

1 AN ACT relating to designating a special needs trust to receive state-administered  
2 retirement benefits.

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

4 ➔Section 1. KRS 16.505 is amended to read as follows:

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

- 6 (1) "System" means the State Police Retirement System created by KRS 16.505 to  
7 16.652;
- 8 (2) "Board" means the board of trustees of the Kentucky Retirement Systems;
- 9 (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its  
10 successor;
- 11 (4) "Current service" means the number of years and completed months of employment  
12 as an employee subsequent to July 1, 1958, for which creditable compensation was  
13 paid by the employer and employee contributions deducted except as otherwise  
14 provided;
- 15 (5) "Prior service" means the number of years and completed months of employment as  
16 an employee prior to July 1, 1958, for which creditable compensation was paid to  
17 the employee by the Commonwealth. Twelve (12) months of current service in the  
18 system are required to validate prior service;
- 19 (6) "Service" means the total of current service and prior service;
- 20 (7) "Accumulated contributions" at any time means the sum of all amounts deducted  
21 from the compensation of a member and credited to his or her individual account in  
22 the member's account, including employee contributions picked up after August 1,  
23 1982, pursuant to KRS 16.545(4), together with interest credited on such amounts  
24 as provided in KRS 16.505 to 16.652, and any other amounts the member shall  
25 have contributed, including interest credited. For members who begin participating  
26 on or after September 1, 2008, "accumulated contributions" shall not include  
27 employee contributions that are deposited into accounts established pursuant to 26

1 U.S.C. sec. 401(h) within the funds established in KRS 16.510 and 61.515, as  
2 prescribed by KRS 61.702(3)(b);

3 (8) "Creditable compensation":

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

11 (b) Includes:

12 1. Lump-sum bonuses, severance pay, or employer-provided payments for  
13 purchase of service credit, which shall be averaged over the employee's  
14 total service with the system in which it is recorded if it is equal to or  
15 greater than one thousand dollars (\$1,000);

16 2. Lump-sum payments for creditable compensation paid as a result of an  
17 order of a court of competent jurisdiction, the Personnel Board, or the  
18 Commission on Human Rights, or for any creditable compensation paid  
19 in anticipation of settlement of an action before a court of competent  
20 jurisdiction, the Personnel Board, or the Commission on Human Rights,  
21 including notices of violations of state or federal wage and hour statutes  
22 or violations of state or federal discrimination statutes, which shall be  
23 credited to the fiscal year during which the wages were earned or should  
24 have been paid by the employer. This subparagraph shall also include  
25 lump-sum payments for reinstated wages pursuant to KRS 61.569,  
26 which shall be credited to the period during which the wages were  
27 earned or should have been paid by the employer;

1           3. Amounts which are not includable in the member's gross income by  
2           virtue of the member having taken a voluntary salary reduction provided  
3           for under applicable provisions of the Internal Revenue Code; and

4           4. Elective amounts for qualified transportation fringes paid or made  
5           available on or after January 1, 2001, for calendar years on or after  
6           January 1, 2001, that are not includable in the gross income of the  
7           employee by reason of 26 U.S.C. sec. 132(f)(4); and

8           (c) Excludes:

9           1. Living allowances, expense reimbursements, lump-sum payments for  
10           accrued vacation leave, and other items determined by the board;

11           2. For employees who begin participating on or after September 1, 2008,  
12           lump-sum payments for compensatory time; and

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

15           (9) "Final compensation" means:

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

23           (b) For a member who begins participating on or after September 1, 2008, but  
24           prior to January 1, 2014, the creditable compensation of the member during  
25           the three (3) complete fiscal years he or she was paid at the highest average  
26           monthly rate divided by three (3). Each fiscal year used to determine final  
27           compensation must contain twelve (12) months of service credit. If the

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

6 (10) "Final rate of pay" means the actual rate upon which earnings of a member were  
7 calculated during the twelve (12) month period immediately preceding the  
8 member's effective retirement date, including employee contributions picked up  
9 after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the  
10 system by the employer and the following equivalents shall be used to convert the  
11 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
12 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-  
13 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve  
14 (12) months, or one (1) year;

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

18 (12) "Retirement allowance" means the retirement payments to which a retired member  
19 is entitled;

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

- 1 (14) "Authorized leave of absence" means any time during which a person is absent  
2 from employment but retained in the status of an employee in accordance with the  
3 personnel policy of the Department of Kentucky State Police;
- 4 (15) "Normal retirement date" means:
- 5 (a) For a member who begins participating before September 1, 2008, the first  
6 day of the month following a member's fifty-fifth birthday, except that for  
7 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,  
8 1959; or
- 9 (b) For a member who begins participating on or after September 1, 2008, the  
10 first day of the month following a member's sixtieth birthday;
- 11 (16) "Disability retirement date" means the first day of the month following the last day  
12 of paid employment;
- 13 (17) "Dependent child" means a child in the womb and a natural or legally adopted child  
14 of the member who has neither attained age eighteen (18) nor married or who is an  
15 unmarried full-time student who has not attained age twenty-two (22). Solely in the  
16 cases where a member dies as a direct result of an act in line of duty as defined in  
17 this section, dies as a result of a duty-related injury as defined in KRS 61.621,  
18 becomes totally and permanently disabled as a direct result of an act in line of duty  
19 as defined in this section, or becomes disabled as a result of a duty-related injury as  
20 defined in KRS 61.621 and is eligible for the benefits provided by KRS  
21 61.621(5)(a), "dependent child" also means a naturally or legally adopted disabled  
22 child of the member, regardless of the child's age, if the child has been determined  
23 to be eligible for federal Social Security disability benefits or is being claimed as a  
24 qualifying child for tax purposes due to the child's total and permanent disability;
- 25 (18) "Optional allowance" means an actuarially equivalent benefit elected by the  
26 member in lieu of all other benefits provided by KRS 16.505 to 16.652;
- 27 (19) "Act in line of duty" means:

- 1 (a) A single act occurring or a single thing done, which, as determined by the  
2 board, was required in the performance of the duties specified in KRS 16.060;
- 3 (b) For employees in hazardous positions under KRS 61.592, a single act  
4 occurring which was required in the performance of the principal duties of the  
5 position as defined by the job description; or
- 6 (c) For employees participating in the State Police Retirement System and for  
7 employees who are in hazardous positions under KRS 61.592, a single act of  
8 violence committed against the employee that is found to be related to his or  
9 her job duties, whether or not it occurs at his or her job site;
- 10 (20) "Early retirement date" means:
- 11 (a) For a member who begins participating before September 1, 2008, the  
12 retirement date declared by a member who is not less than fifty (50) years of  
13 age and has fifteen (15) years of service; or
- 14 (b) For a member who begins participating on or after September 1, 2008, but  
15 prior to January 1, 2014, the retirement date declared by a member who is not  
16 less than fifty (50) years of age and has fifteen (15) years of service credited  
17 under KRS 16.543(1) or 61.543(1) or another state-administered retirement  
18 system;
- 19 (21) "Member" means any officer included in the membership of the system as provided  
20 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 21 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS  
22 16.010;
- 23 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which  
24 results in an employee's total incapacity to continue as an employee in a hazardous  
25 position, but the employee is not necessarily deemed to be totally and permanently  
26 disabled to engage in other occupations for remuneration or profit;
- 27 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,

- 1 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
2 pay. The rate shall be certified by the employer;
- 3 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
4 member in accordance with KRS 61.542 or 61.705 to receive any available benefits  
5 in the event of the member's death, except when used in reference to the sole  
6 beneficiary of a special needs trust. As used in KRS 61.702, "beneficiary" does not  
7 mean an estate, trust, or trustee;
- 8 (26) "Recipient" means the retired member, the person or persons designated as  
9 beneficiary by the member and drawing a retirement allowance as a result of the  
10 member's death, or a dependent child drawing a retirement allowance. An alternate  
11 payee of a qualified domestic relations order shall not be considered a recipient,  
12 except for purposes of KRS 61.623;
- 13 (27) "Person" means a natural person, including a sole beneficiary of a special needs  
14 trust who is a single natural person designated by a member as his or her  
15 beneficiary in accordance with KRS 61.542;
- 16 (28) "Retirement office" means the Kentucky Public Pensions Authority office building  
17 in Frankfort, unless otherwise designated by the Kentucky Public Pensions  
18 Authority;
- 19 (29) "Vested" for purposes of determining eligibility for purchasing service credit under  
20 KRS 61.552 means the employee has at least forty-eight (48) months of service if  
21 age sixty-five (65) or older or at least sixty (60) months of service if under the age  
22 of sixty-five (65). For purposes of this subsection, "service" means service in the  
23 systems administered by the Kentucky Retirement Systems and County Employees  
24 Retirement Systems;
- 25 (30) "Last day of paid employment" means the last date employer and employee  
26 contributions are required to be reported in accordance with KRS 16.543 or 61.543  
27 to the retirement office in order for the employee to receive current service credit

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



- 1 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
2 participant, who is designated to be paid retirement benefits in a qualified domestic  
3 relations order;
- 4 (39) "Accumulated employer credit" means the employer pay credit deposited to the  
5 member's account and interest credited on such amounts as provided by KRS  
6 16.583;
- 7 (40) "Accumulated account balance" means:
- 8 (a) For members who began participating in the system prior to January 1, 2014,  
9 the member's accumulated contributions; or
- 10 (b) For members who began participating in the system on or after January 1,  
11 2014, in the hybrid cash balance plan as provided by KRS 16.583, the  
12 combined sum of the member's accumulated contributions and the member's  
13 accumulated employer pay credit;~~and~~
- 14 (41) "Monthly average pay" means:
- 15 (a) In the case of a member who dies as a direct result of an act in line of duty as  
16 defined in this section or who dies as a result of a duty-related injury as  
17 defined in KRS 61.621, the higher of the member's monthly final rate of pay  
18 or the average monthly creditable compensation earned by the deceased  
19 member during his or her last twelve (12) months of employment; or
- 20 (b) In the case where a member becomes totally and permanently disabled as a  
21 direct result of an act in line of duty as defined in this section or becomes  
22 disabled as a result of a duty-related injury as defined in KRS 61.621 and is  
23 eligible for the benefits provided by KRS 61.621(5)(a), the higher of the  
24 member's monthly final rate of pay or the average monthly creditable  
25 compensation earned by the disabled member during his or her last twelve  
26 (12) months of employment prior to the date the act in line of duty or duty-  
27 related injury occurred; ***and***

1 (42) "Special needs trust" means a trust described in 42 U.S.C. sec 1396p(d)(4)(A).  
2 Any reference to a trust includes a special needs trust, unless the context  
3 otherwise requires.

4 ➔Section 2. KRS 16.578 is amended to read as follows:

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

10 (a) The member was eligible to retire under KRS 16.576, 16.577, or 16.583(6);

11 (b) The member was in active employment or on authorized leave of absence  
12 with five (5) or more years of service credit and died prior to his or her normal  
13 retirement date; or

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

17 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is  
18 a single person or the sole beneficiary of a special needs trust, then the beneficiary  
19 may elect to receive:

20 (a) A monthly benefit payable for the life of the beneficiary that is equal to the  
21 benefit that would have been paid had the member retired immediately prior  
22 to his or her date of death and elected to receive benefits payable under the  
23 survivorship one hundred percent (100%) option as provided in KRS  
24 61.635(2);

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

1 subsection;

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

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

8 (e) If the member began participating in the system prior to January 1, 2014, a  
9 monthly benefit payable for:

- 10 1. Sixty (60) months certain;
- 11 2. One hundred twenty (120) months certain;
- 12 3. The actuarial equivalent refund; or
- 13 4. The Social Security adjustment option;

14 that is equivalent to the benefit the member would have been entitled to  
15 receive based on his or her years of service and final compensation at the date  
16 of his or her death reduced by the survivorship fifty percent (50%) factor as  
17 provided for in KRS 61.635(4), then reduced by fifty percent (50%), and that  
18 is the actuarial equivalent to the amount computed under paragraph (a) of this  
19 subsection; or

20 (f) The higher of a refund of the member's accumulated account balance and  
21 interest as described in KRS 61.625(1) or a one (1) time lump-sum payment  
22 which shall be the actuarial equivalent of the amount payable under paragraph  
23 (a) of this subsection for a period of sixty (60) months.

24 (3) If the beneficiary eligible for benefits as provided in subsection (1) of this section  
25 are multiple beneficiaries or a trust, *other than a special needs trust*, then the  
26 multiple beneficiaries by consensus or the trustee may elect to receive the actuarial  
27 equivalent amounts payable under subsection (2)(c), (d), (e), or (f) of this section

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

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

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

10 ➔Section 3. KRS 61.510 is amended to read as follows:

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

12 (1) "System" means the Kentucky Employees Retirement System created by KRS  
13 61.510 to 61.705;

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

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

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

23 (5) "Employee" means the members, officers, and employees of the General Assembly  
24 and every regular full-time, appointed or elective officer or employee of a  
25 participating department, including the Department of Military Affairs. The term  
26 does not include persons engaged as independent contractors, seasonal, emergency,  
27 temporary, interim, and part-time workers. In case of any doubt, the board shall

- 1 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 2 (6) "Employer" means a department or any authority of a department having the power  
3 to appoint or select an employee in the department, including the Senate and the  
4 House of Representatives, or any other entity, the employees of which are eligible  
5 for membership in the system pursuant to KRS 61.525;
- 6 (7) "State" means the Commonwealth of Kentucky;
- 7 (8) "Member" means any employee who is included in the membership of the system  
8 or any former employee whose membership has not been terminated under KRS  
9 61.535;
- 10 (9) "Service" means the total of current service and prior service as defined in this  
11 section;
- 12 (10) "Current service" means the number of years and months of employment as an  
13 employee, on and after July 1, 1956, except that for members, officers, and  
14 employees of the General Assembly this date shall be January 1, 1960, for which  
15 creditable compensation is paid and employee contributions deducted, except as  
16 otherwise provided, and each member, officer, and employee of the General  
17 Assembly shall be credited with a month of current service for each month he  
18 serves in the position;
- 19 (11) "Prior service" means the number of years and completed months, expressed as a  
20 fraction of a year, of employment as an employee, prior to July 1, 1956, for which  
21 creditable compensation was paid; except that for members, officers, and  
22 employees of the General Assembly, this date shall be January 1, 1960. An  
23 employee shall be credited with one (1) month of prior service only in those months  
24 he received compensation for at least one hundred (100) hours of work; provided,  
25 however, that each member, officer, and employee of the General Assembly shall  
26 be credited with a month of prior service for each month he served in the position  
27 prior to January 1, 1960. Twelve (12) months of current service in the system are

1 required to validate prior service;

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

11 (13) "Creditable compensation":

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

23 (b) Includes:

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

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

- 1           3. For employees who begin participating on or after August 1, 2016,  
2           nominal fees paid for services as a volunteer; and
- 3           4. Any salary or wages paid to an employee for services as a Kentucky  
4           State Police school resource officer as defined by KRS 158.441;

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

- 6           (a) For a member who begins participating before September 1, 2008, who is  
7           employed in a nonhazardous position, the creditable compensation of the  
8           member during the five (5) fiscal years he or she was paid at the highest  
9           average monthly rate divided by the number of months of service credit  
10          during that five (5) year period multiplied by twelve (12). The five (5) years  
11          may be fractional and need not be consecutive. If the number of months of  
12          service credit during the five (5) year period is less than forty-eight (48), one  
13          (1) or more additional fiscal years shall be used;
- 14          (b) For a member who is employed in a nonhazardous position, whose effective  
15          retirement date is between August 1, 2001, and January 1, 2009, and whose  
16          total service credit is at least twenty-seven (27) years and whose age and years  
17          of service total at least seventy-five (75), final compensation means the  
18          creditable compensation of the member during the three (3) fiscal years the  
19          member was paid at the highest average monthly rate divided by the number  
20          of months of service credit during that three (3) years period multiplied by  
21          twelve (12). The three (3) years may be fractional and need not be  
22          consecutive. If the number of months of service credit during the three (3)  
23          year period is less than twenty-four (24), one (1) or more additional fiscal  
24          years shall be used. Notwithstanding the provision of KRS 61.565, the  
25          funding for this paragraph shall be provided from existing funds of the  
26          retirement allowance;
- 27          (c) For a member who begins participating before September 1, 2008, who is



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

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

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

- 1           least thirty-six (36) months;
- 2 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were  
3       calculated during the twelve (12) month period immediately preceding the  
4       member's effective retirement date, including employee contributions picked up  
5       after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the  
6       system by the employer and the following equivalents shall be used to convert the  
7       rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour  
8       workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour  
9       workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,  
10      one (1) year;
- 11 (16) "Retirement allowance" means the retirement payments to which a member is  
12      entitled;
- 13 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the  
14      basis of the actuarial tables that are adopted by the board. In cases of disability  
15      retirement, the options authorized by KRS 61.635 shall be computed by adding ten  
16      (10) years to the age of the member, unless the member has chosen the Social  
17      Security adjustment option as provided for in KRS 61.635(8), in which case the  
18      member's actual age shall be used. For members who began participating in the  
19      system prior to January 1, 2014, no disability retirement option shall be less than  
20      the same option computed under early retirement;
- 21 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless  
22      otherwise provided in KRS 61.510 to 61.705;
- 23 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
24      following June 30, which shall also be the plan year. The "fiscal year" shall be the  
25      limitation year used to determine contribution and benefit limits as established by  
26      26 U.S.C. sec. 415;
- 27 (20) "Officers and employees of the General Assembly" means the occupants of those

1 positions enumerated in KRS 6.150. The term shall also apply to assistants who  
2 were employed by the General Assembly for at least one (1) regular legislative  
3 session prior to July 13, 2004, who elect to participate in the retirement system, and  
4 who serve for at least six (6) regular legislative sessions. Assistants hired after July  
5 13, 2004, shall be designated as interim employees;

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

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

14 (b) Emergency positions which are positions utilized by the employer during:  
15 1. An emergency as determined by the employer for a period not  
16 exceeding thirty (30) working days and are nonrenewable; or  
17 2. A state of emergency declared by the President of the United States or  
18 the Governor of the Commonwealth of Kentucky that are created or  
19 filled specifically for addressing the employer's needs during and as a  
20 result of the declared emergency;

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

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

1           and

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

4   (22) "Vested" for purposes of determining eligibility for purchasing service credit under  
5       KRS 61.552 means the employee has at least forty-eight (48) months of service if  
6       age sixty-five (65) or older or at least sixty (60) months of service if under the age  
7       of sixty-five (65). For purposes of this subsection, "service" means service in the  
8       systems administered by the Kentucky Retirement Systems and County Employees  
9       Retirement System;

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

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

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

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

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

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

5 (28) "Level percentage of payroll amortization method" means a method of determining  
6 the annual amortization payment on the unfunded actuarial accrued liability as  
7 expressed as a percentage of payroll over a set period of years but that may be  
8 converted to a dollar value for purposes of KRS 61.565(1)(d). Under this method,  
9 the percentage of payroll shall be projected to remain constant for all years  
10 remaining in the set period of time and the unfunded actuarially accrued liability  
11 shall be projected to be fully amortized at the conclusion of the set period of years;

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

15 (30) "Person" means a natural person, *including a sole beneficiary of a special needs*  
16 *trust who is a single natural person designated by a member as his or her*  
17 *beneficiary in accordance with KRS 61.542;*

18 (31) "Retirement office" means the Kentucky Public Pensions Authority's office  
19 building in Frankfort, unless otherwise designated by the Kentucky Public Pensions  
20 Authority;

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

27 (33) "Objective medical evidence" means reports of examinations or treatments; medical

1 signs which are anatomical, physiological, or psychological abnormalities that can  
2 be observed; psychiatric signs which are medically demonstrable phenomena  
3 indicating specific abnormalities of behavior, affect, thought, memory, orientation,  
4 or contact with reality; or laboratory findings which are anatomical, physiological,  
5 or psychological phenomena that can be shown by medically acceptable laboratory  
6 diagnostic techniques, including but not limited to chemical tests,  
7 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

8 (34) "Participating" means an employee is currently earning service credit in the system  
9 as provided in KRS 61.543;

10 (35) "Month" means a calendar month;

11 (36) "Membership date" means:

12 (a) The date upon which the member began participating in the system as  
13 provided in KRS 61.543;

14 (b) For a member electing to participate in the system pursuant to KRS  
15 196.167(4) or 311A.022(2) who has not previously participated in the system  
16 or the Kentucky Teachers' Retirement System, the date the member began  
17 participating in a defined contribution plan that meets the requirements of 26  
18 U.S.C. sec. 403(b); or

19 (c) For members bound by an educational contract as a conditional employee to  
20 the state of Kentucky prior to December 31, 2003, the date on which the  
21 educational contract became effective;

22 (37) "Participant" means a member, as defined by subsection (8) of this section, or a  
23 retired member, as defined by subsection (24) of this section;

24 (38) "Qualified domestic relations order" means any judgment, decree, or order,  
25 including approval of a property settlement agreement, that:

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

27 (b) Relates to the provision of child support, alimony payments, or marital

1 property rights to an alternate payee;

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

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

8 (41) "Accumulated account balance" means:

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

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

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

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

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

25 (43) "Nominal fee" means compensation earned for services as a volunteer that does not  
26 exceed five hundred dollars (\$500) per month with each participating employer.  
27 Compensation earned for services as a volunteer from more than one (1)

1 participating employer during a month shall not be aggregated to determine whether  
2 the compensation exceeds the five hundred dollars (\$500) per month maximum  
3 provided by this subsection;

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

6 (45) "Monthly average pay" means:

7 (a) In the case of a member who dies as a direct result of an act in line of duty as  
8 defined in KRS 16.505 or who dies as a result of a duty-related injury as  
9 defined in KRS 61.621, the higher of the member's monthly final rate of pay  
10 or the average monthly creditable compensation earned by the deceased  
11 member during his or her last twelve (12) months of employment; or

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

20 (46) "Authority" means the Kentucky Public Pensions Authority as provided by KRS  
21 61.505;

22 (47) "Executive director" means the executive director of the Kentucky Public Pensions  
23 Authority;~~and~~

24 (48) "Instructional staff" means the employees of a state college or university  
25 participating under KRS 61.520 who are:

26 (a) Faculty;

27 (b) Staff responsible for teaching; or



1 (c) Other individuals employed in an administrative position that is eligible for  
2 participation in the Teachers' Insurance and Annuity Association (TIAA) of  
3 the Teachers' Retirement System; and

4 (49) "Special needs trust" means a trust described in 42 U.S.C. sec. 1396p(d)(4)(A).

5 Any reference to a trust includes a special needs trust, unless the context  
6 otherwise requires.

7 ➔Section 4. KRS 61.623 is amended to read as follows:

8 (1) A recipient who begins receiving a retirement allowance August 1, 2000, or after,  
9 from the Kentucky Employees Retirement System, the County Employees  
10 Retirement System, or the State Police Retirement System shall have the retirement  
11 allowance paid by electronic fund transfer to a financial institution designated by  
12 the recipient except as provided by subsection (5) of this section.

13 (2) When an individual becomes eligible to receive a monthly retirement allowance, the  
14 retirement system shall provide an authorization for deposit of retirement payment  
15 form to the recipient to have the monthly retirement allowance deposited to an  
16 account in a financial institution.

17 (3) The recipient shall provide the information and authorization required for the  
18 electronic transfer of funds from the State Treasurer's office to the designated  
19 financial institution.

20 (4) At any time while receiving a retirement allowance, the recipient may change the  
21 designated institution by completing a new authorization for deposit of retirement  
22 payment form and filing the form at the retirement office in Frankfort. The last  
23 authorization for deposit of retirement payment on file at the retirement office shall  
24 control the electronic transfer of the recipient's retirement allowance.

25 (5) (a) A recipient may request to be paid by check issued by the State Treasurer  
26 instead of by electronic transfer by completing and filing at the retirement  
27 office a request for payment by check form.

- 1 (b) The request shall be approved if:
- 2 1. The recipient certifies that he or she does not currently have an account
- 3 with a financial institution;~~[-or]~~
- 4 2. The recipient's bank certifies that it does not participate in the electronic
- 5 funds transfer program; or
- 6 **3. The recipient is the sole beneficiary of a special needs trust, and the**
- 7 **trustee of that trust certifies that a check may be made payable to the**
- 8 **sole beneficiary of a special needs trust.**
- 9 (c) The retirement office shall, every five (5) years, require the recipient to certify
- 10 that the original conditions under which he or she requested payment by
- 11 check continue. If the original conditions do not exist, the recipient shall
- 12 complete an authorization for direct deposit of retirement payment form and
- 13 file it with the retirement office.

14 ➔Section 5. KRS 61.635 is amended to read as follows:

- 15 (1) Each member shall have the right to elect to have his or her retirement allowance
- 16 payable under any one (1) of the options set forth in this section in lieu of the
- 17 retirement allowance otherwise payable to the member upon retirement under any
- 18 of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852.
- 19 The amount of any optional retirement allowance shall be actuarially equivalent to
- 20 the amount of retirement allowance otherwise payable to the member.
- 21 (2) Survivorship one hundred percent (100%). The member may elect to receive a
- 22 decreased retirement allowance during his or her lifetime and have the retirement
- 23 allowance continued after the member's death to his or her beneficiary during the
- 24 lifetime of the person.
- 25 (3) Survivorship sixty-six and two-thirds percent (66-2/3%). The member may elect to
- 26 receive a decreased retirement allowance during his or her lifetime and have two-
- 27 thirds (2/3) of the retirement allowance continue after the member's death to his or

1 her beneficiary during the lifetime of the person.

2 (4) Survivorship fifty percent (50%). The member may elect to receive a decreased  
3 retirement allowance during his or her lifetime and have one-half (1/2) of the  
4 retirement allowance continued after the member's death to his or her beneficiary  
5 during the lifetime of the person.

6 (5) Life with ten (10) years certain. The member less than age seventy-six (76) may  
7 elect to receive a monthly retirement allowance during his or her lifetime which  
8 shall guarantee payments for one hundred twenty (120) months. If the member dies  
9 before receiving payments for one hundred twenty (120) months, the member's  
10 beneficiary shall receive the remaining payments monthly, for the duration of the  
11 one hundred twenty (120) months' period. However, if the trust is designated as  
12 beneficiary, the trustee of the trust may elect to receive a lump-sum payment which  
13 shall be the actuarial equivalent to the remaining payments, or the trustee may elect  
14 to continue the remaining monthly payments to the trust of the member. If the estate  
15 is designated as beneficiary, the estate shall receive a lump-sum payment which  
16 shall be the actuarial equivalent to the remaining payments.

17 (6) Life with fifteen (15) years certain. The member less than age sixty-eight (68) may  
18 elect to receive a monthly retirement allowance during his or her lifetime which  
19 shall guarantee payments for one hundred eighty (180) months. If the member dies  
20 before receiving payments for one hundred eighty (180) months, the member's  
21 beneficiary shall receive the remaining payments monthly for the duration of the  
22 one hundred eighty (180) months' period. However, if the trust is designated as  
23 beneficiary, the trustee of the trust may elect to receive a lump-sum payment which  
24 shall be the actuarial equivalent to the remaining payments, or the trustee may elect  
25 to continue the remaining payments to the trust of the member. If the estate is  
26 designated as beneficiary, the estate shall receive a lump-sum payment which shall  
27 be the actuarial equivalent to the remaining payments.

- 1 (7) Life with twenty (20) years certain. The member less than age sixty-two (62) may  
2 elect to receive a monthly retirement allowance during his or her lifetime which  
3 shall guarantee payments for two hundred forty (240) months. If the member dies  
4 before receiving payments for two hundred forty (240) months, the member's  
5 beneficiary shall receive the remaining payments for the duration of the two  
6 hundred forty (240) months period. However, if the trust is beneficiary, the trustee  
7 of the trust may elect to receive a lump-sum payment which shall be the actuarial  
8 equivalent to the remaining payments, or the trustee may elect to continue the  
9 remaining payments to the trust of the member. If the estate is designated as  
10 beneficiary, the estate shall receive a lump-sum payment which shall be the  
11 actuarial equivalent to the remaining payments.
- 12 (8) Social Security adjustment options. These options shall be available to any member  
13 who has not attained age sixty-two (62) as follows:
- 14 (a) No survivor rights. The member may elect to receive an increased retirement  
15 allowance from his or her effective retirement date through the month he or  
16 she attains age sixty-two (62) at which time his or her retirement allowance  
17 shall be decreased for the remainder of his or her lifetime;
- 18 (b) Survivor rights. The member may elect to receive an increased retirement  
19 allowance from his or her effective retirement date through the month he  
20 attains age sixty-two (62) based on the option payable under subsection (2) of  
21 this section, if the retirement allowance shall be decreased in the month  
22 following the month he or she attains age sixty-two (62), or the month  
23 following the month he or she would have attained age sixty-two (62), in  
24 event of the member's death, and have the retirement allowance continue after  
25 the member's death to his or her beneficiary during the lifetime of the person.
- 26 (9) Beneficiary Social Security adjustment option. This option is available to the  
27 beneficiary of a deceased member if the beneficiary, who is a person, has not

1 attained age sixty (60), and is eligible to receive Social Security payments at age  
2 sixty (60). The beneficiary may elect to receive during his or her lifetime an  
3 increased retirement allowance based on his or her annual benefit payable for life.  
4 The payment shall begin on his or her effective retirement date and continue  
5 through the month he or she attains age sixty (60) at which time his or her  
6 retirement allowance shall be decreased for the remainder of his or her lifetime.

7 (10) Pop-up option. The member may elect to receive a decreased retirement allowance  
8 during his or her lifetime and have the retirement allowance continued after the  
9 member's death to his or her beneficiary during the lifetime of the person. If the  
10 beneficiary dies prior to the member, or if the beneficiary is the member's spouse  
11 and they divorce, the member's retirement allowance shall increase to the amount  
12 that would have been payable as a single life annuity.

13 (11) Actuarial equivalent refund. A member who began participating in the system prior  
14 to January 1, 2014, may elect to receive a one (1) time lump-sum payment which  
15 shall be the actuarial equivalent of the amount payable for a period of sixty (60)  
16 months under KRS 61.595 (1).

17 (12) Partial lump-sum option.

18 (a) No survivor rights. A member may elect to receive a one-time lump-sum  
19 payment equal to twelve (12), twenty-four (24), thirty-six (36), forty-eight  
20 (48), or sixty (60) monthly retirement allowances payable under the  
21 applicable retirement formula for the system and receive a reduced monthly  
22 retirement allowance payable for his or her lifetime. The lump-sum payment  
23 shall be paid in the month the first monthly retirement allowance is payable.

24 (b) Survivor rights. A member may elect to receive a one-time lump-sum  
25 payment equal to twelve (12), twenty-four (24), thirty-six (36), forty-eight  
26 (48), or sixty (60) monthly retirement allowances payable under subsection  
27 (2) of this section and receive a reduced monthly retirement allowance

1 payable for his or her lifetime. The lump-sum payment shall be paid in the  
2 month the first monthly retirement allowance is payable. The reduced  
3 retirement allowance shall be continued after the member's death to his or her  
4 beneficiary during the lifetime of the person.

5 (c) In order to explain the partial lump-sum option to members, the Authority  
6 shall:

- 7 1. Provide, for all retirement estimates that include the partial lump-sum  
8 option, including estimates calculated by a member using an automatic  
9 estimator available on the Authority's website, the additional months of  
10 service a member would have to be employed in order to recoup the  
11 actuarial reduction in his or her monthly retirement allowance from  
12 selecting a partial lump-sum option at each payment level; and
- 13 2. Prepare and make available to all members and participating employers  
14 in the form of a paper or electronic pamphlet or booklet a summary of  
15 the partial lump-sum option, written in a manner that can be understood  
16 by the average member and sufficiently accurate and comprehensive to  
17 reasonably apprise them of the benefits and potential consequences,  
18 including federal tax consequences, of taking a partial lump-sum option.

19 (13) The other provisions of this section notwithstanding, the beneficiary of a retired  
20 member of the General Assembly shall, after the member's death, receive sixty-six  
21 and two-thirds percent (66-2/3%) of the member's retirement allowance during his  
22 or her lifetime if the member of the General Assembly began participating in the  
23 system prior to January 1, 2014, and has elected this option and has made  
24 contributions in accordance with subsection (14) of this section and of KRS 61.560.  
25 The retirement allowance of the retired member of the General Assembly shall not  
26 be actuarially reduced to provide for this survivor benefit.

27 (14) A member of the General Assembly who began participating in the system prior to

1 January 1, 2014, who wishes to obtain the survivorship option specified in  
2 subsection (13) of this section shall so notify the Kentucky Public Pensions  
3 Authority:

4 (a) Within thirty (30) days after first becoming a member of the General  
5 Assembly if he or she is not a member of the General Assembly on July 15,  
6 1980; or

7 (b) Within thirty (30) days after July 15, 1980, if he or she is a member of the  
8 General Assembly on July 15, 1980.

9 (15) The system shall forward to members of the General Assembly a form on which a  
10 member who began participating in the system prior to January 1, 2014, may elect  
11 the option provided for in subsections (13) and (14) of this section.

12 (16) The options described in subsections (2), (3), (4), (8)(b), (10), (12)(b), and (13) of  
13 this section shall be extended to the member only if the designated beneficiary is a  
14 person, subject to the following:

15 (a) If the designated beneficiary is a person who is the sole beneficiary of a  
16 special needs trust, then upon the death of the retired member or  
17 beneficiary who is the sole beneficiary of a special needs trust, the trustee of  
18 that trust shall notify the authority of the death of the retired member or  
19 beneficiary;

20 (b) Any retirement allowance payments made to a special needs trust that are  
21 not properly payable to the special needs trust shall be returned to the  
22 authority and shall not be subject to claims for reimbursement from any  
23 state for Medicaid benefits paid on behalf of the beneficiary of the special  
24 needs trust under any Medicaid payback provision; and

25 (c) The authority may promulgate administrative regulations in accordance  
26 with KRS Chapter 13A to administer this subsection.

27 ➔Section 6. KRS 61.640 is amended to read as follows:

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



1 actuarial equivalent to the amount computed under paragraph (a) of this  
2 subsection;

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

6 (e) If the member began participating in the system prior to January 1, 2014, a  
7 monthly benefit payable for:

- 8 1. Sixty (60) months certain;
- 9 2. One hundred twenty (120) months certain;
- 10 3. The actuarial equivalent refund; or
- 11 4. The Social Security adjustment option;

12 that is equivalent to the benefit the member would have been entitled to  
13 receive based on his or her years of service and final compensation at the date  
14 of his or her death reduced by the survivorship fifty percent (50%) factor as  
15 provided for in KRS 61.635(4), then reduced by fifty percent (50%), and that  
16 is the actuarial equivalent to the amount computed under paragraph (a) of this  
17 subsection; or

18 (f) The higher of a refund of the member's accumulated account balance as  
19 described in KRS 61.625(1) or one (1) time lump-sum payment which shall  
20 be the actuarial equivalent of the amount payable under paragraph (a) of this  
21 subsection for a period of sixty (60) months.

22 (3) If the beneficiary eligible for benefits as provided by subsection (1) of this section  
23 are multiple beneficiaries or a trust, *other than a special needs trust*, then the  
24 multiple beneficiaries by consensus or the trustee may elect to receive the actuarial  
25 equivalent amounts payable under subsection (2)(c), (d), (e), or (f) of this section  
26 using the assumption that the beneficiary's age is the same as the member's age.

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

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

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

7 ➔Section 7. KRS 78.510 is amended to read as follows:

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

- 9 (1) "System" means the County Employees Retirement System;
- 10 (2) "Board" means the board of trustees of the system as provided in KRS 78.782;
- 11 (3) "County" means any county, or nonprofit organization created and governed by a  
12 county, counties, or elected county officers, sheriff and his or her employees,  
13 county clerk and his or her employees, circuit clerk and his or her deputies, former  
14 circuit clerks or former circuit clerk deputies, or political subdivision or  
15 instrumentality, including school boards, cities, charter county governments, urban-  
16 county governments, consolidated local governments, or unified local governments  
17 participating in the system by order appropriate to its governmental structure, as  
18 provided in KRS 78.530, and if the board is willing to accept the agency,  
19 organization, or corporation, the board being hereby granted the authority to  
20 determine the eligibility of the agency to participate;
- 21 (4) "School board" means:
- 22 (a) Any board of education participating in the system by order appropriate to its  
23 governmental structure, as provided in KRS 78.530, and if the board is willing  
24 to accept the agency or corporation, the board being hereby granted the  
25 authority to determine the eligibility of the agency to participate; or
- 26 (b) A public charter school as defined in KRS 160.1590 if the public charter  
27 school satisfies the criteria set by the Internal Revenue Service to participate

- 1           in a governmental retirement plan;
- 2 (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- 3 (6) "Employee" means every regular full-time appointed or elective officer or  
4 employee of a participating county and the coroner of a participating county,  
5 whether or not he or she qualifies as a regular full-time officer. The term shall not  
6 include persons engaged as independent contractors, seasonal, emergency,  
7 temporary, and part-time workers. In case of any doubt, the board shall determine if  
8 a person is an employee within the meaning of KRS 78.510 to 78.852;
- 9 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected  
10 officials of a county, or any authority of the county having the power to appoint or  
11 elect an employee to office or employment in the county;
- 12 (8) "Member" means any employee who is included in the membership of the system  
13 or any former employee whose membership has not ceased under KRS 78.535;
- 14 (9) "Service" means the total of current service and prior service as defined in this  
15 section;
- 16 (10) "Current service" means the number of years and months of employment as an  
17 employee, on and after July 1, 1958, for which creditable compensation is paid and  
18 employee contributions deducted, except as otherwise provided;
- 19 (11) "Prior service" means the number of years and completed months, expressed as a  
20 fraction of a year, of employment as an employee, prior to July 1, 1958, for which  
21 creditable compensation was paid. An employee shall be credited with one (1)  
22 month of prior service only in those months he received compensation for at least  
23 one hundred (100) hours of work. Twelve (12) months of current service in the  
24 system shall be required to validate prior service;
- 25 (12) "Accumulated contributions" means the sum of all amounts deducted from the  
26 compensation of a member and credited to his individual account in the members'  
27 account, including employee contributions picked up after August 1, 1982, pursuant

1 to KRS 78.610(4), together with interest credited, on the amounts, and any other  
2 amounts the member shall have contributed thereto, including interest credited  
3 thereon. "Accumulated contributions" shall not include employee contributions that  
4 are deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the  
5 fund established in KRS 78.520, as prescribed by KRS 78.5536(3)(b);

6 (13) "Creditable compensation":

7 (a) Except as limited by paragraph (c) of this subsection, means all salary, wages,  
8 and fees, including payments for compensatory time, paid to the employee as  
9 a result of services performed for the employer or for time during which the  
10 member is on paid leave, which are includable on the member's federal form  
11 W-2 wage and tax statement under the heading "wages, tips, other  
12 compensation", including employee contributions picked up after August 1,  
13 1982, pursuant to KRS 78.610(4). The creditable compensation of fee officers  
14 who receive salary, fees, maintenance, or other perquisites as a result of their  
15 official duties is the gross amount received decreased by the cost of salary  
16 paid deputies and clerks and the cost of office supplies and other official  
17 expenses;

18 (b) Includes:

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

1 Commission on Human Rights, or for any creditable compensation paid  
2 in anticipation of settlement of an action before a court of competent  
3 jurisdiction, the Personnel Board, or the Commission on Human Rights,  
4 including notices of violations of state or federal wage and hour statutes  
5 or violations of state or federal discrimination statutes, which shall be  
6 credited to the fiscal year during which the wages were earned or should  
7 have been paid by the employer. This subparagraph shall also include  
8 lump-sum payments for reinstated wages pursuant to KRS 61.569,  
9 which shall be credited to the period during which the wages were  
10 earned or should have been paid by the employer;

11 4. Amounts which are not includable in the member's gross income by  
12 virtue of the member having taken a voluntary salary reduction provided  
13 for under applicable provisions of the Internal Revenue Code; and

14 5. Elective amounts for qualified transportation fringes paid or made  
15 available on or after January 1, 2001, for calendar years on or after  
16 January 1, 2001, that are not includable in the gross income of the  
17 employee by reason of 26 U.S.C. sec. 132(f)(4); and

18 (c) Excludes:

19 1. Living allowances, expense reimbursements, lump-sum payments for  
20 accrued vacation leave, sick leave except as provided in KRS 78.616(5),  
21 and other items determined by the board;

22 2. For employees who begin participating on or after September 1, 2008,  
23 lump-sum payments for compensatory time;

24 3. Training incentive payments for city officers paid as set out in KRS  
25 64.5277 to 64.5279;

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

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

3 (14) "Final compensation" means:

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

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

23          (c) For a member who begins participating before September 1, 2008, who is  
24          employed in a hazardous position, as provided in KRS 61.592, the creditable  
25          compensation of the member during the three (3) fiscal years he or she was  
26          paid at the highest average monthly rate divided by the number of months of  
27          service credit during that three (3) year period multiplied by twelve (12). The

1 three (3) years may be fractional and need not be consecutive. If the number  
2 of months of service credit during the three (3) year period is less than twenty-  
3 four (24), one (1) or more additional fiscal years, which may contain less than  
4 twelve (12) months of service credit, shall be used;

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

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

26 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were  
27 calculated during the twelve (12) month period immediately preceding the

1 member's effective retirement date, and shall include employee contributions  
2 picked up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be  
3 certified to the system by the employer and the following equivalents shall be used  
4 to convert the rate to an annual rate: two thousand eighty (2,080) hours for eight (8)  
5 hour workdays, one thousand nine hundred fifty (1,950) hours for seven and one-  
6 half (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks,  
7 twelve (12) months, one (1) year;

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

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

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

20 (a) For a member with service in a nonhazardous position, the sixty-fifth birthday  
21 of a member;

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

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



- 1 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
2 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
3 limitation year used to determine contribution and benefits limits as set out in 26  
4 U.S.C. sec. 415;
- 5 (20) "Agency reporting official" means the person designated by the participating  
6 employer who shall be responsible for forwarding all employer and employee  
7 contributions and a record of the contributions to the system and for performing  
8 other administrative duties pursuant to the provisions of KRS 78.510 to 78.852;
- 9 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean  
10 all positions that average one hundred (100) or more hours per month, determined  
11 by using the number of hours actually worked in a calendar or fiscal year, or eighty  
12 (80) or more hours per month in the case of noncertified employees of school  
13 boards, determined by using the number of hours actually worked in a calendar or  
14 school year, unless otherwise specified, except:
- 15 (a) Seasonal positions, which although temporary in duration, are positions which  
16 coincide in duration with a particular season or seasons of the year and that  
17 may recur regularly from year to year, in which case the period of time shall  
18 not exceed nine (9) months, except for employees of school boards, in which  
19 case the period of time shall not exceed six (6) months;
- 20 (b) Emergency positions which are positions utilized by the employer during:
- 21 1. An emergency as determined by the employer for a period not  
22 exceeding thirty (30) working days and are nonrenewable; or  
23 2. A state of emergency declared by the President of the United States or  
24 the Governor of the Commonwealth of Kentucky that are created or  
25 filled specifically for addressing the employer's needs during and as a  
26 result of the declared emergency;
- 27 (c) Temporary positions that are positions of employment with a participating

1 agency for a period of time not to exceed twelve (12) months and not  
2 renewable;

3 (d) Probationary positions which are positions of employment with a participating  
4 employer that do not exceed twelve (12) months and that are used uniformly  
5 by the participating agency on new employees who would otherwise be  
6 eligible for participation in the system. Probationary positions shall not be  
7 renewable by the participating employer for the same employee, unless the  
8 employee has not been employed with the participating employer for a period  
9 of at least twelve (12) months; or

10 (e) Part-time positions that are positions that may be permanent in duration, but  
11 that require less than a calendar or fiscal year average of one hundred (100)  
12 hours of work per month, determined by using the number of months actually  
13 worked within a calendar or fiscal year, in the performance of duty, except in  
14 case of noncertified employees of school boards, the school term average shall  
15 be eighty (80) hours of work per month, determined by using the number of  
16 months actually worked in a calendar or school year, in the performance of  
17 duty;

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

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

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

26 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
27 member in accordance with KRS 61.542 or 61.705 to receive any available benefits

- 1 in the event of the member's death, except when used in reference to the sole  
2 beneficiary of a special needs trust. As used in KRS 78.5536, beneficiary shall not  
3 mean an estate, trust, or trustee;
- 4 (26) "Recipient" means the retired member, the person or persons designated as  
5 beneficiary by the member and drawing a retirement allowance as a result of the  
6 member's death, or a dependent child drawing a retirement allowance. An alternate  
7 payee of a qualified domestic relations order shall not be considered a recipient,  
8 except for purposes of KRS 61.623;
- 9 (27) "Person" means a natural person, including a sole beneficiary of a special needs  
10 trust who is a single natural person designated by a member as his or her  
11 beneficiary in accordance with KRS 61.542;
- 12 (28) "School term or year" means the twelve (12) months from July 1 through the  
13 following June 30;
- 14 (29) "Retirement office" means the Kentucky Public Pensions Authority office building  
15 in Frankfort, unless otherwise designated by the Kentucky Public Pensions  
16 Authority;
- 17 (30) "Vested" for purposes of determining eligibility for purchasing service credit under  
18 KRS 61.552 means the employee has at least forty-eight (48) months of service if  
19 age sixty-five (65) or older or at least sixty (60) months of service if under the age  
20 of sixty-five (65). For purposes of this subsection, "service" means service in the  
21 systems administered by the Kentucky Retirement Systems and County Employees  
22 Retirement System;
- 23 (31) "Participating" means an employee is currently earning service credit in the system  
24 as provided in KRS 78.615;
- 25 (32) "Month" means a calendar month;
- 26 (33) "Membership date" means the date upon which the member began participating in  
27 the system as provided in KRS 78.615;

- 1 (34) "Participant" means a member, as defined by subsection (8) of this section, or a  
2 retired member, as defined by subsection (23) of this section;
- 3 (35) "Qualified domestic relations order" means any judgment, decree, or order,  
4 including approval of a property settlement agreement, that:
- 5 (a) Is issued by a court or administrative agency; and
  - 6 (b) Relates to the provision of child support, alimony payments, or marital  
7 property rights to an alternate payee;
- 8 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
9 participant, who is designated to be paid retirement benefits in a qualified domestic  
10 relations order;
- 11 (37) "Accumulated employer credit" means the employer pay credit deposited to the  
12 member's account and interest credited on such amounts as provided by KRS  
13 78.5512 and 78.5516;
- 14 (38) "Accumulated account balance" means:
- 15 (a) For members who began participating in the system prior to January 1, 2014,  
16 the member's accumulated contributions; or
  - 17 (b) For members who began participating in the system on or after January 1,  
18 2014, in the hybrid cash balance plan as provided by KRS 78.5512 and  
19 78.5516, the combined sum of the member's accumulated contributions and  
20 the member's accumulated employer credit;
- 21 (39) "Volunteer" means an individual who:
- 22 (a) Freely and without pressure or coercion performs hours of service for an  
23 employer participating in one (1) of the systems administered by Kentucky  
24 Retirement Systems or the County Employees Retirement System without  
25 receipt of compensation for services rendered, except for reimbursement of  
26 actual expenses, payment of a nominal fee to offset the costs of performing  
27 the voluntary services, or both; and

- 1 (b) If a retired member, does not become an employee, leased employee, or  
2 independent contractor of the employer for which he or she is performing  
3 volunteer services for a period of at least twelve (12) months following the  
4 retired member's most recent retirement date;
- 5 (40) "Nominal fee" means compensation earned for services as a volunteer that does not  
6 exceed five hundred dollars (\$500) per month with each participating employer.  
7 Compensation earned for services as a volunteer from more than one (1)  
8 participating employer during a month shall not be aggregated to determine whether  
9 the compensation exceeds the five hundred dollars (\$500) per month maximum  
10 provided by this subsection;
- 11 (41) "Nonhazardous position" means a position that does not meet the requirements of  
12 KRS 78.5520 or has not been approved by the board as a hazardous position;
- 13 (42) "Hazardous position" means a position that meets the requirements of KRS 78.5520  
14 and has been approved by the board as hazardous;
- 15 (43) "Level-percentage-of-payroll amortization method" means a method of determining  
16 the annual amortization payment on the unfunded actuarial accrued liability as  
17 expressed as a percentage of payroll over a set period of years. Under this method,  
18 the percentage of payroll shall be projected to remain constant for all years  
19 remaining in the set period and the unfunded actuarially accrued liability shall be  
20 projected to be fully amortized at the conclusion of the set period;
- 21 (44) "Increment" means twelve (12) months of service credit which are purchased. The  
22 twelve (12) months need not be consecutive. The final increment may be less than  
23 twelve (12) months;
- 24 (45) "Last day of paid employment" means the last date employer and employee  
25 contributions are required to be reported in accordance with KRS 16.543, 61.543, or  
26 78.615 to the retirement office in order for the employee to receive current service  
27 credit for the month. Last day of paid employment does not mean a date the

- 1 employee receives payment for accrued leave, whether by lump sum or otherwise,  
2 if that date occurs twenty-four (24) or more months after previous contributions;
- 3 (46) "Objective medical evidence" means reports of examinations or treatments; medical  
4 signs which are anatomical, physiological, or psychological abnormalities that can  
5 be observed; psychiatric signs which are medically demonstrable phenomena  
6 indicating specific abnormalities of behavior, affect, thought, memory, orientation,  
7 or contact with reality; or laboratory findings which are anatomical, physiological,  
8 or psychological phenomena that can be shown by medically acceptable laboratory  
9 diagnostic techniques, including but not limited to chemical tests,  
10 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 11 (47) "Hazardous disability" as used in KRS 78.510 to 78.852 means a disability which  
12 results in an employee's total incapacity to continue as an employee in a hazardous  
13 position, but the employee is not necessarily deemed to be totally and permanently  
14 disabled to engage in other occupations for remuneration or profit;
- 15 (48) "Act in line of duty" means, for employees in hazardous positions under KRS  
16 78.5520:
- 17 (a) A single act occurring which was required in the performance of the principal  
18 duties of the hazardous position as defined by the job description; or
- 19 (b) A single act of violence committed against the employee that is found to be  
20 related to his or her job duties, whether or not it occurs at his or her job site;
- 21 (49) "Dependent child" means a child in the womb and a natural or legally adopted child  
22 of the member who has neither attained age eighteen (18) nor married or who is an  
23 unmarried full-time student who has not attained age twenty-two (22). Solely in the  
24 case of a member who dies as a direct result of an act in line of duty as defined in  
25 this section, dies as a result of a duty-related injury as defined in KRS 61.621,  
26 becomes totally and permanently disabled as a direct result of an act in the line of  
27 duty as defined in this section, or becomes disabled as a result of a duty-related

- 1 injury as defined in KRS 61.621 and is eligible for the benefits provided by KRS  
2 61.621(5)(a), "dependent child" also means a naturally or legally adopted disabled  
3 child of the member, regardless of the child's age, if the child has been determined  
4 to be eligible for federal Social Security disability benefits or is being claimed as a  
5 qualifying child for tax purposes due to the child's total and permanent disability;
- 6 (50) "Normal retirement age" means the age at which the member meets the  
7 requirements for his or her normal retirement date as provided by subsection (18) of  
8 this section;
- 9 (51) "Disability retirement date" means the first day of the month following the last day  
10 of paid employment;
- 11 (52) "Monthly average pay" means:
- 12 (a) In the case of a member who dies as a direct result of an act in line of duty as  
13 defined in KRS 16.505 or who dies as a result of a duty-related injury as  
14 defined in KRS 61.621, the higher of the member's monthly final rate of pay  
15 or the average monthly creditable compensation earned by the deceased  
16 member during his or her last twelve (12) months of employment; or
- 17 (b) In the case where a member becomes totally and permanently disabled as a  
18 direct result of an act in line of duty as defined in KRS 16.505 or becomes  
19 disabled as a result of a duty-related injury as defined in KRS 61.621 and is  
20 eligible for the benefits provided by KRS 61.621(5)(a), the higher of the  
21 member's monthly final rate of pay or the average monthly creditable  
22 compensation earned by the disabled member during his or her last twelve  
23 (12) months of employment prior to the date the act in line of duty or duty-  
24 related injury occurred;
- 25 (53) "Authority" means the Kentucky Public Pensions Authority as provided by KRS  
26 61.505;~~and~~
- 27 (54) "Executive director" means the executive director of the Kentucky Public Pensions

1 Authority; and

2 (55) "Special needs trust" means a trust described in 42 U.S.C. sec. 1396p(d)(4)(A).

3 Any reference to a trust includes a special needs trust, unless the context

4 otherwise requires.

5 ➔Section 8. KRS 78.5532 is amended to read as follows:

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

11 (a) 1. The member had service in a nonhazardous position and was eligible to  
12 retire under KRS 78.5510(2) or (3) or 78.5512(6); or

13 2. The member had service in a hazardous position and was eligible to  
14 retire under KRS 78.5514(2) or (3) or 78.5516(6);

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

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

22 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is  
23 a single person or the beneficiary of a special needs trust, then the beneficiary may  
24 elect to receive:

25 (a) A monthly benefit payable for the life of the beneficiary that is equal to the  
26 benefit that would have been paid had the member retired immediately prior  
27 to his or her date of death and elected to receive benefits payable under the



- 1 survivorship one hundred percent (100%) option as provided in KRS  
2 61.635(2);
- 3 (b) A monthly benefit payable for the life of the beneficiary under the beneficiary  
4 Social Security adjustment option as provided in KRS 61.635(9) that is the  
5 actuarial equivalent to the amount computed under paragraph (a) of this  
6 subsection;
- 7 (c) A monthly benefit payable for a period of sixty (60) months that is the  
8 actuarial equivalent to the amount computed under paragraph (a) of this  
9 subsection;
- 10 (d) A monthly benefit payable for a period of one hundred twenty (120) months  
11 that is the actuarial equivalent to the amount computed under paragraph (a) of  
12 this subsection;
- 13 (e) If the member began participating prior to January 1, 2014, a monthly benefit  
14 payable for a period of one hundred twenty (120) months that is equivalent to  
15 the benefit the member would have been entitled to receive based on his or  
16 her years of service and final compensation at the date of his or her death  
17 reduced by the survivorship fifty percent (50%) factor as provided for in KRS  
18 61.635(4), then reduced by fifty percent (50%), and that is the actuarial  
19 equivalent to the amount computed under paragraph (a) of this subsection; or
- 20 (f) The higher of a refund of the member's accumulated account balance as  
21 described in KRS 61.625(1) or one (1) time lump-sum payment which shall  
22 be the actuarial equivalent of the amount payable under paragraph (a) of this  
23 subsection for a period of sixty (60) months.
- 24 (3) If the beneficiary eligible for benefits as provided by subsection (1) of this section  
25 is multiple beneficiaries or a trust, *other than a special needs trust*, then the  
26 multiple beneficiaries by consensus or the trustee may elect to receive the actuarial  
27 equivalent amounts payable under subsection (2)(c), (d), (e), or (f) of this section

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

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

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

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

12 (b) The beneficiary of a member with service in a hazardous position who dies as  
13 a direct result of an act in line of duty may be eligible for benefits from the  
14 system based upon the definitions, criteria, and benefits specified by KRS  
15 78.5534.

16 ➔Section 9. KRS 161.525 is amended to read as follows:

17 (1) Upon death of a member in active contributing status at the time of death, who was  
18 eligible to retire by reason of service, the spouse, if named as the primary  
19 beneficiary of the member's retirement account, or in the absence of an eligible  
20 spouse a legal dependent of the member, if named as the primary beneficiary, shall  
21 be entitled to elect, in lieu of a refund of the member's accumulated account balance  
22 or benefits provided in KRS 161.520, an annuity actuarially equivalent at the  
23 attained age of the beneficiary to the annuity that would have been paid to the  
24 deceased member had retirement been effective on the day immediately preceding  
25 the member's death. Under the provisions of KRS 61.680, benefits shall be  
26 processed as if the member retired for service. In exercising this right the spouse or  
27 legal dependent shall be limited to selecting an option providing either a straight

1 life annuity with refundable balance or a term certain option. A spouse may receive  
2 the annuity provided by this section at the same time as children are qualifying for  
3 survivors' benefits under the provisions of KRS 161.520; however, a legal  
4 dependent, other than a spouse, may not receive these payments if children have  
5 qualified for benefits under that section.

6 (2) A spouse qualifying for an annuity under subsection (1) of this section may defer  
7 the payments in order to reduce the actuarial discounts to be applied due to age.

8 (3) Upon death of a member in active contributing status at the time of his or her death,  
9 who had a minimum of twenty-seven (27) years of service, the spouse, if named as  
10 the primary beneficiary of the member's account shall be entitled to a monthly  
11 minimum allowance of three hundred dollars (\$300) as the basic straight life  
12 annuity. This provision applies to surviving spouses of members who were  
13 receiving benefit payments under KRS 161.520 as of June 30, 1986, and to  
14 surviving spouses of members who die on or after July 1, 1986.

15 **(4) If the surviving spouse or legal dependent eligible for a benefit under subsection**  
16 **(1) of this section is the sole beneficiary of a special needs trust, the annuity**  
17 **payments made under subsection (1) of this section shall be made payable to the**  
18 **special needs trust.**

19 ➔Section 10. KRS 161.640 is amended to read as follows:

20 (1) Retirement annuities shall be payable monthly. The first payment to an annuitant  
21 shall be made at the payment date at the end of one (1) full payment period after his  
22 retirement and shall consist of one (1) regular monthly payment. Retirement for a  
23 member receiving one (1) full year of service credit during a fiscal year shall be no  
24 earlier than July 1 next following the end of such fiscal year. Notwithstanding any  
25 other statutory provisions to the contrary, members filling positions that  
26 customarily require twelve (12) months of service during a fiscal year cannot retire  
27 prior to July 1 without a corresponding pro rata reduction in salary and service

1 credit. The board of trustees may determine which positions customarily require  
2 twelve (12) months of service during a fiscal year.

3 (2) The board of trustees may enter into agreements with retired members for payroll  
4 deductions when it is deemed in the best interest of the retired members and the  
5 retirement system.

6 (3) (a) All new retirees, on or after July 1, 1998, shall receive their monthly annuity  
7 checks by electronic fund transfer. All retiree, beneficiary, and survivor  
8 monthly allowance payments, except as otherwise provided in paragraph (b)  
9 or (c) of this subsection, shall be made by electronic fund transfer. Except as  
10 provided in paragraph (b) or (c) of this subsection, all monthly payments shall  
11 be made payable only to an account solely in the name of the retiree,  
12 beneficiary, or survivor as an individual and natural person, or to a joint  
13 account in the name of the retiree, beneficiary, or survivor as an individual  
14 and natural person and another individual and natural person.

15 (b) If the retiree, beneficiary, or survivor is a resident of a nursing or assisted-care  
16 home, monthly payments may be made to the order of the nursing or assisted-  
17 care home for the benefit of the retiree, beneficiary, or survivor by including  
18 the retiree's, beneficiary's, or survivor's name. Monthly annuity checks so paid  
19 to a nursing or assisted-care home may be sent by mail rather than electronic  
20 fund transfer.

21 (c) If the retiree, beneficiary, or survivor is the sole beneficiary of a special  
22 needs trust:

23 1. Monthly payments shall be made to the order of the special needs  
24 trust, and checks may be sent by mail to the special needs trust for the  
25 benefit of the retiree, beneficiary, or survivor;

26 2. Upon the death of the retiree, beneficiary, or survivor of a special  
27 needs trust, the trustee of that trust shall notify the Teachers'

1                   **Retirement System;**

2                   **3. Any payments made to a special needs trust that are not properly**  
3                   **payable to the special needs trust shall be returned to the Teachers'**  
4                   **Retirement System and shall not be subject to claims for**  
5                   **reimbursement from any state for Medicaid benefits paid on behalf of**  
6                   **the beneficiary under any Medicaid payback provision, and any**  
7                   **overpayments of retirement allowance received by the special needs**  
8                   **trust shall be repaid to the Teachers' Retirement System; and**

9                   **4. The Teachers' Retirement System may promulgate administrative**  
10                   **regulations in accordance with KRS Chapter 13A to administer this**  
11                   **paragraph.**

12                   ➔Section 11. KRS 161.700 is amended to read as follows:

13                   (1) Except as otherwise provided by this section and KRS 161.655(5), the right of a  
14                   member to a retirement allowance and to the return of contributions, any benefit or  
15                   right accrued or accruing to any person under KRS 161.220 to 161.716, and the  
16                   money in the various funds established pursuant to KRS 161.220 to 161.716 are  
17                   hereby exempt from any state or municipal tax, and shall not be subject to  
18                   execution, garnishment, attachment, or other process, and shall not be assigned.

19                   **(2) Notwithstanding the provisions of subsection (1) of this section, retirement**  
20                   **allowances and other benefits accrued or accruing under KRS 161.220 to KRS**  
21                   **161.716 to a person who is the beneficiary of a special needs trust may be**  
22                   **assigned to the trustee of that special needs trust. Any retirement allowances or**  
23                   **other benefits assigned to a special needs trust under this subsection, or accrued**  
24                   **or accruing under KRS 161.220 to KRS 161.716 to a person who is the**  
25                   **beneficiary of a special needs trust, shall cease upon the death of the beneficiary**  
26                   **of the special needs trust and shall not be subject to state reimbursement for**  
27                   **Medicaid benefits paid on behalf of the beneficiary under a Medicaid payback**

1        provision.

2        ~~(3)~~~~(2)~~ Notwithstanding subsection (1) of this section, retirement benefits accrued or  
3        accruing to any person under this retirement system on or after January 1, 1998,  
4        shall be subject to the tax imposed by KRS 141.020, to the extent provided in KRS  
5        141.010 and 141.0215.

6        ~~(4)~~~~(3)~~ Retirement allowance, disability allowance, accumulated account balance, or  
7        any other benefit under the retirement system shall not be classified as marital  
8        property pursuant to KRS 403.190(1), except to the extent permitted under KRS  
9        403.190(4). Retirement allowance, disability allowance, accumulated contributions,  
10       or any other benefit under the retirement system shall not be considered as an  
11       economic circumstance during the division of marital property in an action for  
12       dissolution of marriage pursuant to KRS 403.190(1)(d), except to the extent  
13       permitted under KRS 403.190(4).

14       ~~(5)~~~~(4)~~ Qualified domestic relations orders issued by a court or administrative agency  
15       shall be honored by the retirement system if:

16       (a) The benefits payable pursuant to the order meet the requirements of a  
17       qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The  
18       retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)  
19       in administering qualified domestic relations orders;

20       (b) The order meets the requirements established by the retirement system and by  
21       subsections ~~(5)~~~~(4)~~ to ~~(13)~~~~(12)~~ of this section. The board of trustees of the  
22       retirement system shall establish the requirements, procedures, and forms  
23       necessary for the administration of qualified domestic relations order by  
24       promulgation of administrative regulations in accordance with KRS Chapter  
25       13A; and

26       (c) The order is on the form established by the retirement system pursuant to the  
27       retirement system's authority provided under paragraph (b) of this subsection.

1 ~~(6)~~~~(5)~~ A qualified domestic relations order shall not:

2 (a) Require the retirement system to take any action not authorized under state or  
3 federal law;

4 (b) Require the retirement system to provide any benefit, allowance, or other  
5 payment not authorized under state or federal law;

6 (c) Grant or be construed to grant the alternate payee any separate right, title, or  
7 interest in or to any retirement benefit other than to receive payments from the  
8 participant's account in accordance with the administrative regulations  
9 promulgated by the system and as provided by subsections ~~(5)~~~~(4)~~ to  
10 ~~(13)~~~~(12)~~ of this section; or

11 (d) Grant any separate interest to any person other than the participant.

12 ~~(7)~~~~(6)~~ Any qualified domestic relations order submitted to the retirement system  
13 shall specify the dollar amount or percentage amount of the participant's benefit to  
14 be paid to the alternate payee. In calculating the amount to be paid to the alternate  
15 payee, the court or administrative agency that is responsible for issuing the order  
16 shall follow the requirements set forth in the administrative regulations promulgated  
17 by the board of trustees. Notwithstanding any other statute to the contrary, the  
18 board shall not be required to honor a qualified domestic relations order that does  
19 not follow the requirements set forth in the administrative regulations promulgated  
20 by the board of trustees.

21 ~~(8)~~~~(7)~~ If the qualified domestic relations order meets the requirements established by  
22 the system and by subsections ~~(5)~~~~(4)~~ to ~~(13)~~~~(12)~~ of this section, payments to the  
23 alternate payee shall be distributed under the following conditions:

24 (a) If the participant is retired and is receiving a monthly retirement allowance,  
25 the month following the date the retirement system receives a qualified  
26 domestic relations order that complies with the administrative regulations  
27 promulgated by the retirement system and subsections ~~(5)~~~~(4)~~ to ~~(13)~~~~(12)~~ of

1 this section; or

2 (b) If the participant is not retired, the month of the participant's effective  
3 retirement date in which the first retirement allowance is payable to the  
4 participant or the month in which the participant receives a refund of his or  
5 her accumulated account balance as provided by KRS 161.470(6).

6 ~~(9)~~<sup>(8)</sup> An alternate payee's benefits and rights under a qualified domestic relations  
7 order shall terminate upon the earlier of:

8 (a) The death of the participant;

9 (b) The death of the alternate payee; or

10 (c) The termination of benefits to the participant under any provision of KRS  
11 161.220 to 161.716.

12 ~~(10)~~<sup>(9)</sup> An alternate payee shall not receive a monthly payment under a qualified  
13 domestic relations order if the participant is not receiving a monthly retirement  
14 allowance.

15 ~~(11)~~<sup>(10)</sup> The cost of living adjustment provided to the participant pursuant to KRS  
16 161.620 shall be divided between the participant and alternate payee in a qualified  
17 domestic relations order as follows:

18 (a) If the order specifies the alternate payee is to receive a percentage of the  
19 participant's benefit, then the cost of living adjustment shall be divided  
20 between the participant and the alternate payee based upon the percentage of  
21 the total benefit each is receiving upon the participant's retirement or upon the  
22 date the order is approved by the retirement system, whichever is later; or

23 (b) If the order specifies that the alternate payee is to receive a set dollar amount  
24 of the participant's benefit, then the order shall specify that:

25 1. The cost of living adjustment shall be divided between the participant  
26 and the alternate payee based upon the percentage of the total benefit  
27 each is receiving upon the participant's retirement or upon the date the



1 order is approved by the retirement system, whichever is later; or

2 2. The alternate payee shall receive no cost of living adjustment.

3 If the order does not specify the division of the cost of living adjustment as  
4 required by this paragraph, then no cost of living adjustment shall be payable  
5 to the alternate payee. If no cost of living adjustment is provided to the  
6 alternate payee, then the participant shall receive the full cost of living  
7 adjustment he or she would have received if the order had not been applied to  
8 the participant's account.

9 ~~(12)~~~~(11)~~ Except in cases involving child support payments, the retirement system may  
10 charge reasonable and necessary fees and expenses to the recipient and the alternate  
11 payee of a qualified domestic relations order for the administration of the qualified  
12 domestic relations order by retirement system. All fees and expenses shall be  
13 established by the administrative regulations promulgated by the board of trustees  
14 of the retirement system. The qualified domestic relations order shall specify  
15 whether the fees and expenses provided by this subsection shall be paid:

16 (a) Solely by the participant;

17 (b) Solely by the alternate payee; or

18 (c) Equally shared by the participant and alternate payee.

19 ~~(13)~~~~(12)~~ The retirement system shall honor a qualified domestic relations order issued  
20 prior to July 15, 2010, for prospective benefit payments if the order or an amended  
21 version of the order meets the requirements established by this section and the  
22 administrative regulations promulgated by the retirement system. The order shall  
23 not apply to benefit payments issued by the retirement system prior to the date the  
24 order was approved by the retirement system.

25 ➔Section 12. KRS 21.420 is amended to read as follows:

26 (1) After the death of a member who began participating in the Judicial Retirement  
27 Plan prior to January 1, 2014, who at the time of his or her death was receiving a

1 service retirement allowance (other than an actuarially reduced allowance under  
2 subsection (3) of KRS 21.400), or was receiving a disability retirement allowance,  
3 his or her surviving spouse is entitled to receive during his or her lifetime a  
4 monthly allowance equal to one-half (1/2) of that he or she was receiving.

5 (2) (a) If a member who began participating in the Judicial Retirement Plan prior to  
6 January 1, 2014, dies before retirement and before reaching normal retirement  
7 age, without regard to length of service, his or her surviving spouse is entitled  
8 to receive during his or her lifetime a monthly allowance equal to one-half  
9 (1/2) of the monthly allowance the member would have received commencing  
10 at his or her normal retirement date if he or she had continued in service until  
11 that date and had then retired, computed however on the basis of his or her  
12 final compensation at time of death.

13 (b) If a member who began participating in the Judicial Retirement Plan prior to  
14 January 1, 2014, dies before retirement and after reaching normal retirement  
15 age, his or her surviving spouse is entitled to receive during his or her  
16 lifetime a monthly allowance equal to one-half (1/2) of the monthly allowance  
17 the member would have been entitled to, on the basis of his or her years of  
18 service, had he or she retired on the date of his death.

19 (3) If a member who began participating in the Judicial Retirement Plan prior to  
20 January 1, 2014, dies after retirement and was at the time of his or her death  
21 receiving an actuarially reduced allowance under subsection (3) of KRS 21.400, or  
22 was not at the time of his or her death receiving a retirement allowance but had  
23 acquired the vested right under subsection (2) of KRS 21.400 to have received an  
24 allowance upon reaching normal retirement age, his or her surviving spouse is  
25 entitled to receive during his or her lifetime a monthly allowance equal to one-half  
26 (1/2) of the monthly allowance the member would have received when he or she  
27 reached normal retirement age.

1 (4) A member, or a retiree who began participating in the plan prior to January 1, 2014,  
2 who has not commenced drawing retirement benefits pursuant to KRS 21.400, and  
3 who dies without a spouse or eligible children entitled to survivor's benefits, may  
4 designate a beneficiary who shall receive the accumulated contributions of the  
5 member. A member, or a retiree who began participating in the plan on or after  
6 January 1, 2014, who has not commenced drawing retirement benefits pursuant to  
7 KRS 21.402, who dies without a spouse or eligible children entitled to survivor's  
8 benefits, may designate a beneficiary who shall receive the accumulated account  
9 balance of the member. **A trust, including a special needs trust, may be designated**  
10 **as a beneficiary.** Absent a designation by the member or retiree, the accumulated  
11 contributions or accumulated account balance, as applicable based upon the  
12 member's participation date, shall be paid to the member's estate.

13 (5) A member who began participating in the plan prior to January 1, 2014, who  
14 commences drawing retirement benefits pursuant to KRS 21.400 or 21.410, and  
15 who dies without a spouse or eligible children entitled to survivor's benefits and  
16 before the benefits received by the member equal the accumulated contributions of  
17 the member, may designate a beneficiary who shall receive the balance of the  
18 accumulated contributions of the member. A member who began participating in  
19 the plan on or after January 1, 2014, who commences drawing retirement benefits  
20 pursuant to KRS 21.402 or 21.410, and who dies without a spouse or eligible  
21 children entitled to survivor's benefits and before the benefits received by the  
22 member equal the accumulated account balance of the member, may designate a  
23 beneficiary who shall receive the balance of the accumulated account balance of the  
24 member. **A trust, including a special needs trust, may be designated as a**  
25 **beneficiary.** Any benefits received shall be deducted from the accumulated  
26 contributions or accumulated account balance. Absent a designation by the member,  
27 the balance of the accumulated contributions or accumulated account balance, as

1 applicable based upon the member's participation date, shall be paid to the  
2 member's estate.

3 (6) A member who begins participating in the Judicial Retirement Plan prior to January  
4 1, 2014, may designate a beneficiary who shall receive the balance of the  
5 accumulated contributions of the member, in the event survivor's benefits are being  
6 paid pursuant to subsection (1), (2), or (3) of this section, and the survivor dies prior  
7 to receiving benefits equal to the member's contributions. In this event, the  
8 provisions of subsection (5) of this section shall apply as to offset and payment.

9 (7) A member who begins participating in the Judicial Retirement Plan prior to January  
10 1, 2014, may, prior to the drawing of benefits, elect in writing to the executive  
11 secretary of the Judicial Form Retirement System, to take an optional retirement  
12 allowance which shall be actuarially equivalent to the amount of retirement  
13 allowance otherwise payable to the member and the member's spouse. If the  
14 member dies after retirement, the option chosen shall prevail over the provisions of  
15 subsections (1) and (3) of this section. If the member dies prior to retirement, the  
16 option chosen shall prevail over the provisions of subsection (2) of this section. The  
17 options shall include:

18 (a) Survivorship one hundred percent (100%). The member may elect to receive a  
19 decreased retirement allowance during the member's lifetime and have the  
20 retirement allowance continued after death to the spouse during the lifetime of  
21 the spouse.

22 (b) Survivorship sixty-six and two-thirds percent ( $66 \frac{2}{3}\%$ ). The member may  
23 elect to receive a decreased retirement allowance during the member's lifetime  
24 and have two-thirds ( $\frac{2}{3}$ ) of the retirement allowance continue after death to  
25 the spouse during the lifetime of the spouse.

26 If a retiree, living or deceased, chose either of the optional retirement benefit  
27 allowances specified in paragraphs (a) or (b) of this subsection from July 15, 1994,

1 to July 15, 1998, the optional allowance shall be adjusted accordingly, and the new  
 2 benefit shall commence August 1, 1998. Each recipient of benefits from the plan,  
 3 who retired from July 15, 1994, to July 15, 1998, shall have a one-time opportunity  
 4 to select an optional retirement allowance. The election by the recipient shall be  
 5 prior to August 1, 1998, at which time the new benefit shall commence. The option  
 6 chosen shall prevail, subsections (1), (2), and (3) of this section notwithstanding.

7 (8) For a member who begins participating in the Judicial Retirement Plan on or after  
 8 January 1, 2014:

9 (a) If the member dies prior to drawing a retirement allowance, then the surviving  
 10 spouse may elect to:

- 11 1. Take a refund of the member's accumulated account balance or  
 12 accumulated contributions as provided by KRS 21.402; or
- 13 2. If the member had at least five (5) years of service in the plan at the time  
 14 of his or her death, have the member's accumulated account balance  
 15 annuitized into a monthly benefit payable for life that is equal to the  
 16 benefit that would have been paid had the member retired immediately  
 17 prior to his or her date of death and elected to receive benefits payable  
 18 under the survivorship one hundred percent (100%) option as provided  
 19 by paragraph (b)1. of this subsection.

20 In lieu of the benefits provided by this paragraph to the surviving spouse, the  
 21 member may elect to have the benefits payable under this paragraph paid to  
 22 an individual dependent child by completing the forms provided prescribed by  
 23 the Judicial Form Retirement System. If no surviving spouse or dependent  
 24 children are eligible to receive benefits, then the provisions of subsection (4)  
 25 of this section shall apply to the member.

26 (b) If a member dies on or after the date the member begins drawing a retirement  
 27 allowance, the benefits payable to the surviving spouse shall be based upon

1           whether or not the member elects prior to retirement to receive an optional  
2           retirement allowance. The election shall be in writing on the forms prescribed  
3           by the Judicial Form Retirement System and shall be actuarially equivalent to  
4           the amount of retirement allowance otherwise payable to the member. The  
5           optional retirement allowances shall include:

- 6           1. Survivorship one hundred percent (100%). The member may elect to  
7           receive a decreased retirement allowance during the member's lifetime  
8           and have the retirement allowance continued after death to the spouse  
9           during the lifetime of the spouse;
- 10          2. Survivorship sixty-six and two-thirds percent (66-2/3%). The member  
11          may elect to receive a decreased retirement allowance during the  
12          member's lifetime and have two-thirds (2/3) of the retirement allowance  
13          continue after death to the spouse during the lifetime of the spouse; or
- 14          3. Survivorship fifty percent (50%). The member may elect to receive a  
15          decreased retirement allowance during the member's lifetime and have  
16          one-half (1/2) of the retirement allowance continue after death to the  
17          spouse during the lifetime of the spouse.

18           In lieu of the benefits provided by this paragraph to the surviving spouse, the  
19           member may elect prior to retirement to have the benefits payable under this  
20           paragraph paid to an individual dependent child **or to a special needs trust** by  
21           completing the forms provided by the Judicial Form Retirement System. If no  
22           surviving spouse or dependent children are eligible to receive benefits, then  
23           the provisions of subsection (5) of this section shall apply to the member.

- 24          (c) For purposes of this section a "dependent child" shall mean a child who is less  
25          than twenty-one (21) years of age or a disabled child who is eligible for Social  
26          Security disability benefits.

27          **(9) (a) As used in this section, "special needs trust" means a trust described in 42**

1           *U.S.C. sec. 1396p(d)(4)(A).*

2           ***(b) In any circumstances in which a surviving spouse would be entitled to any***  
3           ***allowance under this section, the monthly allowance that the surviving***  
4           ***spouse was receiving or is entitled to receive may be paid to a special needs***  
5           ***trust for the benefit of the surviving spouse.***

6           ➔Section 13. KRS 21.425 is amended to read as follows:

7           (1) In any circumstances in which a surviving spouse would be entitled to any  
8           allowance under KRS 21.420, but there is no surviving spouse or the surviving  
9           spouse subsequently dies, and there is a surviving child or children of the member  
10           under the age of twenty-one (21), or there is a disabled child or children, the  
11           monthly allowance that the surviving spouse would have received or was receiving  
12           shall be continued, as follows:

13           (a) If the member does not have a disabled child or children, the benefit shall  
14           continue until there are no children remaining under the age of twenty-one  
15           (21); or

16           (b) If the member has a disabled child or children, the benefit shall continue until  
17           the death of the last remaining disabled child.

18           (2) A member may designate his *or her* child or children under the age of twenty-one  
19           (21), or his *or her* disabled child or children, *or a special needs trust as defined by*  
20           *subsection (9) of Section 12 of this Act for the benefit of the disabled child,* to  
21           receive the death benefit payable under KRS 21.420 instead of his *or her* spouse, or  
22           he *or she* may designate that his *or her* spouse shall receive a percentage of the  
23           death benefit, and his *or her* child or children under the age of twenty-one (21), or  
24           his *or her* disabled child or children, *or a special needs trust as defined by*  
25           *subsection (9) of Section 12 of this Act for the benefit of a disabled child,* shall  
26           receive the remainder. The member making such a choice shall designate his *or her*  
27           beneficiary or beneficiaries in writing to the manager of the Judicial Form

- 1 Retirement System on a form provided by the manager.
- 2 (3) For purposes of this section, "disabled" means an individual determined by the
- 3 Social Security Administration to be entitled to total disability benefits.
- 4 (4) Subsections (1) to (3) of this section shall not apply to a member who begins
- 5 participating in the Judicial Retirement Plan on or after January 1, 2014.