

1 AN ACT relating to actuarial investigations.

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

3 ➔Section 1. KRS 21.440 is amended to read as follows:

- 4 (1) (a) The investment committee for the judicial retirement fund shall at least once
5 in every two (2) year period procure an actuarial valuation of the judicial
6 retirement fund. The valuation shall, at a minimum, include:
- 7 1. A description of the actuarial assumptions used in the actuarial
8 valuation, which shall be reasonably related to the experience of the
9 fund and represent the actuary's best estimate of anticipated experience;
 - 10 2. A description of any funding methods utilized or required by state law in
11 the development of the actuarial valuation results;
 - 12 3. A description of any changes in actuarial assumptions and methods from
13 the previous year's actuarial valuation;
 - 14 4. The actuarially recommended contribution rate for employers for the
15 upcoming budget periods;
 - 16 5. A thirty (30) year projection of the funding levels, unfunded liabilities,
17 and actuarially recommended contribution rates for employers based
18 upon the actuarial assumptions, funding methods, and experience of the
19 system as of the valuation date; ~~and~~
 - 20 6. A sensitivity analysis that evaluates the impact of changes in plan
21 assumptions, including but not limited to the investment return
22 assumption, payroll growth assumption, and medical inflation
23 assumptions, on employer contribution rates, funding levels, and
24 unfunded liabilities; ***and***
 - 25 ***7. An actuarial investigation to be made of all of the economic***
26 ***experience under the plans, including but not limited to the inflation***
27 ***rate and investment return assumptions, relative to the economic***

1 assumptions and funding methods previously adopted by the board.
 2 The actuarial investigation shall include at a minimum a summary of
 3 the changes in actuarial assumptions and funding methods
 4 recommended in the investigation and the projected impact of the
 5 recommended changes on funding levels, unfunded liabilities, and
 6 actuarially recommended contribution rates for employers over a
 7 thirty (30) year period.

8 (b) At least once in each five (5) year period, the board of trustees of the Judicial
 9 Form Retirement System shall cause an actuarial investigation to be made of
 10 all the relevant demographic experience under the retirement plan, including
 11 but not limited to mortality tables, withdrawal rates, and retirement rate
 12 assumptions, relative to the demographic actuarial assumptions ~~and funding~~
 13 ~~methods~~ previously adopted by the board. The actuarial investigation shall
 14 include at a minimum a summary of the changes in actuarial assumptions ~~and~~
 15 ~~funding methods~~ recommended in the investigation and the projected impact
 16 of the recommended changes on funding levels, unfunded liabilities, and
 17 actuarially recommended contribution rates for employers over a thirty (30)
 18 year period.

19 (c) Pursuant to the investigation, the board shall from time to time revise the
 20 actuarial tables previously adopted by the board and shall thereupon revise the
 21 bases of the rates of contributions required under KRS 21.345 to 21.580.

22 (d) For any change in actuarial assumptions, funding methods, retiree health
 23 insurance premiums and subsidies, or any other decisions made by the board
 24 that impact system liabilities and actuarially recommended contribution rates
 25 for employers and that are not made in conjunction with the actuarial
 26 investigations ~~investigation~~ required by paragraphs (a)7. and ~~paragraph~~ (b)
 27 of this subsection, an actuarial analysis shall be completed showing the

1 projected impact of the changes on funding levels, unfunded liabilities, and
2 actuarially recommended contribution rates for employers over a thirty (30)
3 year period.

4 (e) A copy of the valuation, each~~[the five (5) year]~~ actuarial investigation, and
5 any analysis required by this subsection shall be forwarded electronically to
6 the Legislative Research Commission within ten (10) days of receipt by the
7 committee, and the Legislative Research Commission shall distribute the
8 information received to the committee staff and co-chairs of any committee
9 that has jurisdiction over the Judicial Form Retirement System. The actuarial
10 valuation required by paragraph (a) of this subsection shall be submitted no
11 later than November 15 following the close of the fiscal year.

12 (f) All the investigations and valuations shall be certified to the board by an
13 actuary who shall be a fellow of the Conference of Consulting Actuaries or a
14 member of the American Academy of Actuaries.

15 (2) (a) The board of trustees of the Judicial Form Retirement System shall annually
16 procure an audit of the system and each of the funds therein. The audit shall
17 be conducted in accordance with generally accepted auditing standards.
18 Except as provided by paragraph (b) of this subsection, the board may select
19 an independent certified public accountant or the Auditor of Public Accounts
20 to perform the audit. If the audit is performed by an independent certified
21 public accountant, the Auditor of Public Accounts shall not be required to
22 perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at
23 his discretion. The board shall make copies of the audit required by this
24 section available for examination by any member or beneficiary in the office
25 of the manager of the system and in such other places as may be necessary to
26 make the audit available to all members and beneficiaries. A copy of the audit
27 shall be sent to the Legislative Research Commission within ten (10) days of

1 receipt by the committee.

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

7 ➔Section 2. KRS 61.670 is amended to read as follows:

8 (1) (a) As soon as practicable after its organization, the board shall adopt the
9 actuarial tables necessary for the administration of the system and for the
10 annual determination of actuarial assets and liabilities of the system.

11 (b) The board shall cause an actuarial valuation to be made annually. The
12 valuation shall at a minimum include:

13 1. A description of the actuarial assumptions used in the actuarial
14 valuation, which shall be reasonably related to the experience of the
15 system and represent the actuary's best estimate of anticipated
16 experience;

17 2. A description of any funding methods utilized or required by state law in
18 the development of the actuarial valuation results;

19 3. A description of any changes in actuarial assumptions and methods from
20 the previous year's actuarial valuation;

21 4. The actuarially recommended contribution rate for employers for the
22 upcoming budget periods;

23 5. A thirty (30) year projection of the funding levels, unfunded liabilities,
24 and actuarially recommended contribution rates for employers based
25 upon the actuarial assumptions, funding methods, and experience of the
26 system as of the valuation date; and

27 6. A sensitivity analysis that evaluates the impact of changes in system

1 assumptions, including but not limited to the investment return
 2 assumption, payroll growth assumption, and medical inflation rates, on
 3 employer contribution rates, funding levels, and unfunded liabilities.

4 (c) **1. At least once in each two (2) year period, the board shall cause an**
 5 **actuarial investigation to be made of all of the economic experience**
 6 **under the retirement system, including but not limited to the inflation**
 7 **rate, investment return, and payroll growth assumptions, relative to**
 8 **the economic assumptions and funding methods previously adopted by**
 9 **the board.**

10 **2.** At least once in each five (5) year period, the board shall cause an
 11 actuarial investigation to be made of all the **demographic** experience
 12 under the retirement system, **including but not limited to mortality**
 13 **tables, withdrawal rates, and retirement rate assumptions,** relative to
 14 the **demographic** actuarial assumptions~~[and funding methods]~~
 15 previously adopted by the board.

16 **3. Each**~~[The]~~ actuarial investigation shall include at a minimum a
 17 summary of the changes in actuarial assumptions and funding methods
 18 recommended in the investigation and the projected impact of the
 19 recommended changes on funding levels, unfunded liabilities, and
 20 actuarially recommended contribution rates for employers over a thirty
 21 (30) year period.

22 (d) Pursuant to the actuarial **investigations**~~[investigation]~~ the board shall, from
 23 time to time, revise the actuarial tables previously adopted by the board and
 24 shall thereupon revise the bases of the rates of contributions required under
 25 KRS 61.510 to 61.692 and KRS 16.505 to 16.652.

26 (e) For any change in actuarial assumptions, funding methods, retiree health
 27 insurance premiums and subsidies, or any other decisions made by the board

1 that impact system liabilities and actuarially recommended contribution rates
2 for employers and that are not made in conjunction with the actuarial
3 investigations~~investigation~~ required by paragraph (c) of this subsection, an
4 actuarial analysis shall be completed showing the projected impact of the
5 changes on funding levels, unfunded liabilities, and actuarially recommended
6 contribution rates for employers over a thirty (30) year period.

7 (f) All actuarial investigations, analyses, and valuations shall be certified to the
8 board by an actuary who shall be a fellow of the Conference of Consulting
9 Actuaries or a member of the American Academy of Actuaries.

10 (2) A copy of each ~~five (5) year~~ actuarial investigation, actuarial analysis, and annual
11 valuation required by subsection (1) of this section shall be forwarded electronically
12 to the Legislative Research Commission no later than ten (10) days after receipt by
13 the board, and the Legislative Research Commission shall distribute the information
14 received to the committee staff and co-chairs of any committee that has jurisdiction
15 over the Kentucky Retirement Systems. The actuarial valuation required by
16 subsection (1)(b) of this section shall be submitted no later than November 15
17 following the close of the fiscal year.

18 (3) The Legislative Research Commission may employ an actuary with the same
19 qualifications as the actuary employed by the board, and the board shall, free of
20 charge, provide the actuary employed by the Commission with the same data
21 provided to its own actuary, and any supplementary data he or she may require. The
22 actuary employed by the Commission shall review the assumptions, determinations
23 and recommendations of the board actuary, and legislative proposals related to the
24 retirement systems, and report his or her findings to the Commission and to the
25 board. Except as provided by KRS 7A.240(5), the board shall pay fifty percent
26 (50%) of the cost of the Commission's actuary, and the Commission shall pay the
27 other fifty percent (50%).

1 ➔Section 3. KRS 78.784 is amended to read as follows:

- 2 (1) (a) As soon as practicable after its organization, the County Employees
3 Retirement System board shall adopt the actuarial tables, assumptions, and
4 methods necessary for the administration of the system and for the annual
5 determination of actuarial assets, actuarial liabilities, and recommended
6 employer contribution rates of the system as provided by KRS 61.702 and
7 78.635, for the pension and retiree health funds.
- 8 (b) The board shall cause an actuarial valuation to be made annually. The
9 valuation shall at a minimum include:
- 10 1. A description of the actuarial assumptions used in the actuarial
11 valuation, which shall be reasonably related to the experience of the
12 system and represent the actuary's best estimate of anticipated
13 experience;
- 14 2. A description of any funding methods utilized or required by state law in
15 the development of the actuarial valuation results;
- 16 3. A description of any changes in actuarial assumptions and methods from
17 the previous year's actuarial valuation;
- 18 4. The actuarially recommended contribution rate for employers for the
19 upcoming budget periods;
- 20 5. A thirty (30)~~twenty (20)~~ year projection of the funding levels,
21 unfunded liabilities, and actuarially recommended contribution rates for
22 employers based upon the actuarial assumptions, funding methods, and
23 experience of the system as of the valuation date; and
- 24 6. A sensitivity analysis that evaluates the impact of changes in system
25 assumptions, including but not limited to the investment return
26 assumption, payroll growth assumption, and medical inflation rates, on
27 employer contribution rates, funding levels, and unfunded liabilities.

- 1 (c) 1. At least once in each two (2) year period, the board shall cause an
 2 actuarial investigation to be made of all of the economic experience
 3 under the retirement system, including but not limited to the inflation
 4 rate, investment return, and payroll growth assumptions, relative to
 5 the economic assumptions and funding methods previously adopted by
 6 the board.
- 7 2. At least once in each five (5) year period, the board shall cause an
 8 actuarial investigation to be made of all the demographic experience
 9 under the system, including but not limited to mortality tables,
 10 withdrawal rates, and retirement rate assumptions, relative to the
 11 demographic actuarial assumptions~~[and funding methods]~~ previously
 12 adopted by the board.
- 13 3. Each~~[The]~~ actuarial investigation shall include at a minimum a
 14 summary of the changes in actuarial assumptions and funding methods
 15 recommended in the investigation and the projected impact of the
 16 recommended changes on funding levels, unfunded liabilities, and
 17 actuarially recommended contribution rates for employers over a thirty
 18 (30)~~[twenty (20)]~~ year period.
- 19 (d) Pursuant to the actuarial investigations~~[investigation]~~ the board shall, from
 20 time to time, revise the actuarial tables previously adopted by the board and
 21 shall thereupon revise the bases of the rates of employer contributions
 22 required under KRS 78.510 to 78.852.
- 23 (e) For any change in actuarial assumptions, funding methods, retiree health
 24 insurance premiums and subsidies, or any other decisions made by the board
 25 that impact system liabilities and actuarially recommended contribution rates
 26 for employers and that are not made in conjunction with the actuarial
 27 investigations~~[investigation]~~ required by paragraph (c) of this subsection, an

1 actuarial analysis shall be completed showing the projected impact of the
 2 changes on funding levels, unfunded liabilities, and actuarially recommended
 3 contribution rates for employers over a ***thirty (30)***~~twenty (20)~~ year period.

4 (f) All actuarial investigations, analyses, and valuations shall be certified to the
 5 board by an actuary who shall be a fellow of the Conference of Consulting
 6 Actuaries or a member of the American Academy of Actuaries.

7 (2) A copy of each ~~five (5) year~~ actuarial investigation, actuarial analysis, and annual
 8 valuation required by subsection (1) of this section shall be forwarded electronically
 9 to the Legislative Research Commission no later than ten (10) days after receipt by
 10 the board, and the Legislative Research Commission shall distribute the information
 11 received to the committee staff and co-chairs of any committee that has jurisdiction
 12 over the County Employees Retirement System. The actuarial valuation required by
 13 subsection (1)(b) of this section shall be submitted no later than November 15
 14 following the close of the fiscal year. In addition, the County Employees Retirement
 15 System shall submit a summary of the actuarial valuation to the Public Pension
 16 Oversight Board by December 31 following completion of the actuarial valuation
 17 which shall include the employer contribution rates to be payable by participating
 18 employers in the upcoming fiscal year, key actuarial statistics and trends, any
 19 changes in assumptions or methods since the last valuation, and other pertinent
 20 actuarial data and information.

21 ➔Section 4. KRS 161.400 is amended to read as follows:

22 (1) (a) The board of trustees shall designate as actuary a competent person who shall
 23 be a fellow of the Conference of Consulting Actuaries or a member of the
 24 American Academy of Actuaries. He or she shall be the technical adviser of
 25 the board on matters regarding the operation of the funds of the system and
 26 shall perform such other duties as are required in connection therewith.

27 (b) **1. At least once in each two (2) year period, the board shall cause an**

1 *actuarial investigation to be made of all of the economic experience*
 2 *under the retirement system, including but not limited to the inflation*
 3 *rate, investment return, and payroll growth assumptions, relative to*
 4 *the economic assumptions and funding methods previously adopted by*
 5 *the board.*

6 2. At least once in each five (5) year period, the actuary shall make an
 7 actuarial investigation into *all of* the *demographic* actuarial
 8 assumptions~~[and funding methods]~~ used, including but not limited to
 9 mortality *tables, withdrawal rates, and retirement rate assumptions,*
 10 ~~[investment rate of return, and service and compensation of the members~~
 11 ~~and beneficiaries of the retirement system,]~~ relative to the *demographic*
 12 actuarial assumptions ~~[and funding methods]~~ previously adopted by the
 13 board.

14 3. *Each*~~[The]~~ actuarial investigation shall include at a minimum a
 15 summary of the changes in actuarial assumptions and funding methods
 16 recommended in the investigation and the projected impact of the
 17 recommended changes on funding levels, unfunded liabilities, and
 18 actuarially recommended contribution rates for employers over a thirty
 19 (30) year period.

20 (c) At least annually the actuary shall make an actuarial valuation of the
 21 retirement system. The valuation shall include:

- 22 1. A description of the actuarial assumptions used, and the assumptions
 23 shall be reasonably related to the experience of the system and represent
 24 the actuary's best estimate of anticipated experience;
- 25 2. A description of any funding methods utilized or required by state law in
 26 the development of the actuarial valuation results;
- 27 3. A description of any changes in actuarial assumptions and methods from

- 1 the previous year's actuarial valuation;
- 2 4. The actuarially recommended contribution rate for employers for the
- 3 upcoming budget periods;
- 4 5. A thirty (30) year projection of the funding levels, unfunded liabilities,
- 5 and actuarially recommended contribution rates for employers based
- 6 upon the actuarial assumptions, funding methods, and experience of the
- 7 system as of the valuation date; and
- 8 6. A sensitivity analysis that evaluates the impact of changes in system
- 9 assumptions, including but not limited to the investment return
- 10 assumption, payroll growth assumption, and medical inflation rates, on
- 11 employer contribution rates, funding levels, and unfunded liabilities.
- 12 (d) On the basis of the results of the valuations, the board of trustees shall make
- 13 necessary changes in the retirement system within the provisions of law and
- 14 shall establish the contributions payable by employers and the state specified
- 15 in KRS 161.550, including changes prescribed by KRS 161.633, 161.634,
- 16 161.635, and 161.636, as applicable.
- 17 (e) For any change in actuarial assumptions, funding methods, retiree health
- 18 insurance premiums and subsidies, or any other decisions made by the board
- 19 that impact system liabilities and actuarially recommended contribution rates
- 20 for employers and that are not made in conjunction with the actuarial
- 21 investigations~~investigation~~ required by paragraph (b) of this subsection, an
- 22 actuarial analysis shall be completed showing the projected impact of the
- 23 changes on funding levels, unfunded liabilities, and actuarially recommended
- 24 contribution rates for employers over a thirty (30) year period.
- 25 (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for
- 26 all purposes shall be determined by the actuary of the retirement system and
- 27 approved by the board of trustees by resolution and implemented without the

1 necessity of an administrative regulation.

2 (3) A copy of each ~~five (5) year~~ actuarial investigation, actuarial analysis, and
3 valuation required by subsection (1) of this section shall be forwarded electronically
4 to the Legislative Research Commission no later than ten (10) days after receipt by
5 the board, and the Legislative Research Commission shall distribute the information
6 received to the committee staff and co-chairs of any committee that has jurisdiction
7 over the Teachers' Retirement System. The actuarial valuation required by
8 subsection (1)(c) of this section shall be submitted no later than November 15
9 following the close of the fiscal year.

10 ➔Section 5. KRS 61.552 is amended to read as follows:

11 (1) Called to Active Duty Military Service. An employee of an employer participating
12 in the system who is called to active military duty in the Armed Forces of the
13 United States shall be credited in accordance with 38 U.S.C. sec. 4318 with service
14 credit, creditable compensation, and in the case of employees participating in the
15 hybrid cash balance plan, employee contributions, employer credits, and interest
16 credits, for a period of active military duty of up to six (6) years, provided:

17 (a) The employee was called to active military duty in the Armed Forces of the
18 United States:

19 1. After he or she began participating in the system and provided the
20 employee was on leave of absence from the employer and did not
21 withdraw his or her accumulated account balance; or

22 2. Prior to the date he or she began participating in the system and
23 terminated employment with his or her employer;

24 (b) The employee entered active military service within three (3) months of his or
25 her last day of paid employment;

26 (c) His or her discharge military service was terminated in a manner other than as
27 described in 38 U.S.C. sec. 4304; and

1 (d) He or she returns to work with an employer participating in the system within
2 two (2) years after completion of the period of active military duty, or upon
3 the subsequent termination of any total disability which existed at the
4 expiration of the two (2) years after discharge.

5 For periods of active military duty that meet the requirements of this subsection, the
6 employer shall pay the employer contributions payable under KRS 61.565, 61.702,
7 78.5536, and 78.635.

8 (2) (a) Omitted Service. Any person who is entitled to service credit for employment
9 which was not reported by the employer in accordance with KRS 16.543,
10 61.543, or 78.615 may obtain credit for the service subject to the provisions of
11 this subsection.

12 (b) Provided the person pays for the omitted service with within six (6) months of
13 notification by the system, the cost of the service shall be equal to the
14 employee contributions that would have been paid if the person had been
15 correctly reported in accordance with KRS 16.543, 61.543, or 78.615.

16 (c) Any employee participating in one (1) of the state-administered retirement
17 systems entitled to service credit under paragraph (a) of this subsection who
18 has not repaid the employee contributions due within six (6) months of
19 notification by the system may purchase the credit after the six (6) months by
20 paying to the system the employee contributions plus interest at the actuarially
21 assumed rate from the date of initial notification under paragraph (b) of this
22 subsection.

23 (d) Omitted service purchased under this subsection shall:

24 1. Be considered service credited under KRS 16.543(1), 61.543(1), or
25 78.615(1) for purposes of determining eligibility for retirement benefits
26 under KRS 78.510 to 78.852; and

27 2. Not be credited to the member's account until the employer contributions

1 due and any interest or penalties on the delinquent employer
2 contributions for the period of omitted service are received by the
3 system.

4 (e) Employees who begin participating on or after January 1, 2014, in the hybrid
5 cash balance plan provided by KRS 16.583 or 61.597 or 78.5512 or 78.5516
6 shall, upon payment of the employee and employer contributions due under
7 this subsection, have their accumulated account balance increased by the
8 employee contributions, employer pay credits, and interest credits that would
9 have been credited to their member's account if the contributions had been
10 paid on time.

11 (f) Contributions payable by the employer under this subsection for omitted
12 service shall be considered delinquent from the date the employee should have
13 been reported and received service credit in accordance with KRS 16.543,
14 61.543, and 78.615.

15 (3) (a) Recontribution of a Refund. Any employee participating in one (1) of the
16 state-administered retirement systems who has been refunded his or her
17 accumulated account balance under the provisions of KRS 61.625, thereby
18 losing service credit in the system, may regain the credit by paying to the
19 system the amount or amounts refunded by the system with interest at a rate
20 determined by the board. Service purchased under this subsection on or after
21 January 1, 2014, shall not be used to determine the member's participation
22 date in the systems.

23 (b) Recontribution of a refund purchased under this subsection shall not be used
24 in determining a retirement allowance until the member has accrued at least
25 six (6) months of service credit in a state-administered retirement system,
26 excluding the service purchased under this subsection. If the member does not
27 accrue at least six (6) months of service credit in a state-administered

1 retirement system, excluding service purchased under this subsection, then the
2 payment plus interest as provided in KRS 16.560, 61.575, or 78.640 shall be
3 refunded upon retirement, death, or written request following termination of
4 employment. The service requirement shall be waived if the member dies or
5 becomes disabled as provided for by KRS 16.582, 61.600, 61.621, 78.5522, or
6 78.5524.

7 (4) (a) Summer Months. Any employee participating in one (1) of the state-
8 administered retirement systems who is or has been employed by a school
9 board or community action agency participating in the County Employees
10 Retirement System or a state-operated school under KRS Chapter 167 or an
11 institution of higher learning participating in the Kentucky Employees
12 Retirement System, who receives service credit for less than twelve (12)
13 months each year, may purchase the additional months of service credit
14 needed to total one (1) year of service credit, except the amount purchased for
15 any specific year shall not exceed three (3) months.

16 (b) The cost of the summer months service credit shall be determined by the
17 formula established by subsection (10) of this section and may be purchased
18 by the employee, or the employer on behalf of the employee, or the cost may
19 be paid by both the employer and employee in which case the employer and
20 employee shall each pay fifty percent (50%) of the cost. Service credit shall
21 not be credited to the member's account until both the employer's and
22 employee's payment are received by the system.

23 (c) If the employee has purchased service credit under this subsection based on
24 months reported by the employer for the fiscal year, and an audit of the
25 employee's account reduces the number of months of service credit for which
26 the employee is eligible to no fewer than nine (9) months, the employee shall
27 retain credit for the months purchased unless the employee is ineligible for

1 any service in the fiscal year. The employee shall be eligible to purchase the
2 additional months under this subsection to total one (1) year.

3 (d) This subsection shall not apply to members who began participating in the
4 County Employees Retirement System on or after January 1, 2014.

5 (5) Vested Service Purchases. Any employee who began participating in the County
6 Employees Retirement System, the Kentucky Employees Retirement System, or the
7 State Police Retirement System prior to January 1, 2014, who is vested may
8 purchase service credit for:

9 (a) Past service. "Past service" means periods of employment:

10 1. Between July 1, 1956, in the case of the Kentucky Employees
11 Retirement System, or July 1, 1958, in the case of the County
12 Employees Retirement System, and the effective date of participation by
13 the employer;

14 2. Where the employee did not participate in the system due to the
15 employee not electing to participate as provided in KRS 61.525(2) or
16 78.540(1); and

17 3. With a public agency that did not participate in the Kentucky Employees
18 Retirement System but would have been eligible to participate under
19 KRS 61.520 or a political subdivision that did not participate in the
20 County Employees Retirement System but would have been eligible to
21 participate under KRS 78.530, provided the public agency or political
22 subdivision has merged with or been taken over by a participating
23 employer;

24 (b) State university service, provided the university does not participate in a state-
25 administered retirement system and the university service being purchased
26 was in a nonteaching position that did not participate in a defined benefit
27 retirement program;

- 1 (c) 1. Up to ten (10) years of out-of-state service. "Out-of-state" means service
2 credited to a state or local government-administered public defined
3 benefit plan in another state that is not a defined benefit plan for
4 teachers.
- 5 2. Up to ten (10) years of out-of-state hazardous service. "Out-of-state
6 hazardous service" means service in a regular full-time position that was
7 credited to a defined benefit retirement plan administered by a state or
8 local government in another state, if the service could be certified as
9 hazardous pursuant to KRS 61.592 or 78.5520, as applicable. The
10 employee may purchase out-of-state hazardous service under this
11 subparagraph provided the employee is vested to receive benefits from
12 the State Police Retirement System or hazardous duty benefits from the
13 Kentucky Employees Retirement System or the County Employees
14 Retirement System.
- 15 The employee must purchase out-of-state service or out-of-state hazardous
16 service in the system in which he or she is vested based solely upon the
17 service in that system;
- 18 (d) Active military duty, which means periods of active military duty in the
19 Armed Forces of the United States, provided:
- 20 1. The employee's military service was terminated in a manner other than
21 as described in 38 U.S.C. sec. 4304; and
- 22 2. The service has not been credited as free military service under
23 subsection (1) of this section;
- 24 (e) National Guard service. An employee may purchase one (1) month of service
25 for each six (6) months of service in the National Guard or the military
26 reserves of the United States. The service shall be treated as service earned
27 prior to participation in the system;

- 1 (f) Federal service. "Federal service" means service with the United States
2 government, that is not service in the Armed Forces;
- 3 (g) Seasonal, emergency, interim, probationary, or temporary employment or part-
4 time employment as provided by KRS 61.510(21) or 78.510(21) averaging
5 one hundred (100) or more hours of work per month on a calendar or fiscal
6 year basis. If the average number of hours of work is less than one hundred
7 (100) per month, the member may purchase credit for only those months he or
8 she receives creditable compensation for one hundred (100) hours of work;
- 9 (h) Part-time employment in a noncertified position at a school board prior to the
10 1990-91 school year which averaged eighty (80) or more hours of work per
11 month on a calendar or fiscal year basis. If the average number of hours of
12 work is less than eighty (80) per month, the noncertified employee of a school
13 board shall be allowed to purchase credit only for those months he or she
14 receives creditable compensation for eighty (80) hours of work;
- 15 (i) Any period of:
- 16 1. Authorized maternity leave without pay or sick leave without pay;
- 17 2. Unpaid leave authorized under the federal Family and Medical Leave
18 Act;
- 19 3. Approved educational leave; and
- 20 4. Agency-approved leave to work for a work-related labor organization if
21 the agency subsequently participated in the County Employees
22 Retirement System, but only if the board receives a favorable private
23 letter ruling from the United States Internal Revenue Service or a
24 favorable opinion letter from the United States Department of Labor;
- 25 (j) Non-participating employer service, which means periods of employment with
26 the following types of agencies provided the agency does not participate in a
27 state-administered retirement system:

- 1 1. A regional community services program for mental health organized and
2 operated under the provisions of KRS 210.370 to 210.480;
- 3 2. A community action agency created under KRS 273.405 to 273.453. The
4 service provided by this subparagraph shall be purchased in the County
5 Employees Retirement System;
- 6 3. An area development district created pursuant to KRS 147A.050; or
- 7 4. A business development corporation created pursuant to KRS 155.001
8 to 155.230, provided the system receives a favorable private letter ruling
9 from the United States Internal Revenue Service or a favorable opinion
10 letter from the United States Department of Labor;
- 11 (k) Urban-county government service, which means employment in an urban-
12 county government position that would qualify for hazardous duty coverage
13 under KRS 61.592 or 78.5520. The provisions of this paragraph shall only be
14 applicable to vested members participating in the State Police Retirement
15 System or in a hazardous position in the Kentucky Employees Retirement
16 System or the County Employees Retirement System;
- 17 (l) Periods of service as assistants to officers and employees of the General
18 Assembly for persons who were unable to acquire service under KRS
19 61.510(20) for service performed after January 1, 1960;
- 20 (m) Service as a volunteer in the Kentucky Peace Corps, created by KRS 154.1-
21 720; and
- 22 (n) Employment with a vocational technical school in a noncertified part-time
23 position averaging eighty (80) or more hours per month, determined by using
24 the number of months actually worked within a calendar or fiscal year. The
25 service provided by this paragraph shall be purchased in the Kentucky
26 Employees Retirement System.
- 27 (6) Non-qualified service. Provided the employee's participation date in the system is

1 prior to July 15, 2002, and provided the employee has total service in all state-
2 administered retirement systems of at least one hundred eighty (180) months of
3 service credit, the employee may purchase a combined maximum total of five (5)
4 years of service credit, known as non-qualified service, which is not otherwise
5 purchasable under any of the provisions of KRS 16.505 to 16.652, 61.510 to
6 61.705, or 78.510 to 78.852. The service purchased under this paragraph shall not
7 be used in determining a retirement allowance until the member has accrued at least
8 two hundred forty (240) months of service, excluding service purchased under this
9 subsection. If the member does not accrue at least two hundred forty (240) months
10 of service, excluding service purchased under this subsection, upon retirement,
11 death, or written request following termination, the payment, plus interest as
12 provided in KRS 16.560, 61.575, or 78.640, as applicable, shall be refunded.

13 (7) For purposes of service purchased under subsections (2) to (6) of this section:

14 (a) Except for subsection (6) of this section, the service must qualify as regular
15 full-time as provided by KRS 61.510 and 78.510;

16 (b) No service credit may be purchased for periods already credited to the system
17 or another public defined benefit retirement fund, including non-qualified
18 service purchased in another state-administered retirement system;

19 (c) Except as provided by paragraph (a)2.a. of subsection (9) of this section, the
20 employee payment for service purchases shall not be picked up, as described
21 in KRS 16.545(4), 61.560(4), or 78.610(4), by the employer;

22 (d) Except for service purchased under subsection (2) or (3) of this section,
23 service purchases made pursuant to this section may be purchased by the
24 entire amount of service available or by increments. Service purchases made
25 pursuant to subsections (2) and (3) of this section shall only be purchased by
26 the entire amount of service available; and

27 (e) Service purchases as provided by subsections (5)(b), (5)(d) to (f), (5)(j)1., and

1 (6) of this section may be purchased in any system in which the member has
2 service credit.

3 (8) (a) Employer purchase of past service. Any employer participating in the system
4 may purchase service credit, between July 1, 1956, in the case of the Kentucky
5 Employees Retirement System, or July 1, 1958, in the case of the County
6 Employees Retirement System, and the participation date of the employer, for
7 present employees of the county or department who have elected coverage
8 under KRS 61.525(2) or 78.540(1), provided the employee began participating
9 in the system prior to January 1, 2014.

10 (b) A Kentucky Employees Retirement System employer shall pay the cost of the
11 service credit within the fiscal year the election is made to purchase the
12 service credit. A County Employees Retirement System employer may
13 purchase the service, with interest at the rate actuarially assumed by the board,
14 over a period not to exceed ten (10) years.

15 (c) If an employer elects to purchase service under the provisions of this
16 subsection, any present employee who would be eligible to receive service
17 credit under the provisions of this subsection and has purchased service credit
18 under subsection (5)(a) of this section shall have his or her payment for the
19 service credit refunded with interest at the rate paid under KRS 61.575 or
20 78.640; and

21 (d) Any payments made by an employer under this subsection shall be deposited
22 to the retirement allowance account of the system and these funds shall not be
23 considered accumulated contributions of the individual members.

24 (9) (a) An employee participating in the system may purchase service credit under
25 any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to
26 78.852 for which he or she is eligible to purchase, or as otherwise required by
27 38 U.S.C. ch. 43, by:

- 1 1. Making a lump-sum payment on a before-tax basis as provided in
2 subparagraph 3. of this paragraph, or on an after-tax basis if the
3 employee is purchasing service credit under subsection (1) or (3) of this
4 section, service available pursuant to 38 U.S.C. ch. 43 not otherwise
5 provided for in this section, or grandfathered service as defined in
6 paragraph (b) of this subsection;
 - 7 2. Entering into an agreement to purchase service credit through an
8 installment purchase of service agreement with the systems as provided
9 by paragraph (c) of this subsection:
 - 10 a. On a before-tax basis in which the service is purchased pursuant to
11 the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or
 - 12 b. On an after-tax basis if the employee is purchasing service credit
13 under subsection (1) or (3) of this section, service available
14 pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this
15 section, or grandfathered service as defined in paragraph (b) of this
16 subsection; or
 - 17 3. Transferring funds to the system through a direct trustee-to-trustee
18 transfer as permitted under the applicable sections of the Internal
19 Revenue Code and any regulations or rulings issued thereunder, through
20 a direct rollover as contemplated by and permitted under 26 U.S.C. sec.
21 401(a)(31) and any regulations or rulings issued thereunder, or through a
22 rollover of funds pursuant to and permitted under the rules specified in
23 26 U.S.C. secs. 402(c) and 408(d)(3). The system shall accept the
24 transfer or rollover to the extent permitted under the rules specified in
25 the applicable provisions of the Internal Revenue Code and any
26 regulations and rulings issued thereunder.
- 27 (b) For purposes of this subsection, "grandfathered service" means service

1 purchases for which a member, whose membership date in the system is prior
2 to July 1, 1999, is eligible to purchase under KRS 16.505 to 16.652, 61.510 to
3 61.705, or 78.510 to 78.852, that were available for all members of the system
4 to purchase on August 5, 1997.

- 5 (c) 1. For service purchased under a before-tax or after-tax installment
6 purchase of service agreement as provided by paragraph (a)2. of this
7 subsection, the cost of the service shall be computed in the same manner
8 as for a lump-sum payment which shall be the principal, except that
9 interest compounded annually at the actuarial rate in effect at the time
10 the member elects to make the purchase shall be added for the period
11 that the installments are to be made.
- 12 2. Multiple service purchases may be combined under a single installment
13 agreement, except that no employee may make more than one (1)
14 installment purchase at the same time.
- 15 3. For after-tax installment purchase of service agreements, the employee
16 may elect to stop the installment payments by notifying the system; may
17 have the installment purchase recalculated to add one (1) or more
18 additional service purchases; or may pay by lump sum the remaining
19 principal or a portion of the remaining principal.
- 20 4. Before-tax installment purchase of service agreements shall be
21 irrevocable, and the employee shall not be able to stop installment
22 payments or to pay off the remaining balance of the purchase of service
23 agreement, except upon termination of employment or death.
- 24 5. One (1) year of installment payments shall be made for each one
25 thousand dollars (\$1,000) or any part thereof of the total cost, except that
26 the total period allowed for installments shall not be less than one (1)
27 year and shall not exceed five (5) years.

- 1 6. The employee shall pay the installments by payroll deduction for after-
2 tax purchase of service agreements, and the employer shall pick up
3 installments for before-tax purchase of service agreements. Upon
4 notification by the system, the employer shall report the installment
5 payments monthly continuously over each twelve (12) month period at
6 the same time as, but separate from, regular employee contributions on
7 the forms or by the computer format specified by the board.
- 8 7. The system shall determine how much of the total cost represents
9 payment for one (1) month of the service to be purchased and shall
10 credit one (1) month of service to the member's account each time this
11 amount has been paid. The first service credited shall represent the first
12 calendar month of the service to be purchased and each succeeding
13 month of service credit shall represent the succeeding months of that
14 service.
- 15 8. If the employee utilizing an installment purchase of service agreement
16 dies, retires, does not continue employment in a position required to
17 participate in the system, or elects to stop an after-tax installment
18 purchase of service agreement, the member, or in the case of death, the
19 beneficiary, shall have sixty (60) days to pay the remaining principal or a
20 portion of the remaining principal of the installment purchase of service
21 agreement by lump sum, subject to the restrictions of paragraph (a)1. of
22 this subsection, or by transfer of funds under paragraph (a)3. of this
23 subsection, except that payment by the member shall be filed with the
24 system prior to the member's effective retirement date. If the member or
25 beneficiary does not pay the remaining cost, the system shall refund to
26 the member or the beneficiary the payment, payments, or portion of a
27 payment that does not represent a full month of service purchased,

1 except as provided by subsection (6) of this section.

2 9. If the employer does not report installment payments on an employee for
3 sixty (60) days for an after-tax installment purchase of service
4 agreement, except in the case of employees on military leave or sick
5 leave without pay, the installment purchase shall cease and the system
6 shall refund to the employee the payment, payments, or portion of a
7 payment that does not represent a full month of service purchased.

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

11 11. If payments have ceased under subparagraph 8. or 9. of this paragraph
12 and the member later becomes a participating employee in the County
13 Employees Retirement System, Kentucky Employees Retirement
14 System, or State Police Retirement System, the employee may complete
15 the adjusted original installment purchase by lump sum or installment
16 payments, subject to the restrictions of this subsection. If the employee
17 elects to renew the installment purchase, the cost of the remaining
18 service shall be recalculated in accordance with subsection (10) of this
19 section.

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

23 (10) (a) The cost of purchasing service credit under any provision of this section,
24 except as provided by subsections (1) to (3) of this section, shall be
25 determined by multiplying the higher of the employee's current rate of pay,
26 final rate of pay, or final compensation as of the end of the month in which the
27 purchase is made times the actuarial factor times the number of years of

1 service being purchased. The actuarial factor used to determine the cost of
2 purchasing service credit shall assume the earliest date the member may retire
3 without a reduction in benefits and the cost-of-living adjustments provided to
4 members upon retirement.

5 (b) Service purchased on or after August 1, 2004, under the provisions of KRS
6 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, except for service
7 purchased under subsections (1) to (3) of this section **or service purchased as**
8 **described by paragraph (d) of this subsection**, shall not be used to determine
9 eligibility for or the amount of the monthly insurance contribution under KRS
10 61.702 or 78.5536.

11 (c) For a member whose participation begins on or after August 1, 2004, service
12 purchased under the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or
13 78.510 to 78.852, except for service purchased under subsections (1) to (3) of
14 this section **or service purchased as described by paragraph (d) of this**
15 **subsection**:

16 1. Shall not be used to determine eligibility for a retirement allowance
17 under disability retirement, early retirement, normal retirement, or upon
18 death of the member under any of the provisions of KRS 16.505 to
19 16.652, 61.510 to 61.705, or 78.510 to 78.852; and

20 2. Shall only be used to determine the amount of the retirement allowance
21 of a member who is eligible for a retirement allowance under disability,
22 early retirement, normal retirement, or upon death of the member under
23 any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or
24 78.510 to 78.852, based on service earned as a participating employee.

25 **(d) Paragraphs (b) and (c) of this subsection shall not apply to a member who**
26 **was bound by an educational contract as a conditional employee to the state**
27 **of Kentucky prior to December 31, 2003, regardless of participation date or**

1 membership date in the system. Educational leave, seasonal service, or any
 2 other qualified service purchased by a member with this classification under
 3 this section shall be used to determine eligibility for benefits, membership
 4 dates or participation dates, and the amount of benefit for:

- 5 1. A retirement allowance under disability retirement, early retirement,
 6 normal retirement, or death under any of the provisions of KRS
 7 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852; and
 8 2. The monthly insurance contribution under KRS 61.702 or 78.5536.

9 ➔Section 6. KRS 61.510 is amended to read as follows:

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

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

- 1 (6) "Employer" means a department or any authority of a department having the power
2 to appoint or select an employee in the department, including the Senate and the
3 House of Representatives, or any other entity, the employees of which are eligible
4 for membership in the system pursuant to KRS 61.525;
- 5 (7) "State" means the Commonwealth of Kentucky;
- 6 (8) "Member" means any employee who is included in the membership of the system or
7 any former employee whose membership has not been terminated under KRS
8 61.535;
- 9 (9) "Service" means the total of current service and prior service as defined in this
10 section;
- 11 (10) "Current service" means the number of years and months of employment as an
12 employee, on and after July 1, 1956, except that for members, officers, and
13 employees of the General Assembly this date shall be January 1, 1960, for which
14 creditable compensation is paid and employee contributions deducted, except as
15 otherwise provided, and each member, officer, and employee of the General
16 Assembly shall be credited with a month of current service for each month he
17 serves in the position;
- 18 (11) "Prior service" means the number of years and completed months, expressed as a
19 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
20 creditable compensation was paid; except that for members, officers, and employees
21 of the General Assembly, this date shall be January 1, 1960. An employee shall be
22 credited with one (1) month of prior service only in those months he received
23 compensation for at least one hundred (100) hours of work; provided, however, that
24 each member, officer, and employee of the General Assembly shall be credited with
25 a month of prior service for each month he served in the position prior to January 1,
26 1960. Twelve (12) months of current service in the system are required to validate
27 prior service;

1 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
2 from the compensation of a member and credited to his individual account in the
3 members' account, including employee contributions picked up after August 1,
4 1982, pursuant to KRS 61.560(4), together with interest credited, on such amounts
5 and any other amounts the member shall have contributed thereto, including interest
6 credited thereon. For members who begin participating on or after September 1,
7 2008, "accumulated contributions" shall not include employee contributions that are
8 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the
9 funds established in KRS 16.510 and 61.515, as prescribed by KRS 61.702(3)(b);

10 (13) "Creditable compensation":

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

22 (b) Includes:

- 23 1. Lump-sum bonuses, severance pay, or employer-provided payments for
24 purchase of service credit, which shall be averaged over the employee's
25 total service with the system in which it is recorded if it is equal to or
26 greater than one thousand dollars (\$1,000);
- 27 2. Cases where compensation includes maintenance and other perquisites,

- 1 but the board shall fix the value of that part of the compensation not paid
2 in money;
- 3 3. Lump-sum payments for creditable compensation paid as a result of an
4 order of a court of competent jurisdiction, the Personnel Board, or the
5 Commission on Human Rights, or for any creditable compensation paid
6 in anticipation of settlement of an action before a court of competent
7 jurisdiction, the Personnel Board, or the Commission on Human Rights,
8 including notices of violations of state or federal wage and hour statutes
9 or violations of state or federal discrimination statutes, which shall be
10 credited to the fiscal year during which the wages were earned or should
11 have been paid by the employer. This subparagraph shall also include
12 lump-sum payments for reinstated wages pursuant to KRS 61.569,
13 which shall be credited to the period during which the wages were
14 earned or should have been paid by the employer;
- 15 4. Amounts which are not includable in the member's gross income by
16 virtue of the member having taken a voluntary salary reduction provided
17 for under applicable provisions of the Internal Revenue Code; and
- 18 5. Elective amounts for qualified transportation fringes paid or made
19 available on or after January 1, 2001, for calendar years on or after
20 January 1, 2001, that are not includable in the gross income of the
21 employee by reason of 26 U.S.C. sec. 132(f)(4); and
- 22 (c) Excludes:
- 23 1. Living allowances, expense reimbursements, lump-sum payments for
24 accrued vacation leave, and other items determined by the board;
- 25 2. For employees who begin participating on or after September 1, 2008,
26 lump-sum payments for compensatory time;
- 27 3. For employees who begin participating on or after August 1, 2016,

1 nominal fees paid for services as a volunteer; and

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

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

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

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

26 (c) For a member who begins participating before September 1, 2008, who is
27 employed in a hazardous position, as provided in KRS 61.592, the creditable

1 compensation of the member during the three (3) fiscal years he or she was
2 paid at the highest average monthly rate divided by the number of months of
3 service credit during that three (3) year period multiplied by twelve (12). The
4 three (3) years may be fractional and need not be consecutive. If the number of
5 months of service credit during the three (3) year period is less than twenty-
6 four (24), one (1) or more additional fiscal years shall be used;

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

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

- 1 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
2 calculated during the twelve (12) month period immediately preceding the
3 member's effective retirement date, including employee contributions picked up
4 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
5 system by the employer and the following equivalents shall be used to convert the
6 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
7 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
8 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
9 one (1) year;
- 10 (16) "Retirement allowance" means the retirement payments to which a member is
11 entitled;
- 12 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
13 basis of the actuarial tables that are adopted by the board. In cases of disability
14 retirement, the options authorized by KRS 61.635 shall be computed by adding ten
15 (10) years to the age of the member, unless the member has chosen the Social
16 Security adjustment option as provided for in KRS 61.635(8), in which case the
17 member's actual age shall be used. For members who began participating in the
18 system prior to January 1, 2014, no disability retirement option shall be less than the
19 same option computed under early retirement;
- 20 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless
21 otherwise provided in KRS 61.510 to 61.705;
- 22 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
23 following June 30, which shall also be the plan year. The "fiscal year" shall be the
24 limitation year used to determine contribution and benefit limits as established by
25 26 U.S.C. sec. 415;
- 26 (20) "Officers and employees of the General Assembly" means the occupants of those
27 positions enumerated in KRS 6.150. The term shall also apply to assistants who

1 were employed by the General Assembly for at least one (1) regular legislative
2 session prior to July 13, 2004, who elect to participate in the retirement system, and
3 who serve for at least six (6) regular legislative sessions. Assistants hired after July
4 13, 2004, shall be designated as interim employees;

5 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean
6 all positions that average one hundred (100) or more hours per month determined by
7 using the number of months actually worked within a calendar or fiscal year,
8 including all positions except:

9 (a) Seasonal positions, which although temporary in duration, are positions which
10 coincide in duration with a particular season or seasons of the year and which
11 may recur regularly from year to year, the period of time shall not exceed nine
12 (9) months;

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

15 (c) Temporary positions which are positions of employment with a participating
16 department for a period of time not to exceed nine (9) months and are
17 nonrenewable;

18 (d) Part-time positions which are positions which may be permanent in duration,
19 but which require less than a calendar or fiscal year average of one hundred
20 (100) hours of work per month, determined by using the number of months
21 actually worked within a calendar or fiscal year, in the performance of duty;
22 and

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

25 (22) "Vested" for purposes of determining eligibility for purchasing service credit under
26 KRS 61.552 means the employee has at least forty-eight (48) months of service if
27 age sixty-five (65) or older or at least sixty (60) months of service if under the age

- 1 of sixty-five (65). For purposes of this subsection, "service" means service in the
2 systems administered by the Kentucky Retirement Systems and County Employees
3 Retirement System;
- 4 (23) "Parted employer" means a department, portion of a department, board, or agency,
5 such as Outwood Hospital and School, which previously participated in the system,
6 but due to lease or other contractual arrangement is now operated by a publicly held
7 corporation or other similar organization, and therefore is no longer participating in
8 the system. The term "parted employer" shall not include a department, board, or
9 agency that ceased participation in the system pursuant to KRS 61.522;
- 10 (24) "Retired member" means any former member receiving a retirement allowance or
11 any former member who has filed the necessary documents for retirement benefits
12 and is no longer contributing to the retirement system;
- 13 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
14 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
15 pay. The rate shall be certified by the employer;
- 16 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
17 the member in accordance with KRS 61.542 or 61.705 to receive any available
18 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
19 does not mean an estate, trust, or trustee;
- 20 (27) "Recipient" means the retired member or the person or persons designated as
21 beneficiary by the member and drawing a retirement allowance as a result of the
22 member's death or a dependent child drawing a retirement allowance. An alternate
23 payee of a qualified domestic relations order shall not be considered a recipient,
24 except for purposes of KRS 61.623;
- 25 (28) "Level percentage of payroll amortization method" means a method of determining
26 the annual amortization payment on the unfunded actuarial accrued liability as
27 expressed as a percentage of payroll over a set period of years but that may be

- 1 converted to a dollar value for purposes of KRS 61.565(1)(d). Under this method,
2 the percentage of payroll shall be projected to remain constant for all years
3 remaining in the set period of time and the unfunded actuarially accrued liability
4 shall be projected to be fully amortized at the conclusion of the set period of years;
- 5 (29) "Increment" means twelve (12) months of service credit which are purchased. The
6 twelve (12) months need not be consecutive. The final increment may be less than
7 twelve (12) months;
- 8 (30) "Person" means a natural person;
- 9 (31) "Retirement office" means the Kentucky Public Pensions Authority's office building
10 in Frankfort, unless otherwise designated by the Kentucky Public Pensions
11 Authority;
- 12 (32) "Last day of paid employment" means the last date employer and employee
13 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
14 78.615 to the retirement office in order for the employee to receive current service
15 credit for the month. Last day of paid employment does not mean a date the
16 employee receives payment for accrued leave, whether by lump sum or otherwise, if
17 that date occurs twenty-four (24) or more months after previous contributions;
- 18 (33) "Objective medical evidence" means reports of examinations or treatments; medical
19 signs which are anatomical, physiological, or psychological abnormalities that can
20 be observed; psychiatric signs which are medically demonstrable phenomena
21 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
22 or contact with reality; or laboratory findings which are anatomical, physiological,
23 or psychological phenomena that can be shown by medically acceptable laboratory
24 diagnostic techniques, including but not limited to chemical tests,
25 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 26 (34) "Participating" means an employee is currently earning service credit in the system
27 as provided in KRS 61.543;

- 1 (35) "Month" means a calendar month;
- 2 (36) "Membership date" means:
- 3 (a) The date upon which the member began participating in the system as
- 4 provided in KRS 61.543; ~~or~~
- 5 (b) For a member electing to participate in the system pursuant to KRS
- 6 196.167(4) who has not previously participated in the system or the Kentucky
- 7 Teachers' Retirement System, the date the member began participating in a
- 8 defined contribution plan that meets the requirements of 26 U.S.C. sec.
- 9 403(b); or
- 10 **(c) For members bound by an educational contract as a conditional employee**
- 11 **to the state of Kentucky prior to December 31, 2003, the date on which the**
- 12 **educational contract became effective;**
- 13 (37) "Participant" means a member, as defined by subsection (8) of this section, or a
- 14 retired member, as defined by subsection (24) of this section;
- 15 (38) "Qualified domestic relations order" means any judgment, decree, or order,
- 16 including approval of a property settlement agreement, that:
- 17 (a) Is issued by a court or administrative agency; and
- 18 (b) Relates to the provision of child support, alimony payments, or marital
- 19 property rights to an alternate payee;
- 20 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
- 21 participant, who is designated to be paid retirement benefits in a qualified domestic
- 22 relations order;
- 23 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
- 24 member's account and interest credited on such amounts as provided by KRS
- 25 16.583 and 61.597;
- 26 (41) "Accumulated account balance" means:
- 27 (a) For members who began participating in the system prior to January 1, 2014,

1 the member's accumulated contributions; or

2 (b) For members who began participating in the system on or after January 1,
3 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
4 the combined sum of the member's accumulated contributions and the
5 member's accumulated employer credit;

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

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

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

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

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

23 (45) "Monthly average pay" means:

24 (a) In the case of a member who dies as a direct result of an act in line of duty as
25 defined in KRS 16.505 or who dies as a result of a duty-related injury as
26 defined in KRS 61.621, the higher of the member's monthly final rate of pay
27 or the average monthly creditable compensation earned by the deceased

1 member during his or her last twelve (12) months of employment; or

2 (b) In the case where a member becomes totally and permanently disabled as a
3 direct result of an act in line of duty as defined in KRS 16.505 or becomes
4 disabled as a result of a duty-related injury as defined in KRS 61.621 and is
5 eligible for the benefits provided by KRS 61.621(5)(a), the higher of the
6 member's monthly final rate of pay or the average monthly creditable
7 compensation earned by the disabled member during his or her last twelve
8 (12) months of employment prior to the date the act in line of duty or duty-
9 related injury occurred;

10 (46) "Authority" means the Kentucky Public Pensions Authority as provided by KRS
11 61.505; and

12 (47) "Executive director" means the executive director of the Kentucky Public Pensions
13 Authority.

14 ➔Section 7. The first actuarial investigations of economic assumptions and
15 funding methods for the Legislators' Retirement Plan, Judicial Retirement Plan, Kentucky
16 Retirement Systems, the County Employees Retirement System, and the Teachers'
17 Retirement System, as provided by subsection (1)(a).7. of Section 1 of this Act,
18 subsection (1)(c)1. of Section 2 of this Act, subsection (1)(c)1. of Section 3 of this Act,
19 and subsection (1)(b)1. of Section 4 of this Act, respectively, shall take place prior to the
20 completion of the 2023 actuarial valuations for each system so that any changes in
21 economic assumptions shall be reflected in the 2023 actuarial valuations.