

1 AN ACT relating to consumer protection of financial interests.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 371 IS CREATED TO
4 READ AS FOLLOWS:

5 (1) As used in this section, "notarized" means the signature is accompanied by an
6 acknowledgement, as defined in KRS 423.300, and executed by a notary public
7 authorized to perform notarial acts, as defined in KRS 423.110 or 423.300, in this
8 state or for use in this state in accordance with KRS Chapter 423.

9 (2) Notwithstanding any other provision of law:

10 (a) A person shall not be liable on a loan secured by a deed of trust or mortgage
11 unless the:

12 1. Loan is in writing and signed by the person; and

13 2. Person's signature on the loan is notarized; and

14 (b) A deed of trust or mortgage shall not be enforceable against a spouse of any
15 mortgagor or person liable on the underlying loan in any manner,
16 including enforcement against any assets owned or co-owned by the spouse
17 or any other asset in which the spouse has a dower, curtesy, or other
18 interest, unless, prior to the underlying loan transaction:

19 1. The creditor provides the spouse notice of the loan transaction; and

20 2. The notice referenced in subparagraph 1. of this paragraph is:

21 (a) In writing and signed by the spouse; and

22 (b) The spouse's signature on the notice is notarized.

23 ➔Section 2. KRS 65.154 is amended to read as follows:

24 (1) KRS 344.030 notwithstanding, for the purposes of this section:~~;~~

25 (a) "Nongovernmental plan employer" means~~shall mean~~ the sponsor of ~~and~~
26 "employee" shall mean a member of }a pension plan governed by the federal
27 "Employee Retirement Income Security Act of 1974~~;~~";

1 (b) "Employee" means a:

2 1. Member of a pension plan sponsored by a nongovernmental plan
 3 employer as defined in paragraph (a) of this subsection;

4 2. Member, retired member, or annuitant of a state-administered
 5 retirement system as defined in KRS 6.350; or

6 3. Member of~~and any member of a state pension plan or~~ a pension plan
 7 of any unit of a local government that is not a state-administered
 8 retirement system; and

9 (c) "Joint and survivor annuity" means an annuitized monthly benefit payable
 10 for the life of the employee and upon the employee's death, for the life of the
 11 designated beneficiary.

12 (2) For any employee who elects not to take a joint and survivor annuity or who selects
 13 a beneficiary other than the spouse if living:~~;~~

14 (a) The nongovernmental plan employer shall provide forms which provide for
 15 the spouse of the employee to acknowledge by signature such action; and

16 (b) The state-administered retirement systems or pension plan of a local
 17 government shall require acknowledgement by the employee's spouse on all
 18 beneficiary designation forms or forms where the employee selects a
 19 payment option that may include a joint and survivor annuity as an option
 20 to the retiring employee. The systems or plan shall provide space on the
 21 forms for acknowledgement of the action by signature of the spouse.

22 ➔Section 3. KRS 21.540 is amended to read as follows:

23 (1) (a) Except as provided in KRS 21.550, 21.560, and subsections (3) and (7) of this
 24 section, the board of trustees of the Judicial Form Retirement System shall be
 25 charged with the administration of KRS 6.500 to 6.577 and 21.350 to 21.510.

26 (b) The Judicial Form Retirement System shall have all powers necessary to
 27 administer KRS 6.500 to 6.577 and 21.350 to 21.510 including the power to

1 promulgate all reasonable administrative regulations, pass upon questions of
2 eligibility and disability, make employments for services, to contract for
3 fiduciary liability insurance, investment counseling, and actuarial, auditing,
4 and other professional services subject to the limitations of KRS Chapters 45,
5 45A, 56, and 57.

6 (c) 1. The administrative expenses shall be paid out of an administrative
7 account which shall be funded by transfers of the necessary money, in
8 appropriate ratio, from the funds provided for in KRS 21.550 and
9 21.560.

10 2. Authorization for all administrative expenses relating to the operations
11 of the Judicial Form Retirement System shall be contained in the
12 biennial budget unit request, branch budget recommendations, and the
13 financial plan adopted by the General Assembly pursuant to KRS
14 Chapter 48.

15 3. The request from the Judicial Form Retirement System shall include any
16 specific administrative expenses requested by the board of trustees that
17 are not otherwise specified by this subsection.

18 (2) (a) A qualified domestic relations order issued by a court or administrative
19 agency shall be honored by the Judicial Form Retirement System if the order
20 is in compliance with the requirements established by the retirement system.

21 (b) Except in cases involving child support payments, the Judicial Form
22 Retirement System may charge reasonable and necessary fees and expenses to
23 the participant and the alternate payee of a qualified domestic relations order
24 for the administration of the qualified domestic relations order by the
25 retirement system. All fees and expenses shall be established by
26 administrative regulations promulgated by the board of trustees of the
27 retirement system. The qualified domestic relations order shall specify

1 whether the fees and expenses provided by this subsection shall be paid:

- 2 1. Solely by the participant;
- 3 2. Solely by the alternate payee; or
- 4 3. Equally shared by the participant and alternate payee.

5 (c) For purposes of this subsection, a "qualified domestic relations order" shall
6 mean any judgment, decree, or order, including approval of a property
7 settlement agreement, that:

- 8 1. Is issued by a court or administrative agency; and
- 9 2. Relates to the provision of child support, alimony payments, or marital
10 property rights to a spouse, former spouse, child, or other dependent of a
11 member.

12 (3) Notwithstanding any other evidence of legislative intent, it is hereby declared to be
13 the controlling legislative intent that the provisions of KRS 21.345 to 21.580 and
14 6.500 to 6.577 shall conform with federal statutes or regulations and meet the
15 qualification requirements under 26 U.S.C. sec. 401(a), applicable federal
16 regulations, and other published guidance, and the board shall have the authority to
17 promulgate administrative regulations, with retroactive effect if required under
18 federal law, to conform the Legislators' Retirement Plan and the Judicial Retirement
19 Plan with federal statutes and regulations and to meet the qualification requirements
20 under 26 U.S.C. sec. 401(a).

21 (4) In order to improve public transparency regarding the administration of the
22 Legislators' Retirement Plan and the Judicial Retirement Plan, the board of trustees
23 of the Judicial Form Retirement System shall adopt a best-practices model by
24 posting the following information to the system's Web site and shall make it
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 system's Web site at least seventy-two (72)

- 1 hours in advance of the board or committee meetings, except in the case of
2 special or emergency meetings as provided by KRS 61.823;
- 3 (b) A list of the members of the board of trustees and membership on each
4 committee established by the board, including any investment committees;
- 5 (c) A list of system staff and each staff's salary;
- 6 (d) A list of the fund's professional consultants and their respective fees and
7 commissions paid by the system;
- 8 (e) A list of the system's expenditures;
- 9 (f) The annual financial audit of the system, which shall include but not be
10 limited to a statement of plan net assets, a statement of changes in plan net
11 assets, an actuarial value of assets, a schedule of investments, a statement of
12 funded status and funding progress, and other supporting data;
- 13 (g) All external audits;
- 14 (h) The annual actuarial valuation report of pension and retiree health benefits of
15 each retirement plan administered by the system, which shall include a
16 general statistical section and information on contributions, benefit payouts,
17 and retirement plan demographic data;
- 18 (i) All board minutes or other materials that require adoption or ratification by
19 the board of trustees or committees of the board. The items listed in this
20 paragraph shall be posted within seventy-two (72) hours of adoption or
21 ratification by the board or committees;
- 22 (j) All bylaws, policies, or procedures adopted or ratified by the board of trustees
23 or by committees of the board;
- 24 (k) The summary plan description for each plan administered by the system;
- 25 (l) A document or a link to documents containing an unofficial copy of the
26 statutes governing the plans administered by the Judicial Form Retirement
27 System;

1 (m) Investment information, including all investment holdings in aggregate, fees,
2 and commissions for each fund administered by the board, which shall be
3 updated on a quarterly basis for fiscal years beginning on or after July 1,
4 2017. The system shall request from all managers, partnerships, and any other
5 available sources all information regarding fees and commissions and shall,
6 based on the requested information received:

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

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

19 (n) An update of net investment returns, asset allocations, and the performance of
20 the funds against benchmarks adopted by the board for each fund, for each
21 asset class administered by the board, and for each manager over a historical
22 period. The update shall be posted on a quarterly basis for fiscal years
23 beginning on or after July 1, 2017;

24 (o) All contracts or offering documents for services, goods, or property purchased
25 or utilized by the system. Notwithstanding KRS 61.878, all contracts,
26 including investment contracts, shall be subject to review by the board, the
27 Auditor of Public Accounts, and the Government Contract Review Committee

1 established pursuant to KRS 45A.705. If any public record contains material
2 which is not excepted under KRS 61.878, the system shall separate the
3 excepted material by removal, segregation, or redaction, and make the
4 nonexcepted material available for examination; and

5 (p) Information regarding the system's financial and actuarial condition that is
6 easily understood by the members, retired members, and the public.

7 Nothing in this subsection shall require or compel the Judicial Form Retirement
8 System to disclose information specific to the account of an individual member of
9 the Legislators' Retirement Plan or the Judicial Retirement Plan.

10 (5) No trustee or employee of the board shall:

11 (a) Have any interest, direct or indirect, in the gains or profits of any investment
12 or transaction made by the board, provided that the provisions of this
13 paragraph shall not prohibit a member or retiree of one (1) of the retirement
14 plans administered by the system from serving as a trustee;

15 (b) Directly or indirectly, for himself or herself or as an agent, use the assets of
16 the system, except to make current and necessary payments authorized by the
17 board;

18 (c) Become an endorser, surety, or obligor for moneys loaned by or borrowed
19 from the board;

20 (d) Have a contract or agreement with the retirement system, individually or
21 through a business owned by the trustee or the employee;

22 (e) Use his or her official position with the retirement system to obtain a financial
23 gain or benefit or advantage for himself or herself or a family member;

24 (f) Use confidential information acquired during his or her tenure with the
25 systems to further his or her own economic interests or that of another person;
26 or

27 (g) Hold outside employment with, or accept compensation from, any person or

1 business with which he or she has involvement as part of his or her official
2 position with the system. The provisions of this paragraph shall not prohibit:

- 3 1. A trustee from serving as a judge or member of the General Assembly;
- 4 or
- 5 2. A trustee from serving on the board if the compensation is de minimus
6 and incidental to the trustee's outside employment. If the compensation
7 is more than de minimus, the trustee shall disclose the amount of the
8 compensation to the other trustees and recuse himself or herself from
9 any matters involving hiring or retaining a person or a business from
10 whom more than de minimus amounts are received by the trustee. For
11 purposes of this section, "de minimus" means an insignificant amount
12 that does not raise a reasonable question as to the trustee's objectivity.

13 (6) Notwithstanding any other provision of KRS 6.500 to 6.577 and 21.345 to 21.580
14 to the contrary, no funds of the Legislators' Retirement Plan or the Judicial
15 Retirement Plan, including fees and commissions paid to an investment manager,
16 private fund, or company issuing securities, who manages systems assets, shall be
17 used to pay fees and commissions to placement agents. For purposes of this
18 subsection, "placement agent" means a third-party individual, who is not an
19 employee, or firm, wholly or partially owned by the entity being hired, who solicits
20 investments on behalf of an investment manager, private fund, or company issuing
21 securities.

22 (7) All contracts for the investment or management of assets of the system shall not be
23 subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct the
24 following process to develop and adopt an investment procurement policy with
25 which all prospective contracts for the investment or management of assets of the
26 system shall comply:

- 27 (a) On or before July 1, 2017, the board shall consult with the secretary of the

- 1 Finance and Administration Cabinet or his or her designee to develop an
2 investment procurement policy, which shall be written to meet best practices
3 in investment management procurement;
- 4 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary
5 investment procurement policy to the secretary of the Finance and
6 Administration Cabinet or his or her designee for review and comment;
- 7 (c) Upon receipt of comments from the secretary of the Finance and
8 Administration Cabinet or his or her designee, the board shall choose to adopt
9 or not adopt any recommended changes;
- 10 (d) Upon adoption, the board shall tender the final investment procurement policy
11 to the secretary of the Finance and Administration Cabinet or his or her
12 designee;
- 13 (e) No later than thirty (30) days after receipt of the investment procurement
14 policy, the secretary or his or her designee shall certify whether the board's
15 investment procurement policy meets or does not meet best practices for
16 investment management procurement; and
- 17 (f) Any amendments to the investment procurement policy shall adhere to the
18 requirements set forth by paragraphs (b) to (e) of this subsection.
- 19 (8) (a) 1. Upon request by any person, the Judicial Form Retirement System shall
20 release the following information from the accounts of any member or
21 retiree of the Legislators' Retirement Plan or the Judicial Retirement
22 Plan, if the member or retiree is a current or former officeholder in the
23 Kentucky General Assembly:
- 24 a. The first and last name of the member or retiree;
- 25 b. The plan or plans in which the member has an account or from
26 which the retiree is receiving a monthly retirement allowance;
- 27 c. The status of the member or retiree, including but not limited to

1 whether he or she is a contributing to the plans but has not retired,
2 or a retiree drawing a monthly retirement allowance;

3 d. If the individual is a retiree, the monthly retirement allowance that
4 he or she was receiving at the end of the most recently completed
5 fiscal year; and

6 e. If the individual is a member who has not yet retired, the estimated
7 monthly retirement allowance that he or she is eligible to receive
8 on the first date he or she would be eligible for an unreduced
9 retirement allowance, using his or her service credit, final
10 compensation, and accumulated account balance at the end of the
11 most recently completed fiscal year.

12 2. No information shall be disclosed under this paragraph from an account
13 that is paying benefits to a beneficiary due to the death of a member or
14 retiree.

15 (b) The release of information under paragraph (a) of this subsection shall not
16 constitute a violation of the Open Records Act, KRS 61.870 to 61.884.

17 **(9) Payment option selections and beneficiary designations established or modified**
18 **by a member or retired member under KRS 6.500 to 6.577 or 21.345 to 21.580**
19 **shall be subject to acknowledgement by the spouse of the member or retired**
20 **member in accordance with Section 2 of this Act.**

21 ➔Section 4. KRS 61.542 is amended to read as follows:

22 (1) Prior to the first day of the month in which the member receives his or her first
23 retirement allowance and prior to the member filing a notification of retirement or a
24 request for refund:

25 (a) Each member may designate on the form prescribed by the Authority a
26 principal beneficiary and contingent beneficiary for his or her account or
27 accounts. The principal beneficiary or contingent beneficiary designated by

1 the member shall be:

- 2 1. One (1) or more persons; or
- 3 2. The member's estate; or
- 4 3. A trust;

5 (b) If multiple persons are designated as provided by paragraph (a)1. of this
6 subsection, the member shall indicate the percentage of total benefits each
7 person is to receive.

- 8 1. If percentages are not indicated, payments will be disbursed equally to
9 the named beneficiaries.
- 10 2. If the percentages indicated do not total one hundred percent (100%),
11 each beneficiary shall receive an increased or decreased percentage
12 which is proportional to the percentage allotted him or her by the
13 member.
- 14 3. If any of the multiple beneficiaries die prior to the member's death, the
15 remaining beneficiaries shall be entitled to the deceased beneficiary's
16 percentage of the total benefits, and each shall receive a percentage of
17 the deceased's share which is equal to the percentage allotted them by
18 the member;

19 (c) The principal and contingent beneficiary designation established by the
20 member pursuant to paragraph (a) of this subsection shall remain in full force
21 and effect until changed by the member, except:

- 22 1. A final divorce decree terminates an ex-spouse's status as beneficiary,
23 unless the member has on file in the retirement office a beneficiary
24 designation that redesignates the ex-spouse as beneficiary subsequent to
25 the issuance of the divorce decree;
- 26 2. If a beneficiary or beneficiaries are convicted of any crime which
27 prohibits that person or persons from receiving the benefits under KRS

1 381.280, the beneficiary or beneficiaries shall not be eligible for any of
2 the benefits and the remaining beneficiary or beneficiaries or, if none,
3 the member's estate, shall become the beneficiary; and

4 3. When a notification of retirement has been filed at the retirement office,
5 the designation of beneficiary on the notification of retirement, which
6 shall be one (1) person, his or her estate, or a trust, shall supersede the
7 designation of all previous beneficiaries, unless the notification of
8 retirement is withdrawn, invalid, or voided. If the notification of
9 retirement is withdrawn, invalid, or voided, the prior beneficiary
10 designation on file with the system shall remain in full force and effect
11 until changed by the member; and

12 (d) Except as provided by paragraph (c)3. of this subsection, if the member fails
13 to designate a beneficiary for his or her account or if the beneficiary
14 designation is determined to be void by the system, the member's estate shall
15 become the beneficiary.

16 (e) If the member has more than one (1) account in the Kentucky Employees
17 Retirement System, County Employees Retirement System, or State Police
18 Retirement System, the member shall not be eligible to name differing
19 beneficiaries for each system but shall instead complete one (1) beneficiary
20 designation form which shall be applicable to all systems in which the
21 member has an account.

22 (2) If the member dies prior to the first day of the month in which the member would
23 have received his or her first retirement allowance and prior to filing a notification
24 of retirement or a request for refund, any retirement benefits shall be payable to the
25 principal beneficiary, except that:

26 (a) If the death of the principal beneficiary or beneficiaries precedes the death of
27 the member, or if the principal beneficiary is terminated by a divorce decree,

- 1 the contingent beneficiary or beneficiaries become the principal beneficiary or
2 beneficiaries;
- 3 (b) If the principal beneficiary is one (1) person and is the member's spouse and
4 they are divorced on the date of the member's death, the contingent
5 beneficiary or beneficiaries become the principal beneficiary or beneficiaries;
- 6 (c) If the member is survived by his or her principal beneficiary or beneficiaries
7 who subsequently die prior to having on file at the retirement office the
8 necessary forms prescribed under authority of KRS 61.590, the contingent
9 beneficiary shall become the principal beneficiary or beneficiaries;
- 10 (d) If the deaths of all the principal beneficiaries and all of the contingent
11 beneficiaries precede the death of the member, the estate of the member
12 becomes the beneficiary; and
- 13 (e) If the member dies as a direct result of an act in line of duty as defined in KRS
14 16.505 or 78.510, or dies as a result of a duty-related injury as defined in KRS
15 61.621, the surviving spouse shall supersede all previously designated
16 principal or contingent beneficiaries, unless the deceased member files a valid
17 beneficiary designation form with the retirement office after the date of
18 marriage to the surviving spouse.
- 19 (3) Prior to the first day of the month in which the member would have received his or
20 her first retirement allowance, a monthly benefit payable for life shall not be offered
21 if the beneficiary designated under subsection (1) of this section is more than one
22 (1) person, the member's estate, or a trust.
- 23 (4) When a notification of retirement as provided by KRS 61.590 or a form to change
24 beneficiaries as provided by subsection (5)(a) and (b) of this section has been filed
25 at the retirement office:
- 26 (a) The designation of beneficiary on the notification of retirement or beneficiary
27 change form shall supersede the designation of all previous beneficiaries;

- 1 (b) The beneficiary designated by the member on the member's notification of
2 retirement or beneficiary change form shall be one (1) person, the member's
3 estate, or a trust; and
- 4 (c) If the death of the beneficiary named on the notification of retirement
5 precedes the first day of the month in which the member receives his or her
6 first retirement allowance, the member may designate another beneficiary on
7 the member's notification of retirement.
- 8 (5) On or after the first day of the month in which the member receives his or her first
9 retirement allowance, the member shall not have the right to change his or her
10 beneficiary, except that:
- 11 (a) A retired member receiving the monthly retirement allowance under the basic
12 payment option, a period certain option as provided by KRS 61.635(5) to (7),
13 or the Social Security adjustment option without survivor rights as provided
14 by KRS 61.635(8)(a) may elect to change his or her beneficiary at any time by
15 filing a beneficiary change form as prescribed by the board with the
16 retirement office. This paragraph shall not authorize a retired member to
17 change the payment option he or she selected upon retirement;
- 18 (b) A retired member receiving a monthly retirement allowance who marries or
19 remarries following retirement may make a one (1) time election within one
20 hundred twenty (120) days of marriage or remarriage to provide monthly
21 survivorship benefits to his or her new spouse by:
- 22 1. Designating his or her new spouse as beneficiary by filing a beneficiary
23 change form as prescribed by the board with the retirement office; and
 - 24 2. Selecting a new monthly retirement allowance option under one (1) of
25 the survivorship options provided by KRS 61.635(2), (3), (4), and
26 (8)(b). Any new survivorship payment option shall be actuarially
27 equivalent to the monthly retirement allowance the retired member was

1 receiving prior to the change and shall not impact any other benefits
2 otherwise payable to an alternate payee under KRS 61.690;

3 (c) The estate of the retired member becomes the beneficiary if the date of death
4 of the beneficiary precedes or coincides with the date of death of the retired
5 member, and the retired member had not elected a new beneficiary under this
6 subsection;

7 (d) The estate of the retired member becomes the beneficiary if the retired
8 member had designated a person as beneficiary who was the spouse or who
9 later married the member and they were divorced on the date of the retired
10 member's death, and the retired member had not elected a new beneficiary
11 under this subsection. An ex-spouse who was the named beneficiary on the
12 member's notification of retirement shall be reinstated as the member's
13 beneficiary for the payment options provided by KRS 61.635(2), (3), (4), and
14 (8)(b) if they are remarried to each other as of the date of the retired member's
15 death, and the retired member had not elected a new beneficiary under this
16 subsection;

17 (e) The estate of the member shall not receive monthly payments if the member
18 selected one (1) of the payment options provided by KRS 61.635(2), (3), (4),
19 and (8)(b); and

20 (f) For purposes of this subsection, "basic payment option" means the lifetime
21 monthly retirement allowance otherwise provided to the retired member under
22 KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 that is not one
23 (1) of the optional retirement plans provided under KRS 61.635.

24 (6) Following cessation of membership as provided by KRS 61.535 or 78.540, no
25 beneficiary designation in one (1) account shall be effective for any new retirement
26 account established. If the member fails to designate a beneficiary for his or her
27 new retirement account or if the beneficiary designation is determined to be void by

1 the system, the member's estate shall become the beneficiary.

2 **(7) Beneficiary designations established or modified pursuant to this section shall be**
3 **subject to acknowledgement by the spouse of the member or retired member in**
4 **accordance with Section 2 of this Act.**

5 ➔Section 5. KRS 61.590 is amended to read as follows:

6 (1) (a) A member or beneficiary eligible to receive retirement benefits under any of
7 the provisions of KRS 61.510 to 61.705, 78.510 to 78.852, and 16.510 to
8 16.652 shall have on file at the retirement office on the form prescribed by the
9 board, a correctly completed notification of retirement, giving his or her
10 name, address, Social Security number or Kentucky Public Pensions
11 Authority member identification number, last day of employment, and other
12 information the Authority may require. The form entitled "Notification of
13 Retirement" shall not be filed more than six (6) months before the member's
14 effective retirement date.

15 (b) A member eligible to receive retirement benefits under any of the provisions
16 of KRS 61.510 to 61.705, 78.510 to 78.852, and 16.510 to 16.652 shall certify
17 in writing on the "Notification of Retirement" form or another form
18 prescribed by the board that no prearranged agreement existed prior to the
19 member's retirement between the member and any participating agency in the
20 systems administered by the Kentucky Retirement Systems or any
21 participating agency in the County Employees Retirement System for the
22 member to return to employment with the participating agency. No retirement
23 benefits shall be paid to the member until the member completes the
24 certification required by this paragraph.

25 (2) After receipt of the correctly completed form entitled "Notification of Retirement,"
26 the Authority shall cause to be prepared an estimate of the amounts the member or
27 beneficiary may expect to receive under the various plans available to the member

1 or beneficiary. This information shall be recorded on a form entitled "Estimated
2 Retirement Allowance" and forwarded to the member or beneficiary.

3 (3) The member or beneficiary shall file at the retirement office the form entitled
4 "Estimated Retirement Allowance" after he or she has checked one (1) payment
5 option of his or her choice, signed the document, and had his or her signature
6 witnessed *or acknowledged by the member's spouse as required by Section 2 of*
7 *this Act.* A member shall not have the right to select a different payment option on
8 or after the first day of the month in which the member receives his or her first
9 retirement allowance or after the effective date of a deferred retirement option as
10 provided by subsection (6) of this section, except as provided by KRS 61.542(5). A
11 beneficiary shall not have the right to select a different payment option after the
12 effective date of the beneficiary's retirement allowance as provided in subsection
13 (7) of this section.

14 (4) A member or beneficiary choosing a monthly payment option shall have on file at
15 the retirement office his or her birth certificate or other acceptable evidence of date
16 of birth. If a survivorship option is chosen, proof of dates of birth of the beneficiary
17 and member shall be on file at the retirement office.

18 (5) (a) The effective date of normal retirement shall be the first month following the
19 month in which employment from all employers participating in any of the
20 systems administered by Kentucky Retirement Systems and all employers
21 participating in the County Employees Retirement System was terminated.

22 (b) The effective date of disability retirement shall be the first month following
23 the month in which the member's last day of paid employment in a regular
24 full-time position occurred, provided the member files the form entitled
25 "Estimated Retirement Allowance" no later than six (6) months following the
26 date the notification of approval for disability retirement benefits is sent by
27 United States first-class mail to the member's last address on file in the

1 retirement office, by electronic mail to the member's last electronic mail
2 address on file in the retirement office, or by other electronic means. If the
3 member fails to file the form entitled "Estimated Retirement Allowance"
4 within six (6) months of the date the notification of approval for disability
5 retirement benefits is sent, then the member's form entitled "Notification of
6 Retirement" shall be void. The member shall be required to submit a new
7 form entitled "Notification of Retirement" to apply for disability retirement
8 and reestablish eligibility for disability retirement benefits.

9 (c) The effective date of early retirement shall be the first month following the
10 month a correctly completed form entitled "Notification of Retirement" is
11 filed at the retirement office or a future month designated by the member, if
12 employment from all employers participating in any of the systems
13 administered by Kentucky Retirement Systems and all employers
14 participating in the County Employees Retirement System has been
15 terminated and if the member files the form entitled "Estimated Retirement
16 Allowance" no later than six (6) months following termination. If the member
17 fails to file the form entitled "Estimated Retirement Allowance" within six (6)
18 months following the effective retirement date of the member, then the
19 member's form entitled "Notification of Retirement" shall be void and the
20 member shall be required to submit a new form entitled "Notification of
21 Retirement" to apply for early retirement.

22 (6) The effective date of a deferred retirement option as provided under KRS 16.576(5)
23 shall be the month following age sixty-five (65), or the month following written
24 notification from the member that he or she wishes to begin receiving retirement
25 payments. In the event of the death of a member who has deferred his or her
26 retirement allowance, the effective date of retirement shall be the month following
27 the member's death.

1 (7) Notwithstanding the provisions of KRS 16.578 or 61.640, the effective date of a
2 beneficiary's retirement allowance under normal, early, or disability retirement shall
3 be as prescribed in subsection (5) or (6) of this section if the member dies before the
4 first day of the month in which the member would have received his or her first
5 retirement allowance and his or her beneficiary becomes eligible for payments
6 under KRS 16.578 or 61.640.

7 ➔Section 6. KRS 61.705 is amended to read as follows:

8 (1) Upon the death of a retired member of the Kentucky Employees Retirement System
9 or State Police Retirement System who was receiving a monthly retirement
10 allowance based on a minimum of forty-eight (48) months of service or whose
11 retirement allowance based on a minimum of forty-eight (48) months was
12 suspended in accordance with KRS 61.637, a death benefit of five thousand dollars
13 (\$5,000) shall be paid. If the retired member had more than one (1) account in the
14 Kentucky Employees Retirement System or State Police Retirement System, or was
15 eligible for a benefit under KRS 78.5538 from the County Employees Retirement
16 System, the systems shall pay only one (1) five thousand dollar (\$5,000) death
17 benefit. Each system's cost shall be prorated between the systems based upon the
18 level of service credit in each system. Application for the death benefit made to the
19 Kentucky Retirement Systems shall include acceptable evidence of death and of the
20 eligibility of the applicant to act on the deceased retired member's behalf.

21 (2) The death benefit shall be paid to a beneficiary named by the retired member. Upon
22 retirement or any time thereafter, the retired member may designate on the form
23 prescribed by the board, death benefit designation, a person, the retired member's
24 estate, a trust or trustee, or a licensed funeral home, as the beneficiary of the death
25 benefit provided by this section or KRS 78.5538. The beneficiary for the death
26 benefit may or may not be the same beneficiary designated in accordance with KRS
27 61.590(1) but only one (1) designation shall be available to a retired member who

1 has service in both the County Employees Retirement System and the Kentucky
2 Retirement Systems. If the beneficiary designated under this section is a person and
3 that person dies prior to the member, or if the beneficiary was the retired member's
4 spouse and they were divorced on the date of the retired member's death, then the
5 retired member's estate shall become the beneficiary, unless the retired member has
6 filed a subsequent death benefit designation. If a licensed funeral home is
7 designated as beneficiary and the licensed funeral home cannot be reasonably
8 identified or located by Kentucky Retirement Systems at the time of the retired
9 member's death, then the retired member's estate shall become the beneficiary of the
10 death benefit.

11 (3) If, at the time of the retired member's death, a debt to the Kentucky Retirement
12 Systems remains on his or her account, the balance owed shall be deducted from the
13 five thousand dollars (\$5,000) death benefit.

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

17 **(5) *Beneficiary designations established or modified pursuant to this section shall be***
18 ***subject to acknowledgement by the spouse of the member or retired member in***
19 ***accordance with Section 2 of this Act.***

20 ➔Section 7. KRS 78.5538 is amended to read as follows:

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

24 (b) If the retired member had more than one (1) account in the County Employees
25 Retirement System or is eligible for a benefit from the Kentucky Retirement
26 Systems under the provisions of KRS 61.705, the combined payment from the
27 County Employees Retirement System under this section and the Kentucky

1 Retirement Systems under KRS 61.705 shall not exceed five thousand dollars
2 (\$5,000). Each system's cost shall be prorated between the systems based
3 upon the level of service credit in each system.

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

7 (2) (a) The death benefit shall be paid to a beneficiary named by the retired member.
8 Upon retirement or any time thereafter, the retired member may designate on
9 the form prescribed by the board, death benefit designation, a person, the
10 retired member's estate, a trust or trustee, or a licensed funeral home, as the
11 beneficiary of the death benefit provided by this section or KRS 61.705. The
12 beneficiary for the death benefit may or may not be the same beneficiary
13 designated in accordance with KRS 61.590(1) but only one (1) designation
14 shall be available to a retired member who has service in both the County
15 Employees Retirement System and the Kentucky Retirement Systems.

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

21 (c) If a licensed funeral home is designated as beneficiary and the licensed
22 funeral home cannot be reasonably identified or located by the system at the
23 time of the retired member's death, then the retired member's estate shall
24 become the beneficiary of the death benefit.

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

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

4 **(5) Beneficiary designations established or modified pursuant to this section shall be**
5 **subject to acknowledgement by the spouse of the member or retired member in**
6 **accordance with Section 2 of this Act.**

7 ➔Section 8. KRS 161.480 is amended to read as follows:

8 (1) (a) Each person, upon becoming a member of the retirement system, shall file a
9 detailed statement as required by the board of trustees and shall designate a
10 primary beneficiary or two (2) or more cobeneficiaries to receive any benefits
11 accruing from the death of the member.

12 (b) A contingent beneficiary may be designated in addition to the primary
13 beneficiary or cobeneficiaries. The member may name more than one (1)
14 contingent beneficiary.

15 (c) Any beneficiary designation made by the member, including the estate should
16 the estate become the beneficiary by default, shall remain in effect until
17 changed by the member on forms prescribed by the Teachers' Retirement
18 System, except in the event of subsequent marriage or divorce. Subsequent
19 marriage by the member shall void the primary beneficiary and any
20 cobeneficiary designation, even that of a trust, and the spouse of the member
21 at death shall be considered as the primary beneficiary, unless the member
22 subsequent to marriage designates another beneficiary. An individual who is
23 married prior to becoming a member of the retirement system and remains
24 married at the time of becoming a member shall have his or her spouse
25 considered the primary beneficiary, unless the member designates another
26 beneficiary. A final divorce decree shall terminate an ex-spouse's status as
27 either primary beneficiary, cobeneficiary, or contingent beneficiary, unless

1 subsequent to divorce the member redesignates the former spouse as primary
2 beneficiary, cobeneficiary, or contingent beneficiary.

3 (d) To the extent permitted by the Internal Revenue Code, a trust may be
4 designated as beneficiary for receipt of a member's accumulated account
5 balance in the retirement system as provided under KRS 161.470(7). A final
6 divorce decree shall not terminate the designation of a trust as beneficiary
7 regardless of who is designated as beneficiary of the trust.

8 (e) In the event that a member fails to designate a beneficiary, or all designated
9 beneficiaries predecease the member, the member's estate shall be deemed to
10 be the beneficiary, unless the member is married at the time of his or her
11 death, in which case the spouse shall be deemed the beneficiary.

12 (f) Members may designate as beneficiaries only presently identifiable and
13 existing individuals, or trusts where otherwise permitted, without contingency
14 instructions, on forms prescribed by the retirement system.

15 (2) The provisions of this section shall be retroactive as they relate to election of
16 beneficiaries by members still in active status on the effective date of this section.
17 The provisions of this section shall not apply to any account from which a member
18 is drawing a retirement allowance or to the life insurance benefit available under
19 KRS 161.655.

20 **(3) Beneficiary designations established or modified pursuant to this section shall be**
21 **subject to acknowledgement by the spouse of the member in accordance with**
22 **Section 2 of this Act.**

23 ➔Section 9. KRS 161.630 is amended to read as follows:

24 (1) (a) A member, upon retirement, shall receive a retirement allowance in the form
25 of a life annuity, with refundable balance, as provided in KRS 161.620, unless
26 an election is made before the effective date of retirement to receive
27 actuarially equivalent benefits under options which the board of trustees

1 approves.

2 (b) An individual who is participating in the supplemental benefit component as
3 provided by KRS 161.635 or 161.636 may, before the effective date of
4 retirement, elect to receive his or her accumulated account balance accrued in
5 the supplemental benefit component annuitized into a monthly payment under
6 one (1) of the actuarial equivalent payment options approved by the board of
7 trustees.

8 (c) No option shall provide for a benefit with an actuarial value at the age of
9 retirement greater than that provided in KRS 161.620, 161.635(5)(a), or
10 161.636(5)(a), as applicable. This section does not apply to disability
11 allowances as provided in KRS 161.661(1).

12 (2) The retirement option chosen by a retiree at the time of service retirement shall
13 remain in force unless the retiree elects to make a change under the following
14 conditions:

15 (a) A divorce, annulment, or marriage dissolution following retirement shall, at
16 the election of the retiree, cancel any optional plan selected at retirement that
17 provides indefinitely continuing benefits to a spousal beneficiary and return
18 the retiree to a single lifetime benefit equivalent as determined by the board;
19 or

20 (b) Following marriage or remarriage, or the death of the designated beneficiary,
21 a retiree may elect a new optional plan of payment based on the actuarial
22 equivalent of a single lifetime benefit at the time of the election, as
23 determined by the board. The plan shall become effective the first of the
24 month following receipt of an application on a form approved by the board.

25 (3) Except as otherwise provided in this section, a beneficiary designation shall not be
26 changed after the effective date of retirement except for retirees who elect the life
27 annuity with refundable balance or the predetermined years certain and life

1 thereafter option. A member may remove a beneficiary at any time, but shall not
2 designate a substitute beneficiary. If a member elects to remove a beneficiary, the
3 member's retirement allowance shall not change regardless of the retirement option
4 selected by the member, even if the removed beneficiary predeceases the member.

5 (4) A member who experiences a qualifying event under subsection (2) of this section
6 and who elects a new optional plan of payment shall make that election within sixty
7 (60) days of the qualifying event.

8 **(5) The payment option selections and beneficiary designations established or**
9 **modified by this section shall be subject to acknowledgement by the spouse of the**
10 **member or annuitant in accordance with Section 2 of this Act.**

11 ➔Section 10. KRS 161.655 is amended to read as follows:

12 (1) Effective July 1, 2000, the Teachers' Retirement System shall:

13 (a) Provide a life insurance benefit in a minimum amount of five thousand dollars
14 (\$5,000) for its members who are retired for service or disability, except that
15 the minimum amount for an individual who becomes a member on or after
16 January 1, 2022, and retires for service or disability shall be ten thousand
17 dollars (\$10,000). This life insurance benefit shall be payable upon the death
18 of a member retired for service or disability to the member's estate or to a
19 party designated by the member on a form prescribed by the retirement
20 system; and

21 (b) Provide a life insurance benefit in a minimum amount of two thousand dollars
22 (\$2,000) for its active contributing members, except that the minimum amount
23 for an individual who becomes a member on or after January 1, 2022, and is
24 an active contributing member shall be five thousand dollars (\$5,000). This
25 life insurance benefit shall be payable upon the death of an active contributing
26 member to the member's estate or to a party designated by the member on a
27 form prescribed by the retirement system.

- 1 (2) (a) The member may name one (1) primary and one (1) contingent beneficiary for
2 receipt of the life insurance benefit. To the extent permitted by the Internal
3 Revenue Code, a trust may be designated as beneficiary for receipt of the life
4 insurance benefit.
- 5 (b) Members may designate as beneficiaries only presently identifiable and
6 existing individuals, or trusts where otherwise permitted, without contingency
7 instructions, on forms prescribed by the retirement system.
- 8 (c) In the event that a member fails to designate a beneficiary, or all designated
9 beneficiaries predecease the member, the member's estate shall be deemed to
10 be the beneficiary, unless the member is married at the time of his or her
11 death, in which case the spouse shall be deemed the beneficiary.
- 12 (d) 1. Any beneficiary designation made by the member, including the estate
13 should the estate become the beneficiary by default, shall remain in
14 effect until changed by the member on forms prescribed by the
15 retirement system, except in the event of subsequent marriage or
16 divorce.
- 17 2. A valid marriage license shall terminate any previously designated
18 beneficiary, even that of a trust, and establish the spouse as beneficiary
19 unless, subsequent proof of the marriage, the member or retired member
20 redesignates someone other than the new spouse as the beneficiary.
- 21 3. An individual who is married prior to becoming an active member or a
22 retired member of the retirement system and remains married at the time
23 of becoming an active or retired member of the retirement system shall
24 have his or her spouse considered the primary beneficiary, unless the
25 member designates another beneficiary.
- 26 4. A final divorce decree shall terminate the beneficiary status of an ex-
27 spouse unless, subsequent to divorce, the member redesignates the

1 former spouse as a beneficiary. A final divorce decree shall not
2 terminate the designation of a trust as beneficiary regardless of who is
3 designated as beneficiary of the trust.

4 (e) The Teachers' Retirement System shall not acknowledge a beneficiary
5 designation unless the life insurance beneficiary form is received by the
6 Teachers' Retirement System prior to the member's death, or the life insurance
7 beneficiary form has been deposited in the mail with a postmark date no later
8 than the date of the member's death.

9 (3) Application for payment of life insurance proceeds shall be made to the Teachers'
10 Retirement System together with acceptable evidence of death and eligibility. The
11 reciprocal provisions of KRS 61.680(2)(a) shall not apply to the coverage and
12 payment of proceeds by the life insurance benefit under this section.

13 (4) Suit or civil action shall not be required for the collection of the proceeds of the life
14 insurance benefit provided for by this section, but nothing in this section shall
15 prevent the maintenance of suit or civil action against the beneficiary or legal
16 representative receiving the proceeds of the life insurance benefit.

17 (5) Upon the death of a member of the Teachers' Retirement System, the life insurance
18 provided pursuant to subsection (1) of this section may be assigned by the
19 designated beneficiary to a bank or licensed funeral home.

20 **(6) Beneficiary designations established or modified pursuant to this section shall be**
21 **subject to acknowledgement by the spouse of the member or annuitant in**
22 **accordance with Section 2 of this Act.**