 13B. The
24 board may establish a joint administrative appeals committee with the Kentucky
25 Retirement Systems and may also establish a joint disability appeals committee with
26 the Kentucky Retirement Systems.

27 (17) The board shall establish a formal trustee education program for all trustees of the

1 board. The program shall include but not be limited to the following:

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

- 4 1. Benefits and benefits administration;
- 5 2. Investment concepts, policies, and current composition and
6 administration of system investments;
- 7 3. Laws, bylaws, and administrative regulations pertaining to the system
8 and to fiduciaries; and
- 9 4. Actuarial and financial concepts pertaining to the system.

10 If a trustee fails to complete the orientation program within one (1) year from
11 the beginning of his or her first term on the board, the system shall withhold
12 payment of the per diem and travel expenses due to the board member under
13 this section until the trustee has completed the orientation program;

14 (b) Annual required training for board members on the administration, benefits,
15 financing, and investing of the system. If a trustee fails to complete the annual
16 required training during the calendar or fiscal year, the retirement system shall
17 withhold payment of the per diem and travel expenses due to the board
18 member under this section until the board member has met the annual training
19 requirements; and

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

22 (18) In order to improve public transparency regarding the administration of the system,
23 the board of trustees shall adopt a best practices model by posting the following
24 information to the Kentucky Public Pensions Authority's Web site and shall make
25 available to the public:

26 (a) Meeting notices and agendas for all meetings of the board. Notices and
27 agendas shall be posted to the Kentucky Public Pensions Authority's Web site

1 at least seventy-two (72) hours in advance of the board or committee
2 meetings, except in the case of special or emergency meetings as provided by
3 KRS 61.823;

4 (b) The Comprehensive Annual Financial Report with the information as follows:

- 5 1. A general overview and update on the system by the executive director;
- 6 2. A listing of the board of trustees;
- 7 3. A listing of key staff;
- 8 4. An organizational chart;
- 9 5. Financial information, including a statement of plan net assets, a
10 statement of changes in plan net assets, an actuarial value of assets, a
11 schedule of investments, a statement of funded status and funding
12 progress, and other supporting data;
- 13 6. Investment information, including a general overview, a list of the
14 system's professional consultants, a total net of fees return on system
15 investments over a historical period, an investment summary, contracted
16 investment management expenses, transaction commissions, and a
17 schedule of investments;
- 18 7. The annual actuarial valuation report on the pension benefit and the
19 medical insurance benefit; and
- 20 8. A general statistical section, including information on contributions,
21 benefit payouts, and retirement system demographic data;

22 (c) All external audits;

23 (d) All board minutes or other materials that require adoption or ratification by
24 the board of trustees. The items listed in this paragraph shall be posted within
25 seventy-two (72) hours of adoption or ratification of the board;

26 (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;

27 (f) The system's summary plan description;

- 1 (g) A document containing an unofficial copy of the statutes governing the
2 system;
- 3 (h) A listing of the members of the board of trustees and membership on each
4 committee established by the board, including any investment committees;
- 5 (i) All investment holdings in aggregate, fees, and commissions for each fund
6 administered by the board, which shall be updated on a quarterly basis for
7 fiscal years beginning on or after July 1, 2021. The system shall request from
8 all managers, partnerships, and any other available sources all information
9 regarding fees and commissions and shall, based on the requested information
10 received:
- 11 1. Disclose the dollar value of fees and commissions paid to each
12 individual manager or partnership;
- 13 2. Disclose the dollar value of any profit sharing, carried interest, or any
14 other partnership incentive arrangements, partnership agreements, or any
15 other partnership expenses received by or paid to each manager or
16 partnership; and
- 17 3. As applicable, report each fee or commission by manager or partnership
18 consistent with standards established by the Institutional Limited
19 Partners Association (ILPA).
- 20 In addition to the requirements of this paragraph, the system shall also
21 disclose the name and address of all individual underlying managers or
22 partners in any fund of funds in which system assets are invested;
- 23 (j) An update of net of fees investment returns, asset allocations, and the
24 performance of the funds against benchmarks adopted by the board for each
25 fund, for each asset class administered by the board, and for each manager.
26 The update shall be posted on a quarterly basis for fiscal years beginning on or
27 after July 1, 2021;

- 1 (k) A searchable database of the system's expenditures and a listing of each
2 individual employed by the system along with the employee's salary or wages.
3 In lieu of posting the information required by this paragraph to the Kentucky
4 Public Pensions Authority's Web site, the system may provide the information
5 through a Web site established by the executive branch to inform the public
6 about public employee salaries and wages;
- 7 (l) All contracts or offering documents for services, goods, or property purchased
8 or utilized by the system for contracts or offering documents entered into on
9 or after July 1, 2021; and
- 10 (m) Information regarding the system's financial and actuarial condition that is
11 easily understood by the members, retired members, and the public.
- 12 (19) Notwithstanding the requirements of subsection (18) of this section, the system
13 shall not be required to furnish information that is protected under KRS 61.661,
14 exempt under KRS 61.878, or that, if disclosed, would compromise the system's
15 ability to competitively invest in real estate or other asset classes, except that no
16 provision of this section or KRS 61.878 shall exclude disclosure and review of all
17 contracts, including investment contracts, by the board, the Auditor of Public
18 Accounts, and the Government Contract Review Committee established pursuant to
19 KRS 45A.705 or the disclosure of investment fees and commissions as provided by
20 this section. If any public record contains material which is not excepted under this
21 section, the system shall separate the excepted material by removal, segregation, or
22 redaction, and make the nonexcepted material available for examination.
- 23 (20) Notwithstanding any other provision of KRS 78.510 to 78.852 to the contrary, no
24 funds of the County Employees Retirement System, including fees and
25 commissions paid to an investment manager, private fund, or company issuing
26 securities, who manages systems assets, shall be used to pay fees and commissions
27 to placement agents. For purposes of this subsection, "placement agent" means a

1 third-party individual, who is not an employee, or firm, wholly or partially owned
2 by the entity being hired, who solicits investments on behalf of an investment
3 manager, private fund, or company issuing securities.

4 ➔Section 30. KRS 78.790 (Effective April 1, 2021) is amended to read as
5 follows:

6 (1) (a) The board shall be the trustee of ~~the several~~ funds **pertaining to the County**
7 **Employees Retirement System** created by KRS 78.510 to 78.852, and ~~the~~
8 ~~County Employees Retirement System insurance trust fund as provided by~~
9 KRS 61.701, and shall have full and exclusive power to invest and reinvest
10 such **assets**~~[funds]~~ in accordance with federal law.

11 (b) 1. The board shall establish an investment committee that shall include
12 members of the board with investment experience, elected members, or
13 other members as determined by the board chair, and may also include
14 nonvoting members who have investment expertise.

15 2. The investment committee shall have authority to implement the
16 investment policies adopted by the board and act on behalf of the board
17 on all investment-related matters~~[and to acquire, sell, safeguard,~~
18 ~~monitor, and manage the assets and securities of the several funds]~~.

19 (c) A trustee, officer, employee, employee of the Kentucky Public Pensions
20 Authority, or other fiduciary shall discharge duties with respect to the system:

- 21 1. Solely in the interest of the members and beneficiaries;
- 22 2. For the exclusive purpose of providing benefits to members and
23 beneficiaries and paying reasonable expenses of administering the
24 system;
- 25 3. With the care, skill, and caution under the circumstances then prevailing
26 that a prudent person acting in a like capacity and familiar with those
27 matters would use in the conduct of an activity of like character and

1 purpose;

2 4. Impartially, taking into account any differing interests of members and
3 beneficiaries;

4 5. Incurring any costs that are appropriate and reasonable; and

5 6. In accordance with a good-faith interpretation of the law governing the
6 system.

7 (d) In addition to the standards of conduct prescribed by paragraph (c) of this
8 subsection:

9 1. All internal investment staff~~[, including investment staff]~~ of the
10 Kentucky Public Pensions Authority, and investment consultants shall
11 adhere to the Code of Ethics and Standards of Professional Conduct, and
12 all board trustees shall adhere to the Code of Conduct for Members of a
13 Pension Scheme Governing Body. All codes cited in this subparagraph
14 are promulgated by the CFA Institute; and

15 2. Investment managers shall comply with all applicable provisions of the
16 federal Investment Advisers Act of 1940, as amended, and the rules and
17 regulations promulgated thereunder, and shall comply with all other
18 applicable federal securities statutes and related rules and regulations
19 that apply to investment managers.

20 (2) The board, through adopted written policies, shall maintain ownership and
21 control over its assets held in its unitized managed custodial account~~[All~~
22 ~~securities acquired under the authority of KRS 78.510 to 78.852 shall be registered~~
23 ~~in the name County Employees Retirement System or nominee name as provided by~~
24 ~~KRS 286.3-225 and every change in registration, by reason of sale or assignment of~~
25 ~~such securities, shall be accomplished pursuant to written policies adopted by the~~
26 ~~board].~~

27 (3) The board, in keeping with its responsibility as the trustee and wherever feasible,

1 shall give priority to the investment of funds in obligations calculated to improve
2 the industrial development and enhance the economic welfare of the
3 Commonwealth.

4 (4) The contents of real estate appraisals, engineering or feasibility estimates, and
5 evaluations made by or for the system relative to the acquisition or disposition of
6 property, until such time as all of the property has been acquired or sold, shall be
7 excluded from the application of KRS 61.870 to 61.884 and shall be subject to
8 inspection only upon order of a court of competent jurisdiction.

9 (5) Based upon market value at the time of purchase, the board shall limit the amount
10 of assets managed by any one (1) active or passive investment manager to fifteen
11 percent (15%) of the assets in the pension and insurance funds.

12 (6) All contracts for the investment or management of assets of the system shall not be
13 subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct the
14 following process to develop and adopt an investment procurement policy with
15 which all prospective contracts for the investment or management of assets of the
16 system shall comply:

17 (a) The board shall consult with the secretary of the Finance and Administration
18 Cabinet or his or her designee to develop an investment procurement policy,
19 which shall be written to meet best practices in investment management
20 procurement;

21 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary
22 investment procurement policy to the secretary of the Finance and
23 Administration Cabinet or his or her designee for review and comment;

24 (c) Upon receipt of comments from the secretary of the Finance and
25 Administration Cabinet or his or her designee, the board shall choose to adopt
26 or not adopt any recommended changes;

27 (d) Upon adoption, the board shall tender the final investment procurement policy

1 to the secretary of the Finance and Administration Cabinet or his or her
2 designee;

3 (e) No later than thirty (30) days after receipt of the investment procurement
4 policy, the secretary or his or her designee shall certify whether the board's
5 investment procurement policy meets or does not meet best practices for
6 investment management procurement; and

7 (f) Any amendments to the investment procurement policy shall adhere to the
8 requirements set forth by paragraphs (b) to (e) of this subsection.

9 ➔Section 31. KRS 16.505 is amended to read as follows:

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

11 (1) "System" means the State Police Retirement System created by KRS 16.505 to
12 16.652;

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

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

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

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

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

25 (7) "Accumulated contributions" at any time means the sum of all amounts deducted
26 from the compensation of a member and credited to his individual account in the
27 member's account, including employee contributions picked up after August 1,

1 1982, pursuant to KRS 16.545(4), together with interest credited on such amounts
2 as provided in KRS 16.505 to 16.652, and any other amounts the member shall have
3 contributed, including interest credited. For members who begin participating on or
4 after September 1, 2008, "accumulated contributions" shall not include employee
5 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.
6 401(h) within the funds established in KRS 16.510 and 61.515, ~~and 78.520~~, as
7 prescribed by subsection (3)(b) of Section 73 of this Act ~~KRS 61.702(2)(b)~~;

8 (8) "Creditable compensation":

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

16 (b) Includes:

- 17 1. Lump-sum bonuses, severance pay, or employer-provided payments for
18 purchase of service credit, which shall be averaged over the employee's
19 total service with the system in which it is recorded if it is equal to or
20 greater than one thousand dollars (\$1,000);
- 21 2. Lump-sum payments for creditable compensation paid as a result of an
22 order of a court of competent jurisdiction, the Personnel Board, or the
23 Commission on Human Rights, or for any creditable compensation paid
24 in anticipation of settlement of an action before a court of competent
25 jurisdiction, the Personnel Board, or the Commission on Human Rights,
26 including notices of violations of state or federal wage and hour statutes
27 or violations of state or federal discrimination statutes, which shall be

1 credited to the fiscal year during which the wages were earned or should
2 have been paid by the employer. This subparagraph shall also include
3 lump-sum payments for reinstated wages pursuant to KRS 61.569,
4 which shall be credited to the period during which the wages were
5 earned or should have been paid by the employer;

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

13 (c) Excludes:

- 14 1. ~~Uniform, equipment, or any other expense allowances paid on or after~~
15 ~~January 1, 2019, Living~~ allowances, expense reimbursements, lump-
16 sum payments for accrued vacation leave, and other items determined by
17 the board;
18 2. For employees who begin participating on or after September 1, 2008,
19 lump-sum payments for compensatory time; and
20 3. Any salary or wages paid to an employee for services as a Kentucky
21 State Police school resource officer as defined by KRS 158.441;

22 (9) "Final compensation" means:

- 23 (a) For a member who begins participating before~~prior to~~ September 1, 2008,
24 ~~who retires prior to January 1, 2019,~~ the creditable compensation of a
25 member during the three (3) fiscal years he was paid at the highest average
26 monthly rate divided by the number of months of service credit during the
27 three (3) year period, multiplied by twelve (12); the three (3) years may be

- 1 fractional and need not be consecutive. If the number of months of service
2 credit during the three (3) year period is less than twenty-four (24), one (1) or
3 more additional fiscal years shall be used; or
- 4 (b) For a member who begins participating on or after September 1, 2008, but
5 prior to January 1, 2014, ~~for for a member who begins participating prior to~~
6 ~~September 1, 2008, who retires on or after January 1, 2019,]~~the creditable
7 compensation of the member during the three (3) complete fiscal years he or
8 she was paid at the highest average monthly rate divided by three (3). Each
9 fiscal year used to determine final compensation must contain twelve (12)
10 months of service credit. If the member does not have three (3) complete
11 fiscal years that each contain twelve (12) months of service credit, then one
12 (1) or more additional fiscal years, which may contain less than twelve (12)
13 months of service credit, shall be added until the number of months in the
14 final compensation calculation is at least thirty-six (36) months;
- 15 (10) "Final rate of pay" means the actual rate upon which earnings of a member 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 16.545(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, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-
22 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)
23 months, or one (1) year;
- 24 (11) "Retired member" means any former member receiving a retirement allowance or
25 any former member who has filed the necessary documents for retirement benefits
26 and is no longer contributing to the retirement system;
- 27 (12) "Retirement allowance" means the retirement payments to which a retired member

1 is entitled;

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

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

13 (15) "Normal retirement date" means:

14 (a) For a member who begins participating before September 1, 2008, the first
15 day of the month following a member's fifty-fifth birthday, except that for
16 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,
17 1959; or

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

20 (16) "Disability retirement date" means the first day of the month following the last day
21 of paid employment;

22 (17) "Dependent child" means a child in the womb and a natural or legally adopted child
23 of the member who has neither attained age eighteen (18) nor married or who is an
24 unmarried full-time student who has not attained age twenty-two (22). Solely in the
25 case of a member who dies as a direct result of an act in line of duty as defined in
26 this section or who dies as a result of a duty-related injury as defined in KRS
27 61.621, "dependent child" also means a naturally or legally adopted disabled child

- 1 of the member, regardless of the child's age, if the child has been determined to be
2 eligible for federal Social Security disability benefits or is being claimed as a
3 qualifying child for tax purposes due to the child's total and permanent disability;
- 4 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member
5 in lieu of all other benefits provided by KRS 16.505 to 16.652;
- 6 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined
7 by the board, was required in the performance of the duties specified in KRS
8 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of
9 duty" shall mean an act occurring which was required in the performance of the
10 principal duties of the position as defined by the job description;
- 11 (20) "Early retirement date" means:
- 12 (a) For a member who begins participating before September 1, 2008, the
13 retirement date declared by a member who is not less than fifty (50) years of
14 age and has fifteen (15) years of service; or
- 15 (b) For a member who begins participating on or after September 1, 2008, but
16 prior to January 1, 2014, the retirement date declared by a member who is not
17 less than fifty (50) years of age and has fifteen (15) years of service credited
18 under KRS 16.543(1) or 61.543(1) ~~or 78.615(1)~~ or another state-
19 administered retirement system;
- 20 (21) "Member" means any officer included in the membership of the system as provided
21 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 22 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS
23 16.010;
- 24 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which
25 results in an employee's total incapacity to continue as an employee in a hazardous
26 position, but the employee is not necessarily deemed to be totally and permanently
27 disabled to engage in other occupations for remuneration or profit;

- 1 (24) "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 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
5 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
6 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not
7 mean an estate, trust, or trustee;
- 8 (26) "Recipient" means the retired member, 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 (27) "Person" means a natural person;
- 14 (28) "Retirement office" means the Kentucky Public Pensions Authority~~Retirement~~
15 ~~Systems~~ office building in Frankfort, unless otherwise designated by the Kentucky
16 Public Pensions Authority;
- 17 (29) "Vested" for purposes of determining eligibility for purchasing service credit
18 under Section 52 of this Act means the employee has at least forty-eight (48)
19 months of service if age sixty-five (65) or older or at least sixty (60) months of
20 service if under the age of sixty-five (65). For purposes of this paragraph, service
21 shall mean service in the systems administered by the Kentucky Retirement
22 Systems and County Employees Retirement System~~["Delayed contribution~~
23 ~~payment" means an amount paid by an employee for purchase of current service.~~
24 ~~The amount shall be determined using the same formula in KRS 61.5525, and the~~
25 ~~payment shall not be picked up by the employer. A delayed contribution payment~~
26 ~~shall be deposited to the member's account and considered as accumulated~~
27 ~~contributions of the individual member];~~

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

1 including approval of a property settlement agreement, that:

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

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

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

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

11 (40) "Accumulated account balance" means:

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

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

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

21 ➔Section 32. KRS 16.543 is amended to read as follows:

22 (1) Employee contributions shall be deducted from the creditable compensation of each
23 member of the retirement system in the active employment of the Department of
24 Kentucky State Police of the Justice and Public Safety Cabinet as an officer as
25 defined in KRS 16.520. After August 1, 1982, employee contributions shall be
26 picked up by the employer pursuant to KRS 16.545(4). Service credit shall be
27 allowed for each month such member receives creditable compensation for an

1 average of one hundred (100) hours or more of work per month. If the average
2 number of hours of work is less than one hundred (100) per month, the member
3 shall be allowed credit only for those months he or she receives creditable
4 compensation for one hundred (100) hours of work.

5 (2) Contributions shall not be made and no service will be earned while on authorized
6 leave except:

7 (a) A member shall be entitled to service credit in accordance with Section 52 of
8 this Act~~[KRS 61.555]~~; and

9 (b) A member on educational leave, approved by the Personnel Cabinet, who is
10 receiving seventy-five percent (75%) or more of full salary, shall receive
11 service credit and shall pay member contributions or such contributions shall
12 be picked up in accordance with KRS 16.545 and his or her employer shall
13 pay employer contributions in accordance with KRS 61.565. If a tuition
14 agreement is broken by the member, the member and employer contributions
15 paid or picked up during the period of educational leave shall be refunded.

16 (3) The retirement office, upon detection, shall refund any erroneous employer and
17 employee contributions made to the retirement system and any interest credited in
18 accordance with KRS 16.560.

19 ➔Section 33. KRS 16.555 is amended to read as follows:

20 All the assets of the system shall be held and invested in the State Police Retirement Fund
21 and credited, according to the purpose for which they are held, to one (1) of three (3)
22 accounts: the "members' account," the "retirement allowance account," and accounts
23 established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510
24 and~~[,] 61.515[, and 78.520]~~, as prescribed by subsection (3)(b) of Section 73 of this
25 Act~~[KRS 61.702(2)(b)]~~.

26 ➔Section 34. KRS 16.645 is amended to read as follows:

27 The following subjects shall be administered in the same manner subject to the same

- 1 limitations and requirements as provided for the Kentucky Employees Retirement System
2 as follows:
- 3 (1) Cessation of membership, as provided for by KRS 61.535;
 - 4 (2) Medical examiners and hearing procedures, as provided for by KRS 61.665;
 - 5 (3) Actuarial bases, as provided for by KRS 61.670;
 - 6 (4) Duties of the employer, as provided for by KRS 61.675;
 - 7 (5) Exemption of benefits of the system for taxation and qualified domestic relations
8 orders, as provided for by KRS 61.690;
 - 9 (6) Retirement allowance increase, as provided for by KRS 61.691;
 - 10 (7) Calculation of retirement allowance, as provided for by KRS 61.599;
 - 11 (8) Beneficiaries to be designated by member, change, rights, as provided for by KRS
12 61.542;
 - 13 (9) Year of service credit, as provided for by KRS 61.545;
 - 14 (10) Refund of contributions, death after retirement, as provided by KRS 61.630;
 - 15 (11) Custodian of fund, payments made, when, as provided for by KRS 61.660;
 - 16 (12) Credit for service prior to membership date, as provided for by KRS 61.526;
 - 17 (13) Member's account, confidential, as provided for by KRS 61.661;
 - 18 (14) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
 - 19 (15) Correction of errors in records, as provided for by KRS 61.685;
 - 20 (16) Maximum disability benefit, as provided for by KRS 61.607;
 - 21 (17) Retirement application procedure, effective retirement date, as provided for by KRS
22 61.590;
 - 23 (18) Employer contributions, as provided for by KRS 61.565;
 - 24 (19) Reinstatement of lost service credit, purchase of service credit, service for armed
25 forces, interest paid, and delayed contribution and installment payments, as
26 provided for by KRS 61.552;
 - 27 (20) Reciprocal arrangement between systems, as provided by KRS 61.680;

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

24 ➔Section 35. KRS 16.576 is amended to read as follows:

- 25 (1) (a) Any member who begins participating before September 1, 2008, who has at
- 26 least five (5) years of service credit may retire at his normal retirement date, or
- 27 subsequent thereto, upon written notification to the system, setting forth at

1 what date the retirement is to become effective, if the effective date shall be
2 after his last day of service and subsequent to the filing of the notice at the
3 retirement office.

4 (b) Any member who begins participating on or after September 1, 2008, who has
5 at least five (5) years of service credited under KRS 16.543(1), 61.543(1), ~~for~~
6 ~~78.615(1)~~ for another state-administered retirement system may retire at his or
7 her normal retirement date, or subsequent thereto, upon written notification to
8 the system, setting forth what date the retirement is to become effective, if the
9 effective date shall be after his or her last day of service and subsequent to the
10 filing of the notice at the retirement office.

11 (2) The member shall have the right to elect to have his retirement allowance payable
12 under subsection (3), (4), or (6) of this section or any one (1) of the plans set forth
13 in KRS 61.635.

14 (3) (a) Effective August 1, 1990, a member of the Kentucky State Police Retirement
15 System may elect to receive an annual retirement allowance, payable monthly
16 during his lifetime, equal to two and five-tenths percent (2.5%) of final
17 compensation for each year of service credit. ~~[Effective August 1, 1988, a~~
18 ~~member of the County Employees Retirement System covered by this section~~
19 ~~may elect to receive an annual retirement allowance, payable monthly during~~
20 ~~his lifetime, equal to two and five-tenths percent (2.5%) of final compensation~~
21 ~~for each year of service credit.]~~ Effective August 1, 1988, a member of the
22 Kentucky Employees Retirement System covered by this section may elect to
23 receive an annual retirement allowance, payable monthly during his lifetime,
24 equal to two and forty-nine hundredths percent (2.49%) of final compensation
25 for each year of service credit. The annual retirement allowance for a member
26 covered by this section shall not exceed the maximum benefit as set forth in
27 the Internal Revenue Code.

- 1 (b) A member of the State Police Retirement System ~~or~~ a member of the
2 Kentucky Employees Retirement System covered by this section, ~~for a~~
3 ~~member of the County Employees Retirement System covered by this section,~~
4 whose participation begins on or after September 1, 2008, but prior to
5 January 1, 2014, shall receive an annual retirement allowance, payable
6 monthly during his or her lifetime, equal to:
- 7 1. One and three-tenths percent (1.3%) of final compensation for each year
8 of service credit if the employee has earned ten (10) or less years of
9 service at retirement;
 - 10 2. One and one-half percent (1.5%) of final compensation for each year of
11 service credit if the employee has earned greater than ten (10) but no
12 more than twenty (20) years of service at retirement;
 - 13 3. Two and one-quarter percent (2.25%) of final compensation for each
14 year of service credit if the employee has earned greater than twenty (20)
15 but less than twenty-five (25) years of service at retirement; or
 - 16 4. Two and one-half percent (2.5%) of final compensation for each year of
17 service credit if the employee has earned twenty-five (25) or more years
18 of service at retirement.
- 19 (4) The member may elect to receive a monthly retirement allowance payable for ten
20 (10) years certain, actuarially equivalent to the retirement allowance payable under
21 subsection (3) of this section. If the member should become deceased prior to the
22 expiration of ten (10) years, his beneficiary, unless the beneficiary is the member's
23 estate, shall receive the remaining payments monthly for the duration of the ten (10)
24 years. If the member's estate is the beneficiary, the member's estate shall receive a
25 lump-sum payment which shall be the actuarial equivalent to the remaining
26 payments. The provisions of KRS 61.702 notwithstanding, the member who retired
27 on June 17, 1978, or thereafter, and his spouse and eligible dependents shall

1 continue to receive the insurance benefits to which they are entitled pursuant to
2 KRS 61.702 after the expiration of ten (10) years. Effective with any insurance
3 contract procured, or self-insurance plan instituted, after July 15, 1990, a member
4 who retired prior to June 17, 1978, and his spouse and eligible dependents shall
5 receive insurance benefits pursuant to KRS 61.702 upon payment by the member or
6 beneficiary of the entire cost of the required insurance premium.

7 (5) Notwithstanding any other provisions of this section, upon written notification to
8 the system, a member shall have the option to defer his election to receive his
9 retirement allowance. The retirement allowance payable under a deferred option
10 shall be increased to reflect the deferred receipt of benefits.

11 (6) In lieu of any other benefits due under KRS 16.505 to 16.652, a member who
12 begins participating before September 1, 2008, who has attained age fifty-five (55)
13 and who has attained at least one (1) month of service credit but no more than fifty-
14 nine (59) months of service credit may elect to receive an annual retirement
15 allowance, payable monthly or less frequently as determined by the board, which
16 shall be determined by multiplying his accumulated contributions by two (2) and
17 converting this amount to an annual retirement allowance based on an annuity rate
18 adopted by the board which would pay the actuarial equivalent of twice his
19 accumulated contributions over the lifetime of the retired member.

20 (7) Subsections (1) to (6) of this section shall not apply to members who begin
21 participating in the system on or after January 1, 2014. Members who begin
22 participating in the system on or after January 1, 2014, shall receive the retirement
23 benefit calculation prescribed by KRS 16.583.

24 ➔Section 36. KRS 16.577 is amended to read as follows:

25 (1) Upon retirement at early retirement date, a member may receive an annual
26 retirement allowance payable monthly during his lifetime which shall be determined
27 in the same manner as for retirement at his normal retirement date, with years of

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

5 (2) For a member who begins participating before September 1, 2008, there shall be no
6 reduction in the retirement allowance if the member has twenty (20) or more years
7 of service credit, at least fifteen (15) of which are current service.

8 (3) For a member who begins participating on or after September 1, 2008, but prior to
9 January 1, 2014, there shall be no reduction in the retirement allowance if the
10 member has twenty-five (25) or more years of service credited under KRS
11 16.543(1), 61.543(1), ~~for 78.615(1)~~ or another state-administered retirement
12 system.

13 (4) Subsections (1) to (3) of this section shall not apply to members who begin
14 participating in the system on or after January 1, 2014. Members who begin
15 participating in the system on or after January 1, 2014, shall receive the retirement
16 benefit calculation prescribed by KRS 16.583.

17 ➔Section 37. KRS 16.582 is amended to read as follows:

18 (1) (a) Total and permanent disability means a disability which results in the
19 member's incapacity to engage in any occupation for remuneration or profit.
20 Loss by severance of both hands at or above the wrists, or both feet at or
21 above the ankles, or one (1) hand above the wrist and one (1) foot above the
22 ankle, or the complete, irrevocable loss of the sight of both eyes shall be
23 considered as total and permanent.

24 (b) Hazardous disability means a disability which results in the member's total
25 incapacity to continue as a regular full-time officer or as an employee in a
26 hazardous position, as defined in KRS 61.592, but which does not result in the
27 member's total and permanent incapacity to engage in other occupations for

1 remuneration or profit.

2 (c) In determining whether the disability meets the requirement of this section,
3 any reasonable accommodation provided by the employer as provided in 42
4 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 shall be considered.

5 (d) If the board determines that the total and permanent disability of a member
6 receiving a retirement allowance under this section has ceased, then the board
7 shall determine if the member has a hazardous disability.

8 (2) Any person may qualify to retire on disability, subject to the following:

9 (a) The person shall have sixty (60) months of service, twelve (12) of which shall
10 be current service credited under KRS 16.543(1), 61.543(1), or 78.615(1). The
11 service requirement shall be waived if the disability is a total and permanent
12 disability or a hazardous disability and is a direct result of an act in line of
13 duty;

14 (b) For a person whose membership date is prior to August 1, 2004, the person
15 shall not be eligible for an unreduced retirement allowance;

16 (c) The person's application shall be on file in the retirement office no later than
17 twenty-four (24) months after the person's last day of paid employment, as
18 defined in KRS 16.505, as a regular full-time officer or in a regular full-time
19 hazardous position under KRS 61.592;

20 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665;
21 and

22 (e) A person's disability application based on the same claim of incapacity shall
23 be accepted and reconsidered for disability if accompanied by new objective
24 medical evidence. The application shall be on file in the retirement office no
25 later than twenty-four (24) months after the person's last day of paid
26 employment as a regular full-time officer or in a regular full-time hazardous
27 position.

(3) Upon the examination of the objective medical evidence by licensed physicians pursuant to KRS 61.665, it shall be determined that:

(a) The incapacity results from bodily injury, mental illness, or disease. For purposes of this section, "injury" means any physical harm or damage to the human organism other than disease or mental illness;

(b) The incapacity is deemed to be permanent; and

(c) The incapacity does not result directly or indirectly from:

1. Injury intentionally self-inflicted while sane or insane; or

2. Bodily injury, mental illness, disease, or condition which pre-existed membership in the system or reemployment, whichever is most recent, unless:

a. The disability results from bodily injury, mental illness, disease, or a condition which has been substantially aggravated by an injury or accident arising out of or in the course of employment; or

b. The person has at least sixteen (16) years' current or prior service for employment with employers participating in the retirement systems administered by the Kentucky Retirement Systems or the County Employees Retirement System.

For purposes of this subparagraph, "reemployment" shall not mean a change of employment between employers participating in the retirement systems administered by the Kentucky Retirement Systems or the County employees retirement System with no loss of service credit.

(4) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months from the person's last day of paid employment in a position as regular full-time officer or a hazardous position.

2. The determination of a permanent incapacity shall be based on the

1 medical evidence contained in the member's file and the member's
2 residual functional capacity and physical exertion requirements.

3 (b) The person's residual functional capacity shall be the person's capacity for
4 work activity on a regular and continuing basis. The person's physical ability
5 shall be assessed in light of the severity of the person's physical, mental, and
6 other impairments. The person's ability to walk, stand, carry, push, pull, reach,
7 handle, and other physical functions shall be considered with regard to
8 physical impairments. The person's ability to understand, remember, and carry
9 out instructions and respond appropriately to supervision, coworkers, and
10 work pressures in a work setting shall be considered with regard to mental
11 impairments. Other impairments, including skin impairments, epilepsy, visual
12 sensory impairments, postural and manipulative limitations, and
13 environmental restrictions, shall be considered in conjunction with the
14 person's physical and mental impairments to determine residual functional
15 capacity.

16 (c) The person's physical exertion requirements shall be determined based on the
17 following standards:

18 1. Sedentary work shall be work that involves lifting no more than ten (10)
19 pounds at a time and occasionally lifting or carrying articles such as
20 large files, ledgers, and small tools. Although a sedentary job primarily
21 involves sitting, occasional walking and standing may also be required
22 in the performance of duties.

23 2. Light work shall be work that involves lifting no more than twenty (20)
24 pounds at a time with frequent lifting or carrying of objects weighing up
25 to ten (10) pounds. A job shall be in this category if lifting is
26 infrequently required but walking and standing are frequently required,
27 or if the job primarily requires sitting with pushing and pulling of arm or

1 leg controls. If the person has the ability to perform substantially all of
2 these activities, the person shall be deemed capable of light work. A
3 person deemed capable of light work shall be deemed capable of
4 sedentary work unless the person has additional limitations such as the
5 loss of fine dexterity or inability to sit for long periods.

6 3. Medium work shall be work that involves lifting no more than fifty (50)
7 pounds at a time with frequent lifting or carrying of objects weighing up
8 to twenty-five (25) pounds. If the person is deemed capable of medium
9 work, the person shall be deemed capable of light and sedentary work.

10 4. Heavy work shall be work that involves lifting no more than one
11 hundred (100) pounds at a time with frequent lifting or carrying of
12 objects weighing up to fifty (50) pounds. If the person is deemed capable
13 of heavy work, the person shall also be deemed capable of medium,
14 light, and sedentary work.

15 5. Very heavy work shall be work that involves lifting objects weighing
16 more than one hundred (100) pounds at a time with frequent lifting or
17 carrying of objects weighing fifty (50) or more pounds. If the person is
18 deemed capable of very heavy work, the person shall be deemed capable
19 of heavy, medium, light, and sedentary work.

20 (5) (a) The disability retirement allowance shall be determined as provided in KRS
21 16.576, except if the member's total service credit on his last day of paid
22 employment in a regular full-time position is less than twenty (20) years,
23 service shall be added beginning with his last date of paid employment and
24 continuing to his fifty-fifth birthday. The maximum service credit added shall
25 not exceed the total service the member had on his last day of paid
26 employment, and the maximum service credit for calculating his retirement
27 allowance, including his total service and service added under this section,

1 shall not exceed twenty (20) years.

2 (b) For a member whose participation begins on or after August 1, 2004, but prior
3 to January 1, 2014, the disability retirement allowance shall be the higher of
4 twenty-five percent (25%) of the member's monthly final rate of pay or the
5 retirement allowance determined in the same manner as for retirement at his
6 normal retirement date with years of service and final compensation being
7 determined as of the date of his disability.

8 (c) For a member who begins participating on or after January 1, 2014, in the
9 hybrid cash balance plan as provided by KRS 16.583, the disability retirement
10 allowance shall be the higher of twenty-five percent (25%) of the member's
11 monthly final rate of pay or the retirement allowance determined in the same
12 manner as for retirement at his or her normal retirement date under KRS
13 16.583.

14 (6) If the member receives a satisfactory determination of total and permanent disability
15 or hazardous disability pursuant to KRS 61.665 and the disability is the direct result
16 of an act in line of duty, the member's retirement allowance shall be calculated as
17 follows:

18 (a) For the disabled member, benefits as provided in subsection (5) of this section
19 except that the monthly retirement allowance payable shall not be less than
20 twenty-five percent (25%) of the member's monthly final rate of pay; and

21 (b) For each dependent child of the member on his disability retirement date, who
22 is alive at the time any particular payment is due, a monthly payment equal to
23 ten percent (10%) of the disabled member's monthly final rate of pay;
24 however, total maximum dependent children's benefit shall not exceed forty
25 percent (40%) of the member's monthly final rate of pay. The payments shall
26 be payable to each dependent child, or to a legally appointed guardian or as
27 directed by the system.

1 (7) No benefit provided in this section shall be reduced as a result of any change in the
2 extent of disability of any retired member who is age fifty-five (55) or older.

3 (8) If a regular full-time officer or hazardous position member has been approved for
4 benefits under a hazardous disability, the board shall, upon request of the member,
5 permit the member to receive the hazardous disability allowance while accruing
6 benefits in a nonhazardous position, subject to proper medical review of the
7 nonhazardous position's job description by the system's medical examiner.

8 (9) For a member of the State Police Retirement System, in lieu of the allowance
9 provided in subsection (5) or (6) of this section, the member may be retained on the
10 regular payroll and receive the compensation authorized by KRS 16.165, if he is
11 qualified.

12 ➔Section 38. KRS 16.583 is repealed, reenacted, and amended to read as follows:

13 (1) A member of the State Police Retirement System, a member of the Kentucky
14 Employees Retirement System in a hazardous duty position covered by this
15 section~~[, or a member of the County Employees Retirement System in a hazardous~~
16 ~~duty position covered by this section]~~, whose participation begins on or after
17 January 1, 2014, or a member making an election pursuant to KRS 61.5955, shall
18 receive the retirement benefits provided by this section in lieu of the retirement
19 benefits provided under KRS 16.576 and 16.577. The retirement benefit provided
20 by this section shall be known as the hybrid cash balance plan and shall operate as
21 another benefit tier within the State Police Retirement System and~~[,]~~ the Kentucky
22 Employees Retirement System~~[, and the County Employees Retirement System]~~.

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

25 (a) Contributions made by the member as provided by KRS 16.505 to 16.652
26 and~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~, except for employee
27 contributions prescribed by subsection (3)(b) of Section 73 of this Act~~[KRS~~

1 ~~61.702(2)(b)~~];

2 (b) An employer pay credit of seven and one-half percent (7.5%) of the creditable
3 compensation earned by the employee for each month the employee is
4 contributing to the hybrid cash balance plan provided by this section; and

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

7 (3) (a) Member contributions and employer pay credits as provided by subsection
8 (2)(a) and (b) of this section shall be credited to the member's account
9 monthly as contributions are reported and posted to the system in accordance
10 with KRS 61.675~~[-and 78.625]~~.

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

14 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
15 contributed to the hybrid cash balance plan during the fiscal year.

16 (b) If the member contributed to the hybrid cash balance plan during the fiscal
17 year, the interest credit added to the member's account for that fiscal year shall
18 be determined by multiplying the member's accumulated account balance on
19 June 30 of the preceding fiscal year by a percentage increase equal to:

20 1. Four percent (4%); plus
21 2. Seventy-five percent (75%) of the system's geometric average net
22 investment return in excess of a four percent (4%) rate of return.

23 (c) If the member did not contribute to the hybrid cash balance plan during the
24 fiscal year, the interest credit added to the member's account for that fiscal
25 year shall be determined by multiplying the member's accumulated account
26 balance on June 30 of the preceding fiscal year by four percent (4%).

27 (d) For purposes of this subsection, "system's geometric average net investment

1 return":

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

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

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

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

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

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

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

26 (b) At any age, provided he or she has earned twenty-five (25) or more years of
27 service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another

1 state-administered retirement system.

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

3 (a) Receive a monthly retirement allowance payable for life by having his or her
4 accumulated account balance annuitized by the retirement systems in
5 accordance with the actuarial assumptions and actuarial methods adopted by
6 the board and in effect on the member's retirement date;

7 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
8 under paragraph (a) of this subsection payable under one (1) of the options set
9 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

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

11 (8) The provisions of this section shall not apply to members who began participating
12 in the Kentucky Employees Retirement System, the County Employees Retirement
13 System, or the State Police Retirement System prior to January 1, 2014, except for
14 those members who make an election pursuant to KRS 61.5955.

15 ➔Section 39. KRS 18A.205 (Effective April 1, 2021) is amended to read as
16 follows:

17 (1) The secretary of the Finance and Administration Cabinet, upon the
18 recommendation of the secretary, may procure from one (1) or more life insurance
19 companies, authorized to do business in this state, a policy or policies of group life
20 insurance insuring the lives of all or any class or classes of public employees. The policy
21 or policies shall be approved by the commissioner of insurance and may contain such
22 provisions as the commissioner of insurance approves whether or not otherwise permitted
23 by the insurance laws. It is intended that life insurance may be made available for public
24 employees, except that the procuring is permissive.

25 (2) (a) As used in KRS 18A.205 to 18A.215, "public employee" shall mean a person
26 who:

27 1. Is regularly employed by a public employer; and

- 1 2. Is also:
- 2 a. A contributing member of any one (1) of the state-administered
- 3 retirement systems;
- 4 b. A retiree of a state-administered retirement system who is
- 5 employed in a regular full-time position for purposes of retirement
- 6 coverage, but who is not eligible to contribute to one (1) of the
- 7 systems administered by Kentucky Retirement Systems or County
- 8 Employees Retirement System pursuant to subsection (4) of
- 9 Section 16 of this Act or subsection (17) of Section 65 of this
- 10 Act~~[KRS 61.637(17)]~~;
- 11 c. An individual participating in an optional retirement plan
- 12 authorized by KRS 161.567; or
- 13 d. An individual eligible to participate in a retirement plan
- 14 established by an employer who ceases participating in the
- 15 Kentucky Employees Retirement System pursuant to KRS 61.522
- 16 whose employees participated in the life insurance plans
- 17 administered by the Personnel Cabinet prior to the employer's
- 18 effective cessation date in the Kentucky Employees Retirement
- 19 System.
- 20 (b) Notwithstanding the definition of "public employee" in this subsection, any
- 21 federally funded time-limited employee may receive insurance coverage.
- 22 (3) As used in this section and KRS 18A.210, "public employer" shall mean the
- 23 following employers, if the employer has opted to participate in the state-sponsored
- 24 group life insurance program:
- 25 (a) Any department, office, board, agency, commission, authority, or branch of
- 26 state government;
- 27 (b) A public postsecondary educational institution;

- 1 (c) Any department, office, board, agency, commission, authority, or branch of a
2 city, urban-county, charter county, county, unified local government, or
3 consolidated local government; or
- 4 (d) Any certified or classified employee or elected member of a local board of
5 education.
- 6 (4) As used in KRS 18A.205 to 18A.225, "premiums" shall mean premiums to be paid
7 on any type of insurance authorized under KRS 18A.205 to 18A.225.
- 8 ➔Section 40. KRS 18A.245 is amended to read as follows:
- 9 (1) The authority shall be administered by a board of trustees composed of seven (7)
10 members, who shall be as follows:
- 11 (a) Secretary, Finance and Administration Cabinet, ex officio;
12 (b) Secretary of personnel, ex officio;
13 (c) The state controller, ex officio;
14 (d) The State Treasurer, ex officio; and
15 (e) Three (3) at-large members appointed by the Governor, who do not have a
16 conflict of interest as provided by KRS 18A.262, one (1) of whom shall have
17 at least five (5) years of investment or banking experience and one (1) of
18 whom shall be a representative of a nonstate government employer.
- 19 (2) The members of the board appointed by the Governor shall serve for a period of
20 four (4) years and the ex officio members of the board shall serve only for the
21 period of their term of office. Each ex officio member may designate a proxy by
22 written notice to the authority prior to call of order of each meeting, and the proxy
23 shall be entitled to participate as a full voting member.
- 24 (3) Any vacancy which may occur shall be filled in the same manner provided for the
25 selection of the particular member for a full term. Vacancies shall be filled for the
26 unexpired term only.
- 27 (4) Membership on the board of trustees shall not be incompatible with any other office

1 unless a constitutional incompatibility exists, and no member shall be subject to
2 removal from office, except upon conviction of a felony, or of a misdemeanor
3 involving moral turpitude.

4 (5) Board members who do not otherwise receive a salary or compensation from the
5 State Treasury shall receive a per diem of one hundred dollars (\$100) for each day
6 they are in session or on official duty, and they shall be reimbursed for their actual
7 and necessary expenses in accordance with state administrative regulations and
8 standards applicable to state employees.

9 (6) The board shall meet at least once in each quarter of the year, and may meet in
10 special session upon the call of the chairman. It shall elect a chairman and a vice
11 chairman. A majority of the members shall constitute a quorum, and all actions
12 taken by the board shall be by affirmative vote of a majority of the members
13 present.

14 (7) The authority shall be attached to the Personnel Cabinet for administrative purposes
15 only. The board may take but is not limited to the following actions:

16 (a) Appoint such employees as it deems necessary and fix the compensation for
17 all employees of the board, subject to the approval of the secretary. The
18 authority shall be headed by an executive director who shall be appointed by
19 the board of directors of the authority without the limitations imposed by KRS
20 12.040 and KRS Chapter 18A. The executive director of the authority and
21 employees appointed by the board shall serve at its will and pleasure. All
22 other staff of the authority shall be employed under KRS 18A.005 to 18A.200;

23 (b) Require such employees as it thinks proper to execute bonds for the faithful
24 performance of their duties;

25 (c) Establish a system of accounting;

26 (d) Contract for such services as may be necessary for the operation or
27 administration of deferred compensation plans authorized in KRS 18A.230 to

- 1 18A.275, including annual audits;
- 2 (e) Do all things, take all actions, and adopt plans for participation consistent with
- 3 federal law and with the provisions of KRS 18A.230 to 18A.275, including
- 4 but not limited to:
- 5 1. Amending the board's plan for the Kentucky Public Employees 401(k)
- 6 Deferred Compensation Plan or the Kentucky Employees 457 Deferred
- 7 Compensation Plan, or both such plans, to adopt, maintain, and
- 8 terminate a deemed IRA program under Internal Revenue Code Section
- 9 408;
- 10 2. Amending the board's plan for the Kentucky Public Employees 401(k)
- 11 Deferred Compensation Plan to adopt, maintain, and terminate a
- 12 qualified Roth contribution program under Internal Revenue Code
- 13 Section 402A; and
- 14 3. Adopting, maintaining, and terminating an Internal Revenue Code
- 15 Section 403(b) plan for qualified employees; ~~and~~
- 16 ~~4. Upon the request of the Kentucky Retirement Systems board of trustees,~~
- 17 ~~establishing an investment program for the 401(a) defined contribution~~
- 18 ~~plan as provided by KRS 61.5956; and~~
- 19 (f) Contract with persons or companies duly licensed by the state of Kentucky
- 20 and applicable federal regulatory agencies, at the cost of the trust fund, to
- 21 provide investment advice to participants in the plans, with respect to their
- 22 selection of permitted investments in the plans.
- 23 (8) The Attorney General, or an assistant designated by him, may act as legal adviser
- 24 and attorney for the board. The board may also appoint legal counsel in accordance
- 25 with KRS Chapter 12.
- 26 (9) The board shall prepare an annual financial report showing all receipts,
- 27 disbursements, assets, and liabilities and shall submit a copy to the Governor and

1 the Legislative Research Commission. All board meetings and records shall be open
2 for inspection by the public.

3 ➔Section 41. KRS 21.372 is amended to read as follows:

4 (1) For purposes of this section:

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

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

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

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

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

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

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

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

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

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

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

21 (6) This section shall not apply to:

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

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

26 ➔SECTION 42. KRS 21.374 IS REPEALED AND REENACTED TO READ AS
27 FOLLOWS:

1 Notwithstanding KRS 6.500 to 6.577 and 21.345 to 21.580:

2 (1) Subject to the provisions of this section, any member who began participating in
3 the Legislators' Retirement Plan or the Judicial Retirement Plan on or after
4 September 1, 2008, but prior to January 1, 2014, may in lieu of the benefits he or
5 she is currently eligible to receive under the plans, elect to receive the benefits
6 and rights provided to members who began participating in the Legislators'
7 Retirement Plan or the Judicial Retirement Plan on or after January 1, 2014,
8 including participating in the hybrid cash balance plan created pursuant to KRS
9 21.402;

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

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

13 (a) Any service credit the member has accrued prior to January 1, 2014, shall
14 be considered as service credit earned on or after January 1, 2014, for
15 purposes of determining benefits under KRS 6.500 to 6.577 and 21.345 to
16 21.580;

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

21 (c) On the member's effective election date, an employer pay credit as provided
22 by KRS 21.402 shall be added to the member's accumulated account
23 balance for each month the member contributed to the Legislators'
24 Retirement Plan or the Judicial Retirement Plan prior to his or her effective
25 election date; and

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

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

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

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

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

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

13 ➔Section 43. KRS 21.460 is amended to read as follows:

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

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

26 (2) The member may elect to leave his contributions in the plan, in which event the
27 service credit he had in the plan shall be considered to be service credit for vesting

1 purposes as provided in KRS 21.375 and for service retirement eligibility as
2 provided in KRS 61.680(7), and, in the event he again becomes a member of the
3 Judicial Retirement Plan, shall be counted toward his total service credit in that
4 plan.

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

17 ~~[(b) Members or persons participating in the 401(a) money purchase plan as
18 provided by KRS 61.5956 shall not be eligible to purchase service under the
19 provisions of this section.]~~

20 (4) If a person who has been refunded his accumulated contribution or accumulated
21 account balance in accordance with subsection (1) of this section thereafter becomes
22 again the holder of an office qualifying him for membership in the Judicial
23 Retirement Plan, he shall not be entitled to credit for his prior period of service
24 unless he has previously repaid his refunded contributions in accordance with
25 subsection (3) of this section or unless within thirty (30) days after again assuming
26 office he repays to the plan the amount that was refunded to him with interest at six
27 percent (6%) per annum. Service purchased under this subsection on or after

January 1, 2014, shall not be used to determine the member's participation date in the Judicial Retirement Plan.~~[Members or persons participating in the 401(a) money purchase plan as provided by KRS 61.5956 shall not be eligible to purchase service under the provisions of this section.]~~

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

➔SECTION 44. KRS 61.5955 IS REPEALED AND REENACTED TO READ AS FOLLOWS:

Notwithstanding any provision of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852 to the contrary:

(1) Subject to the provisions of this section, any member who began participating in the Kentucky Employees Retirement System, the County Employees Retirement System, or the State Police Retirement System on or after September 1, 2008, but prior to January 1, 2014, may in lieu of the benefits he or she is currently eligible to receive from the systems, elect to receive the benefits and rights provided to members who began participating in the systems on or after January 1, 2014, including participating in the hybrid cash balance plan created pursuant to

1 Section 2 of this Act or KRS 61.597 for members in nonhazardous duty positions
2 or pursuant to Section 4 of this Act or KRS 16.583 for members in hazardous
3 duty positions, as applicable;

4 (2) The election provided by this section shall be made in writing and on a form
5 prescribed by the Kentucky Public Pensions Authority and shall apply to all
6 service or accounts in the Kentucky Retirement Systems or the County Employees
7 Retirement System;

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

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

13 (b) On the member's effective election date, the value of the member's
14 accumulated contributions, less any interest, shall be deposited into the
15 member's hybrid cash balance account as provided by Section 2 of this Act,
16 KRS 61.597, Section 4 of this Act, or KRS 16.583, as applicable, and
17 considered part of the member's accumulated account balance;

18 (c) On the member's effective election date, an employer pay credit as provided
19 by Section 2 of this Act, KRS 61.597, Section 4 of this Act, or KRS 16.583,
20 as applicable, shall be added to the member's accumulated account balance
21 for each month the member contributed to the Kentucky Employees
22 Retirement System, the County Employees Retirement System, or the State
23 Police Retirement System prior to his or her effective election date; and

24 (d) Interest credits as provided by Section 2 of this Act, KRS 61.597, Section 4
25 of this Act, or KRS 16.583, as applicable, shall only be applied for periods
26 occurring on or after the member's effective election date;

27 (4) Before accepting an election provided by this section, the Kentucky Public

1 Pensions Authority shall provide the member with information detailing the
2 potential results of the member's election;

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

4 (6) (a) A member of the Kentucky Employees Retirement System, the County
5 Employees Retirement System, or the State Police Retirement System shall
6 not be eligible to make an election prescribed by this section until the
7 Kentucky Retirement Systems receives a favorable private letter ruling from
8 the Internal Revenue Service regarding this section.

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

11 (c) The Kentucky Public Pensions Authority may promulgate administrative
12 regulations under KRS Chapter 13A in order to carry out this section; and

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

16 ➔Section 45. KRS 61.510 (Effective April 1, 2021) is amended to read as
17 follows:

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

19 (1) "System" means the Kentucky Employees Retirement System created by KRS
20 61.510 to 61.705;

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

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

24 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the
25 General Assembly and any other body, entity, or instrumentality designated by
26 executive order by the Governor, shall be deemed to be a department,
27 notwithstanding whether said body, entity, or instrumentality is an integral part of

1 state government;

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

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

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

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

14 (8) "Member" means any employee who is included in the membership of the system or
15 any former employee whose membership has not been terminated under KRS
16 61.535;

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

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

26 (11) "Prior service" means the number of years and completed months, expressed as a
27 fraction of a year, of employment as an employee, prior to July 1, 1956, for which

1 creditable compensation was paid; except that for members, officers, and employees
2 of the General Assembly, this date shall be January 1, 1960. An employee shall be
3 credited with one (1) month of prior service only in those months he received
4 compensation for at least one hundred (100) hours of work; provided, however, that
5 each member, officer, and employee of the General Assembly shall be credited with
6 a month of prior service for each month he served in the position prior to January 1,
7 1960. Twelve (12) months of current service in the system are required to validate
8 prior service;

9 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
10 from the compensation of a member and credited to his individual account in the
11 members' account, including employee contributions picked up after August 1,
12 1982, pursuant to KRS 61.560(4), together with interest credited, on such amounts
13 and any other amounts the member shall have contributed thereto, including interest
14 credited thereon. For members who begin participating on or after September 1,
15 2008, "accumulated contributions" shall not include employee contributions that are
16 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the
17 funds established in KRS 16.510 and 61.515~~[78.520]~~, as prescribed by subsection
18 (3)(b) of Section 73 of this Act~~[KRS 61.702(2)(b)]~~;

19 (13) "Creditable compensation":

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

1 federal form W-2 wage and tax statement under the heading "wages, tips,
2 other compensation," including employee contributions picked up after
3 August 1, 1982, pursuant to KRS 6.505(4) or 61.560(4);

4 (b) Includes:

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

1 available on or after January 1, 2001, for calendar years on or after
2 January 1, 2001, that are not includable in the gross income of the
3 employee by reason of 26 U.S.C. sec. 132(f)(4); and

4 (c) Excludes:

- 5 1. Living allowances, expense reimbursements, lump-sum payments for
6 accrued vacation leave, 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. For employees who begin participating on or after August 1, 2016,
10 nominal fees paid for services as a volunteer; and
- 11 4. Any salary or wages paid to an employee for services as a Kentucky
12 State Police school resource officer as defined by KRS 158.441;

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

- 14 (a) For a member who begins participating before September 1, 2008, who is
15 employed in a nonhazardous position, the creditable compensation of the
16 member during the five (5) fiscal years he or she was paid at the highest
17 average monthly rate divided by the number of months of service credit during
18 that five (5) year period multiplied by twelve (12). The five (5) years may be
19 fractional and need not be consecutive. If the number of months of service
20 credit during the five (5) year period is less than forty-eight (48), one (1) or
21 more additional fiscal years shall be used;
- 22 (b) For a member who is employed in a nonhazardous position, whose effective
23 retirement date is between August 1, 2001, and January 1, 2009, and whose
24 total service credit is at least twenty-seven (27) years and whose age and years
25 of service total at least seventy-five (75), final compensation means the
26 creditable compensation of the member during the three (3) fiscal years the
27 member was paid at the highest average monthly rate divided by the number

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

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

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

26 (e) For a member who begins participating on or after September 1, 2008, but
27 prior to January 1, 2014, who is employed in a hazardous position as provided

1 in KRS 61.592, the creditable compensation of the member during the three
2 (3) complete fiscal years he or she was paid at the highest average monthly
3 rate divided by three (3). Each fiscal year used to determine final
4 compensation must contain twelve (12) months of service credit. If the
5 member does not have three (3) complete fiscal years that each contain twelve
6 (12) months of service credit, then one (1) or more additional fiscal years,
7 which may contain less than twelve (12) months of service credit, shall be
8 added until the number of months in the final compensation calculation is at
9 least thirty-six (36) months;

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

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

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

1 same option computed under early retirement;

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

4 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
5 following June 30, which shall also be the plan year. The "fiscal year" shall be the
6 limitation year used to determine contribution and benefit limits as established by
7 26 U.S.C. sec. 415;

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

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

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

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

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

27 (d) Part-time positions which are positions which may be permanent in duration,

1 but which require less than a calendar or fiscal year average of one hundred
2 (100) hours of work per month, determined by using the number of months
3 actually worked within a calendar or fiscal year, in the performance of duty;
4 and

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

7 (22) "Vested" for purposes of determining eligibility for purchasing service credit
8 under Section 52 of this Act means the employee has at least forty-eight (48)
9 months of service if age sixty-five (65) or older or at least sixty (60) months of
10 service if under the age of sixty-five (65). For purposes of this paragraph, service
11 shall mean service in the systems administered by the Kentucky Retirement
12 Systems and County Employees Retirement System["Delayed contribution
13 payment" means an amount paid by an employee for purchase of current service.
14 The amount shall be determined using the same formula in KRS 61.5525, and the
15 payment shall not be picked up by the employer. A delayed contribution payment
16 shall be deposited to the member's account and considered as accumulated
17 contributions of the individual member. In determining payments under this
18 subsection, the formula found in this subsection shall prevail over the one found in
19 KRS 212.434];

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

26 (24) "Retired member" means any former member receiving a retirement allowance or
27 any former member who has filed the necessary documents for retirement benefits

- 1 and is no longer contributing to the retirement system;
- 2 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
3 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
4 pay. The rate shall be certified by the employer;
- 5 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
6 the member in accordance with KRS 61.542 or 61.705 to receive any available
7 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
8 does not mean an estate, trust, or trustee;
- 9 (27) "Recipient" means the retired member or the person or persons designated as
10 beneficiary by the member and drawing a retirement allowance as a result of the
11 member's death or a dependent child drawing a retirement allowance. An alternate
12 payee of a qualified domestic relations order shall not be considered a recipient,
13 except for purposes of KRS 61.623;
- 14 (28) "Level percentage of payroll amortization method" means a method of determining
15 the annual amortization payment on the unfunded actuarial accrued liability as
16 expressed as a percentage of payroll over a set period of years. Under this method,
17 the percentage of payroll shall be projected to remain constant for all years
18 remaining in the set period of time and the unfunded actuarially accrued liability
19 shall be projected to be fully amortized at the conclusion of the set period of years;
- 20 (29) "Increment" means twelve (12) months of service credit which are purchased. The
21 twelve (12) months need not be consecutive. The final increment may be less than
22 twelve (12) months;
- 23 (30) "Person" means a natural person;
- 24 (31) "Retirement office" means the Kentucky Public Pensions Authority's office building
25 in Frankfort, unless otherwise designated by the Kentucky Public Pensions
26 Authority;
- 27 (32) "Last day of paid employment" means the last date employer and employee

- 1 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
2 78.615 to the retirement office in order for the employee to receive current service
3 credit for the month. Last day of paid employment does not mean a date the
4 employee receives payment for accrued leave, whether by lump sum or otherwise, if
5 that date occurs twenty-four (24) or more months after previous contributions;
- 6 (33) "Objective medical evidence" means reports of examinations or treatments; medical
7 signs which are anatomical, physiological, or psychological abnormalities that can
8 be observed; psychiatric signs which are medically demonstrable phenomena
9 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
10 or contact with reality; or laboratory findings which are anatomical, physiological,
11 or psychological phenomena that can be shown by medically acceptable laboratory
12 diagnostic techniques, including but not limited to chemical tests,
13 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 14 (34) "Participating" means an employee is currently earning service credit in the system
15 as provided in KRS 61.543;
- 16 (35) "Month" means a calendar month;
- 17 (36) "Membership date" means:
- 18 (a) The date upon which the member began participating in the system as
19 provided in KRS 61.543; or
- 20 (b) For a member electing to participate in the system pursuant to KRS
21 196.167(4) who has not previously participated in the system or the Kentucky
22 Teachers' Retirement System, the date the member began participating in a
23 defined contribution plan that meets the requirements of 26 U.S.C. sec.
24 403(b);
- 25 (37) "Participant" means a member, as defined by subsection (8) of this section, or a
26 retired member, as defined by subsection (24) of this section;
- 27 (38) "Qualified domestic relations order" means any judgment, decree, or order,

1 including approval of a property settlement agreement, that:

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

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

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

8 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
9 member's account and interest credited on such amounts as provided by KRS
10 16.583 and 61.597;

11 (41) "Accumulated account balance" means:

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

14 (b) For members who began participating in the system on or after January 1,
15 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
16 the combined sum of the member's accumulated contributions and the
17 member's accumulated employer credit;

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

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

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

- 1 (43) "Nominal fee" means compensation earned for services as a volunteer that does not
2 exceed five hundred dollars (\$500) per month. Compensation earned for services as
3 a volunteer from more than one (1) participating employer during a month shall be
4 aggregated to determine whether the compensation exceeds the five hundred dollars
5 (\$500) per month maximum provided by this subsection;
- 6 (44) "Nonhazardous position" means a position that does not meet the requirements of
7 KRS 61.592 or has not been approved by the board as a hazardous position;
- 8 (45) "Monthly average pay" means the higher of the member's monthly final rate of pay
9 or the average monthly creditable compensation earned by the deceased member
10 during his or her last twelve (12) months of employment;
- 11 (46) "Authority" means the Kentucky Public Pensions Authority as provided by KRS
12 61.505; and
- 13 (47) "Executive director" means the executive director of the Kentucky Public Pensions
14 Authority.
- 15 ➔Section 46. KRS 61.526 is amended to read as follows:
- 16 (1) *Upon becoming a member of the Kentucky Employees Retirement System, the*
17 *County Employees Retirement System, or the State Police Retirement System,*
18 *the*~~each~~ employee *and employer*~~on becoming a member of the Kentucky~~
19 ~~Employees Retirement System~~ may file in the retirement office, in the form *and*
20 *detail* as the *authority*~~board~~ may prescribe, a statement of facts pertaining to the
21 *employee and other information the authority may require, including but not*
22 *limited to*~~member. The statement shall include~~ a record of military service *and*~~,~~
23 previous employment with the employer~~, and such other information as the system~~
24 ~~may require~~.
- 25 (2) If the records of the *employer*~~Personnel Cabinet or the department~~ employing the
26 member during the time the service was rendered do not substantiate the statement
27 of *facts filed by the member*~~service~~, the member shall be notified of any

1 discrepancy. The member shall be advised that he has the responsibility of
2 supplying verification of any unsubstantiated service.

3 (3) At the request of the member, or the beneficiary if the member is deceased, the
4 Authority's executive director shall arrange a time and place or process to receive
5 additional information in regard to the unsubstantiated~~[unverified]~~ service. After
6 filing the request, the member or the beneficiary if the member is deceased, shall
7 have a reasonable time but no more than six (6) months to present the additional
8 information to substantiate the unsubstantiated~~[unverified]~~ service.

9 (4) ~~[The system may at any time conduct an audit of the employing department~~
10 ~~pursuant to KRS 61.675.~~

11 ~~(5)~~ The system may allow a member to retire or obtain a refund without the member
12 submitting a statement of facts pertaining to the member as described by this
13 section.

14 ➔Section 47. KRS 61.540 is amended to read as follows:

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

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

26 ~~(2)~~~~(3)~~ The summary plan description shall include:

27 (a) The name of the retirement system, the name and business address of the

- 1 executive director of the Kentucky Public Pensions Authority and~~[,]~~ the
2 chief executive officer, and the name, business address, and title of each
3 member of the board of trustees;
- 4 (b) The name and business address of the person designated for the service of
5 legal 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 ~~(3)~~~~[(4)]~~ The system may publish the summary plan description in the form of a paper
20 or electronic comprehensive pamphlet or booklet, or in the form of paper or
21 electronic periodic newsletters which shall incorporate all the information required
22 in the summary plan description within a period of two (2) years. Any changes in
23 statutory requirements or administrative practices which alter the provisions of the
24 plan as described in the summary plan description shall be summarized as required
25 in subsection (2) of this section and shall be made available upon request to
26 members in the form of a supplement to a comprehensive booklet, or reported in the
27 periodic newsletter.

1 ~~[(5) The system shall make available upon request to retirees and beneficiaries the~~
2 ~~summary plan description.]~~

3 ➔Section 48. KRS 61.542 is amended to read as follows:

4 (1) Prior to the first day of the month in which the member receives his or her first
5 retirement allowance and prior to the member filing a notification of retirement or a
6 request for refund:

7 (a) Each member may designate on the form prescribed by the Authority~~[board]~~ a
8 principal beneficiary and contingent beneficiary for his or her account or
9 accounts. The principal beneficiary or contingent beneficiary designated by
10 the member shall be:

- 11 1. One (1) or more persons; or
- 12 2. The member's estate; or
- 13 3. A trust;

14 (b) If multiple persons are designated as provided by paragraph (a)1. of this
15 subsection, the member shall indicate the percentage of total benefits each
16 person is to receive.

- 17 1. If percentages are not indicated, payments will be disbursed equally to
18 the named beneficiaries.
- 19 2. If the percentages indicated do not total one hundred percent (100%),
20 each beneficiary shall receive an increased or decreased percentage
21 which is proportional to the percentage allotted him or her by the
22 member.
- 23 3. If any of the multiple beneficiaries die prior to the member's death, the
24 remaining beneficiaries shall be entitled to the deceased beneficiary's
25 percentage of the total benefits, and each shall receive a percentage of
26 the deceased's share which is equal to the percentage allotted them by
27 the member;

1 (c) The principal and contingent beneficiary designation established by the
2 member pursuant to paragraph (a) of this subsection shall remain in full force
3 and effect until changed by the member, except:

- 4 1. A final divorce decree terminates an ex-spouse's status as beneficiary,
5 unless the member has on file in the retirement office a beneficiary
6 designation that redesignates the ex-spouse as beneficiary subsequent to
7 the issuance of the divorce decree;
- 8 2. If a beneficiary or beneficiaries are convicted of any crime which
9 prohibits that person or persons from receiving the benefits under KRS
10 381.280, the beneficiary or beneficiaries shall not be eligible for any of
11 the benefits and the remaining beneficiary or beneficiaries or, if none,
12 the member's estate, shall become the beneficiary; and
- 13 3. When a notification of retirement has been filed at the retirement office,
14 the designation of beneficiary on the notification of retirement, which
15 shall be one (1) person, his estate, or a trust, shall supersede the
16 designation of all previous beneficiaries, unless the notification of
17 retirement is withdrawn, invalid, or voided. If the notification of
18 retirement is withdrawn, invalid, or voided, the prior beneficiary
19 designation on file with the system shall remain in full force and effect
20 until changed by the member; and

21 (d) Except as provided by paragraph (c)3. of this subsection, if the member fails
22 to designate a beneficiary for his or her account or if the beneficiary
23 designation is determined to be void by the system, the member's estate shall
24 become the beneficiary.

25 (e) If the member has more than one (1) account in the Kentucky Employees
26 Retirement System, County Employees Retirement System, or State Police
27 Retirement System, the member shall not be eligible to name differing

1 beneficiaries for each system but shall instead complete one (1) beneficiary
2 designation form which shall be applicable to all systems in which the
3 member has an account.

- 4 (2) If the member dies prior to the first day of the month in which the member would
5 have received his or her first retirement allowance and prior to filing a notification
6 of retirement or a request for refund, any retirement benefits shall be payable to the
7 principal beneficiary, except that:
- 8 (a) If the death of the principal beneficiary or beneficiaries precedes the death of
9 the member, or if the principal beneficiary is terminated by a divorce decree,
10 the contingent beneficiary or beneficiaries become the principal beneficiary or
11 beneficiaries;
- 12 (b) If the principal beneficiary is one (1) person and is the member's spouse and
13 they are divorced on the date of the member's death, the contingent beneficiary
14 or beneficiaries become the principal beneficiary or beneficiaries;
- 15 (c) If the member is survived by his principal beneficiary or beneficiaries who
16 subsequently die prior to having on file at the retirement office the necessary
17 forms prescribed under authority of KRS 61.590, the contingent beneficiary
18 shall become the principal beneficiary or beneficiaries;
- 19 (d) If the deaths of all the principal beneficiaries and all of the contingent
20 beneficiaries precede the death of the member, the estate of the member
21 becomes the beneficiary; and
- 22 (e) If the member dies as a direct result of an act in line of duty as defined in KRS
23 16.505, Section 18 of this Act, or dies as a result of a duty-related injury as
24 defined in KRS 61.621, the surviving spouse shall supersede all previously
25 designated principal or contingent beneficiaries, unless the deceased member
26 files a valid beneficiary designation form with the retirement office after the
27 date of marriage to the surviving spouse.

- 1 (3) Prior to the first day of the month in which the member would have received his or
2 her first retirement allowance, a monthly benefit payable for life shall not be offered
3 if the beneficiary designated under subsection (1) of this section is more than one
4 (1) person, the member's estate, or a trust.
- 5 (4) When a notification of retirement has been filed at the retirement office:
- 6 (a) The designation of beneficiary on the notification of retirement shall
7 supersede the designation of all previous beneficiaries;
- 8 (b) The beneficiary designated by the member on the member's notification of
9 retirement shall be one (1) person, the member's estate, or a trust; and
- 10 (c) If the death of the beneficiary named on the notification of retirement precedes
11 the first day of the month in which the member receives his or her first
12 retirement allowance, the member may designate another beneficiary on the
13 member's notification of retirement.
- 14 (5) On or after the first day of the month in which the member receives his or her first
15 retirement allowance, the member shall not have the right to change his beneficiary,
16 except that:
- 17 (a) The estate of the retired member becomes the beneficiary if the date of death
18 of the beneficiary precedes or coincides with the date of death of the retired
19 member;
- 20 (b) The estate of the retired member becomes the beneficiary if the retired
21 member had designated a person as beneficiary who was the spouse or who
22 later married the member and they were divorced on the date of the retired
23 member's death. An ex-spouse who was the named beneficiary on the
24 member's notification of retirement shall be reinstated as the member's
25 beneficiary for the payment options provided by KRS 61.635(2), (3), (4), and
26 (8)(b) if they are remarried to each other as of the date of the retired member's
27 death; and

1 (c) The estate of the member shall not receive monthly payments if the member
2 selected one (1) of the payment options provided by KRS 61.635(2), (3), (4),
3 and (8)(b).

4 (6) Following cessation of membership as provided by KRS 61.535 or 78.540, no
5 beneficiary designation in one (1) account shall be effective for any new retirement
6 account established ~~pursuant to KRS 61.637 or 61.680~~. If the member fails to
7 designate a beneficiary for his or her new retirement account or if the beneficiary
8 designation is determined to be void by the system, the member's estate shall
9 become the beneficiary.

10 ➔Section 49. KRS 61.543 is amended to read as follows:

11 (1) (a) Employee contributions shall be deducted each payroll period from the
12 creditable compensation of each employee of an agency participating in the
13 retirement system while he is classified as regular full-time as defined in KRS
14 61.510 unless the employee ~~is~~:

15 ~~1.—~~did not elect to become a member as provided by subsection (2) of KRS
16 61.525 or ~~is~~:

17 ~~2.—~~Did not elect membership pursuant to KRS 61.545(3); ~~or~~

18 ~~3.—~~is not eligible to participate in the system as provided by KRS 61.522.

19 (b) After August 1, 1982, employee contributions shall be picked up by the
20 employer pursuant to KRS 61.560(4). Service credit will be allowed for each
21 month the contributions are deducted or picked up during a fiscal or calendar
22 year, if the member receives creditable compensation for an average of one
23 hundred (100) hours or more of work per month. If the average number of
24 hours of work is less than one hundred (100) per month, the member shall be
25 allowed credit only for those months he receives creditable compensation for
26 one hundred (100) hours of work.

27 (2) Employee contributions shall not be deducted from the creditable compensation of

1 an employee or picked up by the employer while he is seasonal, emergency,
2 temporary, or part-time. No service credit will be earned.

3 (3) Contributions shall not be made or picked up by the employer and no service credit
4 will be earned by a member while on leave except:

5 (a) A member on military leave shall be entitled to service credit in accordance
6 with Section 52 of this Act~~[KRS 61.555]~~;

7 (b) A member on educational leave, approved by the Personnel Cabinet, who is
8 receiving seventy-five percent (75%) or more of full salary, shall receive
9 service credit and shall pay employee contributions, or the contributions shall
10 be picked up in accordance with KRS 61.560 and his employer shall pay
11 employer contributions in accordance with KRS 61.565. If a tuition agreement
12 is broken by the member, the member and employer contributions paid or
13 picked up during the period of educational leave shall be refunded; and

14 (c) An employee on educational leave, approved by the appointing authority, not
15 to exceed one (1) year, or with additional approval of one (1) additional year,
16 and not to exceed two (2) years within a five (5) year period, who is receiving
17 a salary of less than seventy-five percent (75%) of full salary, may elect to
18 retain membership in the system during the period of leave. If the employee
19 elects to retain membership in the system, he shall receive service credit by
20 having employee contributions picked up in accordance with KRS 61.560. His
21 employer shall pay employer contributions in accordance with KRS 61.565. If
22 a tuition agreement is broken by the member, the employee and employer
23 contributions paid or picked up during the period of educational leave shall be
24 refunded to the contributor and no service credit shall be earned for the period
25 of leave.

26 (4) The retirement office, upon detection, shall refund any erroneous employer and
27 employee contributions made to the retirement system and any interest credited in

1 accordance with KRS 61.575.

2 (5) Notwithstanding the provisions of this section and KRS 61.560, employees engaged
3 pursuant to KRS 148.026 and 56.491 in a regular full-time position as defined in
4 KRS 61.510(21) prior to January 1, 1993, shall be allowed service credit for each
5 month the employee received creditable compensation for an average of one
6 hundred (100) or more hours of work, if the employee pays to the retirement system
7 the contributions that would have been deducted for the period of employment. The
8 contributions shall be credited to the member's account and shall not be picked up
9 pursuant to KRS 61.560(4). The employer contributions for the period, plus interest
10 calculated at the actuarial rate, shall be due within thirty (30) days of notice of
11 receipt of payment from the employee.

12 ➔Section 50. KRS 61.545 is amended to read as follows:

13 (1) The Authority~~[board]~~ shall determine by appropriate administrative regulations how
14 much service in any year is the equivalent of a year of service credit and how much
15 service in any calendar month is the equivalent of a month of service credit. It shall
16 not allow credit for more than one (1) year of service for all service rendered in any
17 period of twelve (12) consecutive months except as provided in KRS 61.546 in the
18 case of the Kentucky Retirement Systems or KRS 78.616 in the case of the County
19 Employees Retirement System~~[and in subsection (2) of this section]~~.

20 (2) (a) ~~[Employees participating in one (1) of the state-administered retirement~~
21 ~~systems who are or have been employed by a school board participating in the~~
22 ~~County Employees Retirement System, a state-operated school under KRS~~
23 ~~Chapter 167, a participating community action agency, or a Kentucky~~
24 ~~institution of higher education which participates in the Kentucky Employees~~
25 ~~Retirement System, and who receive service credit for less than twelve (12)~~
26 ~~months each year, may purchase the additional months of service credit~~
27 ~~needed to total one (1) year of service credit except the amount purchased~~

1 ~~shall not exceed three (3) months. The employee may purchase the service~~
2 ~~credit by paying the retirement system a delayed contribution payment in~~
3 ~~accordance with the payment options and restrictions established by KRS~~
4 ~~61.552(14). Employees who have service credit prior to July 1, 1992, or their~~
5 ~~employers, the state-operated school under KRS Chapter 167, the Kentucky~~
6 ~~institution of higher education, or the school board may purchase service~~
7 ~~credit on behalf of the employee for previous years by paying the retirement~~
8 ~~system the delayed contribution payment in accordance with the payment~~
9 ~~options and restrictions established by KRS 61.552(14).~~

10 ~~(b) The cost of service under this subsection may be paid by both the employer~~
11 ~~and employee. The employer shall pay fifty percent (50%) of the cost and the~~
12 ~~employee shall pay fifty percent (50%) of the cost. The payment by the~~
13 ~~employer shall not be deposited to the member's account. Service credit shall~~
14 ~~not be credited to the member's account until both the employer's and~~
15 ~~employee's payment are received by the retirement system.~~

16 ~~(c) If the employee has purchased service credit under this subsection based on~~
17 ~~months reported by the employer for the fiscal year, and an audit of the~~
18 ~~employee's account reduces the number of months of service credit for which~~
19 ~~the employee is eligible to no fewer than nine (9) months, the employee shall~~
20 ~~retain credit for the months purchased unless the employee is ineligible for~~
21 ~~any service in the fiscal year. The employee shall be eligible to purchase the~~
22 ~~additional months under this subsection to total one (1) year.~~

23 ~~(d) This subsection shall not apply to members who begin participating in the~~
24 ~~systems administered by Kentucky Retirement Systems on or after January 1,~~
25 ~~2014.~~

26 ~~(3) — (a)†~~ If an employee participates in more than one (1) of the retirement systems
27 administered by the Kentucky Retirement Systems and County Employees

1 **Retirement System**, the employee's service credit shall be divided between
2 each system determined by dividing the employee's creditable compensation
3 in each system by the employee's total creditable compensation in all systems.

4 (b) If an employee earns creditable compensation in both a hazardous position, as
5 defined by KRS 61.592 **or Section 6 of this Act**, and a nonhazardous position,
6 the employee's service credit shall be divided between the employee's
7 hazardous and nonhazardous positions determined by dividing the employee's
8 creditable compensation in the hazardous and nonhazardous positions by the
9 employee's combined hazardous and nonhazardous creditable compensation.

10 ➔Section 51. KRS 61.550 is amended to read as follows:

11 When membership ceases, except in the case of retirement, the member shall
12 thereafter lose all right to any retirement allowance or benefits under KRS 61.510 to
13 61.705 **and** ~~16.505 to 16.652~~ ~~and 78.510 to 78.852~~ arising from service prior to the
14 date of such cessation of membership.

15 ➔SECTION 52. KRS 61.552 (Effective April 1, 2021) IS REPEALED AND
16 REENACTED TO READ AS FOLLOWS:

17 **(1) Called to Active Duty Military Service. An employee of an employer participating**
18 **in the system who is called to active military duty in the Armed Forces of the**
19 **United States shall be credited in accordance with 38 U.S.C. sec. 4318 with**
20 **service credit, creditable compensation, and in the case of employees**
21 **participating in the hybrid cash balance plan, employee contributions, employer**
22 **credits, and interest credits, for a period of active military duty of up to six (6)**
23 **years, provided:**

24 **(a) The employee was called to active military duty in the Armed Forces of the**
25 **United States:**

26 **1. After he or she began participating in the system and provided the**
27 **employee was on leave of absence from the employer and did not**

- 1 withdraw his or her accumulated account balance; or
- 2 2. Prior to the date he or she began participating in the system and
- 3 terminated employment with his or her employer;
- 4 (b) The employee entered active military service within three (3) months of his
- 5 or her last day of paid employment;
- 6 (c) His or her discharge military service was terminated in a manner other
- 7 than as described in 38 U.S.C. sec. 4304; and
- 8 (d) He or she returns to work with an employer participating in the system
- 9 within two (2) years after completion of the period of active military duty, or
- 10 upon the subsequent termination of any total disability which existed at the
- 11 expiration of the two (2) years after discharge.
- 12 For periods of active military duty that meet the requirements of this subsection,
- 13 the employer shall pay the employer contributions payable under KRS 61.565,
- 14 61702, and 78.635, and Section 14 of this Act.
- 15 (2) (a) Omitted Service. Any person who is entitled to service credit for employment
- 16 which was not reported by the employer in accordance with KRS 16.543,
- 17 61.543, or 78.615 may obtain credit for the service subject to the provisions
- 18 of this subsection.
- 19 (b) Provided the person pays for the omitted service with within six (6) months
- 20 of notification by the system, the cost of the service shall be equal to the
- 21 employee contributions that would have been paid if the person had been
- 22 correctly reported in accordance with KRS 16.543, 61.543, or 78.615.
- 23 (c) Any employee participating in one (1) of the state-administered retirement
- 24 systems entitled to service credit under paragraph (a) of this subsection who
- 25 has not repaid the employee contributions due within six (6) months of
- 26 notification by the system may purchase the credit after the six (6) months
- 27 by paying to the system the employee contributions plus interest at the

1 actuarially assumed rate from the date of initial notification under
2 paragraph (b) of this subsection.

3 (d) Omitted service purchased under this subsection shall:

4 1. Be considered service credited under KRS 16.543(1), 61.543(1), or
5 78.615(1) for purposes of determining eligibility for retirement
6 benefits under KRS 78.510 to 78.852; and

7 2. Not be credited to the member's account until the employer
8 contributions due and any interest or penalties on the delinquent
9 employer contributions for the period of omitted service are received
10 by the system.

11 (e) Employees who begin participating on or after January 1, 2014, in the
12 hybrid cash balance plan provided by KRS 16.583 or 16.597 or Sections 2
13 and 4 of this Act shall, upon payment of the employee and employer
14 contributions due under this subsection, have their accumulated account
15 balance increased by the employee contributions, employer pay credits, and
16 interest credits that would have been credited to their member's account if
17 the contributions had been paid on time.

18 (f) Contributions payable by the employer under this subsection for omitted
19 service shall be considered delinquent from the date the employee should
20 have been reported and received service credit in accordance with KRS
21 16.543, 61.543, and 78.615.

22 (3) (a) Recontribution of a Refund. Any employee participating in one (1) of the
23 state-administered retirement systems who has been refunded his
24 accumulated account balance under the provisions of KRS 61.625, thereby
25 losing service credit in the system, may regain the credit by paying to the
26 system the amount or amounts refunded by the system with interest at a rate
27 determined by the board. Service purchased under this subsection on or

1 after January 1, 2014, shall not be used to determine the member's
2 participation date in the systems.

3 (b) Recontribution of a refund purchased under this subsection shall not be
4 used in determining a retirement allowance until the member has accrued
5 at least six (6) months of service credit in a state-administered retirement
6 system, excluding the service purchased under this subsection. If the
7 member does not accrue at least six (6) months of service credit in a state-
8 administered retirement system, excluding service purchased under this
9 subsection, then the payment plus interest as provided in KRS 16.560,
10 61.575, or 78.640 shall be refunded upon retirement, death, or written
11 request following termination of employment. The service requirement shall
12 be waived if the member dies or becomes disabled as provided for by KRS
13 16.582, 61.600, 61.621, or Sections Section 7 or 8 of this Act.

14 (4) (a) Summer Months. Any employee participating in one (1) of the state-
15 administered retirement systems who are or have been employed by a school
16 board or community action agency participating in the County Employees
17 Retirement System or a state operated school under KRS Chapter 167 or an
18 institution of higher learning participating in the Kentucky Employees
19 Retirement System, who receives service credit for less than twelve (12)
20 months each year, may purchase the additional months of service credit
21 needed to total one (1) year of service credit except the amount purchased
22 for any specific year shall not exceed three (3) months.

23 (b) The cost of the summer months service credit shall be determined by the
24 formula established by subsection (10) of this section and may be purchased
25 by the employee, the employer on behalf of the employee, or the cost may be
26 paid by both the employer and employee in which case the employer and
27 employee shall each pay fifty percent (50%) of the cost. Service credit shall

1 not be credited to the member's account until both the employer's and
2 employee's payment are received by the system.

3 (c) If the employee has purchased service credit under this subsection based on
4 months reported by the employer for the fiscal year, and an audit of the
5 employee's account reduces the number of months of service credit for
6 which the employee is eligible to no fewer than nine (9) months, the
7 employee shall retain credit for the months purchased unless the employee
8 is ineligible for any service in the fiscal year. The employee shall be eligible
9 to purchase the additional months under this subsection to total one (1)
10 year.

11 (d) This subsection shall not apply to members who began participating in the
12 County Employees Retirement System on or after January 1, 2014.

13 (5) Vested Service Purchases. Any employee who began participating in the County
14 Employees Retirement System, the Kentucky Employees Retirement System, or
15 the State Police Retirement System prior to January 1, 2014, who is vested may
16 purchase service credit for:

17 (a) Past service. Past service shall mean periods of employment:

18 1. Between July 1, 1956, in the case of the Kentucky Employees
19 Retirement System, or July 1, 1958, in the case of the County
20 Employees Retirement System, and the effective date of participation
21 by the employer;

22 2. Where the employee did not participate in the system due to the
23 employee not electing to participate as provided in KRS 61.525(2) or
24 78.540(1); and

25 3. With a public agency that did not participate in the Kentucky
26 Employees Retirement System but would have been eligible to
27 participate under KRS 61.520 or a political subdivision that did not

1 participate in the County Employees Retirement System but would
2 have been eligible to participate under KRS 78.530, provided the
3 public agency or political subdivision has merged with or been taken
4 over by a participating employer;

5 (b) State university service, provided the university does not participate in a
6 state-administered retirement system and the university service being
7 purchased was in a nonteaching position that did not participate in a
8 defined benefit retirement program;

9 (c) 1. Up to ten (10) years of out-of-state service. Out-of-state shall mean
10 service credited to a state or local government-administered public
11 defined benefit plan in another state that is not a defined benefit plan
12 for teachers.

13 2. Up to ten (10) years of out-of-state hazardous service. Out-of-state
14 hazardous service shall mean service in a regular full-time position
15 that was credited to a defined benefit retirement plan administered by
16 a state or local government in another state, if the service could be
17 certified as hazardous pursuant to KRS 61.592 or Section 6 of this Act,
18 as applicable. The employee may purchase out-of-state hazardous
19 service under this subparagraph provided the employee is vested to
20 receive benefits from the State Police Retirement System or hazardous
21 duty benefits from the Kentucky Employees Retirement System or the
22 County Employees Retirement System.

23 The employee must purchase out-of-state service or out-of-state hazardous
24 service in the system in which he or she is vested based solely upon the
25 service in that system;

26 (d) Active military duty, which shall mean periods of active military duty in the
27 Armed Forces of the United States, provided:

- 1 1. The employee's military service was terminated in a manner other
2 than as described in 38 U.S.C. sec. 4304; and
- 3 2. The service has not been credited as free military service under
4 subsection (1) of this section;
- 5 (e) National Guard service. An employee may purchase one (1) month of
6 service for each six (6) months of service in the National Guard or the
7 military reserves of the United States. The service shall be treated as service
8 earned prior to participation in the system;
- 9 (f) Federal service. Federal service shall mean service with the United States
10 government, that is not service in the Armed Forces;
- 11 (g) Seasonal, emergency, interim, probationary, or temporary employment or
12 part-time employment as provided by subsection (21) of Section 18 of this
13 Act or subsection (21) of Section 45 of this Act averaging one hundred (100)
14 or more hours of work per month on a calendar or fiscal year basis. If the
15 average number of hours of work is less than one hundred (100) per month,
16 the member may purchase credit for only those months he receives
17 creditable compensation for one hundred (100) hours of work;
- 18 (h) Part-time employment in a noncertified position at a school board prior to
19 the 1990-91 school year which averaged eighty (80) or more hours of work
20 per month on a calendar or fiscal year basis. If the average number of
21 hours of work is less than eighty (80) per month, the noncertified employee
22 of a school board shall be allowed to purchase credit only for those months
23 he receives creditable compensation for eighty (80) hours of work;
- 24 (i) Any period of:
 - 25 1. Authorized maternity leave without pay or sick leave without pay;
 - 26 2. Unpaid leave authorized under the Federal Family and Medical Act;
 - 27 3. Approved educational leave; and

- 1 4. Agency-approved leave to work for a work-related labor organization
2 if the agency subsequently participated in the County Employees
3 Retirement System, but only if the board receives a favorable private
4 letter ruling from the United States Internal Revenue Service or a
5 favorable opinion letter from the United States Department of Labor;
- 6 (j) Non-Participating Employer Service, which shall mean periods of
7 employment with the following types of agencies provided the agency does
8 not participate in a state-administered retirement system:
- 9 1. A regional community services program for mental health organized
10 and operated under the provisions of KRS 210.370 to 210.480;
11 2. A community action agency created under KRS 273.405 to 273.453.
12 The service provided by this subparagraph shall be purchased in the
13 County Employees Retirement System;
14 3. An area development district created pursuant to KRS 147A.050; or
15 4. A business development corporation created pursuant to KRS 155.001
16 to 155.230, provided the system receives a favorable private letter
17 ruling from the United States Internal Revenue Service or a favorable
18 opinion letter from the United States Department of Labor;
- 19 (k) Urban-County Government service, which shall mean employment in an
20 urban-county government position that would qualify for hazardous duty
21 coverage under KRS 61.592 or Section 6 of this Act. The provisions of this
22 paragraph shall only be applicable to vested members participating in the
23 State Police Retirement System or in a hazardous position in the Kentucky
24 Employees Retirement System or the County Employees Retirement System;
- 25 (l) Periods of service as assistants to officers and employees of the General
26 Assembly for persons who were unable to acquire service under KRS
27 61.510(20) for service performed after January 1, 1960;

1 (m) Service as a volunteer in the Kentucky Peace Corps, created by KRS 154.1-
2 720; and

3 (n) Employment with a vocational technical school in a noncertified part-time
4 position averaging eighty (80) or more hours per month, determined by
5 using the number of months actually worked within a calendar or fiscal
6 year. The service provided by this paragraph shall be purchased in the
7 Kentucky Employees Retirement System.

8 (6) Non-qualified service. Provided the employee's participation date in the system is
9 prior to July 15, 2002, and provided the employee has total service in all state-
10 administered retirement systems of at least one hundred eighty (180) months of
11 service credit, the employee may purchase a combined maximum total of five (5)
12 years of service credit, known as non-qualified service, which is not otherwise
13 purchasable under any of the provisions of KRS 16.505 to 16.652, 61.510 to
14 61.705, or 78.510 to 78.852. The service purchased under this paragraph shall
15 not be used in determining a retirement allowance until the member has accrued
16 at least two hundred forty (240) months of service, excluding service purchased
17 under this subsection. If the member does not accrue at least two hundred forty
18 (240) months of service, excluding service purchased under this subsection, upon
19 retirement, death, or written request following termination, the payment, plus
20 interest as provided in KRS 16.560, Section 27 of this Act, or Section 55 of this
21 Act, as applicable, shall be refunded.

22 (7) For purposes of service purchased under subsections (2) to (6) of this section:

23 (a) Except for subsection (6) of this section, the service must qualify as regular
24 full-time as provided by KRS 61.510 and 78.510;

25 (b) No service credit may be purchased for periods already credited to the
26 system or another public defined benefit retirement fund, including non-
27 qualified service purchased in another state-administered retirement

1 system;

2 (c) Except as provided by subparagraph (a)2.a. of subsection (9) of this section,
3 the employee payment for service purchases shall not be picked up, as
4 described in KRS 16.545(4), 61.560(4), or 78.610(4), by the employer;

5 (d) Except for service purchased under subsection (2) or (3) of this section,
6 service purchases made pursuant to this section may be purchased by the
7 entire amount of service available or by increments. Service purchases
8 made pursuant to subsections (2) and (3) of this section shall only be
9 purchased by the entire amount of service available; and

10 (e) Service purchases as provided by subsections (5)(b), (5)(d) to (f), (5)(i)1.,
11 and (6) of this section may be purchased in any system in which the
12 member has service credit.

13 (8) (a) Employer purchase of past service. Any employer participating in the
14 system may purchase service credit, between July 1, 1956, in the case of the
15 Kentucky Employees Retirement System, or July 1, 1958, in the case of the
16 County Employees Retirement System, and the participation date of the
17 employer, for present employees of the county or department who have
18 elected coverage under KRS 61.525(2) or 78.540(1), provided the employee
19 began participating in the system prior to January 1, 2014.

20 (b) A Kentucky Employees Retirement System employer shall pay the cost of
21 the service credit within the fiscal year the election is made to purchase the
22 service credit. A County Employees Retirement System employer may
23 purchase the service, with interest at the rate actuarially assumed by the
24 board, over a period not to exceed ten (10) years.

25 (c) If an employer elects to purchase service under the provisions of this
26 subsection, any present employee who would be eligible to receive service
27 credit under the provisions of this subsection and has purchased service

1 credit under subsection (5)(a) of this section shall have his or her payment
2 for the service credit refunded with interest at the rate paid under KRS
3 61.575 or 78.640; and

4 (d) Any payments made by an employer under this subsection shall be deposited
5 to the retirement allowance account of the system and these funds shall not
6 be considered accumulated contributions of the individual members.

7 (9) (a) An employee participating in the system may purchase service credit under
8 any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, 78.510 to
9 78.852 for which he or she is eligible to purchase, or as otherwise required
10 by 38 U.S.C. ch. 43, by:

11 1. Making a lump-sum payment on a before-tax basis as provided in
12 subparagraph 3. of this paragraph, or on an after-tax basis if the
13 employee is purchasing service credit under subsection (1) or (3) of
14 this section, service available pursuant to 38 U.S.C. ch. 43 not
15 otherwise provided for in this section, or grandfathered service as
16 defined in paragraph (b) of this subsection;

17 2. Entering into an agreement to purchase service credit through an
18 installment purchase of service agreement with the systems as
19 provided by paragraph (c) of this subsection;

20 a. On a before-tax basis in which the service is purchased pursuant
21 to the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or

22 b. On an after-tax basis if the employee is purchasing service credit
23 under subsection (1) or (3) of this section, service available
24 pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this
25 section, or grandfathered service as defined in paragraph (b) of
26 this subsection; or

27 3. Transferring funds to the system through a direct trustee-to-trustee

1 transfer as permitted under the applicable sections of the Internal
2 Revenue Code and any regulations or rulings issued thereunder,
3 through a direct rollover as contemplated by and permitted under 26
4 U.S.C. sec. 401(a)(31) and any regulations or rulings issued
5 thereunder, or through a rollover of funds pursuant to and permitted
6 under the rules specified in 26 U.S.C. secs. 402(c) and 408(d)(3). The
7 system shall accept the transfer or rollover to the extent permitted
8 under the rules specified in the applicable provisions of the Internal
9 Revenue Code and any regulations and rulings issued thereunder.

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

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

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

25 3. For after-tax installment purchase of service agreements, the
26 employee may elect to stop the installment payments by notifying the
27 system; may have the installment purchase recalculated to add one (1)

1 or more additional service purchases; or may pay by lump sum the
2 remaining principal or a portion of the remaining principal.

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

7 5. One (1) year of installment payments shall be made for each one
8 thousand dollars (\$1,000) or any part thereof of the total cost, except
9 that the total period allowed for installments shall not be less than one
10 (1) year and shall not exceed five (5) years.

11 6. The employee shall pay the installments by payroll deduction for after-
12 tax purchase of service agreements, and the employer shall pick up
13 installments for before-tax purchase of service agreements. Upon
14 notification by the system, the employer shall report the installment
15 payments monthly continuously over each twelve (12) month period at
16 the same time as, but separate from, regular employee contributions
17 on the forms or by the computer format specified by the board.

18 7. The system shall determine how much of the total cost represents
19 payment for one (1) month of the service to be purchased and shall
20 credit one (1) month of service to the member's account each time this
21 amount has been paid. The first service credited shall represent the
22 first calendar month of the service to be purchased and each
23 succeeding month of service credit shall represent the succeeding
24 months of that service.

25 8. If the employee utilizing an installment purchase of service agreement
26 dies, retires, does not continue employment in a position required to
27 participate in the system, or elects to stop an after-tax installment

1 purchase of service agreement, the member, or in the case of death,
2 the beneficiary, shall have sixty (60) days to pay the remaining
3 principal or a portion of the remaining principal of the installment
4 purchase of service agreement by lump sum, subject to the restrictions
5 of paragraph (a)1. of this subsection, or by transfer of funds under
6 paragraph (a)3. of this subsection, except that payment by the member
7 shall be filed with the system prior to the member's effective
8 retirement date. If the member or beneficiary does not pay the
9 remaining cost, the system shall refund to the member or the
10 beneficiary the payment, payments, or portion of a payment that does
11 not represent a full month of service purchased, except as provided by
12 subsection (6) of this section.

13 9. If the employer does not report installment payments on an employee
14 for sixty (60) days for an after-tax installment purchase of service
15 agreement, except in the case of employees on military leave or sick
16 leave without pay, the installment purchase shall cease and the system
17 shall refund to the employee the payment, payments, or portion of a
18 payment that does not represent a full month of service purchased.

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

22 11. If payments have ceased under subparagraph 8. or 9. of this
23 paragraph and the member later becomes a participating employee in
24 the County Employees Retirement System, Kentucky Employees
25 Retirement System, or State Police Retirement System, the employee
26 may complete the adjusted original installment purchase by lump sum
27 or installment payments, subject to the restrictions of this subsection.

1 If the employee elects to renew the installment purchase, the cost of
2 the remaining service shall be recalculated in accordance with
3 subsection (10) of this section.

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

7 (10) (a) The cost of purchasing service credit under any provision of this section,
8 except as provided by subsections (1) to (3) of this section, shall be
9 determined by multiplying the higher of the employee's current rate of pay,
10 final rate of pay, or final compensation as of the end of the month in which
11 the purchase is made times the actuarial factor times the number of years of
12 service being purchased. The actuarial factor used to determine the cost of
13 purchasing service credit shall assume the earliest date the member may
14 retire without a reduction in benefits and the cost-of-living adjustments
15 provided to members upon retirement.

16 (b) Service purchased on or after August 1, 2004, under the provisions of KRS
17 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, except for service
18 purchased under subsections (1) to (3) of this section, shall not be used to
19 determine eligibility for or the amount of the monthly insurance
20 contribution under Section 14 or 73 of this Act.

21 (c) For a member whose participation begins on or after August 1, 2004,
22 service purchased under the provisions of KRS 16.505 to 16.652, 61.510 to
23 61.705, or 78.510 to 78.852, except for service purchased under subsections
24 (1) to (3) of this section:

25 1. Shall not be used to determine eligibility for a retirement allowance
26 under disability retirement, early retirement, normal retirement, or
27 upon death of the member under any of the provisions of KRS 16.505

1 to 16.652, 61.510 to 61.705, or 78.510 to 78.852; and

2 2. Shall only be used to determine the amount of the retirement
3 allowance of a member who is eligible for a retirement allowance
4 under disability, early retirement, normal retirement, or upon death of
5 the member under any of the provisions of KRS 16.505 to 16.652,
6 61.510 to 61.705, or 78.510 to 78.852, based on service earned as a
7 participating employee.

8 ➔Section 53. KRS 61.559 is amended to read as follows:

9 (1) In lieu of any other benefits due under KRS 61.510 to 61.705 ~~and 78.510 to~~
10 ~~78.852~~, a member who begins participating before September 1, 2008, who has
11 attained the age of sixty-five (65) and who has obtained at least one (1) month of
12 service credit but no more than forty-seven (47) months of service may elect to
13 receive an annual retirement allowance payable monthly or less frequently, as
14 determined by the board, which shall be determined by multiplying his accumulated
15 contributions by two (2) and converting this amount to an annual retirement
16 allowance based on an annuity rate adopted by the board which would pay the
17 actuarial equivalent of twice his accumulated contributions over the lifetime of the
18 retired member.

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

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

26 (b) The member is a retired member of the State Police Retirement System, has
27 attained age fifty-five (55), and has service of forty-eight (48) months at least

- 1 twelve (12) of which are current service; or
- 2 (c) The member is less than age fifty-five (55) and has twenty-five (25) or more
- 3 years of service, at least fifteen (15) of which are current service; or
- 4 (d) The member has thirty (30) or more years of service at least fifteen (15) of
- 5 which are current service, or the member of the Kentucky Employees
- 6 Retirement System~~[or the County Employees Retirement System]~~ has twenty-
- 7 seven (27) or more years of service, at least fifteen (15) of which are current
- 8 service; or
- 9 (e) The member of the Kentucky Employees Retirement System has, at least,
- 10 twenty-six (26) years of service credit, at least sixteen (16) of which are
- 11 current consecutive years of service as a cabinet secretary or administrative
- 12 head of one (1) of the three (3) branches of government; or
- 13 (f) The member has attained age fifty-five (55) and was an employee of a parted
- 14 employer at the time his employer became ineligible to continue participation
- 15 in the system, and his service in the system when added to his service with the
- 16 parted employer subsequent to his separation from state government equals
- 17 the early retirement service eligibility requirement of the system on the date
- 18 his employer became ineligible to continue participation in the system.
- 19 (3) A member who begins participating on or after September 1, 2008, but prior to
- 20 January 1, 2014, is eligible for a retirement allowance determined under KRS
- 21 61.595 if:
- 22 (a) The member is sixty-five (65) years of age or older and has at least five (5)
- 23 years of service credited under KRS 16.543(1), 61.543(1), or ~~[78.615(1) or~~
- 24 ~~]another state-administered retirement system;~~
- 25 (b) The member is fifty-seven (57) years of age or older and has an age and years
- 26 of service total of at least eighty-seven (87) years. The years of service used to
- 27 determine eligibility for a retirement allowance under this paragraph shall only

1 include years of service credited under KRS 16.543(1), 61.543(1), or
2 ~~[78.615(1) or]~~another state-administered retirement system; or

3 (c) The member is sixty (60) years of age or older and has at least ten (10) years
4 of service credited under KRS 16.543(1), 61.543(1), ~~for 78.615(1)]~~or another
5 state-administered retirement system.

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

11 ➔Section 54. KRS 61.565 (Effective April 1, 2021) is amended to read as
12 follows:

13 (1) (a) Each employer participating in the State Police Retirement System as
14 provided for in KRS 16.505 to 16.652 and the Kentucky Employees
15 Retirement System as provided for in KRS 61.510 to 61.705 shall contribute
16 annually to the respective retirement system an amount determined by the
17 actuarial valuation completed in accordance with KRS 61.670 and as specified
18 by this section. Employer contributions for each respective retirement system
19 shall be equal to the sum of the "normal cost contribution" and the "actuarially
20 accrued liability contribution."

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

- 25 1. Paid as a percentage of creditable compensation reported for each
26 employee participating in the system and accruing benefits; and
- 27 2. The same percentage of pay for all employees who are participating in

1 the same retirement system, except that separate percentage rates shall
2 be developed in each system for those employers whose employees are
3 participating in hazardous duty retirement coverage as provided by KRS
4 61.592.

5 (c) For purposes of this section, the actuarially accrued liability contribution shall
6 be:

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

19 2. Paid as a percentage of payroll on the creditable compensation reported
20 for each employee participating in the system and accruing benefits; and

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

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 (2) (a) Normal cost contribution rates and the actuarially accrued liability
- 7 contribution shall be determined by the board on the basis of the annual
- 8 actuarial valuation last preceding the July 1 of a new biennium.
- 9 (b) ~~[The board may amend contribution rates as of July 1 of the second year of a~~
- 10 ~~biennium for the County Employees Retirement System, if it is determined on~~
- 11 ~~the basis of a subsequent actuarial valuation that amended contribution rates~~
- 12 ~~are necessary to satisfy the requirements of this section.~~
- 13 (c) The board shall not have the authority to amend contribution rates as of July 1
- 14 of the second year of the biennium for the Kentucky Employees Retirement
- 15 System and the State Police Retirement System.
- 16 (3) The system shall advise each employer prior to July 1 of any change in the employer
- 17 contribution rate. Based on the employer contribution rate, each employer shall
- 18 include in the budget sufficient funds to pay the employer contributions as
- 19 determined by the board under this section.
- 20 (4) All employers, including the General Assembly, shall pay the full actuarially
- 21 required contributions, as prescribed by this section, to the Kentucky Employees
- 22 Retirement System and the State Police Retirement System in fiscal years occurring
- 23 on or after July 1, 2020.
- 24 ➔Section 55. KRS 61.575 is amended to read as follows:
- 25 (1) The members' account shall be the account to which:
- 26 (a) All members' contributions, or contributions picked up by the employer after
- 27 August 1, 1982, and interest allowances~~[or investment returns]~~ as provided in

1 KRS 61.510 to 61.692 shall be credited, except as provided by subsection
2 (3)(b) of Section 73 of this Act~~[KRS 61.702(2)(b)]~~; and

3 (b) For members who begin participating in the system on or after January 1,
4 2014~~[, who are participating in the hybrid cash balance plan]~~, the employer
5 pay credit and interest credited on such amounts as provided by KRS 16.583
6 and 61.597 shall be credited~~;~~ and

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

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

15 (2) Each member's contribution or contribution picked up by the employer shall be
16 credited to the individual account of the contributing member, except as provided
17 by subsection (3)(b) of Section 73 of this Act~~[KRS 61.702(2)(b)]~~.

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

20 (a) Each member shall have his individual account credited with interest on June
21 30 of each fiscal year.

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

26 (c) For a member who begins participating on or after September 1, 2008, but
27 prior to January 1, 2014, interest shall be credited to his individual account at

1 a rate of two and one-half percent (2.5%) per annum on the accumulated
2 account balance of the member on June 30 of the preceding fiscal year.

3 (d) For a member who begins participating on or after January 1, 2014, in the
4 hybrid cash balance plan, interest shall be credited in accordance with KRS
5 16.583 and 61.597.

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

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

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

18 ➔Section 56. KRS 61.580 is amended to read as follows:

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

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

27 (2)~~[The employer contribution for the 401(a) money purchase plan as provided by~~

1 ~~KRS 61.5956; and~~

2 ~~(3)}~~ The interest credited annually to each~~[a]~~ member's individual account as
3 provided by KRS 61.510 to 61.705.

4 ➔Section 57. KRS 61.592 (Effective April 1, 2021) is amended to read as
5 follows:

6 (1) (a) "Hazardous position" for employees participating in the Kentucky Employees
7 Retirement System~~], and for employees who begin participating in the County~~
8 ~~Employees Retirement System before September 1, 2008,]~~ means:

- 9 1. Any position whose principal duties involve active law enforcement,
10 including the positions of probation and parole officer and
11 Commonwealth detective, active fire suppression or prevention, or other
12 positions, including but not limited to pilots of the Transportation
13 Cabinet and paramedics and emergency medical technicians, with duties
14 that require frequent exposure to a high degree of danger or peril and
15 also require a high degree of physical conditioning;
- 16 2. Positions in the Department of Corrections in state correctional
17 institutions and the Kentucky Correctional Psychiatric Center with
18 duties that regularly and routinely require face-to-face contact with
19 inmates; and
- 20 3. Positions of employees who elect coverage under KRS 196.167(3)(b)2.
21 and who continue to provide educational services and support to inmates
22 as a Department of Corrections employee.

23 (b) ~~["Hazardous position" for employees who begin participating in the County~~
24 ~~Employees Retirement System on or after September 1, 2008, means police~~
25 ~~officers and firefighters as defined in KRS 61.315(1), paramedics, correctional~~
26 ~~officers with duties that routinely and regularly require face-to-face contact~~
27 ~~with inmates, and emergency medical technicians if:~~

1 ~~1. The employee's duties require frequent exposure to a high degree of~~
2 ~~danger or peril and a high degree of physical conditioning; and~~

3 ~~2. The employee's duties are not primarily clerical or administrative.~~

4 ~~(c)}~~ The effective date of participation under hazardous duty coverage for
5 positions in the Department of Alcoholic Beverage Control shall be April 1,
6 1998. The employer and employee contributions shall be paid by the employer
7 and forwarded to the retirement system for the period not previously reported.

8 (2) ~~{(a)}~~ Each employer may request of the board hazardous duty coverage for those
9 positions as defined in subsection (1) of this section. Upon request, each employer
10 shall certify to the system, in the manner prescribed by the board, the names of all
11 employees working in a hazardous position as defined in subsection (1) of this
12 section for which coverage is requested. The certification of the employer shall bear
13 the approval of the agent or agency responsible for the budget of the department or
14 county indicating that the required employer contributions have been provided for
15 in the budget of the employing department or county. The system shall determine
16 whether the employees whose names have been certified by the employer are
17 working in positions meeting the definition of a hazardous position as provided by
18 subsection (1) of this section. This process shall not be required for employees who
19 elect coverage under KRS 196.167(3)(b)2.

20 ~~{(b)}~~ Each employer desiring to provide hazardous duty coverage to employees who
21 begin participating in the County Employees Retirement System on or after
22 September 1, 2008, may request that the board approve hazardous duty
23 coverage for those positions that meet the criteria set forth in subsection (1)(b)
24 of this section. Each employer shall certify to the system, in the manner
25 prescribed by the board, the names of all employees working in a hazardous
26 position as defined in subsection (1)(b) of this section for which coverage is
27 requested and a job description for each position or employee. The

1 ~~certification of the employer shall bear the approval of the agent or agency~~
2 ~~responsible for the budget of the department or county indicating that the~~
3 ~~required employer contributions have been provided for in the budget of the~~
4 ~~employing department or county. Each employer shall also certify, under~~
5 ~~penalty of perjury in accordance with KRS Chapter 523, that each employee's~~
6 ~~actual job duties are accurately reflected in the job description provided to the~~
7 ~~system. The system shall determine whether the employees whose names have~~
8 ~~been certified by the employer are working in positions meeting the definition~~
9 ~~of a hazardous position as defined in subsection (1)(b) of this section. The~~
10 ~~board shall have the authority to remove any employee from hazardous duty~~
11 ~~coverage if the board determines the employee is not working in a hazardous~~
12 ~~duty position or if the employee is classified in a hazardous duty position but~~
13 ~~has individual job duties that do not meet the definition of a hazardous duty~~
14 ~~position or are not accurately reflected in the job descriptions filed by the~~
15 ~~employer with the system.]~~

16 (3) (a) An employee who elects coverage under KRS 196.167(3)(b)2., and an
17 employee participating in the Kentucky Employees Retirement System who is
18 determined by the system to be working in a hazardous position in accordance
19 with subsection (2) of this section, shall contribute, for each pay period for
20 which he or she receives compensation, eight percent (8%) of his or her
21 creditable compensation. ~~[An employee participating in the County~~
22 ~~Employees Retirement System who is determined by the system to be working~~
23 ~~in a hazardous duty position in accordance with subsection (2) of this section~~
24 ~~shall contribute, for each pay period for which he or she receives~~
25 ~~compensation, eight percent (8%) of his or her creditable compensation.]~~

26 (b) Each employer shall pay employer contributions based on the creditable
27 compensation of the employees determined by the system to be working in a

1 hazardous position at the employer contribution rate as determined by the
2 board. The rate shall be determined by actuarial methods consistent with the
3 provisions of KRS 61.565~~[- or 78.635, as applicable].~~

4 (c) If the employer participated in the system prior to electing hazardous duty
5 coverage, the employer may pay to the system the cost of converting the
6 nonhazardous service to hazardous service from the date of participation to
7 the date the payment is made, or the employer may establish a payment
8 schedule for payment of the cost of the hazardous service above that which
9 would be funded within the existing employer contribution rate. The employer
10 may extend the payment schedule to a maximum of thirty (30) years.
11 Payments made by the employer under this subsection shall be deposited to
12 the retirement allowance account of the proper retirement system and these
13 funds shall not be considered accumulated contributions of the individual
14 members. If the employer elects not to make the additional payment, the
15 employee may pay the cost of converting the service and provide payment for
16 the cost as provided by subsection (9) of Section 52 of this Act~~(KRS~~
17 ~~61.552(14))~~. Payments made by the employee under this subsection shall not
18 be picked up, as described in KRS 61.560(4), by the employer. If neither the
19 employer nor employee makes the payment, the service prior to hazardous
20 coverage shall remain nonhazardous. The provisions of this paragraph shall
21 not apply to members who begin participating in the systems administered by
22 Kentucky Retirement Systems~~[- or County Employees Retirement System]~~ on
23 or after January 1, 2014.

24 (4) The normal retirement age, retirement allowance, hybrid cash balance plans, other
25 benefits, eligibility requirements, rights, and responsibilities of a member in a
26 hazardous position, as prescribed by subsections (1), (2), and (3) of this section, and
27 the responsibilities, rights, and requirements of his or her employer shall be as

1 prescribed for a member and employer participating in the State Police Retirement
2 System as provided for by KRS 16.505 to 16.652.

3 (5) Any person employed in a hazardous position after July 1, 1972, shall be required to
4 undergo a thorough medical examination by a licensed physician, and a copy of the
5 medical report of the physician shall be retained on file by the employee's
6 department or county and made available to the system upon request.

7 (6) If doubt exists regarding the benefits payable to a hazardous position employee
8 under this section, the board shall determine the benefits payable under KRS 61.510
9 to 61.705~~[, or 78.510 to 78.852,]~~ or 16.505 to 16.652.

10 ➔Section 58. KRS 61.595 is amended to read as follows:

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

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

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

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

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

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

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

- 23 1. a. One and one-tenth percent (1.1%) of final compensation for each
24 year of service if the member has earned ten (10) or less years of
25 service at retirement;
- 26 b. One and three-tenths percent (1.3%) of final compensation for
27 each year of service if the member has earned greater than ten (10)

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

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

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

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

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

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

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

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

19 ➔Section 59. KRS 61.597 is repealed, reenacted, and amended to read as follows:

20 (1) A member of the Kentucky Employees Retirement System~~[or County Employees~~
21 ~~Retirement System]~~ who is participating in a nonhazardous position, whose
22 participation in the systems begins on or after January 1, 2014, and~~[except for]~~
23 those members making an election pursuant to KRS 61.5955~~[or 61.5956]~~, shall
24 receive the retirement benefits provided by this section in lieu of the retirement
25 benefits provided under KRS 61.559 and 61.595. The retirement benefit provided
26 by this section shall be known as the hybrid cash balance plan and shall operate as
27 another benefit tier within the Kentucky Employees Retirement System~~[and the~~

1 ~~County Employees Retirement System~~].

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

4 (a) Contributions made by the member as provided by KRS 16.505 to 16.652
5 and~~[,] 61.510 to 61.705[, and 78.510 to 78.852]~~, except for employee
6 contributions prescribed by subsection (3)(b) of Section 73 of this Act~~[KRS~~
7 ~~61.702(2)(b)]~~;

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

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

13 (3) (a) Member contributions and employer pay credits as provided by subsection
14 (2)(a) and (b) of this section shall be credited to the member's account
15 monthly as contributions are reported and posted to the system in accordance
16 with KRS 61.675~~[and 78.625]~~.

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

20 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
21 contributed to the hybrid cash balance plan or the County Employees
22 Retirement System~~[another state-administered retirement system]~~ during the
23 fiscal year.

24 (b) If the member contributed to the hybrid cash balance plan or the County
25 Employees Retirement System~~[another state-administered retirement system]~~
26 during the fiscal year, the interest credit added to the member's account for
27 that fiscal year shall be determined by multiplying the member's accumulated

account balance on June 30 of the preceding fiscal year by a percentage increase equal to:

1. Four percent (4%); plus

2. Seventy-five percent (75%) of the system's geometric average investment return in excess of the four percent (4%) rate of return

~~[eighty-five percent (85%) of the system's geometric average net investment return, but in no case shall be less than zero percent (0%)].~~

(c) If the member did not contribute to the hybrid cash balance plan or **the County Employees Retirement System**~~[another state-administered retirement system]~~ during the fiscal year, **the**~~[then no]~~ interest credit ~~[shall be]~~ added to the member's account for that fiscal year **shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by a percentage increase equal to four percent (4%).**

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

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

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

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

(5) (a) Upon termination of employment, a member who has less than five (5) years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who

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

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

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

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

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

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

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

24 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
25 under paragraph (a) of this subsection payable under one (1) of the options set
26 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

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

1 (8) The provisions of this section shall not apply to members who began participating
2 in the Kentucky Employees Retirement System~~[or the County Employees~~
3 ~~Retirement System]~~ prior to January 1, 2014, **except for the those members who**
4 **make an election pursuant to KRS 61.5955.**

5 ➔Section 60. KRS 61.598 is amended to read as follows:

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

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

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

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

27 (b) Except as limited or excluded by subsections (3) and (4) of this section, any

1 amount of increase in creditable compensation for a fiscal year identified
2 under paragraph (a) of this subsection that exceeds ten percent (10%) more
3 than the employee's creditable compensation from the immediately preceding
4 fiscal year shall not be included in the creditable compensation used to
5 calculate the retiring employee's monthly retirement allowance. If the
6 creditable compensation for a specific fiscal year identified under paragraph
7 (a) of this subsection as exceeding the ten percent (10%) increase limitation is
8 not used to calculate the retiring employee's monthly retirement allowance,
9 then no reduction in creditable compensation shall occur for that 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) **The Authority**~~[Kentucky Retirement Systems]~~ shall be required to answer
2 inquiries from participating employers regarding this subsection. Upon request
3 of the employer prior to the employee's change of position or hiring, the
4 systems shall make a determination that is binding to the systems as to
5 whether or not a change of position or hiring constitutes a bona fide
6 promotion or career 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 **Authority**~~[Kentucky Retirement Systems]~~ shall determine whether increases in
12 creditable compensation during the last five (5) fiscal years of employment prior to
13 retirement constitute a bona fide promotion or career advancement and may
14 promulgate administrative regulations in accordance with KRS Chapter 13A to
15 administer this section. All state-administered retirement systems shall cooperate to
16 implement this 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) **or 78.782(16)**.
- 22 (8) For the fiscal year beginning July 1, 2017, and subsequent years, the Kentucky
23 Retirement Systems **and the County Employees Retirement System** shall provide a
24 means for employers to separately report the specific exceptions provided in
25 subsection (4) of this section within the reporting system utilized by the employers
26 for making employer reports under KRS 16.645, 61.675, and 78.545. The Kentucky
27 Retirement Systems **and the County Employees Retirement System** shall

1 continually provide communication, instructions, training, and educational
2 opportunities for employers regarding how to appropriately report exemptions
3 established by subsection (4) of this section.

4 (9) This section shall not apply to employees participating in the hybrid cash balance
5 plan as provided by KRS 16.583, ~~and 61.597~~, **Section 2 of this Act, and Section 4**
6 **of this Act** ~~or to service in the 401(a) money purchase plan as provided by KRS~~
7 ~~61.5956~~.

8 ➔Section 61. KRS 61.600 is amended to read as follows:

- 9 (1) Any person may qualify to retire on disability, subject to the following conditions:
- 10 (a) The person shall have sixty (60) months of service, twelve (12) of which shall
11 be current service credited under KRS 16.543(1), 61.543(1), or 78.615(1);
- 12 (b) For a person whose membership date is prior to August 1, 2004, the person
13 shall not be eligible for an unreduced retirement allowance;
- 14 (c) The person's application shall be on file in the retirement office no later than
15 twenty-four (24) months after the person's last day of paid employment, as
16 defined in KRS 61.510, in a regular full-time position, as defined in KRS
17 61.510 ~~or 78.510~~; and
- 18 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665.
- 19 (2) A person's disability reapplication based on the same claim of incapacity shall be
20 accepted and reconsidered for disability if accompanied by new objective medical
21 evidence. The reapplication shall be on file in the retirement office no later than
22 twenty-four (24) months after the person's last day of paid employment in a regular
23 full-time position.
- 24 (3) Upon the examination of the objective medical evidence by licensed physicians
25 pursuant to KRS 61.665, it shall be determined that:
- 26 (a) The person, since his last day of paid employment, has been mentally or
27 physically incapacitated to perform the job, or jobs of like duties, from which

1 he received his last paid employment. In determining whether the person may
2 return to a job of like duties, any reasonable accommodation by the employer
3 as provided in 42 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 shall be
4 considered;

5 (b) The incapacity is a result of bodily injury, mental illness, or disease. For
6 purposes of this section, "injury" means any physical harm or damage to the
7 human organism other than disease or mental illness;

8 (c) The incapacity is deemed to be permanent; and

9 (d) The incapacity does not result directly or indirectly from bodily injury, mental
10 illness, disease, or condition which pre-existed membership in the system or
11 the County Employees Retirement System or reemployment, whichever is
12 most recent. For purposes of this subsection, reemployment shall not mean a
13 change of employment between employers participating in the retirement
14 systems administered by the Kentucky Retirement Systems or the County
15 Employees Retirement System with no loss of service credit.

16 (4) Paragraph (d) of subsection (3) of this section shall not apply if:

17 (a) The incapacity is a result of bodily injury, mental illness, disease, or condition
18 which has been substantially aggravated by an injury or accident arising out of
19 or in the course of employment; or

20 (b) The person has at least sixteen (16) years' current or prior service for
21 employment with employers participating in the retirement systems
22 administered by the Kentucky Retirement Systems or the County Employees
23 Retirement System.

24 (5) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result
25 in death or can be expected to last for a continuous period of not less
26 than twelve (12) months from the person's last day of paid employment
27 in a regular full-time position.

1 2. The determination of a permanent incapacity shall be based on the
2 medical evidence contained in the member's file and the member's
3 residual functional capacity and physical exertion requirements.

4 (b) The person's residual functional capacity shall be the person's capacity for
5 work activity on a regular and continuing basis. The person's physical ability
6 shall be assessed in light of the severity of the person's physical, mental, and
7 other impairments. The person's ability to walk, stand, carry, push, pull, reach,
8 handle, and other physical functions shall be considered with regard to
9 physical impairments. The person's ability to understand, remember, and carry
10 out instructions and respond appropriately to supervision, coworkers, and
11 work pressures in a work setting shall be considered with regard to mental
12 impairments. Other impairments, including skin impairments, epilepsy, visual
13 sensory impairments, postural and manipulative limitations, and
14 environmental restrictions, shall be considered in conjunction with the
15 person's physical and mental impairments to determine residual functional
16 capacity.

17 (c) The person's physical exertion requirements shall be determined based on the
18 following standards:

19 1. Sedentary work shall be work that involves lifting no more than ten (10)
20 pounds at a time and occasionally lifting or carrying articles such as
21 large files, ledgers, and small tools. Although a sedentary job primarily
22 involves sitting, occasional walking and standing may also be required
23 in the performance of duties.

24 2. Light work shall be work that involves lifting no more than twenty (20)
25 pounds at a time with frequent lifting or carrying of objects weighing up
26 to ten (10) pounds. A job shall be in this category if lifting is
27 infrequently required but walking and standing are frequently required,

1 or if the job primarily requires sitting with pushing and pulling of arm or
2 leg controls. If the person has the ability to perform substantially all of
3 these activities, the person shall be deemed capable of light work. A
4 person deemed capable of light work shall be deemed capable of
5 sedentary work unless the person has additional limitations such as the
6 loss of fine dexterity or inability to sit for long periods.

7 3. Medium work shall be work that involves lifting no more than fifty (50)
8 pounds at a time with frequent lifting or carrying of objects weighing up
9 to twenty-five (25) pounds. If the person is deemed capable of medium
10 work, the person shall be deemed capable of light and sedentary work.

11 4. Heavy work shall be work that involves lifting no more than one
12 hundred (100) pounds at a time with frequent lifting or carrying of
13 objects weighing up to fifty (50) pounds. If the person is deemed capable
14 of heavy work, the person shall also be deemed capable of medium,
15 light, and sedentary work.

16 5. Very heavy work shall be work that involves lifting objects weighing
17 more than one hundred (100) pounds at a time with frequent lifting or
18 carrying of objects weighing fifty (50) or more pounds. If the person is
19 deemed capable of very heavy work, the person shall be deemed capable
20 of heavy, medium, light, and sedentary work.

21 ➔Section 62. KRS 61.605 is repealed, reenacted, and amended to read as follows:

22 (1) Upon disability retirement, except as provided by subsection (2) of this section, an
23 employee may receive an annual retirement allowance payable monthly during his
24 lifetime which shall be determined in the same manner as for retirement at his
25 normal retirement date with years of service and final compensation being
26 determined as of the date of his disability except that service credit shall be added to
27 the person's total service beginning with his last date of paid employment and

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

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

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

22 ➔Section 63. KRS 61.607 is amended to read as follows:

23 Notwithstanding any other provisions of KRS 16.505 to 16.652 or~~[-]~~ 61.510 to 61.705~~[-~~
24 ~~or 78.510 to 78.852]~~, a maximum disability benefit is hereby established which shall
25 apply, upon disability retirement, to any disabled employee's account to which service
26 credit is added to determine disability benefits or in any case where disability benefits are
27 determined by computing a percentage of the disabled employee's final monthly rate of

1 pay. The maximum disability benefit shall be determined by the following formula:

2 (1) Add the monthly benefit payable to the disabled employee from the **Kentucky**
3 **Retirement Systems and the County Employees Retirement System**~~[retirement~~
4 ~~system]~~, using the monthly disability retirement allowance **without any reduction**
5 **due to the selection of an optional payment plan under KRS 61.635**~~[(not optional~~
6 ~~plan)]~~ but excluding dependent children's allowances, if any, to his monthly benefit,
7 if any, from Social Security, even though these payments may not begin for a period
8 of time as required for qualification under the federal Social Security law, excluding
9 spouse or dependent benefits, and his monthly benefit, if any, from workers'
10 compensation, even though these payments may not have begun as of the date the
11 disabled member applies for disability retirement benefits, excluding spouse or
12 dependent children's allowances, from workers' compensation, to arrive at a
13 projected combined monthly benefit.

14 (2) If the projected combined monthly benefit exceeds one hundred percent (100%) of
15 the disabled employee's final rate of pay or his final compensation, whichever is
16 greater, his disability retirement allowance from the **Kentucky Retirement Systems**
17 **and the County Employees Retirement System**~~[retirement system]~~ shall be reduced
18 to an amount which would cause his projected combined monthly benefit to equal
19 one hundred percent (100%) of his final rate of pay or his final compensation,
20 whichever is greater; however, the disability retirement allowance shall not be
21 reduced below an amount which would result from a computation of his disability
22 retirement allowance from the **Kentucky Retirement Systems and the County**
23 **Employees Retirement System**~~[retirement system]~~ using the disabled employee's
24 actual total service.

25 (3) The system may pay estimated benefits to a disabled employee, upon qualification
26 for disability retirement, based on an estimate of his Social Security and workers'
27 compensation benefits until the amounts are actually determined, at which time a

1 final calculation of the member's actual benefits shall be determined and his account
2 corrected retroactive to his effective retirement date.

3 (4) Any increase in Social Security benefits or workers' compensation benefits which
4 becomes law, regardless of their effective date, subsequent to the disabled
5 employee's effective retirement date, shall not be considered in determination of the
6 maximum benefit payable, as the maximum benefit payable is based on the amount
7 of combined benefits under these programs as of the disabled employee's effective
8 retirement date.

9 (5) Any disabled recipient whose potential payments from the system were reduced as
10 provided for in this section shall advise the Authority~~system~~ if his payments under
11 the Federal Social Security Act or Workers' Compensation Act cease at any time
12 subsequent to his effective retirement date. Upon investigation, if the system
13 determines that the disabled recipient continues to be eligible for disability benefits,
14 the system may increase his retirement allowance by adding to his payment an
15 amount equal to the reduction applied upon the effective retirement date in
16 accordance with subsection (2) of this section.

17 **(6) The amount of combined disability benefit payments made to an individual on or**
18 **after April 1, 2021, from the Kentucky Retirement Systems or the County**
19 **Employees Retirement System shall not be increased as a result of the passage of**
20 **this Act.**

21 ➔Section 64. KRS 61.621 is amended to read as follows:

22 (1) Notwithstanding any provision of any statutes to the contrary, effective June 1,
23 2000, any employee participating in one (1) of the state-administered retirement
24 systems who is not in a hazardous duty position, as defined in KRS 61.592 or
25 **Section 6 of this Act**, shall be eligible for minimum benefits equal to the benefits
26 payable under this section or KRS 61.702, **or Section 14 of this Act, as applicable,**
27 if the employee dies or becomes totally and permanently disabled to engage in any

1 occupation for remuneration or profit as a result of a duty-related injury.

2 (2) (a) For purposes of this section, "duty-related injury" means:

3 1. a. A single traumatic event that occurs while the employee is
4 performing the duties of his position; or

5 b. A single act of violence committed against the employee that is
6 found to be related to his job duties, whether or not it occurs at his
7 job site; and

8 2. The event or act of violence produces a harmful change in the human
9 organism evidenced by objective medical findings.

10 (b) "Duty-related injury" does not include the effects of the natural aging process,
11 a communicable disease unless the risk of contracting the disease is increased
12 by nature of the employment, or a psychological, psychiatric, or stress-related
13 change in the human organism unless it is the direct result of a physical injury.

14 (3) (a) If the employee dies as a result of a duty-related injury and is survived by a
15 spouse, the surviving spouse shall be the beneficiary, and this shall supersede
16 the designation of all previous beneficiaries of the deceased employee's
17 retirement account, except as provided in KRS 61.542(2)(e).

18 (b) The surviving spouse, provided he or she supersedes all previously designated
19 beneficiaries, may elect to receive the benefits payable under KRS 61.640 or
20 other applicable death benefit statutes, or may elect to receive a lump-sum
21 payment of ten thousand dollars (\$10,000) and a monthly payment equal to
22 seventy-five percent (75%) of the member's monthly average pay beginning in
23 the month following the member's death and continuing each month until the
24 death of the surviving spouse.

25 (c) In addition, if the member is also survived by dependent children, monthly
26 payments shall be made for each dependent child equal to ten percent (10%)
27 of the deceased member's monthly average pay, except that the combined

1 maximum payment made to the:

2 1. Surviving spouse and dependent children under this subsection shall not
3 exceed one hundred percent (100%) of the deceased member's monthly
4 average pay; and

5 2. Dependent children, while the surviving spouse is living, shall not
6 exceed twenty-five percent (25%) of the deceased member's monthly
7 average pay. Payments made to the dependent children under this
8 subsection shall be divided equally among all the dependent children.

9 (4) If the employee dies as a result of a duty-related injury and is not survived by a
10 spouse but is survived by a dependent child or children, the following benefits shall
11 be paid to the dependent child or children:

12 (a) Fifty percent (50%) of the deceased member's monthly average pay, if the
13 deceased member has one (1) dependent child;

14 (b) Sixty-five percent (65%) of the deceased member's monthly average pay, if
15 the deceased member has two (2) dependent children; or

16 (c) Seventy-five percent (75%) of the deceased member's monthly average pay, if
17 the deceased member has three (3) or more dependent children.

18 Payments made to the dependent children under this subsection shall be divided
19 equally among all the dependent children.

20 (5) If the employee is determined to be disabled as provided in KRS 61.600, or other
21 applicable disability statutes in any other state-administered retirement system, as
22 the result of a duty-related injury, the employee may elect to receive benefits
23 determined under the provisions of KRS 61.605, or other applicable disability
24 statutes in any other state-administered retirement system, except that the monthly
25 retirement allowance shall not be less than twenty-five percent (25%) of the
26 employee's monthly final rate of pay. For purposes of determining disability, the
27 service requirement in KRS 61.600(1)(a), or other applicable statutes in any other

1 state-administered retirement system, shall be waived.

2 (6) In the period of time following a member's disability during which dependent
3 children survive, a monthly payment shall be made for each dependent child who is
4 alive which shall be equal to ten percent (10%) of the disabled member's monthly
5 final rate of pay; however, total maximum dependent children's benefits shall not
6 exceed forty percent (40%) of the disabled member's monthly final rate of pay at the
7 time any particular payment is due. The payment shall commence in the month
8 following the date of disability of the member and shall be payable to the
9 beneficiaries, or to a legally appointed guardian, or as directed by the system.

10 (7) Benefits for death as a result of a duty-related injury to a dependent child shall be
11 payable under this section notwithstanding an election by a surviving spouse or
12 beneficiary to withdraw the deceased member's accumulated account balance as
13 provided in KRS 61.625 or benefits under any other provisions of KRS 61.515 to
14 61.705 or other applicable death benefit statutes in any other state-administered
15 retirement system.

16 (8) (a) A spouse applying for benefits under this section who is also eligible for
17 benefits under KRS 61.640 or Section 12 of this Act may elect to receive
18 benefits under KRS 61.640(2)(a) or (b) or subsection (2)(a) or (b) of Section
19 12 of this Act while the application for benefits under this section is pending.

20 (b) If a final determination results in a finding of eligibility for benefits under this
21 section, the system shall recalculate the benefits due the spouse in accordance
22 with this subsection.

23 (c) If the spouse has been paid less than the amount of benefits to which the
24 spouse was entitled to receive under this section, the system shall pay the
25 additional funds due to the spouse.

26 (d) If the spouse has been paid more than the benefit the spouse was eligible to
27 receive under this section, then the system shall deduct the amount owed by

1 the spouse from the ten thousand dollars (\$10,000) lump-sum payment and
2 from the monthly retirement allowance payments until the amount owed to the
3 systems has been recovered.

4 (9) For purposes of this section, "dependent child" has the same meaning as in KRS
5 16.505.

6 (10) This section shall be known as "The Fred Capps Memorial Act."

7 ➔Section 65. KRS 61.637 (Effective April 1, 2021) is amended to read as
8 follows:

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

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

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

27 (4) (a) Notwithstanding the provisions of this section, the payments suspended in

1 accordance with subsection (1) of this section shall be paid retroactively to the
2 retired member, or his or her estate, if he or she does not receive more than the
3 maximum permissible earnings as provided by the Federal Social Security Act
4 in compensation from participating agencies during any calendar year of
5 reemployment.

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

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

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

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

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

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

1 amount of his or her retirement allowance payments received.

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

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

23 (8) If a retired member accepts employment or begins serving as a volunteer with an
24 employer participating in the systems administered by Kentucky Retirement
25 Systems or County Employees Retirement System within twelve (12) months of his
26 or her retirement date, the retired member shall notify the Authority~~retirement~~
27 ~~system~~ and the participating employer shall submit the information required or

1 requested by the Authority~~[systems]~~ to confirm the individual's employment or
2 volunteer status. The retired member shall not be required to notify the
3 Authority~~[retirement systems]~~ regarding any employment or volunteer service with
4 a participating agency that is accepted after twelve (12) months following his or her
5 retirement date.

6 (9) If the retired member is under a contract to provide services as an independent
7 contractor or leased employee to an employer participating in the systems
8 administered by Kentucky Retirement Systems or County Employees Retirement
9 System within twelve (12) months of his or her retirement date, the member shall
10 submit a copy of that contract to the Authority~~[retirement system]~~, and the
11 Authority~~[retirement system]~~ shall determine if the member is an independent
12 contractor or leased employee for purposes of retirement benefits. The retired
13 member and the participating employer shall submit the information required or
14 requested by the Authority~~[systems]~~ to confirm the individual's status as an
15 independent contractor or leased employee. The retired member shall not be
16 required to notify the Authority~~[retirement systems]~~ regarding any services entered
17 into as an independent contractor or leased employee with a participating agency
18 that the employee enters into after twelve (12) months following his or her
19 retirement date.

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

1 compensation.

2 (11) (a) If a member of the Kentucky Employees Retirement System retires from a
3 department which participates in more than one (1) retirement system and is
4 reemployed within one (1) month of his or her initial retirement date by the
5 same department in a position participating in another retirement system, the
6 retired member's retirement allowance shall be suspended for the first month
7 of his or her retirement, and the member shall repay to the retirement system
8 all benefits received for the month.

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

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

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

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

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

27 (b) The retired member shall repay to the retirement system all benefits paid from

1 systems administered by Kentucky Retirement Systems or County Employees
2 Retirement System under reciprocity, including medical insurance benefits,
3 that the member received after reemployment began;

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

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

15 (e) Upon termination, the retired member shall be entitled to benefits payable
16 from his or her second retirement account.

17 (14) (a) If the retirement system determines that the retired member has not been
18 reemployed in a position with the same principal duties as the position from
19 which he or she retired, the retired member shall continue to receive his or her
20 retirement allowance.

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

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

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

4 (16) A retired member who is reemployed and contributing to a second member account
5 shall not be eligible to purchase service credit under any of the provisions of KRS
6 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 which he or she was
7 eligible to purchase prior to his or her initial retirement.

8 (17) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (15) of this
9 section, the following shall apply to retired members who are reemployed by an
10 agency participating in one (1) of the systems administered by Kentucky Retirement
11 Systems or County Employees Retirement System on or after September 1, 2008:

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

- 1 1. The member shall contribute to a member account established for him or
2 her in one (1) of the systems administered by Kentucky Retirement
3 Systems or County Employees Retirement System, and employer
4 contributions shall be paid on behalf of the member by the participating
5 employer; and
- 6 2. Upon subsequent retirement, the member shall be eligible for a
7 retirement allowance based upon total service and creditable
8 compensation, including any additional service or creditable
9 compensation earned after his or her initial retirement was voided;
- 10 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a member is
11 receiving a retirement allowance from one (1) of the systems administered by
12 Kentucky Retirement Systems or County Employees Retirement System and
13 is employed in a regular full-time position required to participate in one (1) of
14 the systems administered by Kentucky Retirement Systems or County
15 Employees Retirement System after a three (3) month period following the
16 member's initial retirement date, the member may continue to receive his or
17 her retirement allowance during the period of reemployment subject to the
18 following provisions:
 - 19 1. If a member is reemployed by a participating agency within twelve (12)
20 months of the member's retirement date, the participating agency shall
21 certify in writing on a form prescribed by the Authority~~board~~ that no
22 prearranged agreement existed between the employee and agency prior
23 to the employee's retirement for the employee to return to work with the
24 participating agency. If an elected official is reelected to a new term of
25 office in the same position and has retired from the elected office within
26 twelve (12) months prior to taking the new term of office, he or she shall
27 be deemed by the system as having a prearranged agreement under the

1 provisions of this subparagraph and shall have his or her retirement
2 voided. If the participating agency fails to complete the certification, the
3 member's retirement shall be voided and the provisions of paragraph (a)
4 of this subsection shall apply to the member and the employer.
5 Employment that is accepted by the retired member after twelve (12)
6 months following the member's retirement date shall not constitute a
7 prearranged agreement under this paragraph;

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

12 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
13 except for any retiree employed as a school resource officer as defined
14 by KRS 158.441, the employer shall pay employer contributions as
15 specified by KRS 61.565, 61.702, and 78.635, as applicable, on all
16 creditable compensation earned by the employee during the period of
17 reemployment. The additional contributions paid shall be used to reduce
18 the unfunded actuarial liability of the systems; and

19 4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
20 except for any retiree employed as a school resource officer as defined
21 by KRS 158.441, the employer shall be required to reimburse the
22 systems for the cost of the health insurance premium paid by the systems
23 to provide coverage for the retiree, not to exceed the cost of the single
24 premium. Effective July 1, 2015, local school boards shall not be
25 required to pay the reimbursement required by this subparagraph for
26 retirees employed by the board for eighty (80) days or less during the
27 fiscal year;

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

- 17 1. The member shall contribute to a member account established for him or
18 her in one (1) of the systems administered by Kentucky Retirement
19 Systems or County Employees Retirement System, and employer
20 contributions shall be paid on behalf of the member by the participating
21 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 (d) If a member is receiving a retirement allowance from the State Police
27 Retirement System or from hazardous duty retirement coverage with the

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

- 8 1. If a member is reemployed by a participating agency within twelve (12)
9 months of the member's retirement date, the participating agency shall
10 certify in writing on a form prescribed by the Authority~~board~~ that no
11 prearranged agreement existed between the employee and agency prior
12 to the employee's retirement for the employee to return to work with the
13 participating agency. If an elected official is reelected to a new term of
14 office in the same position and has retired from the elected office within
15 twelve (12) months prior to taking the new term of office, he or she shall
16 be deemed by the Authority~~system~~ as having a prearranged agreement
17 under the provisions of this subparagraph and shall have his or her
18 retirement voided. If the participating agency fails to complete the
19 certification, the member's retirement shall be voided and the provisions
20 of paragraph (c) of this subsection shall apply to the member and the
21 employer. Employment that is accepted by the retired member after
22 twelve (12) months following the member's retirement date shall not
23 constitute a prearranged agreement under this paragraph;
- 24 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
25 the contrary, the member shall not contribute to the systems and shall
26 not earn any additional benefits for any work performed during the
27 period of reemployment;

- 1 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
2 except for any retiree employed as a school resource officer as defined
3 by KRS 158.441, the employer shall pay employer contributions as
4 specified by KRS 61.565, 61.702, and 78.635, as applicable, on all
5 creditable compensation earned by the employee during the period of
6 reemployment. The additional contributions paid shall be used to reduce
7 the unfunded actuarial liability of the systems;
- 8 4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
9 except for any retiree employed as a school resource officer as defined
10 by KRS 158.441, the employer shall be required to reimburse the
11 systems for the cost of the health insurance premium paid by the systems
12 to provide coverage for the retiree, not to exceed the cost of the single
13 premium;
- 14 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
15 who qualifies as a volunteer for an employer participating in one (1) of the
16 systems administered by Kentucky Retirement Systems or County Employees
17 Retirement System and who is receiving reimbursement of actual expenses, a
18 nominal fee for his or her volunteer services, or both, shall not be considered
19 an employee of the participating employer and shall not be subject to
20 paragraphs (a) to (d) of this subsection if:
- 21 1. Prior to the retired member's most recent retirement date, he or she did
22 not receive creditable compensation from the participating employer in
23 which the retired member is performing volunteer services;
- 24 2. Any reimbursement or nominal fee received prior to the retired
25 member's most recent retirement date has not been credited as creditable
26 compensation to the member's account or utilized in the calculation of
27 the retired member's benefits;

- 1 3. The retired member has not purchased or received service credit under
2 any of the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852 for
3 service with the participating employer for which the retired member is
4 performing volunteer services; and
- 5 4. Other than the status of volunteer, the retired member does not become
6 an employee, leased employee, or independent contractor of the
7 employer for which he or she is performing volunteer services for a
8 period of at least twelve (12) months following the retired member's
9 most recent retirement date.

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

- 16 (f) Notwithstanding any provision of this section, any mayor or member of a city
17 legislative body shall not be required to resign from his or her position as
18 mayor or as a member of the city legislative body in order to begin drawing
19 benefits from the systems administered by Kentucky Retirement Systems or
20 subject to any provision of this section as it relates solely to his or her service
21 as a mayor or member of the city legislative body if the mayor or member of a
22 city legislative body:

- 23 1. Has not participated in the County Employees Retirement System prior
24 to retirement, but is otherwise eligible to retire from the Kentucky
25 Employees Retirement System or the State Police Retirement System; or
- 26 2. Has been or is participating in the County Employees Retirement System
27 and is at least sixty-two (62) years of age. If a mayor or member of a city

1 legislative body who is at least sixty-two (62) years of age retires from
2 the systems administered by Kentucky Retirement Systems but remains
3 in office after his or her effective retirement date, the mayor or member
4 of the city legislative body shall not accrue any further service credit or
5 benefits in the systems administered by Kentucky Retirement Systems
6 for any employment occurring on or after the effective retirement date;

7 (g) If a member is receiving a retirement allowance from any of the retirement
8 systems administered by the Kentucky Retirement Systems or County
9 Employees Retirement System and enters into a contract or becomes a leased
10 employee of an employer under contract with an employer participating in one
11 (1) of the systems administered by the Kentucky Retirement Systems or
12 County Employees Retirement System:

- 13 1. At any time following retirement, if the Authority~~[system]~~ determines
14 the employment arrangement does qualify as an independent contractor
15 or leased employee, the member may continue to receive his or her
16 retirement allowance during the period of the contract;
- 17 2. Within three (3) months following the member's initial retirement date,
18 if the Authority~~[system]~~ determines the employment arrangement does
19 not qualify as an independent contractor or leased employee, the
20 member's retirement shall be voided in accordance with paragraph (a) of
21 this subsection;
- 22 3. After three (3) months but within twelve (12) months following the
23 member's initial retirement, if the Authority~~[system]~~ determines the
24 employment arrangement does not qualify as an independent contractor
25 or leased employee and that a prearranged agreement existed between
26 the member and the agency for the member to return to work with the
27 agency, the member's retirement shall be voided in accordance with

1 paragraph (a) of this subsection; and

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

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

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

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

24 ➔Section 66. KRS 61.645 (Effective April 1, 2021) is amended to read as
25 follows:

26 (1) The Kentucky Employees Retirement System and State Police Retirement System
27 shall be administered by the board of trustees of the Kentucky Retirement Systems

1 composed of nine (9) members, who shall be selected as follows:

2 (a) One (1) trustee, who shall be a member or retired from the State Police
3 Retirement System, elected by the members and retired members of the State
4 Police Retirement System;

5 (b) Two (2) trustees, who shall be members or retired from the Kentucky
6 Employees Retirement System, elected by the members and retired members
7 of the Kentucky Employees Retirement System;

8 (c) Six (6) trustees, appointed by the Governor of the Commonwealth, subject to
9 Senate confirmation in accordance with KRS 11.160 for each appointment or
10 reappointment. Of the six (6) trustees appointed by the Governor, three (3)
11 trustees shall have investment experience and three (3) trustees shall have
12 retirement experience;

13 (d) For purposes of paragraph (c) of this subsection, a trustee with "investment
14 experience" means an individual who does not have a conflict of interest, as
15 provided by KRS 61.655, and who has at least ten (10) years of experience in
16 one (1) of the following areas of expertise:

- 17 1. A portfolio manager acting in a fiduciary capacity;
- 18 2. A professional securities analyst or investment consultant;
- 19 3. A current or retired employee or principal of a trust institution,
20 investment or finance organization, or endowment fund acting in an
21 investment-related capacity;
- 22 4. A chartered financial analyst in good standing as determined by the CFA
23 Institute; or
- 24 5. A university professor, teaching investment-related studies; and

25 (e) For purposes of paragraph (c) of this subsection, a trustee with "retirement
26 experience" means an individual who does not have a conflict of interest, as
27 provided by KRS 61.655, and who has at least ten (10) years of experience in

1 one (1) of the following areas of expertise:

- 2 1. Experience in retirement or pension plan management;
- 3 2. A certified public accountant with relevant experience in retirement or
- 4 pension plan accounting;
- 5 3. An actuary with relevant experience in retirement or pension plan
- 6 consulting;
- 7 4. An attorney licensed to practice law in the Commonwealth of Kentucky
- 8 with relevant experience in retirement or pension plans; or
- 9 5. A current or former university professor whose primary area of emphasis
- 10 is economics or finance.

11 (2) The board is hereby granted the powers and privileges of a corporation, including
12 but not limited to the following powers:

- 13 (a) To sue and be sued in its corporate name;
- 14 (b) To make bylaws not inconsistent with the law;
- 15 (c) To conduct the business and promote the purposes for which it was formed;
- 16 (d) Except as provided in KRS 61.650(6), to contract for investment counseling,
- 17 auditing, medical, and other professional or technical services as required to
- 18 carry out the obligations of the board subject to KRS Chapters 45, 45A, 56,
- 19 and 57. Actuarial consulting services shall be provided by a firm hired by the
- 20 Kentucky Public Pensions Authority;
- 21 (e) To purchase fiduciary liability insurance;
- 22 (f) Except as provided in KRS 61.650(6), to acquire, hold, sell, dispose of,
- 23 pledge, lease, or mortgage, the goods or property necessary to exercise the
- 24 board's powers and perform the board's duties subject to KRS Chapters 45,
- 25 45A, and 56; and
- 26 (g) The board shall reimburse any trustee, officer, or employee for any legal
- 27 expense resulting from a civil action arising out of the performance of his or

1 her official duties. The hourly rate of reimbursement for any contract for legal
2 services under this paragraph shall not exceed the maximum hourly rate
3 provided in the Legal Services Duties and Maximum Rate Schedule
4 promulgated by the Government Contract Review Committee established
5 pursuant to KRS 45A.705, unless a higher rate is specifically approved by the
6 secretary of the Finance and Administration Cabinet or his or her designee.

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

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

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

23 (b) Individuals may be nominated by the retirement system members which are to
24 elect the trustee by presenting to the executive director, not less than four (4)
25 months before a term of office of a trustee is due to expire, a petition, bearing
26 the name, last four (4) digits of the Social Security number, and signature of
27 no less than one-tenth (1/10) of the number voting in the last election by the

1 retirement system members.

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

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

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

14 (f) The eligible voter shall cast his or her ballot by selecting the candidate of his
15 or her choice. He or she shall sign and mail the ballot or submit the electronic
16 ballot at least thirty (30) days prior to the date the term to be filled is due to
17 expire. The latest mailing date, or date of submission in the case of electronic
18 ballots, shall be provided on the ballot.

19 (g) The board's contracted firm shall report in writing the outcome to the chair of
20 the board of trustees. Cost of an election shall be payable from the funds of
21 the system for which the trustee is elected.

22 (h) For purposes of this subsection, an eligible voter shall be a person who was a
23 member of the retirement system on December 31 of the year preceding the
24 election year.

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

- 1 1. Complete an application developed by the retirement systems which
- 2 shall include but not be limited to a disclosure of any prior felonies and
- 3 any conflicts of interest that would hinder the individual's ability to
- 4 serve on the board;
- 5 2. Submit a resume detailing the individual's education and employment
- 6 history and a cover letter detailing the member's qualifications for
- 7 serving as trustee to the board; and
- 8 3. Authorize the systems to have a criminal background check performed.
- 9 The criminal background check shall be performed by the Department of
- 10 Kentucky State Police.
- 11 (j) In lieu of the ballots mailed to members and retired members as provided by
- 12 this subsection, the systems may by promulgation of administrative regulation
- 13 pursuant to KRS Chapter 13A conduct trustee elections using electronic
- 14 ballots, except that the systems shall mail a paper ballot upon request of any
- 15 eligible voter.
- 16 (5) (a) Any vacancy which may occur in an appointed position during a term of
- 17 office shall be filled in the same manner which provides for the selection of
- 18 the particular trustee, and any vacancy which may occur in an elected position
- 19 during a term of office shall be filled by appointment by a majority vote of
- 20 the remaining elected trustees with a person selected from the system in which
- 21 the vacancy occurs~~], and if the secretary of the Personnel Cabinet resigns his~~
- 22 ~~or her position as trustee, it shall be filled by appointment made by the~~
- 23 ~~Governor~~; however, any vacancy shall be filled only for the duration of the
- 24 unexpired term. In the event of a vacancy of an elected trustee during a term
- 25 of office, Kentucky Retirement Systems shall notify members of the system in
- 26 which the vacancy occurs of the vacancy and the opportunity to be considered
- 27 for the vacant position. Any vacancy during a term of office shall be filled

1 within ninety (90) days of the position becoming vacant.

2 **(b) Any appointments or reappointments to an appointed position on the board**
3 **shall be made no later than thirty (30) days prior to an appointed member's**
4 **term of office ending.**

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 or she 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, County
13 Employees Retirement System, or the Kentucky Public Pensions Authority
14 shall not be eligible to serve as a member of the board.

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

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

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

- 1 (c) A majority of the trustees shall constitute a quorum and all actions taken by
2 the board shall be by affirmative vote of a majority of the trustees present.
- 3 (9) (a) The board of trustees shall appoint or contract for the services of a chief
4 executive officer and general counsel and fix the compensation and other
5 terms of employment for for these~~[this position]~~ without limitation of the
6 provisions of KRS Chapters 18A and 45A and KRS 64.640. The chief
7 executive officer shall serve as the legislative~~[-legal,-]~~ and executive adviser to
8 the board. The general counsel shall serve as legal adviser to the board. The
9 chief executive officer and general counsel~~[-and]~~ shall work with the
10 executive director of the Kentucky Public Pensions Authority to carry out the
11 provisions of KRS 16.505 to 16.652 and 61.510 to 61.705. The executive
12 director of the Kentucky Public Pensions Authority shall be the chief
13 administrative officer of the board.
- 14 (b) Prior to April 1, 2021, the board of trustees shall authorize the executive
15 director to appoint the employees deemed necessary to transact the business of
16 the system. ~~[Prior to July 1, 2021, all employees of the systems, except for the~~
17 ~~executive director, shall be subject to the state personnel system established~~
18 ~~pursuant to KRS 18A.005 to 18A.204 and shall have their salaries determined~~
19 ~~by the secretary of the Personnel Cabinet.]~~Effective April 1, 2021, the
20 responsibility of appointing employees and managing personnel needs shall be
21 transferred to the Kentucky Public Pensions Authority established by KRS
22 61.505.
- 23 (c) The board shall require the chief executive officer and may require the
24 General Counsel to execute bonds for the faithful performance of his or her
25 duties notwithstanding the limitations of KRS Chapter 62.
- 26 (d) The board shall have a system of accounting established by the Kentucky
27 Public Pensions Authority.

1 (e) The board shall do all things, take all actions, and promulgate all
2 administrative regulations, not inconsistent with the provisions of KRS 16.505
3 to 16.652 and 61.510 to 61.705, necessary or proper in order to carry out the
4 provisions of KRS 16.505 to 16.652 and 61.510 to 61.705. Notwithstanding
5 any other evidence of legislative intent, it is hereby declared to be the
6 controlling legislative intent that the provisions of KRS 16.505 to 16.652 and
7 61.510 to 61.705 conform with federal statute or regulation and meet the
8 qualification requirements under 26 U.S.C. sec. 401(a), applicable federal
9 regulations, and other published guidance. Provisions of KRS 16.505 to
10 16.652 and 61.510 to 61.705 which conflict with federal statute or regulation
11 or qualification under 26 U.S.C. sec. 401(a), applicable federal regulations,
12 and other published guidance shall not be available. The board shall have the
13 authority to promulgate administrative regulations to conform with federal
14 statute and regulation and to meet the qualification requirements under 26
15 U.S.C. sec. 401(a), including an administrative regulation to comply with 26
16 U.S.C. sec. 401(a)(9).

17 (f) Notwithstanding any other provision of statute to the contrary, including but
18 not limited to any provision of KRS Chapter 12, the Governor shall have no
19 authority to change any provision of KRS 16.505 to 16.652 and 61.510 to
20 61.705 by executive order or action, including but not limited to reorganizing,
21 replacing, amending, or abolishing the membership of the Kentucky
22 Retirement Systems board of trustees.

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

25 (11) The Attorney General, or an assistant designated by him or her, may attend each
26 meeting of the board and may receive the agenda, board minutes, and other
27 information distributed to trustees of the board upon request. The Attorney General

1 may act as legal adviser and attorney for the board, and the board may contract for
2 legal services, notwithstanding the limitations of KRS Chapter 12 or 13B.

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

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

24 (13) All expenses incurred by or on behalf of the system and the board in the
25 administration of the system during a fiscal year shall be paid from the retirement
26 allowance account, including any administrative expenses for the Kentucky
27 Public Pensions Authority that are assigned to the Kentucky Retirement Systems

1 by KRS 61.505. The board shall submit any administrative expenses that are
2 specific to the Kentucky Retirement Systems that are not otherwise covered by
3 subsection (11)(a) of Section 76 of this Act~~[Any other statute to the contrary~~
4 ~~notwithstanding, authorization for all expenditures relating to the administrative~~
5 ~~operations of the system shall be contained in the biennial budget unit request,~~
6 ~~branch budget recommendation, and the financial plan adopted by the General~~
7 ~~Assembly pursuant to KRS Chapter 48].~~

8 (14) Any person adversely affected by a decision of the board, except as provided under
9 subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652 and
10 61.510 to 61.705, may appeal the decision of the board to the Franklin Circuit Court
11 within sixty (60) days of the board action.

12 (15) (a) A trustee shall discharge his or her duties as a trustee, including his or her
13 duties as a member of a committee:

- 14 1. In good faith;
- 15 2. On an informed basis; and
- 16 3. In a manner he or she honestly believes to be in the best interest of the
17 Kentucky Retirement Systems.

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

23 (c) In discharging his or her duties, a trustee may rely on information, opinions,
24 reports, or statements, including financial statements and other financial data,
25 if prepared or presented by:

- 26 1. One (1) or more officers or employees of the Kentucky Retirement
27 Systems whom the trustee honestly believes to be reliable and competent

- 1 in the matters presented;
- 2 2. Legal counsel, public accountants, actuaries, or other persons as to
- 3 matters the trustee honestly believes are within the person's professional
- 4 or expert competence; or
- 5 3. A committee of the board of trustees of which he or she is not a member
- 6 if the trustee honestly believes the committee merits confidence.
- 7 (d) A trustee shall not be considered as acting in good faith if he or she has
- 8 knowledge concerning the matter in question that makes reliance otherwise
- 9 permitted by paragraph (c) of this subsection unwarranted.
- 10 (e) Any action taken as a trustee, or any failure to take any action as a trustee,
- 11 shall not be the basis for monetary damages or injunctive relief unless:
- 12 1. The trustee has breached or failed to perform the duties of the trustee's
- 13 office in compliance with this section; and
- 14 2. In the case of an action for monetary damages, the breach or failure to
- 15 perform constitutes willful misconduct or wanton or reckless disregard
- 16 for human rights, safety, or property.
- 17 (f) A person bringing an action for monetary damages under this section shall
- 18 have the burden of proving by clear and convincing evidence the provisions of
- 19 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
- 20 breach or failure to perform was the legal cause of damages suffered by the
- 21 Kentucky Retirement Systems.
- 22 (g) Nothing in this section shall eliminate or limit the liability of any trustee for
- 23 any act or omission occurring prior to July 15, 1988.
- 24 (h) In discharging his or her administrative duties under this section, a trustee
- 25 shall strive to administer the retirement system in an efficient and cost-
- 26 effective manner for the taxpayers of the Commonwealth of Kentucky and
- 27 shall take all actions available under the law to contain costs for the trusts,

1 including costs for participating employers, members, and retirees.

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

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

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

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

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

27 If a trustee fails to complete the orientation program within one (1) year from

1 the beginning of his or her first term on the board, the retirement systems shall
2 withhold payment of the per diem and travel expenses due to the board
3 member under this section and KRS 16.640 until the trustee has completed the
4 orientation program;

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

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

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

17 (a) Meeting notices and agendas for all meetings of the board. Notices and
18 agendas shall be posted to the Kentucky Public Pensions Authority's Web site
19 at least seventy-two (72) hours in advance of the board or committee
20 meetings, except in the case of special or emergency meetings as provided by
21 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 Kentucky Public Pensions Authority's Web site, the systems may provide the
24 information through a Web site established by the executive branch to inform
25 the public about executive branch agency expenditures and public employee
26 salaries and wages;

- 27 (l) All contracts or offering documents for services, goods, or property purchased

1 or utilized by the systems; and

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

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

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

24 ➔Section 67. KRS 61.652 is amended to read as follows:

25 (1) The Kentucky Employees Excess Benefit Plan established in KRS 61.663~~], the~~
26 ~~County Employees Excess Benefit Plan established in KRS 78.652,]~~ and the State
27 Police Excess Benefit Plan established in KRS 16.568 shall be administered by the

- 1 board of trustees of the Kentucky Retirement Systems. *The County Employees*
2 *Excess Benefit Plan established in KRS 78.652 shall be administered by the*
3 *board of trustees of the County Employees Retirement System.* ~~Each~~~~[The]~~ board
4 shall have the same authority in its administration as it has in the administration of
5 the Kentucky Employees Retirement System, the County Employees Retirement
6 System, and the State Police Retirement System, *as applicable.*
- 7 (2) The plans shall constitute qualified governmental excess benefit plans as provided
8 in 26 U.S.C. sec. 415(m).
- 9 (3) All retired members and beneficiaries of the ~~two (2)~~~~[three (3)]~~ retirement systems
10 administered by the Kentucky Retirement Systems *and (1) retirement system*
11 *administered by the County Employees Retirement System,* whose effective
12 retirement dates are July 1, 1998, or after, and whose retirement allowances have
13 been limited by 26 U.S.C. sec. 415 shall be participants in the plans. Each member's
14 participation in the plans shall be determined each fiscal year and will cease for any
15 year in which the retirement allowance is not limited by 26 U.S.C. sec. 415.
- 16 (4) A participant shall receive a benefit equal to the difference between the retirement
17 allowance otherwise payable from the system prior to any reduction or limitation
18 required by 26 U.S.C. sec. 415 and the actual retirement allowance payable as
19 limited by 26 U.S.C. sec. 415. The benefit shall be subject to withholding for
20 applicable state and federal taxes. The benefit shall be paid in accordance with the
21 retirement payment option selected by the member or beneficiary for the retirement
22 allowance.
- 23 (5) (a) ~~Each~~~~[The]~~ board, in accordance with the recommendation of the actuary,
24 shall determine the required contribution for each ~~plan~~~~[of the three (3) plans]~~
25 *the respective board administers in order* to pay benefits each fiscal year. The
26 required contribution for each of the three (3) plans in each fiscal year shall be
27 the total amount of benefits payable under this section to all participants plus

1 the amount required to pay the administrative expenses of the plan and the
2 employer's share of any employment taxes on the benefits paid from the plan.

3 (b) The required contribution shall be paid by the participating employers.

4 (c) The required contribution for each plan shall be deposited into the separate
5 fund. The plan is intended to be exempt from federal income tax under 26
6 U.S.C. sec. 115 and 26 U.S.C. sec. 415(m)(1).

7 (d) The benefit liability of each plan shall be determined on a fiscal year basis,
8 and contributions shall not be accumulated to pay benefits in future fiscal
9 years. Any assets of the plans not used to pay benefits in the current fiscal year
10 shall be used for payment of the administrative expenses of the plan for the
11 current or future fiscal years or shall be paid to the appropriate retirement
12 system as an additional employer contribution.

13 (6) The benefits payable from the plans shall be treated in accordance with KRS
14 61.690.

15 (7) The board shall promulgate administrative regulations to modify the benefits
16 payable under the plans as necessary for the plans to be qualified under 26 U.S.C.
17 sec. 415(m).

18 (8) The provisions of this section, and any administrative regulations promulgated as a
19 result of this section, shall be applied retroactively to retired members, and
20 beneficiaries, whose effective retirement dates are between July 1, 1998, and July
21 14, 2000.

22 ➔Section 68. KRS 61.660 is amended to read as follows:

23 (1) The State Treasurer shall be the custodian of the funds received under authority of
24 KRS 61.510 to 61.705, 16.510 to 16.652 and 78.510 to 78.852 and shall be
25 responsible for the safekeeping of all cash and securities in his custody. All
26 payments from the fund shall be made by him on warrants issued by the Finance
27 and Administration Cabinet. Payments may be in the form of checks, which shall

1 clearly show on the envelope or other mailing device the name and address of the
2 Kentucky Retirement Systems, County Employees Retirement System, or direct
3 deposit bank transfers.

- 4 (2) The Kentucky Public Pensions Authority~~[board]~~ shall appoint a custodian or
5 custodians of the cash and securities acquired under authority of KRS 61.510 to
6 61.705, 16.510 to 16.652, and 78.510 to 78.852; and the custodian or custodians
7 shall be responsible for the safekeeping of all cash and securities in its~~[his]~~ custody.

8 ➔Section 69. KRS 61.665 is amended to read as follows:

- 9 (1) The Authority~~[board]~~ shall employ at least three (3) physicians, licensed in the state
10 and not members of the system, upon terms and conditions it prescribes to serve as
11 medical examiners, whose duty it shall be to pass upon all medical examinations
12 required under KRS 61.510 to 61.705, 16.505 to 16.652, and 78.510 to 78.852, to
13 investigate all health or medical statements and certificates made by or in behalf of
14 any person in connection with the payment of money to the person under KRS
15 61.510 to 61.705, 16.505 to 16.652, and 78.510 to 78.852, and who shall report in
16 writing to the system the conclusions and recommendations upon all matters
17 referred to them. The Authority~~[board]~~ may employ one (1) or more licensed
18 mental health professionals in making recommendations regarding mental
19 impairments.

- 20 (2) (a) Each person requesting disability retirement shall file at the retirement office
21 an application for disability retirement and supporting medical information to
22 report the person's physical and mental condition. The person shall also file at
23 the retirement office a complete description of the job and duties from which
24 he received his last pay as well as evidence that the person has made a request
25 for reasonable accommodation as provided for in 42 U.S.C. sec. 12111(9) and
26 29 C.F.R. Part 1630. The person shall certify to the retirement office that the
27 application for disability retirement and supporting medical information are

1 ready to be evaluated by the medical examiners in accordance with paragraph
2 (d) of this subsection. If, after good faith efforts, the person informs the
3 Authority~~[system]~~ that he has been unable to obtain the employment or
4 medical information, the Authority~~[system]~~ shall assist the person in
5 obtaining the records and may use the authority granted pursuant to KRS
6 61.685(1) to obtain the records. If the person fails to file, at the retirement
7 office within one hundred eighty (180) days of the date the person filed his
8 notification of retirement, any of the forms, certifications, or information
9 required by this subsection, the person's application for disability retirement
10 shall be void. Any subsequent filing of an application for disability retirement
11 or supporting medical information shall not be evaluated, except as provided
12 in paragraph (f) of this subsection or KRS 61.600(2) or Section 7 or 8 of this
13 Act.

- 14 (b) The employer shall file at the retirement office a complete description of the
15 job and duties for which the person was last paid and shall submit a detailed
16 description of reasonable accommodations attempted.
- 17 (c) The cost of medical examinations and the filing of the medical information,
18 reports, or data with the retirement office shall be paid by the person applying
19 for disability retirement.
- 20 (d) The Authority~~[system]~~ shall select three (3) medical examiners to evaluate the
21 medical evidence submitted by the person. The medical examiners shall
22 recommend that disability retirement be approved, or that disability retirement
23 be denied. If there is evidence of a mental impairment, the medical examiners
24 may request the Authority's~~[board's]~~ licensed mental health professional to
25 assist in determining the level of the mental impairment.
- 26 (e) If two (2) or more of the three (3) medical examiners recommend that the
27 person be approved for disability retirement, the system shall make retirement

1 payments in accordance with the retirement plan selected by the person.

2 (f) If two (2) or more of the three (3) medical examiners recommend that the
3 person be denied disability retirement, the Authority~~[system]~~ shall send notice
4 of this recommendation by United States first-class mail to the person's last
5 address on file in the retirement office. The person shall have one hundred
6 eighty (180) days from the day that the Authority~~[system]~~ mailed the notice to
7 file at the retirement office additional supporting medical information and
8 certify to the retirement office that the application for disability retirement and
9 supporting medical information are ready to be evaluated by the medical
10 examiners or to appeal his denial of disability retirement by filing at the
11 retirement office a request for a formal hearing. Any subsequent filing of an
12 application for disability retirement or supporting medical information shall
13 not be evaluated, except as provided in KRS 61.600(2) or Section 7 or 8 of
14 this Act.

15 (g) If two (2) or more of the three (3) medical examiners recommend that the
16 person be approved for disability retirement based upon the evaluation of
17 additional supporting medical information in accordance with paragraph (f) of
18 this subsection, the system shall make retirement payments in accordance with
19 the retirement plan selected by the person.

20 (h) If two (2) or more of the three (3) medical examiners recommend that the
21 person be denied disability retirement based upon the evaluation of additional
22 supporting medical information in accordance with paragraph (f) of this
23 subsection, the Authority~~[system]~~ shall send notice of this recommendation
24 by United States first-class mail to the person's last address on file in the
25 retirement office. The person shall have one hundred eighty (180) days from
26 the day that the Authority~~[system]~~ mailed the notice to appeal his denial of
27 disability retirement by filing at the retirement office a request for a formal

1 hearing.

2 (i) The medical examiners shall be paid a reasonable amount by the retirement
3 system for each case evaluated.

4 (j) Notwithstanding the foregoing provisions of this section, the
5 Authority~~[system]~~ may pay for one (1) or more medical examinations of the
6 person requested by the medical examiners for the purpose of providing
7 medical information deemed necessary by the medical examiners. The system
8 may require the person to submit to one (1) or more medical examinations.

9 (3) (a) Any person whose disability benefits have been reduced, discontinued, or
10 denied pursuant to subsection (2)(f) or (2)(h) of this section may file at the
11 retirement office a request for a formal hearing to be conducted in accordance
12 with KRS Chapter 13B. The right to demand a formal hearing shall be limited
13 to a period of one hundred eighty (180) days after the person had notice of the
14 system's determination, as described in subsection (2)(f) or (2)(h) of this
15 section. The request for a formal hearing shall be filed with the executive
16 director, at the retirement office in Frankfort. The request for a formal hearing
17 shall include a short and plain statement of the reasons the denial of disability
18 retirement is being contested.

19 (b) Failure of the person to request a formal hearing within the period of time
20 specified shall preclude the person from proceeding any further with the
21 application for disability retirement, except as provided in KRS 61.600(2) or
22 Section 7 or 8 of this Act. This paragraph shall not limit the person's right to
23 appeal to a court.

24 (c) The system may require the person requesting the formal hearing to submit to
25 one (1) or more medical or psychological examinations. Notice of the time
26 and place of the examination shall be mailed to the person or his legal
27 representative. The system shall be responsible for the cost of the

1 examination.

2 (d) A final order of the board shall be based on substantial evidence appearing in
3 the record as a whole and shall set forth the decision of the board and the facts
4 and law upon which the decision is based.

5 (e) All requests for a hearing pursuant to this section shall be made in writing.

6 (4) The board may establish an appeals committee whose members shall be appointed
7 by the chair and who shall have the authority to act upon the recommendations and
8 reports of the hearing officer pursuant to this section on behalf of the board. The
9 Authority may upon the joint approval of the board of the Kentucky Retirement
10 Systems and the County Employees Retirement System establish an appeals
11 committee whose members shall be appointed by the chair of the Authority who
12 have the authorization to act upon the recommendations and reports of the
13 hearing officer pursuant to this section on behalf of both boards.

14 (5) Any person aggrieved by a final order of the board may seek judicial review after all
15 administrative appeals have been exhausted by filing a petition for judicial review
16 in the Franklin Circuit Court in accordance with KRS Chapter 13B.

17 (6) The system, pursuant to regulations, may refer an employee determined by it to be
18 disabled to the Kentucky Office of Vocational Rehabilitation for evaluation and, if
19 appropriate, retraining.

20 (a) The cost of the evaluation and retraining shall be paid by the system in
21 accordance with the regulations established by the board.

22 (b) The member shall perform all acts that are necessary to enroll in and satisfy
23 the requirements of Vocational Rehabilitation as prescribed by the board. This
24 shall include the exchange of confidential information between Kentucky
25 Retirement Systems and the Kentucky Office of Vocational Rehabilitation as
26 necessary to conduct the rehabilitation process. Failure of the member to
27 cooperate with the system or Vocational Rehabilitation may result in his

1 disability allowance being discontinued, reduced, or denied until the member
2 complies with the agency requests. If the refusal continues for one (1) year, all
3 his rights to any further disability allowance shall cease.

4 ➔Section 70. KRS 61.680 is amended to read as follows:

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

6 (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to
7 any deduction from his compensation required by KRS 6.500 to 6.535, 16.505 to
8 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions thereof.
9 Thereafter, employee contributions shall be picked up by the employer pursuant to
10 KRS 61.560(4).

11 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to
12 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:

13 1. Upon death, disability, or service retirement, a member's accounts under
14 the Legislators' Retirement Plan, State Police Retirement System,
15 Kentucky Employees Retirement System, County Employees Retirement
16 System, and Teachers' Retirement System, except for service prohibited
17 by KRS 161.623(2), shall be consolidated for the purpose of determining
18 eligibility and amount of benefits, including those members who
19 participate in the hybrid cash balance plan~~[or 401(a) money purchase~~
20 ~~plans]~~ within the Kentucky Employees Retirement System, the County
21 Employees Retirement System, and the State Police Retirement System,
22 on or after January 1, 2014, and regardless of the transition of
23 administration of the County Employees Retirement System to the
24 County Employees Retirement System board of trustees~~[or the~~
25 ~~Teachers' Retirement System]~~;

26 2. Vested service credit in a retirement system, other than the Teachers'
27 Retirement System, sponsored by a Kentucky institution of higher

1 education and accepted by the Kentucky Employees Retirement System
2 or the County Employees Retirement System, may be used to determine
3 eligibility for twenty-seven (27) year retirement for an employee who
4 begins participating before September 1, 2008, but not the amount of
5 benefits;

6 3. The computation of benefits shall be based on the applicable formula in
7 each system and service credit in each system, but the final
8 compensation, excluding compensation earned under KRS 161.155(10),
9 shall be determined as if all service were in one (1) system;

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

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

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

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

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

27 (c) If the member has not contributed at least one (1) year in a system in which he

1 has prior service, his current service in the system shall be valid for purposes
2 of determining eligibility and in computation of benefits on a consolidated
3 basis.

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

17 (b) Any person entitled to membership in the Judicial Retirement Plan or the
18 Legislators' Retirement Plan, who does not elect within thirty (30) days after
19 taking office to participate in the plan, in accordance with KRS 6.505 or
20 21.360, and who at the time of taking office is not a contributing member of,
21 or does not have service credit in, any of the retirement systems mentioned in
22 this section, or the Teachers' Retirement System, shall participate in the
23 Kentucky Employees Retirement System.

24 (c) A member of one (1) of the state-administered retirement plans who ceases to
25 contribute to the plan as provided in KRS 21.360 and who is employed in a
26 nonelected position by an agency participating in the Kentucky Retirement
27 Systems or Kentucky Teachers' Retirement System shall be deemed to have

1 elected membership in the system in which the employer of the nonelected
2 position participates. A member of one (1) of the state-administered
3 retirement plans who ceases to contribute to the plan as provided in KRS
4 21.360 and who is not employed in a nonelected position by an agency
5 participating in the Kentucky Retirement Systems shall be deemed to have
6 elected membership in the Kentucky Employees Retirement System.

7 (4) (a) Prior to July 1, 1976, a person entering the service of an employer
8 participating in the Kentucky Employees Retirement System or the County
9 Employees Retirement System with service credit in the Teachers' Retirement
10 System and who desires to retain membership in the Teachers' Retirement
11 System, and who is permitted by that system to continue, shall be exempt
12 from participating in the Kentucky Employees Retirement System or the
13 County Employees Retirement System.

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

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

1 Retirement System while a member of the General Assembly shall be
2 transferred to the Legislators' Retirement Plan, as provided for in KRS 6.535,
3 when the member elects to join the Legislators' Retirement Plan, and service
4 credit in the Legislators' Retirement Plan shall be granted as provided for in
5 KRS 6.505(5).

6 (5) Any member of the Kentucky Employees Retirement System or County Employees
7 Retirement System who is working in a position covered by one (1) of these
8 retirement systems and his employee contributions, service credit and employer
9 contributions made on his behalf are being transferred to the other retirement
10 system shall contribute to the system in which his employer participates, or after
11 August 1, 1982, the employer shall pick up the employee contributions, and no
12 further contributions or service credit shall be transferred to the system in which he
13 elected to retain membership, as subsection (2) of this section eliminates the
14 necessity of the transfers.

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

21 (7) (a) Notwithstanding the provisions of subsection (2) of this section, a person who
22 does not have the amount of service required for service retirement in the
23 State Police Retirement System, Kentucky Employees Retirement System,
24 County Employees Retirement System, Legislators' Retirement Plan, or
25 Teachers' Retirement System, but who is a member of one (1) of the systems
26 or is a former member of one (1) or more of the systems with valid service
27 credit therein, shall become eligible for service retirement benefits attributable

1 to the amount of his actual service credit in each system in which he has
2 service credit when his combined service credit in all the systems, plus any
3 service credit he has in the Judicial Retirement Plan, is equal to that required
4 for service retirement in each respective system. The computation of benefits
5 shall be based on the applicable formula in each system and service credit in
6 each system, except that total service in all systems, unless prohibited by KRS
7 161.623(2), shall be used to determine the reduction for early retirement, if
8 any. Except as provided in KRS 21.360, the final compensation shall be
9 determined by using the creditable compensation reported to the State Police
10 Retirement System, Kentucky Employees Retirement System, County
11 Employees Retirement System, Legislators' Retirement Plan, or Teachers'
12 Retirement System and only as much of the compensation earned in the
13 Judicial Retirement Plan as is needed to satisfy the final compensation
14 requirement applicable in the respective retirement systems.

15 (b) Paragraph (a) of this subsection shall be waived if the member fails to
16 simultaneously retire from all state-administered retirement systems in which
17 the member has an account or fails to retire from any other systems not
18 administered by Kentucky Retirement Systems within one (1) month of the
19 member's effective retirement date in the systems administered by the
20 Kentucky Retirement Systems.

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

26 ➔Section 71. KRS 61.690 is amended to read as follows:

27 (1) Except as otherwise provided by this section and KRS 61.705(4), all retirement

1 allowances and other benefits accrued or accruing to any person under the
2 provisions of KRS 61.510 to 61.705, 16.505 to 16.652, and 78.510 to 78.852, and
3 the accumulated account balance and cash securities in the funds created under KRS
4 61.510 to 61.705, 16.505 to 16.652, and 78.510 to 78.852, are hereby exempt from
5 any state, county, or municipal tax, and shall not be subject to execution,
6 attachment, garnishment, or any other process, and shall not be assigned.

7 (2) Notwithstanding the provisions of subsection (1) of this section, retirement benefits
8 accrued or accruing to any person under the provisions of KRS 61.510 to 61.705,
9 16.505 to 16.652, and 78.510 to 78.852 on or after January 1, 1998, shall be subject
10 to the tax imposed by KRS 141.020, to the extent provided in KRS 141.010 and
11 141.0215.

12 (3) Qualified domestic relations orders issued by a court or administrative agency shall
13 be honored by the retirement system if:

14 (a) The benefits payable pursuant to the order meet the requirements of a
15 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The
16 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)
17 in administering qualified domestic relations orders;

18 (b) The order meets the requirements established by the retirement system and by
19 subsections (3) to (11) of this section. The board of trustees of the retirement
20 system shall establish the requirements, procedures, and forms necessary for
21 the administration of qualified domestic relations orders by promulgation of
22 administrative regulations in accordance with KRS Chapter 13A; and

23 (c) The order is on the form established by the retirement system pursuant to the
24 retirement system's authority provided under paragraph (3)(b) of this
25 subsection.

26 (4) A qualified domestic relations order shall not:

27 (a) Require the retirement system to take any action not authorized under state or

1 federal law;

2 (b) Require the retirement system to provide any benefit, allowance, or other
3 payment not authorized under state or federal law;

4 (c) Grant or be construed to grant the alternate payee any separate right, title, or
5 interest in or to any retirement benefit other than to receive payments from the
6 participant's account in accordance with the administrative regulations
7 promulgated by the retirement system and as provided by subsections (3) to
8 (11) of this section; or

9 (d) Grant any separate interest to any person other than the participant.

10 (5) Any qualified domestic relations order submitted to the retirement system shall
11 specify the dollar amount or percentage amount of the participant's benefit to be
12 paid to the alternate payee. In calculating the amount to be paid to the alternate
13 payee, the court or administrative agency that is responsible for issuing the order
14 shall follow the requirements set forth in the administrative regulations promulgated
15 by the board of trustees. Notwithstanding any other statute to the contrary, the board
16 shall not be required to honor a qualified domestic relations order that does not
17 follow the requirements set forth in the administrative regulations promulgated by
18 the board of trustees.

19 (6) If the qualified domestic relations order meets the requirements established by the
20 system and by subsections (3) to (11) of this section, payments to the alternate
21 payee shall begin under the following conditions:

22 (a) If the participant is retired and is receiving a monthly retirement allowance,
23 the month following the date the retirement system receives a qualified
24 domestic relations order that complies with the administrative regulations
25 promulgated by the retirement system and subsections (3) to (11) of this
26 section; or

27 (b) If the participant is not retired, the month of the participant's effective

1 retirement date in which the first retirement allowance is payable to the
2 participant or the month in which the participant receives a refund of his or
3 her accumulated account balance as provided by KRS 61.625.

4 (7) An alternate payee's benefits and rights under a qualified domestic relations order
5 shall terminate upon the earlier of:

- 6 (a) The death of the participant;
- 7 (b) The death of the alternate payee; or
- 8 (c) The termination of the participant's benefits under any of the provisions of
9 KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852.

10 (8) An alternate payee shall not receive a monthly payment under a qualified domestic
11 relations order if the participant is not receiving a monthly retirement allowance.

12 (9) The cost of living adjustment provided to the participant pursuant to KRS 61.691 or
13 Section 5 of this Act shall be divided between the participant and alternate payee in
14 a qualified domestic relations order as follows:

15 (a) If the order specifies the alternate payee is to receive a percentage of the
16 participant's benefit, then the cost of living adjustment shall be divided
17 between the participant and the alternate payee based upon the percentage of
18 the total benefit each is receiving upon the participant's retirement or upon the
19 date the order is approved by the retirement system, whichever is later; or

20 (b) If the order specifies that the alternate payee is to receive a set dollar amount
21 of the participant's benefit, then the order shall specify that:

22 1. The cost of living adjustment shall be divided between the participant
23 and the alternate payee based upon the percentage of the total benefit
24 each is receiving upon the participant's retirement or upon the date the
25 order is approved by the retirement system, whichever is later; or

26 2. The alternate payee shall receive no cost of living adjustment.

27 If the order does not specify the division of the cost of living adjustment as

1 required by this paragraph, then no cost of living adjustment shall be payable
2 to the alternate payee. If no cost of living adjustment is provided to the
3 alternate payee, then the participant shall receive the full cost of living
4 adjustment he or she would have received if the order had not been applied to
5 the participant's account.

6 (10) Except in cases involving child support payments, the retirement system may charge
7 reasonable and necessary fees and expenses to the recipient and the alternate payee
8 of a qualified domestic relations order for the administration of the qualified
9 domestic relations order by the retirement system. All fees and expenses shall be
10 established by administrative regulations promulgated by the board of trustees of
11 the retirement system. The qualified domestic relations order shall specify whether
12 the fees and expenses provided by this subsection shall be paid:

- 13 (a) Solely by the participant;
- 14 (b) Solely by the alternate payee; or
- 15 (c) Equally shared by the participant and alternate payee.

16 (11) The retirement system shall honor a qualified domestic relations order issued prior
17 to July 15, 2010, if:

- 18 (a) The order was on file and approved by the retirement system prior to July 15,
19 2010. All benefits, including cost of living adjustments payable to the
20 alternate payee, for orders that meet the requirements of this paragraph shall
21 not be eliminated or reduced as a result of the provisions of subsections (3) to
22 (10) of this section and KRS 61.510(27) and 78.510(26); or
- 23 (b) The order or an amended version of the order meets the requirements
24 established by this section and the administrative regulations promulgated by
25 the retirement system. The order shall not apply to benefit payments issued by
26 the retirement system prior to the date the order was approved by the
27 retirement system.

1 ➔Section 72. KRS 61.691 is amended to read as follows:

2 (1) Effective August 1, 1996, to July 1, 2008, a recipient of a retirement allowance
3 under KRS 16.505 to 16.652 and~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~ shall
4 have his retirement allowance increased on July 1 of each year by the percentage
5 increase in the annual average of the consumer price index for all urban consumers
6 for the most recent calendar year as published by the federal Bureau of Labor
7 Statistics, not to exceed five percent (5%). In determining the annual employer
8 contribution rate, only the cost of increases granted as of the most recent valuation
9 date shall be recognized. The benefits of this subsection as provided on August 1,
10 1996, to July 1, 2008, shall not be considered as benefits protected by the inviolable
11 contract provisions of KRS 16.652 and~~[,]~~ 61.692~~[, and 78.852]~~. The General
12 Assembly reserves the right to suspend or reduce the benefits conferred in this
13 subsection if in their judgment the welfare of the Commonwealth so demands.

14 (2) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a
15 retirement allowance under KRS 16.505 to 16.652 and~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~
16 shall have his or her retirement allowance increased by
17 one and one-half percent (1.5%), if:

18 1. The funding level of the system is greater than one hundred percent
19 (100%) and subsequent legislation authorizes the use of any surplus
20 actuarial assets to provide an increase in retirement allowances
21 described by this subsection for the system which has the surplus
22 actuarial assets; or

23 2. The General Assembly appropriates sufficient funds or directs payment
24 of funds to fully prefund the increase described by this subsection in the
25 year the increase is provided.

26 (b) The board of trustees of the Kentucky Retirement Systems shall, at least thirty
27 (30) days prior to the beginning of regular sessions of the General Assembly

1 held in even-numbered years, advise the General Assembly of the following:

2 1. Which systems have a funding level greater than one hundred percent
3 (100%) and can support an increase in recipients' retirement allowances
4 as provided by paragraph (a) of this subsection over the next budget
5 biennium without reducing the funding level of the system below one
6 hundred percent (100%); and

7 2. If no surplus actuarial assets are available, the level of funds needed to
8 fully prefund an increase for system recipients over the next budget
9 biennium if a one and one-half percent (1.5%) increase is provided
10 annually over the biennium.

11 (c) For purposes of this subsection, "funding level" means the actuarial value of
12 assets divided by the actuarially accrued liability expressed as a percentage
13 that is determined and reported by the system's actuary in the system's
14 actuarial valuation.

15 (d) The full increase described by this subsection shall only be provided if the
16 recipient has been receiving a benefit for at least twelve (12) months prior to
17 the effective date of the increase. If the recipient has been receiving a benefit
18 for less than twelve (12) months prior to the effective date of the increase
19 provided by this subsection, the increase shall be reduced on a pro rata basis
20 for each month the recipient has not been receiving benefits in the twelve (12)
21 months preceding the effective date of the increase.

22 (e) In determining the annual employer contribution rate, only the cost of
23 increases granted as of the most recent valuation date shall be recognized.

24 (f) The benefits of this subsection as provided on July 1, 2009, and thereafter
25 shall not be considered as benefits protected by the inviolable contract
26 provisions of KRS 16.652 and 61.692~~, and 78.852~~. The General
27 Assembly reserves the right to suspend or reduce the benefits conferred in this

1 subsection if, in its judgment, the welfare of the Commonwealth so demands.

2 (3) A reemployed retired member whose payments are suspended as provided under
3 KRS 61.637 shall be eligible for an increase in his suspended retirement allowance
4 as provided under this section, computed as if he were receiving the retirement
5 allowance at the time the increase under this section is effective.

6 (4) In addition to the increase to a recipient's retirement allowance as provided by
7 subsection (2) of this section, the General Assembly may, by subsequent
8 legislation, provide supplemental increases to a recipient's retirement
9 allowance to help adjust for actual changes in the recipient's cost of living if
10 the General Assembly appropriates sufficient funds to fully prefund the
11 benefit in the year the increase is provided.

12 ➔SECTION 73. KRS 61.702 (Effective April 1, 2021) IS REPEALED AND
13 REENACTED TO READ AS FOLLOWS:

14 (1) For purposes of this section:

15 (a) "Hospital and medical insurance plan" may include, at the board's
16 discretion, any one (1) or more of the following:

17 1. Any hospital and medical expense policy or certificate, provider-
18 sponsored integrated health delivery network, self-insured medical
19 plan, health maintenance organization contract, or other health
20 benefit plan;

21 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or
22 health reimbursement arrangement or a similar account as may be
23 permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or account,
24 at the board's discretion, may reimburse any medical expense
25 permissible under 26 U.S.C. sec. 213; or

26 3. A medical insurance reimbursement program established by the board
27 through the promulgation of administrative regulation under which

1 members purchase individual health insurance coverage through a
2 health insurance exchange established under 42 U.S.C. sec. 18031 or
3 18041;

4 (b) "Monthly contribution rate" shall be the amount determined by the board
5 based upon the requirements of paragraphs (4)(a) to (4)(c) of this section,
6 except that for members who began participating in the system on or after
7 July 1, 2003, the term shall mean the amount determined in paragraph
8 (4)(d) of this section; and

9 (c) "Months of service" shall mean the total months of combined service used
10 to determine benefits under the system, except service added to determine
11 disability benefits or service otherwise prohibited from being used to
12 determine retiree health benefits under KRS 16.505 to 16.652 or 61.510 to
13 61.705 shall not be counted as "months of service". For current and former
14 employees of the Council on Postsecondary Education who were employed
15 prior to January 1, 1993, and who earn at least fifteen (15) years of service
16 credit in the Kentucky Employees Retirement System, "months of service"
17 shall also include vested service in another retirement system other than the
18 Kentucky Teachers' Retirement System sponsored by the Council on
19 Postsecondary Education.

20 (2) (a) 1. The board of trustees of the system shall arrange by appropriate
21 contract or on a self-insured basis to provide a group hospital and
22 medical insurance plan coverage for:

23 a. Present and future recipients of a retirement allowance from the
24 Kentucky Employees Retirement System and the State Police
25 Retirement System; and

26 b. The spouse and each qualified dependent of a recipient who is a
27 former member or the beneficiary, provided the spouse and

1 dependent meet the requirements to participate in the hospital
2 and medical insurance plans established, contracted, or
3 authorized by the system.

4 2. Any recipient who chooses coverage under a hospital and medical
5 insurance plan shall pay, by payroll deduction from the retirement
6 allowance, electronic funds transfer, or by another method, the
7 difference between the premium cost of the hospital and medical
8 insurance plan coverage selected and the monthly contribution rate to
9 which he or she would be entitled under this section.

10 (b) 1. For present and future recipients of a retirement allowance from the
11 system who are not eligible for Medicare, the board may authorize
12 these participants to be included in the Kentucky Employees Health
13 Plan as provided by KRS 18A.225 to 18A.2287 and shall provide
14 benefits for recipients in the plan equal to those provided to state
15 employees having the same Medicare hospital and medical insurance
16 eligibility status. Notwithstanding the provisions of any other statute,
17 system recipients shall be included in the same class as current state
18 employees for purposes of determining medical insurance policies and
19 premiums in the Kentucky Employees Health Plan as provided by
20 KRS 18A.225 to 18A.2287.

21 2. Regardless of age, if a recipient or the spouse or dependent child of a
22 recipient who elects coverage becomes eligible for Medicare, he or she
23 shall participate in the plans offered by the systems for Medicare
24 eligible recipients. Individuals participating in the Medicare eligible
25 plans may be required to obtain and pay for Medicare Part A and Part
26 B coverage, in order to participate in the Medicare eligible plans
27 offered by the system.

1 3. The system shall continue to provide the same hospital and medical
2 insurance plan coverage for recipients and qualifying dependents
3 after the age of sixty-five (65) as before the age of sixty-five (65), if the
4 recipient is not eligible for Medicare coverage.

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

10 (d) Notwithstanding anything in KRS Chapter 16 or 61 to the contrary, the
11 board of trustees, in its discretion, may take necessary steps to ensure
12 compliance with 42 U.S.C. secs. 300bb-1 et seq.

13 (3) (a) Each employer participating in the Kentucky Employees Retirement System
14 or the State Police Retirement System as provided in KRS 16.505 to 16.652
15 or 61.510 to 61.705 shall contribute to the insurance trust fund established
16 under KRS 61.701 the amount necessary to provide the monthly
17 contribution rate as provided for under this section. Such employer
18 contribution rate shall be developed by appropriate actuarial method as a
19 part of the determination of each respective employer contribution rate
20 determined under KRS 61.565.

21 (b) 1. Each employer described in paragraph (a) of this subsection shall
22 deduct from the creditable compensation of each member whose
23 membership date begins on or after September 1, 2008, an amount
24 equal to one percent (1%) of the member's creditable compensation.
25 The deducted amounts shall, at the discretion of the board, be credited
26 to accounts established pursuant to 26 U.S.C. sec. 401(h), within the
27 funds established in KRS 16.510 and 61.515, or the insurance trust

1 fund established under KRS 61.701. Notwithstanding the provisions of
2 this paragraph, a transfer of assets between the accounts established
3 pursuant to 26 U.S.C. sec. 401(h), within the funds established in KRS
4 16.510 and 61.515, and the insurance trust fund established under
5 KRS 61.701 shall not be allowed.

6 2. The employer shall file the contributions as provided by subparagraph
7 1. of this paragraph at the retirement office in accordance with KRS
8 61.675. Any interest or penalties paid on any delinquent contributions
9 shall be credited to accounts established pursuant to 26 U.S.C. sec.
10 401(h), within the funds established in KRS 16.510 and 61.515, or the
11 insurance trust fund established under KRS 61.701. Notwithstanding
12 any minimum compensation requirements provided by law, the
13 deductions provided by this paragraph shall be made, and the
14 compensation of the member shall be reduced accordingly.

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

18 4. Every member shall be deemed to consent and agree to the deductions
19 made pursuant to this paragraph, and the payment of salary or
20 compensation less the deductions shall be a full and complete
21 discharge of all claims for services rendered by the person during the
22 period covered by the payment, except as to any benefits provided by
23 KRS 16.505 to 16.652 or 61.510 to 61.705. No member may elect
24 whether to participate in, or choose the contribution amount to
25 accounts established pursuant to 26 U.S.C. sec. 401(h) within the
26 funds established in KRS 16.510 and 61.515, or the insurance trust
27 fund established under KRS 61.701. The member shall have no option

1 to receive the contribution required by this paragraph directly instead
2 of having the contribution paid to accounts established pursuant to 26
3 U.S.C. sec. 401(h) within the funds established in KRS 16.510 and
4 61.515, or the insurance trust fund established under KRS 61.701. No
5 member may receive a rebate or refund of contributions. If a member
6 establishes a membership date prior to September 1, 2008, pursuant to
7 subsection (2) or (3) of Section 52 of this Act, then this paragraph
8 shall not apply to the member and all contributions previously
9 deducted in accordance with this paragraph shall be refunded to the
10 member without interest. The contribution made pursuant to this
11 paragraph shall not act as a reduction or offset to any other
12 contribution required of a member or recipient under KRS 16.505 to
13 16.652 or 61.510 to 61.705.

14 5. The board of trustees, at its discretion, may direct that the
15 contributions required by this paragraph be accounted for within
16 accounts established pursuant to 26 U.S.C. sec. 401(h) within the
17 funds established in KRS 16.510 and 61.515, or the insurance trust
18 fund established under KRS 61.701, through the use of separate
19 accounts.

20 (4) (a) The premium required to provide hospital and medical insurance plan
21 coverage under this section shall be paid wholly or partly from funds
22 contributed by:

- 23 1. The recipient of a retirement allowance, by payroll deduction from his
24 or her retirement allowance, or by other method;
25 2. The insurance trust fund established under KRS 61.701 or accounts
26 established pursuant to 26 U.S.C. sec. 401(h) within the funds
27 established in KRS 16.510 and 61.515;

1 3. Another state-administered retirement system under a reciprocal
2 arrangement, except that any portion of the premium paid from the
3 funds specified by subparagraph 2. of this paragraph under a
4 reciprocal agreement shall not exceed the amount that would be
5 payable under this section if all the member's service were in the
6 systems administered by the Kentucky Retirement Systems; or

7 4. A combination of the fund sources described by subparagraph 1. to 3.
8 of this paragraph.

9 Group rates under the hospital and medical insurance plan shall be made
10 available to the spouse, each dependent child, and each disabled child,
11 regardless of the disabled child's age, of a recipient who is a former member
12 or the beneficiary, if the premium for the hospital and medical insurance
13 for the spouse, each dependent child, and each disabled child, or beneficiary
14 is paid by payroll deduction from the retirement allowance, electronic funds
15 transfer, or by another method. For purposes of this subsection only, a child
16 shall be considered disabled if he or she has been determined to be eligible
17 for federal Social Security disability benefits or meets the dependent
18 disability standard established by the Department of Employee Insurance in
19 the Personnel Cabinet.

20 (b) For a member who began participating in the system prior to July 1, 2003,
21 the monthly contribution rate shall be paid by the system from the funds
22 specified under paragraph (a)2. of this subsection and shall be equal to a
23 percentage of the single premium to cover the retired member as follows:

24 1. One hundred percent (100%) of the monthly premium for single
25 coverage shall be paid for a retired member who had two hundred
26 forty (240) months of service or more upon retirement or for a retired
27 member who when he or she was an employee became disabled as a

1 direct result of an act in line of duty as defined in KRS 16.505 or as a
2 result of a duty-related injury as defined in KRS 61.621;

3 2. Seventy-Five percent (75%) of the monthly premium for single
4 coverage shall be paid for a retired member who had less than two
5 hundred forty (240) months of service but at least one hundred eighty
6 (180) months of service upon retirement, provided such retired
7 member agrees to pay the remaining twenty-five percent (25%) by
8 payroll deduction from his or her retirement allowance, electronic
9 funds transfer, or by another method;

10 3. Fifty percent (50%) of the monthly premium for single coverage shall
11 be paid for a retired member who had less than one hundred eighty
12 (180) months of service but had at least one hundred twenty (120)
13 months of service upon retirement, provided such retired member
14 agrees to pay the remaining fifty percent (50%) by payroll deduction
15 from his or her retirement allowance, electronic funds transfer, or by
16 another method; or

17 4. Twenty-five percent (25%) of the monthly premium for single
18 coverage shall be paid for a retired member who had less than one
19 hundred twenty (120) months of service but had at least forty-eight
20 (48) months of service upon retirement, provided such retired member
21 agrees to pay the remaining seventy-five percent (75%) by payroll
22 deduction from his or her retirement allowance, electronic funds
23 transfer, or by another method.

24 Notwithstanding the foregoing provisions of this paragraph, an employee
25 participating in the system prior to July 1, 2003, who is killed as a direct
26 result of an act in line of duty as defined in KRS 16.505 or as a result of a
27 duty-related injury as defined in KRS 61.621, shall have the monthly

1 premium paid for the beneficiary, if the beneficiary is the member's spouse,
2 and for each dependent child as defined by KRS 16.505, so long as they
3 individually remain eligible for a monthly retirement benefit.

4 (c) 1. For a member who began participating in the system prior to July 1,
5 2003, who was determined to be in a hazardous position in the
6 Kentucky Employees Retirement System or in a position in the State
7 Police Retirement System, the funds specified under paragraph (a)2.
8 of this subsection shall also pay a percentage of the monthly
9 contribution rate sufficient to fund the premium costs for hospital and
10 medical insurance coverage for the spouse and for each dependent
11 child of a recipient.

12 2. The percentage of the monthly contribution rate paid for the spouse
13 and each dependent child of a recipient who was in a hazardous
14 position in accordance with subparagraph 1. of this paragraph shall
15 be based solely on the member's service in a hazardous position using
16 the formula in paragraph (b) of this subsection.

17 (d) For members who begin participating in the system on or after July 1,
18 2003:

19 1. Participation in the insurance benefits provided under this section
20 shall not be allowed until the member has earned at least one hundred
21 twenty (120) months of service in the state-administered retirement
22 systems, except that for members who begin participating in the
23 system on or after September 1, 2008, participation in the insurance
24 benefits provided under this section shall not be allowed until the
25 member has earned at least one hundred eighty (180) months of
26 service credited under KRS 16.543(1), 61.543(1) or another state-
27 administered retirement system.

1 2. A member who meets the minimum service requirements as provided
2 by subparagraph 1. of this paragraph shall upon retirement be eligible
3 for the following monthly contribution rate to be paid on their behalf
4 from the funds specified under paragraph (a)2. of this subsection:

5 a. For members with service in a nonhazardous position, a monthly
6 insurance contribution of ten dollars (\$10) for each year of
7 service as a participating employee in a nonhazardous position;
8 and

9 b. For members with service in a hazardous position or who
10 participate in the State Police Retirement System, a monthly
11 insurance contribution of fifteen dollars (\$15) for each year of
12 service as a participating employee in a hazardous position or
13 the State Police Retirement System. Upon the death of the retired
14 member, the beneficiary, if the beneficiary is the member's
15 spouse, shall be entitled to a monthly insurance contribution of
16 ten dollars (\$10) for each year of service the member attained as
17 a participating employee in a hazardous position.

18 3. The minimum service requirement to participate in benefits as
19 provided by subparagraph 1. of this paragraph shall be waived for a
20 member who becomes disabled as a direct result of an act in line of
21 duty as defined in KRS 16.505 or who dies as a result of a duty-related
22 injury as defined in KRS 61.621, and the member shall be entitled to
23 the benefits payable under this subsection as though the member had
24 twenty (20) years of service in the position for which the disabling
25 condition occurred.

26 4. Notwithstanding the provisions of this paragraph, the minimum
27 service requirement to participate in benefits as provided by

1 subparagraph 1. of this paragraph shall be waived for a for a member
2 who dies as a direct result of an act in line of duty as defined in KRS
3 16.505 or who dies as a result of a duty-related injury as defined in
4 KRS 61.621, and the premium for the member's spouse and for each
5 dependent child as defined in KRS 16.505 shall be paid in full by the
6 systems so long as they individually remain eligible for a monthly
7 retirement benefit.

8 5. Except as provided by subparagraph 4. of this paragraph, the monthly
9 insurance contribution amount shall be increased July 1 of each year
10 by one and one-half percent (1.5%). The increase shall be cumulative
11 and shall continue to accrue after the member's retirement for as long
12 as a monthly insurance contribution is payable to the retired member
13 or beneficiary.

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

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

27 (e) For members with service in another state-administered retirement system

1 who select hospital and medical insurance plan coverage through the
2 system:

3 1. The system shall compute the member's combined service, including
4 service credit in another state-administered retirement system, and
5 calculate the portion of the member's premium monthly contribution
6 rate to be paid by the funds specified under paragraph (a)2. of this
7 subsection according to the criteria established in paragraphs (a) to
8 (d) of this subsection. Each state-administered retirement system shall
9 pay annually to the insurance trust fund established under KRS
10 61.701 the portion of the system's cost of the retiree's monthly
11 contribution for single coverage for hospital and medical insurance
12 plan which shall be equal to the percentage of the member's number
13 of months of service in the other state-administered retirement plan
14 divided by his or her total combined service and in conjunction with
15 the reciprocal agreement established between the system and the other
16 state-administered retirement systems. The amounts paid by the other
17 state-administered retirement plans and by the Kentucky Retirement
18 Systems from funds specified under paragraph (a)2. of this subsection
19 shall not be more than one hundred percent (100%) of the monthly
20 contribution adopted by the respective boards of trustees;

21 2. A member may not elect coverage for hospital and medical benefits
22 through more than one (1) of the state-administered retirement
23 systems; and

24 3. A state-administered retirement system shall not pay any portion of a
25 member's monthly contribution for medical insurance unless the
26 member is a recipient or annuitant of the plan.

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

authority of this section shall be exempt from any premium tax which might otherwise be required under KRS Chapter 136. The payment of premiums by the funds described by subsection (4)(a)2. of this section shall not constitute taxable income to an insured recipient. No commission shall be paid for hospital and medical insurance procured under authority of this section.

(6) The board shall promulgate an administrative regulation to establish a medical insurance reimbursement plan to provide reimbursement for hospital and medical insurance plan premiums of recipients of a retirement allowance who are not eligible for the same level of hospital and medical benefits as recipients living in Kentucky and having the same Medicare hospital and medical insurance eligibility status. An eligible recipient shall file proof of payment for hospital and medical insurance plan coverage with the retirement office. Reimbursement to eligible recipients shall be made on a quarterly basis. The recipient shall be eligible for reimbursement of substantiated medical insurance premiums for an amount not to exceed the total monthly contribution rate determined under subsection (4) of this section. The plan shall not be made available if all recipients are eligible for the same coverage as recipients living in Kentucky.

➔Section 74. KRS 61.705 is amended to read as follows:

(1) Upon the death of a retired member of the Kentucky Employees Retirement System~~[, County Employees Retirement System,]~~ or State Police Retirement System who was receiving a monthly retirement allowance based on a minimum of forty-eight (48) months of service or whose retirement allowance based on a minimum of forty-eight (48) months was suspended in accordance with KRS 61.637, a death benefit of five thousand dollars (\$5,000) shall be paid. If the retired member had more than one (1) account in the Kentucky Employees Retirement System~~[, County Employees Retirement System,]~~ or State Police Retirement System, or was eligible for a benefit under Section 15 of this Act from the County

1 **Employees Retirement System**, the ~~systems~~[system] shall pay only one (1) five
2 thousand dollar (\$5,000) death benefit. **Each system's cost shall be prorated**
3 **between the systems based upon the level of service credit in each system.**

4 Application for the death benefit made to the Kentucky Retirement Systems shall
5 include acceptable evidence of death and of the eligibility of the applicant to act on
6 the deceased retired member's behalf.

7 (2) The death benefit shall be paid to a beneficiary named by the retired member. Upon
8 retirement or any time thereafter, the retired member may designate on the form
9 prescribed by the board, death benefit designation, a person, the retired member's
10 estate, a trust or trustee, or a licensed funeral home, as the beneficiary of the death
11 benefit **provided by this section or Section 15 of this Act**. The beneficiary for the
12 death benefit may or may not be the same beneficiary designated in accordance with
13 KRS 61.590(1) **but only one (1) designation shall be available to a retired member**
14 **who has service in both the County Employees Retirement System and the**
15 **Kentucky Retirement Systems**. If the beneficiary designated under this section is a
16 person and that person dies prior to the member, or if the beneficiary was the retired
17 member's spouse and they were divorced on the date of the retired member's death,
18 then the retired member's estate shall become the beneficiary, unless the retired
19 member has filed a subsequent death benefit designation. If a licensed funeral home
20 is designated as beneficiary and the licensed funeral home cannot be reasonably
21 identified or located by Kentucky Retirement Systems at the time of the retired
22 member's death, then the retired member's estate shall become the beneficiary of the
23 death benefit.

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

27 (4) Upon the death of a retired member, the death benefit provided pursuant to this

1 section may be assigned by the designated beneficiary to a bank or licensed funeral
2 home.

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

6 ➔Section 75. KRS 16.642 is amended to read as follows:

7 (1) The board shall be the trustee of~~[the several]~~ funds created by KRS 16.505 to
8 16.652, **and KRS 61.701** and shall have full power to invest and reinvest such
9 **assets in accordance with federal law**~~[funds, subject to the limitations that no~~
10 ~~investments shall be made except upon the exercise of bona fide discretion, in~~
11 ~~securities which, at the time of making the investment, are, by law, permitted for the~~
12 ~~investment of funds by fiduciaries in this state, except that the board may, at its~~
13 ~~discretion, purchase common stock in corporations that do not have a record of~~
14 ~~paying dividends to their stockholders. Subject to such limitations, the board shall~~
15 ~~have full power to hold, purchase, sell, assign, transfer or dispose of any of the~~
16 ~~securities or investments in which any of the funds created herein have been~~
17 ~~invested, as well as of the proceeds of such investments and any moneys belonging~~
18 ~~to such funds].~~

19 (2) **The board, through adopted written policies, shall maintain ownership and**
20 **control over its assets held in its unitized managed custodial account**~~[All~~
21 ~~securities acquired under authority of KRS 16.505 to 16.652 shall be registered in~~
22 ~~the name "Kentucky Retirement Systems" or nominee name as provided by KRS~~
23 ~~286.3-225, and every change in registration, by reason of sale or assignment of such~~
24 ~~securities shall be accomplished pursuant to written policies adopted by the board].~~

25 (3) The board, in keeping with its responsibility as trustee and wherever feasible, shall
26 give priority to the investment of funds in obligations calculated to improve the
27 industrial development and enhance the economic welfare of the Commonwealth.

1 (4) The investment committee established pursuant to KRS 61.650 shall serve as the
2 investment committee of the funds established by KRS 16.505 to 16.652.

3 (5) Based upon market value at the time of purchase, the board shall limit the amount
4 of assets managed by any one (1) active or passive investment manager to fifteen
5 percent (15%) of the assets in the pension and insurance funds.

6 ➔Section 76. KRS 61.505 (Effective April 1, 2021) is amended to read as
7 follows:

8 (1) There is created an eight (8) member Kentucky Public Pensions Authority whose
9 purpose shall be to administer and operate:

10 (a) A single personnel system for the staffing needs of the Kentucky Retirement
11 Systems and the County Employees Retirement System;

12 (b) A system of accounting that is developed by the authority for the Kentucky
13 Retirement Systems and the County Employees Retirement System;

14 (c) Day-to-day administrative needs of the Kentucky Retirement Systems and the
15 County Employees Retirement System, including but not limited to:

- 16 1. Benefit counseling and administration;
- 17 2. Information technology and services, including a centralized Web site
18 for the authority, the Kentucky Retirement Systems, and the County
19 Employees Retirement System;
- 20 3. Legal services;
- 21 4. Employer reporting and compliance;
- 22 5. Processing and distribution of benefit payments, and other financial,
23 investment administration, and accounting duties as directed by the
24 Kentucky Retirement Systems board of trustees or the County
25 Employees Retirement System board of trustees; ~~and~~

26 6. *All administrative actions necessary to carry out benefit functions*
27 *required by the Kentucky Retirement Systems and the County*

- 1 Employment Retirement System statutes, including but not limited to
2 administration of reduced and unreduced retirement benefits,
3 disability retirement, reemployment after retirement, service
4 purchases, computation of sick-leave credit costs, pension spiking
5 determinations, and all other administrative decisions and orders; and
6 Z. Completing and compiling financial data and reports;
7 (d) Any jointly held assets used for the administration of the Kentucky Retirement
8 Systems and the County Employees Retirement System, including but not
9 limited to real estate, office space, equipment, and supplies~~[- Perimeter Park~~
10 ~~West Incorporated shall be considered a jointly held asset];~~
11 (e) Hiring a single actuarial consulting firm who shall serve both the Kentucky
12 Retirement Systems and the County Employees Retirement System; ~~{and}~~
13 (f) The Authority may promulgate administrative regulations as an authority
14 or on behalf of the Kentucky Retirement Systems and the County
15 Employees Retirement System, individually or collectively, provided such
16 regulations are not inconsistent with the provisions of this section and KRS
17 16.505 to 16.652, 61.510 to 61.705, 78.510 to 78.852, and 61.505, necessary
18 or proper in order to carry out the provisions of this section and duties
19 authorized by KRS 16.505 to 16.652 and 61.510 to 61.705;
20 (g) Contract management for administrative services; and
21 (h) Other tasks or duties as directed solely or jointly by the boards of the
22 Kentucky Retirement Systems or the County Employees Retirement System.
23 (2) The eight (8) member Kentucky Public Pensions Authority shall be composed of
24 the following individuals:
25 (a) The chair of the Kentucky Retirement Systems board of trustees;
26 (b) The chair of the County Employees Retirement System board of trustees;
27 (c) The investment committee chair of the Kentucky Retirement Systems board of

1 trustees, unless the investment committee chair is also the chair of the board
2 of trustees in which case the chair of the Kentucky Retirement Systems shall
3 appoint an individual who serves on the investment committee;

4 (d) The investment committee chair of the County Employees Retirement System
5 board of trustees, unless the investment committee chair is also the chair of
6 the County Employees Retirement System board of trustees in which case the
7 chair of the County Employees Retirement System shall appoint an individual
8 who serves on the investment committee;

9 (e) Two additional (2) trustees of the Kentucky Retirement Systems board of
10 trustees selected by the chair of the Kentucky Retirement Systems board of
11 trustees of which one (1) shall be a trustee who was elected by the
12 membership of one (1) of the systems administered by Kentucky Retirement
13 Systems and one (1) shall be a trustee of Kentucky Retirement Systems who
14 was appointed by the Governor; and

15 (f) Two additional (2) trustees of the County Employees Retirement System
16 board of trustees selected by the chair of the County Employees Retirement
17 System board of trustees of which one (1) shall be a trustee who was elected
18 by the membership of the County Employees Retirement System and one (1)
19 shall be a trustee of the County Employees Retirement System who was
20 appointed by the Governor.

21 (3) The Kentucky Public Pensions Authority is hereby granted the powers and
22 privileges of a corporation, including but not limited to the following powers:

23 (a) To sue and be sued in its corporate name;

24 (b) To make bylaws not inconsistent with the law and in accordance with its
25 duties as provided by this section;

26 (c) To conduct the business and promote the purposes for which it was formed;

27 (d) To carry out the obligations of the authority subject to KRS Chapters 45, 45A,

1 56, and 57;

2 (e) To purchase fiduciary liability insurance; and

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

12 (4) Any vacancy which may occur in an appointed position on the Kentucky Public
13 Pensions Authority shall be filled in the same manner which provides for the
14 selection of the particular member of the authority. No person shall serve in more
15 than one (1) position as a member of the authority and if a person holds more than
16 one (1) position as a member of the authority, he or she shall resign a position.

17 (5) (a) Membership on the authority shall not be incompatible with any other office
18 unless a constitutional incompatibility exists. No authority member shall serve
19 in more than one (1) position as a member of the authority.

20 (b) An authority member shall be removed from office upon conviction of a
21 felony or for a finding of a violation of any provision of KRS 11A.020 or
22 11A.040 by a court of competent jurisdiction.

23 (c) A current or former employee of the County Employees Retirement System,
24 Kentucky Retirement Systems, or the Kentucky Public Pensions Authority
25 shall not be eligible to serve as a member of the authority.

26 (6) Kentucky Public Pensions Authority members who do not otherwise receive a
27 salary from the State Treasury shall receive a per diem of eighty dollars (\$80) for

1 each day they are in session or on official duty, and they shall be reimbursed for
2 their actual and necessary expenses in accordance with state administrative
3 regulations and standards, except that the members shall not receive a per diem or
4 receive reimbursements on the same day they receive a per diem or reimbursements
5 for service to the Kentucky Retirement Systems board of trustees or County
6 Employees Retirement Systems board of trustees.

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

10 (b) The authority shall elect a chair and a vice chair. The chair shall not serve
11 more than four (4) consecutive years as chair or vice chair of the authority.
12 The vice chair shall not serve more than four (4) consecutive years as chair or
13 vice chair of the authority. A member who has served four (4) consecutive
14 years as chair or vice chair of the authority may be elected chair or vice chair
15 of the authority after an absence of two (2) years from the positions.

16 (c) A majority of the authority members shall constitute a quorum and all actions
17 taken by the authority shall be by affirmative vote of a majority of the
18 authority members present.

19 (d) The authority shall post on the authority's Web site and shall make available
20 to the public:

- 21 1. All meeting notices and agendas of the authority. Notices and agendas
22 shall be posted to the authority's Web site at least seventy-two (72) hours
23 in advance of the authority's meetings, except in the case of special or
24 emergency meetings as provided by KRS 61.823;
- 25 2. All authority minutes or other materials that require adoption or
26 ratification by the authority. The items listed in this subparagraph shall
27 be posted within seventy-two (72) hours of adoption or ratification of

- 1 the authority;
- 2 3. All bylaws, policies, or procedures adopted or ratified by the authority;
- 3 and
- 4 4. A listing of the members of the authority and membership on each
- 5 committee established by the authority.
- 6 (8) (a) The Kentucky Public Pensions Authority shall appoint or contract for the
- 7 services of an executive director and fix the compensation and other terms of
- 8 employment for this position without limitation of the provisions of KRS
- 9 Chapter 18A, 45A, and KRS 64.640. The executive director shall be the chief
- 10 administrative officer of the authority, the Kentucky Retirement Systems
- 11 board of trustees, and the County Employees Retirement System board of
- 12 trustees. The executive director shall work cooperatively with the chief
- 13 executive officers of the Kentucky Retirement Systems and the County
- 14 Employees Retirement System.
- 15 (b) The Kentucky Public Pensions Authority shall authorize the executive director
- 16 to appoint the employees deemed necessary to transact the duties of the
- 17 authority for the purposes outlined in subsection (1) of this section.
- 18 (c) Effective April 1, 2021, the Kentucky Public Pensions Authority shall assume
- 19 responsibility of administering the staff of the Kentucky Retirement Systems
- 20 in order to provide the services established by this section.
- 21 (d) All employees of the Kentucky Public Pensions Authority, except for the
- 22 executive director, chief investment officer, and one (1) deputy chief
- 23 investment officer, shall be subject to the state personnel system established
- 24 pursuant to KRS 18A.005 to 18A.204 and shall have their salaries determined
- 25 by the secretary of the Personnel Cabinet.
- 26 (e) The authority shall annually report to the Public Pension Oversight Board the
- 27 number of employees of the authority, the salary paid to each employee, and

1 the change in the salaries of each individual employed by the authority over
2 the prior year.

3 (f) The authority shall require the executive director and the employees as it
4 thinks proper to execute bonds for the faithful performance of their duties
5 notwithstanding the limitations of KRS Chapter 62.

6 (g) Notwithstanding any other provision of statute to the contrary, including but
7 not limited to any provision of KRS Chapter 12, the Governor shall have no
8 authority to change any provision of this section by executive order or action,
9 including but not limited to reorganizing, replacing, amending, or abolishing
10 the membership of the Kentucky Public Pensions Authority.

11 (9) All employees of the authority shall serve during its will and pleasure.
12 Notwithstanding any statute to the contrary, employees shall not be considered
13 legislative agents under KRS 6.611.

14 (10) The Attorney General, or an assistant designated by him or her, may attend each
15 meeting of the authority and may receive the agenda, board minutes, and other
16 information distributed to authority members upon request. The Attorney General
17 may act as legal adviser and attorney for the authority, and the authority may
18 contract for legal services, notwithstanding the limitations of KRS Chapter 12 or
19 13B.

20 (11) (a) All expenses incurred by or on behalf of the Kentucky Public Pensions
21 Authority shall be paid by the systems administered by the Kentucky
22 Retirement Systems or the County Employees Retirement System and shall be
23 prorated, assigned, or allocated to each system as determined by Kentucky
24 Public Pensions Authority. Any additional initial costs determined by the
25 authority to be attributable solely to establishing a separate County Employees
26 Retirement System board and the Kentucky Public Pensions Authority as
27 provided by this section and KRS 78.782 shall be paid by the County

1 Employees Retirement System. Any additional ongoing annual administrative
2 and investment expenses that occur after the establishment of a separate
3 County Employees Retirement System board and the Kentucky Public
4 Pensions Authority that are determined by the authority to be a direct result of
5 establishing a separate County Employees Retirement System board and the
6 Kentucky Public Pensions Authority shall be paid by the County Employees
7 Retirement System.

8 (b) Any other statute to the contrary notwithstanding, authorization for all
9 expenditures relating to the administrative operations of the Kentucky
10 Public Pensions Authority, the Kentucky Retirement Systems, and the
11 County Employees Retirement System shall be contained in the biennial
12 budget unit request, branch budget recommendation, and the financial plan
13 adopted by the General Assembly pursuant to KRS Chapter 48. The request
14 from the Kentucky Public Pensions Authority shall include any specific
15 administrative expenses requested by the Kentucky Retirement Systems
16 board of trustees or the County Employees Retirement System board of
17 trustees pursuant to subsection (13) of Section 29 of this Act or subsection
18 (13) of Section 66 of this Act, as applicable, that are not otherwise expenses
19 specified by paragraph (a) of this subsection.

20 (12) (a) An authority member shall discharge his or her duties as a member of the
21 authority, including his or her duties as a member of a committee of the
22 authority:

- 23 1. In good faith;
- 24 2. On an informed basis; and
- 25 3. In a manner he or she honestly believes to be in the best interest of the
26 County Employees Retirement System and the Kentucky Retirement
27 Systems, as applicable.

- 1 (b) An authority member discharges his or her duties on an informed basis if,
2 when he or she makes an inquiry into the business and affairs of the authority,
3 system, or systems or into a particular action to be taken or decision to be
4 made, he or she exercises the care an ordinary prudent person in a like
5 position would exercise under similar circumstances.
- 6 (c) In discharging his or her duties, an authority member may rely on information,
7 opinions, reports, or statements, including financial statements and other
8 financial data, if prepared or presented by:
- 9 1. One (1) or more officers or employees of the authority whom the
10 authority member honestly believes to be reliable and competent in the
11 matters presented;
 - 12 2. Legal counsel, public accountants, actuaries, or other persons as to
13 matters the authority member honestly believes are within the person's
14 professional or expert competence; or
 - 15 3. A committee of the authority of which he or she is not a member if the
16 authority member honestly believes the committee merits confidence.
- 17 (d) An authority member shall not be considered as acting in good faith if he or
18 she has knowledge concerning the matter in question that makes reliance
19 otherwise permitted by paragraph (c) of this subsection unwarranted.
- 20 (e) Any action taken as a member of the authority, or any failure to take any
21 action as an authority member, shall not be the basis for monetary damages or
22 injunctive relief unless:
- 23 1. The authority member has breached or failed to perform the duties of the
24 member's office in compliance with this section; and
 - 25 2. In the case of an action for monetary damages, the breach or failure to
26 perform constitutes willful misconduct or wanton or reckless disregard
27 for human rights, safety, or property.

(f) A person bringing an action for monetary damages under this section shall have the burden of proving by clear and convincing evidence the provisions of paragraph (e)1. and 2. of this subsection, and the burden of proving that the breach or failure to perform was the legal cause of damages suffered by the Kentucky Retirement Systems or County Employees Retirement System, as applicable.

(g) In discharging his or her administrative duties under this section, an authority member shall strive to administer the systems in an efficient and cost-effective manner for the taxpayers of the Commonwealth of Kentucky and shall take all actions available under the law to contain costs for the trusts, including costs for participating employers, members, and retirees.

➔Section 77. KRS 61.650 (Effective April 1, 2021) is amended to read as follows:

(1) (a) The board shall be the trustee of ~~the several~~ funds created by KRS 16.510, 61.515, and 61.701 pertaining~~[as it pertains]~~ to the accounts for the Kentucky Employees Retirement System or State Police Retirement System~~[trust fund for the Kentucky Retirement Systems insurance trust fund]~~, notwithstanding the provisions of any other statute to the contrary, and shall have exclusive power to invest and reinvest such assets~~[funds]~~ in accordance with federal law.

(b) 1. The board shall establish an investment committee whose membership shall be composed of the following:

a. The three (3) trustees of the Kentucky Retirement Systems board appointed by the Governor pursuant to KRS 61.645 who have investment experience; and

b. Additional trustees appointed by the board chair.

2. The investment committee shall have authority to implement the

1 investment policies adopted by the board and act on behalf of the board
2 on all investment-related matters and to acquire, sell, safeguard,
3 monitor, and manage the assets and securities of the several funds.

4 (c) A trustee, officer, employee, employee of the Kentucky Public Pensions
5 Authority, or other fiduciary shall discharge duties with respect to the
6 retirement system:

- 7 1. Solely in the interest of the members and beneficiaries;
- 8 2. For the exclusive purpose of providing benefits to members and
9 beneficiaries and paying reasonable expenses of administering the
10 system;
- 11 3. With the care, skill, and caution under the circumstances then prevailing
12 that a prudent person acting in a like capacity and familiar with those
13 matters would use in the conduct of an activity of like character and
14 purpose;
- 15 4. Impartially, taking into account any differing interests of members and
16 beneficiaries;
- 17 5. Incurring any costs that are appropriate and reasonable; and
- 18 6. In accordance with a good-faith interpretation of the law governing the
19 retirement system.

20 (d) In addition to the standards of conduct prescribed by paragraph (c) of this
21 subsection:

- 22 1. All internal investment staff~~], including investment staff]~~ of the
23 Kentucky Public Pensions Authority, and investment consultants shall
24 adhere to the Code of Ethics and Standards of Professional Conduct, and
25 all board trustees shall adhere to the Code of Conduct for Members of a
26 Pension Scheme Governing Body. All codes cited in this subparagraph
27 are promulgated by the CFA Institute; and

1 2. Investment managers shall comply with all applicable provisions of the
2 federal Investment Advisers Act of 1940, as amended, and the rules and
3 regulations promulgated thereunder, and shall comply with all other
4 applicable federal securities statutes and related rules and regulations
5 that apply to investment managers.

6 (2) *The board, through adopted written policies, shall maintain ownership and*
7 *control over its assets held in its unitized managed custodial account*~~[All~~
8 ~~securities acquired under authority of KRS 61.510 to 61.705 shall be registered in~~
9 ~~the name "Kentucky Retirement Systems" or nominee name as provided by KRS~~
10 ~~286.3 225 and every change in registration, by reason of sale or assignment of such~~
11 ~~securities, shall be accomplished pursuant to written policies adopted by the board].~~

12 (3) The board, in keeping with its responsibility as trustee and wherever consistent with
13 its fiduciary responsibilities, shall give priority to the investment of funds in
14 obligation calculated to improve the industrial development and enhance the
15 economic welfare of the Commonwealth.

16 (4) The contents of real estate appraisals, engineering or feasibility estimates, and
17 evaluations made by or for the system relative to the acquisition or disposition of
18 property, until such time as all of the property has been acquired or sold, shall be
19 excluded from the application of KRS 61.870 to 61.884 and shall be subject to
20 inspection only upon order of a court of competent jurisdiction.

21 (5) Based upon market value at the time of purchase, the board shall limit the amount
22 of assets managed by any one (1) active or passive investment manager to fifteen
23 percent (15%) of the assets in the pension and insurance funds.

24 (6) All contracts for the investment or management of assets of the systems shall not be
25 subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct the
26 following process to develop and adopt an investment procurement policy with
27 which all prospective contracts for the investment or management of assets of the

1 systems shall comply:

- 2 (a) On or before July 1, 2017, the board shall consult with the secretary of the
3 Finance and Administration Cabinet or his or her designee to develop an
4 investment procurement policy, which shall be written to meet best practices
5 in investment management procurement;
- 6 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary
7 investment procurement policy to the secretary of the Finance and
8 Administration Cabinet or his or her designee for review and comment;
- 9 (c) Upon receipt of comments from the secretary of the Finance and
10 Administration Cabinet or his or her designee, the board shall choose to adopt
11 or not adopt any recommended changes;
- 12 (d) Upon adoption, the board shall tender the final investment procurement policy
13 to the secretary of the Finance and Administration Cabinet or his or her
14 designee;
- 15 (e) No later than thirty (30) days after receipt of the investment procurement
16 policy, the secretary or his or her designee shall certify whether the board's
17 investment procurement policy meets or does not meet best practices for
18 investment management procurement; and
- 19 (f) Any amendments to the investment procurement policy shall adhere to the
20 requirements set forth by paragraphs (b) to (e) of this subsection.

21 ➔Section 78. KRS 61.557 is amended to read as follows:

- 22 (1) Inasmuch as the takeover of the Kentucky State Employment Service by the federal
23 government, through its United States Employment Service and War Manpower
24 Commission, was recognized by both federal and state governments as a temporary
25 measure during the war emergency, and the employment service was, in fact,
26 returned to the state government at the close of the emergency period, the
27 employees of the service are recognized as employees of the Commonwealth for the

1 purposes of KRS 61.510 to 61.692 during the period of control by the federal
2 government, in the same manner as if they had been employed in another
3 department of the government of the Commonwealth during that period.

- 4 (2) If a parted employer rejoins a department as a result of the cancellation of a contract
5 or lease arrangement, thereby causing each employee thereof to again become an
6 employee as defined in KRS 61.510(5), the system may negotiate with the publicly
7 held corporation or other similar organizations for payment for the years of service
8 credit under the system for all employees working on the date the contract or other
9 lease arrangement is canceled in order to avoid an impairment in the retirement
10 benefits of the employees, if any payment accepted by the system for the service is
11 consistent with the provisions of subsections (7)(b) and (8) of Section 52 of this
12 Act~~[KRS 61.552(6) and (8)]~~. No payment made pursuant to this section shall be
13 picked up by the employer, as described in KRS 61.560(4).

14 ➔Section 79. KRS 61.701 (Effective April 1, 2021) is amended to read as
15 follows:

- 16 (1) (a) There is hereby ***maintained***~~[created and established]~~ a trust fund ~~{to be~~
17 ~~}~~known as "Kentucky Retirement Systems insurance trust fund."~~{and a trust~~
18 ~~fund to be known as the "County Employees Retirement System insurance~~
19 ~~trust fund."}~~
- 20 (b) ~~{All assets received in the Kentucky Retirement Systems }~~Insurance trust fund
21 ***assets*** shall be deemed trust funds to be held and applied solely as provided in
22 this section. Assets ~~{of the trust fund }~~shall not be used for any other purpose
23 and shall not be used to pay the claims of creditors or any individual, person,
24 or employer participating in the Kentucky Employees Retirement System,
25 ***County Employees Retirement System***, or State Police Retirement System.
- 26 (c)~~{ All assets received in the County Employees Retirement System insurance~~
27 ~~trust fund shall be deemed trust funds to be held and applied solely as~~

1 provided in this section. Assets of the trust fund shall not be used for any other
2 purpose and shall not be used to pay the claims of creditors or any individual,
3 person, or employer participating in the County Employees Retirement
4 System.

5 (d)] The trust fund has been [is intended to be] established as a trust exempt from
6 taxation under 26 U.S.C. sec. 115.

7 [(e) Effective April 1, 2021, the assets held in the Kentucky Retirement Systems
8 insurance trust fund as of March 31, 2021, that were attributable to
9 contributions made by County Employees Retirement System members,
10 employers, or recipients and the resulting investment returns shall be
11 transferred to the County Employees Retirement System insurance trust fund.]

12 (2) The insurance trust fund has been [funds are] created for the purpose of providing a
13 trust separate from the retirement funds. Trust fund assets are dedicated for use for
14 health benefits as provided in KRS 61.702, and Section 14 of this Act, and as
15 permitted under 26 U.S.C. secs. 105 and 106, to retired recipients and employees of
16 employers participating in the Kentucky Employees Retirement System [as it relates
17 to the Kentucky Retirement Systems insurance trust fund], County Employees
18 Retirement System [as it relates to the County Employees Retirement System
19 insurance trust fund], and State Police Retirement System [as it relates to the
20 Kentucky Retirement Systems insurance trust fund], and to certain of their
21 dependents or beneficiaries, including but not limited to qualified beneficiaries as
22 described in 42 U.S.C. secs. 300bb-1 et seq.

23 (3) [The Kentucky Retirement Systems insurance trust fund shall be administered by
24 the board of trustees of the Kentucky Retirement Systems and the County
25 Employees Retirement System insurance trust fund shall be administered by the
26 board of trustees of the County Employees Retirement System and the respective
27 board shall serve as trustees of the fund.] The boards shall manage the assets of the

1 insurance fund~~[funds]~~ in the same manner in which the respective board
2 administers its retirement funds, except that separate accounting and financial
3 reporting shall be maintained for the insurance trust fund~~[funds]~~.

4 (4) In addition to the requirements of subsection (2) of this section, the employers
5 participating in the trust funds are limited to the Commonwealth, political
6 subdivisions of the Commonwealth, and entities whose income is exempt from
7 taxation under 26 U.S.C. sec. 115. No other entity may participate in the insurance
8 trust funds.

9 (5) If ~~the~~^a insurance trust fund is terminated, the assets in the insurance trust fund
10 may revert, after the payment of all liabilities, to the participating employers as
11 determined by the board of trustees.

12 (6) The respective board of trustees may adopt regulations and procedures and take all
13 action necessary and appropriate to provide that the income of the insurance trust
14 fund the board administers is exempt from taxation under Title 26 of United States
15 Code.

16 (7) The establishment of the Kentucky Retirement Systems insurance trust fund~~[or the~~
17 ~~County Employees Retirement System insurance trust fund]~~ shall not diminish or
18 expand the rights of any recipients, employees, or dependents to health benefits.

19 ➔Section 80. KRS 70.293 (Effective April 1, 2021) is amended to read as
20 follows:

21 (1) Individuals employed under KRS 70.291 to 70.293 shall:

22 (a) Serve for a term not to exceed one (1) year. The one (1) year employment term
23 may be renewed annually at the discretion of the employing county police
24 department or sheriff's office;

25 (b) Receive compensation according to the standard procedures applicable to the
26 employing county police department or sheriff's office; and

27 (c) Be employed based upon need as determined by the county police department

1 or the employing sheriff's office.

2 (2) Notwithstanding any provisions of KRS 16.505 to 16.652, 18A.225 to 18A.2287,
3 61.510 to 61.705, or 78.510 to 78.852 to the contrary:

4 (a) Individuals employed under KRS 70.291 to 70.293 shall continue to receive
5 all retirement and health insurance benefits to which they were entitled upon
6 retiring in the applicable system administered by Kentucky Retirement
7 Systems or the County Employees Retirement System;

8 (b) Individuals employed under KRS 70.291 to 70.293 shall not be eligible to
9 receive health insurance coverage through the county police department, the
10 sheriff's office, or the fiscal court of the county police department or sheriff's
11 office;

12 (c) The county police department, sheriff's office, or fiscal court of the county
13 police department or sheriff's office shall not pay any employer contributions
14 or retiree health expense reimbursements to the Kentucky Retirement Systems
15 required by subsection (4) of Section 16 of this Act or subsection (17) of
16 Section 65 of this Act~~[KRS 61.637(17)]~~ for individuals employed under KRS
17 70.291 to 70.293; and

18 (d) The county police department, sheriff's office, or fiscal court of the county
19 police department or sheriff's office shall not pay any insurance contributions
20 to the state health insurance plan, as provided by KRS 18A.225 to 18A.2287,
21 for individuals employed under KRS 70.291 to 70.293.

22 (3) Individuals employed under KRS 70.291 to 70.293 shall be subject to any merit
23 system, civil service, or other legislative due process provisions applicable to the
24 county police department or sheriff's office. A decision not to renew a one (1) year
25 appointment term under this section shall not be considered a disciplinary action or
26 deprivation subject to due process.

27 ➔Section 81. KRS 95.022 (Effective April 1, 2021) is amended to read as

1 follows:

2 (1) As used in this section:

3 (a) "City" means any incorporated city, consolidated local government, unified
4 local government, urban-county government, or charter county government,
5 operating under the law of this Commonwealth, and the offices and agencies
6 thereof; and

7 (b) "Police officer" has the same meaning as "police officer" in KRS 15.420 and
8 as "officer" in KRS 16.010.

9 (2) Subject to the limitations of subsection (7) of this section, a city may employ
10 individuals as police officers under this section who have retired from the Kentucky
11 Employees Retirement System, the County Employees Retirement System, or the
12 State Police Retirement System.

13 (3) To be eligible for employment under this section, an individual shall have:

14 (a) Participated in the Law Enforcement Foundation Program fund under KRS
15 15.410 to 15.510 or retired as a commissioned officer pursuant to KRS
16 Chapter 16;

17 (b) Retired with at least twenty (20) years of service credit;

18 (c) Been separated from service for the period required by KRS 61.637 and
19 Section 16 of this Act so that the member's retirement is not voided;

20 (d) Retired with no administrative charges pending; and

21 (e) Retired with no preexisting agreement between the individual and the city
22 prior to the individual's retirement for the individual to return to work for the
23 city.

24 (4) Individuals employed under this section shall:

25 (a) Serve for a term not to exceed one (1) year. The one (1) year employment term
26 may be renewed annually at the discretion of the employing city;

27 (b) Receive compensation according to the standard procedures applicable to the

1 employing city; and

2 (c) Be employed based upon need as determined by the employing city.

3 (5) Notwithstanding any provisions of KRS 16.505 to 16.652, 18A.225 to 18A.2287,
4 61.510 to 61.705, or 78.510 to 78.852 to the contrary:

5 (a) Individuals employed under this section shall continue to receive all
6 retirement and health insurance benefits to which they were entitled upon
7 retiring in the applicable system administered by Kentucky Retirement
8 Systems or the County Employees Retirement System;

9 (b) Individuals employed under this section shall not be eligible to receive health
10 insurance coverage through the employing city;

11 (c) The city shall not pay any employer contributions or retiree health expense
12 reimbursements to the Kentucky Retirement Systems required by KRS
13 61.637~~[(17)]~~ for individuals employed under this section; and

14 (d) The city shall not pay any insurance contributions to the state health insurance
15 plan, as provided by KRS 18A.225 to 18A.2287, for individuals employed
16 under this section.

17 (6) Individuals employed under this section shall be subject to any merit system, civil
18 service, or other legislative due process provisions applicable to the employing city.
19 A decision not to renew a one (1) year appointment term under this section shall not
20 be considered a disciplinary action or deprivation subject to due process.

21 (7) A city government shall be limited in the number of retired police officers that it
22 may hire under this section as follows:

23 (a) A city government that employed an average of five (5) or fewer police
24 officers over the course of calendar year 2015 shall not be limited in the
25 number of officers that they may hire under this section;

26 (b) A city government that employed an average of more than five (5) but fewer
27 than one hundred (100) police officers over the course of calendar year 2015

1 shall not hire more than five (5) police officers or a number equal to twenty-
2 five percent (25%) of the police officers employed by the city in calendar year
3 2015, whichever is greater; and

4 (c) A city government that employed an average of one hundred (100) or more
5 police officers over the course of calendar year 2015 shall not hire more than
6 twenty-five (25) police officers or a number equal to ten percent (10%) of the
7 police officers employed by the city in calendar year 2015, whichever is
8 greater.

9 (8) Retired police officers employed by a city government for purposes of KRS
10 158.4414 shall not apply against the limitations provided by subsection (7) of this
11 section.

12 ➔Section 82. KRS 161.155 is amended to read as follows:

13 (1) As used in this section:

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

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

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

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

27 (e) "Assault" shall mean an act that intentionally causes injury so significant that

1 the victim is determined to be, by certification of a physician or surgeon duly
2 qualified under KRS Chapter 342, incapable of performing the duties of his or
3 her job.

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

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

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

1 342, whichever is sooner;

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

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

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

17 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this
18 subsection shall be coordinated with workers' compensation benefits under
19 KRS Chapter 342, disability retirement benefits for teachers under KRS
20 161.661 to 161.663, and disability retirement benefits for employees under
21 KRS 61.600 to 61.621 and Sections 7 to 11 of this Act~~[78.545]~~ so that the
22 teacher or employee receives income equivalent to his or her full contracted
23 salary, but in no event shall the combined payments exceed one hundred
24 percent (100%) of the teacher's or employee's full contracted salary.

25 (4) Days of sick leave not taken by an employee or a teacher during any school year
26 shall accumulate without limitation and be credited to that employee or teacher.
27 Accumulated sick leave may be taken in any school year. Any district board of

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

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

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

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

26 (8) (a) A district board of education shall establish a sick leave donation program to
27 permit teachers or employees to voluntarily contribute sick leave to teachers

1 or employees in the same school district who are in need of an extended
2 absence from school. A teacher or employee who has accrued more than
3 fifteen (15) days' sick leave may request the board of education to transfer a
4 designated amount of sick leave to another teacher or employee who is
5 authorized to receive the sick leave donated. A teacher or employee may not
6 request an amount of sick leave be donated that reduces his or her sick leave
7 balance to less than fifteen (15) days.

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

- 9 1. a. The teacher or employee or a member of his or her immediate
10 family suffers from a medically certified illness, injury,
11 impairment, or physical or mental condition that has caused or is
12 likely to cause the teacher or employee to be absent for at least ten
13 (10) days; or
- 14 b. The teacher or employee suffers from a catastrophic loss to his or
15 her personal or real property, due to either a natural disaster or fire,
16 that either has caused or will likely cause the employee to be
17 absent for at least ten (10) consecutive working days;
- 18 2. The teacher's or employee's need for the absence and use of leave are
19 certified by a licensed physician for leave requested under subparagraph
20 1.a. of this subsection;
- 21 3. The teacher or employee has exhausted his or her accumulated sick
22 leave, personal leave, and any other leave granted by the school district;
23 and
- 24 4. The teacher or employee has complied with the school district's policies
25 governing the use of sick leave.

26 (c) While a teacher or employee is on sick leave provided by this section, he or
27 she shall be considered a school district employee, and his or her salary,

1 wages, and other employee benefits shall not be affected.

2 (d) Any sick leave that remains unused, is not needed by a teacher or employee,
3 and will not be needed in the future shall be returned to the teacher or
4 employee donating the sick leave.

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

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

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

26 (b) For a teacher or employee who begins employment with a local school district
27 on or after July 1, 2008, the maximum amount of unused sick leave days a

1 district board of education may recognize in calculating the payment of
2 compensation to the teacher or employee under this subsection shall not
3 exceed three hundred (300) days.

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

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

12 ➔Section 83. KRS 161.675 is amended to read as follows:

13 (1) The board of trustees shall arrange by appropriate contract or on a self-insured basis
14 to provide a broad program of group hospital and medical insurance for present and
15 future eligible recipients of a retirement allowance from the Teachers' Retirement
16 System. The board of trustees may also arrange to provide health insurance
17 coverage through an insurer licensed pursuant to Subtitle 38 of KRS Chapter 304
18 and offering a managed care plan as defined in KRS 304.17A-500 as an alternative
19 to group hospital and medical insurance for persons eligible for hospital and
20 medical benefits under this section. The board of trustees may authorize eligible
21 recipients of a retirement allowance from the Teachers' Retirement System who are
22 less than age sixty-five (65) to be included in the state-sponsored health insurance
23 that is provided to active teachers and state employees under KRS 18A.225.
24 Members who are sixty-five (65) or older and retired for service shall not be eligible
25 to participate in the state employee health insurance program as described in KRS
26 18A.225.

27 (2) (a) The coverage provided shall be as set forth in the contracts and the

1 administrative regulations of the board of trustees. The board of trustees may
2 change the levels of coverage and eligibility conditions to meet the changing
3 needs of the annuitants and, when necessary, to contain the expenses of the
4 insurance program within the funds available to finance the insurance
5 program, except as provided by paragraph (b) of this subsection. The contracts
6 and administrative regulations shall provide for but not be limited to hospital
7 room and board, surgical procedures, doctors' care in the hospital, and
8 miscellaneous hospital costs. An annuitant whose effective date of retirement
9 is July 1, 1974, and thereafter, must have a minimum of five (5) years'
10 creditable Kentucky service in the Teachers' Retirement System or five (5)
11 years of combined creditable service in the state-administered retirement
12 systems if the member is retiring under the reciprocity provisions of KRS
13 61.680, ~~and~~ 61.702, and Section 14 of this Act. An annuitant shall not elect
14 coverage through more than one (1) of the state-administered retirement
15 systems. The board of trustees shall offer coverage to the disabled child of an
16 annuitant regardless of the disabled child's age if the annuitant pays the entire
17 premium for the disabled child's coverage. A child shall be considered
18 disabled if he has been determined to be eligible for federal Social Security
19 disability benefits.

20 (b) Individuals who become members of the Kentucky Teachers' Retirement
21 System on or after July 1, 2008, shall not be eligible for benefits under this
22 section unless the member has at least fifteen (15) or more years of service
23 credited under KRS 161.500 or another state-administered retirement system.

24 (3) All expenses for benefits under this section shall be paid from the funding
25 provisions contained in KRS 161.420(5), from a trust fund established by the board
26 under 26 U.S.C. sec. 115, premium charges received from the annuitants and the
27 spouses, and from funds that may be appropriated or allocated by statute.

1 (4) (a) The board of trustees shall determine the amount of health insurance
 2 supplement payments that the Teachers' Retirement System will provide to
 3 assist eligible annuitants in paying the cost of their health insurance, based on
 4 the funds available in the medical insurance fund and any trust fund
 5 established by the board for this purpose under 26 U.S.C. sec. 115. The board
 6 of trustees shall establish the maximum monthly amounts of health insurance
 7 supplement payments that will be made by the Kentucky Teachers' Retirement
 8 System for eligible annuitants. The board of trustees shall annually establish
 9 the percentage of the maximum monthly health insurance supplement
 10 payment that will be made, based on age and years of service credit of eligible
 11 recipients of a retirement allowance. Monthly health insurance supplement
 12 payments made by the retirement system may not exceed the amount of the
 13 single coverage insurance premium chosen by the eligible annuitants. In order
 14 to qualify for health insurance supplements, the annuitant must agree to pay
 15 the difference between the insurance premium and the applicable supplement
 16 payment, by payroll deduction from his retirement allowance, or by a payment
 17 method approved by the retirement system.

18 (b) The board shall, effective July 1, 2010, have the authority to charge retired
 19 members who are not paying the Standard Medicare Part B premium an
 20 amount equal to the Standard Medicare Part B premium in addition to any
 21 other payments determined by the board to be necessary to contain costs
 22 within the available funding. If the board determines that retired members
 23 who are not paying the Standard Medicare Part B premium should pay the
 24 equivalent of the Standard Medicare Part B premium, the board shall phase in
 25 the premium according to the following schedule:

26 July 1, 2010.....Thirty-three percent (33%)
 27 July 1, 2011.....Sixty-seven percent (67%)

1 July 1, 2012, and thereafter..... One hundred percent (100%)

2 Nothing in this paragraph shall limit the board's authority to change the levels
3 of coverage, eligibility conditions, or levels of health insurance supplement
4 for retirees in order to contain costs within available funding.

5 (c) The board of trustees may offer, on a full-cost basis, health care insurance
6 coverage provided by the retirement system to spouses and dependents of
7 eligible annuitants not otherwise eligible for regular coverage. Recipients of a
8 retirement allowance from the retirement system must agree to pay the cost of
9 this coverage by payroll deduction from their retirement allowance or by a
10 payment method approved by the retirement system.

11 (d) The board of trustees shall offer, on a full-cost basis, health insurance
12 coverage provided by the retirement system to the disabled child of an
13 annuitant, regardless of the age of the disabled child. A child shall be
14 considered disabled for purposes of this section if the child has been
15 determined to be eligible for federal Social Security disability benefits.

16 (5) The board of trustees is empowered to require the annuitant and the annuitant's
17 spouse to pay a premium charge to assist in the financing of the hospital and
18 medical insurance program. The board of trustees is empowered to pay the expenses
19 for insurance coverage from the medical insurance fund, from any trust fund
20 established by the board for this purpose under 26 U.S.C. sec. 115, from the
21 premium charges received from the annuitants and the spouses, and from funds that
22 may be appropriated or allocated by statute. The board may provide insurance
23 coverage by making payment to insurance carriers including health insurance plans
24 that are available to active and retired state employees and active teachers,
25 institutions, and individuals for services performed, or the board of trustees may
26 elect to provide insurance on a "self-insurance" basis or a combination of these
27 provisions.

- 1 (6) The board of trustees may approve health insurance supplement payments to
2 eligible annuitants who are less than sixty-five (65) years of age, as reimbursement
3 for hospital and medical insurance premiums made by annuitants for their
4 individual coverage. Eligible annuitants or recipients are those annuitants who are
5 not eligible for Medicare and who do not reside in Kentucky or in an area outside of
6 Kentucky where comparable coverage is available. The reimbursement payments
7 shall not exceed the minimum supplement payment that would have been made had
8 the annuitant lived in Kentucky. Eligible annuitants or recipients shall submit proof
9 of payment to the retirement system for hospital and medical insurance that they
10 have obtained. Reimbursement payments shall be made on a quarterly basis.
- 11 (7) Contracts negotiated may include the provision that a stated amount of hospital cost
12 or period of hospitalization shall incur no obligation on the part of the insurance
13 carrier or the retirement system or any trust fund established for this purpose by the
14 board.
- 15 (8) The board of trustees is empowered to promulgate administrative regulations to
16 assure efficient operation of the hospital and medical insurance program.
- 17 (9) Premiums paid for hospital and medical insurance coverage procured under
18 authority of this section shall be exempt from any premium tax which might
19 otherwise be required under KRS Chapter 136. The payment of premiums by the
20 medical insurance fund or another trust fund established by the board for this
21 purpose shall not constitute taxable income to an insured recipient.
- 22 (10) In the event that a member is providing services on less than a full-time basis under
23 KRS 161.605, the retirement system may pay the full cost of the member's health
24 insurance coverage for the full fiscal year that the member is providing those
25 services, at the conclusion of which, the retirement system may then bill the active
26 employer and the active employer shall reimburse the retirement system for the cost
27 of the health insurance coverage incurred by the retirement system on a pro rata

1 basis for the time that the member was employed by the active employer.

2 ➔Section 84. KRS 164.952 is amended to read as follows:

3 (1) As used in this section:

4 (a) "Police officer" has the same meaning as "police officer" in KRS 15.420, as
5 "police officer" in KRS 164.950 to 164.980, and as "officer" in KRS 16.010;
6 and

7 (b) "Postsecondary institution" means any public institution of postsecondary
8 education authorized to establish a police department pursuant to KRS
9 164.950 to 164.980 that participates in the Kentucky Employees Retirement
10 System.

11 (2) Subject to the limitations of subsection (7) of this section, a postsecondary
12 institution may employ individuals as police officers under this section who have
13 retired from the Kentucky Employees Retirement System, the County Employees
14 Retirement System, or the State Police Retirement System.

15 (3) To be eligible for employment under this section, an individual shall have:

16 (a) Participated in the Law Enforcement Foundation Program fund under KRS
17 15.410 to 15.510, retired as a commissioned officer pursuant to KRS Chapter
18 16, or retired as a police officer from a postsecondary institution;

19 (b) Retired with at least twenty (20) years of service credit;

20 (c) Been separated from service for the period required by KRS 61.637 or Section
21 16 of this Act so that the member's retirement is not voided;

22 (d) Retired with no administrative charges pending; and

23 (e) Retired with no preexisting agreement between the individual and the
24 postsecondary institution prior to the individual's retirement for the individual
25 to return to work for the postsecondary institution.

26 (4) Individuals employed under this section shall:

27 (a) Serve for a term not to exceed one (1) year. The one (1) year employment term

- 1 may be renewed annually at the discretion of the employing postsecondary
2 institution;
- 3 (b) Receive compensation according to the standard procedures applicable to the
4 employing postsecondary institution; and
- 5 (c) Be employed based upon need as determined by the employing postsecondary
6 institution.
- 7 (5) Notwithstanding any provisions of KRS 16.505 to 16.652, 18A.225 to 18A.2287,
8 61.510 to 61.705, or 78.510 to 78.852 to the contrary:
- 9 (a) Individuals employed under this section shall continue to receive all
10 retirement and health insurance benefits to which they were entitled upon
11 retiring in the applicable system administered by Kentucky Retirement
12 Systems;
- 13 (b) Individuals employed under this section shall not be eligible to receive health
14 insurance coverage through the employing postsecondary institution;
- 15 (c) The postsecondary institution shall not pay any employer contributions or
16 retiree health expense reimbursements to the Kentucky Retirement Systems
17 required by KRS 61.637(17) for individuals employed under this section; and
- 18 (d) The postsecondary institution shall not pay any insurance contributions to the
19 state health insurance plan, as provided by KRS 18A.225 to 18A.2287, for
20 individuals employed under this section.
- 21 (6) Individuals employed under this section shall be subject to any legislative due
22 process provisions applicable to police officers of the employing postsecondary
23 institution. A decision not to renew a one (1) year appointment term under this
24 section shall not be considered a disciplinary action or deprivation subject to due
25 process.
- 26 (7) The number of retired police officers a postsecondary institution may hire under the
27 provisions of this section shall be limited to five (5) retired police officers or a

1 number equal to twenty-five percent (25%) of the police officers employed by the
2 postsecondary institution in calendar year 2018, whichever is greater.

3 ➔Section 85. The following KRS sections are repealed:

4 61.5956 Optional 401(a) money purchase plan for new nonhazardous members who
5 begin participating in KERS or CERS on or after January 1, 2019. (Declared void --
6 See LRC Note Below)

7 61.555 Service credit, creditable compensation, and other credits for military
8 service. (Effective April 1, 2021)

9 61.5525 Method for determining purchase of service credit -- Exceptions.

10 ➔Section 86. No provisions of this Act shall increase or decrease benefits being
11 paid to retirees, beneficiaries, or recipients of the Kentucky Retirement Systems or the
12 County Employees Retirement System nor shall any provisions of this Act increase or
13 decrease benefits that have accrued to members of the Kentucky Retirement Systems or
14 the County Employees Retirement System on the effective date of this Act.

15 ➔Section 87. The provisions of this Act shall not be construed to limit the
16 General Assembly's authority to amend, reduce, or suspend any provision of KRS 16.505
17 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, that the General Assembly had the
18 authority to amend, reduce, or suspend, prior to April 1, 2021.

19 ➔Section 88. Members of the board of the Kentucky Retirement Systems and the
20 County Employees Retirement System who will serve on these respective boards on or
21 after April 1, 2021, may meet prior to April 1, 2021, for purposes of discussion and
22 preparing for the establishment of separate boards but no official action may be taken by
23 these boards until April 1, 2021.

24 ➔Section 89. The individual serving as the Executive Director of the Kentucky
25 Retirement Systems immediately prior to April 1, 2021, shall serve as the interim
26 Executive Director of the Kentucky Public Pensions Authority until a permanent
27 Executive Director is established by the authority. On or before July 1, 2021, the

1 Kentucky Public Pensions Authority shall select an individual to serve as the permanent
2 Executive Director.

3 ➔Section 90. Whereas the effective transfer of the County Employees Retirement
4 System is imperative to the members of all state-administered retirement systems, an
5 emergency is declared to exist and this Act takes effect on April 1, 2021, except that
6 Section 88 shall take effect upon its passage and approval by the Governor or upon its
7 otherwise becoming a law.