

1 AN ACT relating to optional retirement benefits for hazardous duty employees  
2 participating in the County Employees Retirement System's hybrid cash balance plans.

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

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

6 *Notwithstanding any provision of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510*  
7 *to 78.852 to the contrary:*

8 *(1) As used in this section:*

9 *(a) "Alternative benefit calculation service" means service in a hazardous*  
10 *position accrued after the employee's effective election date as provided by*  
11 *subsection (3) of this section with an employer who participates in the*  
12 *alternative benefit program;*

13 *(b) "Alternative benefit program" means the benefit calculated under*  
14 *subsection (4) of this section;*

15 *(c) "Career hazardous employee" means an employee who:*

16 *1. Makes an election as provided by subsection (3) of this section;*

17 *2. Has thirty (30) or more years of service credited in a hazardous*  
18 *position under KRS 16.543(1), 61.543(1), or 78.615(1), except as*  
19 *adjusted by subsection (6) of this section; and*

20 *3. Has twenty (20) years or more years of alternative benefit calculation*  
21 *service credited under KRS 78.615(1), except as adjusted by subsection*  
22 *(6) of this section;*

23 *(d) "Final compensation" shall mean, except as adjusted by subsection (6) of*  
24 *this section, the creditable compensation of the member during the five (5)*  
25 *complete fiscal years immediately preceding retirement divided by five (5).*  
26 *Each fiscal year used to determine final compensation must contain twelve*  
27 *(12) months of service credit. If the member does not have five (5) complete*

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

5 (e) "Funding level" means the actuarial value of assets divided by the  
6 actuarially accrued liability expressed as a percentage that is determined  
7 and reported by the system's actuary in the system's actuarial valuation for  
8 the alternative benefit program.

9 (2) Employers participating in the County Employees Retirement System may make a  
10 one (1) time irrevocable election to provide an alternative benefit calculation to  
11 eligible employees who:

12 (a) Are participating in a hazardous position in the hybrid cash balance plan as  
13 provided by Section 3 of this Act;

14 (b) Make an election as provided by subsection (3) of this section; and

15 (c) Who meet the definition of a career hazardous employee as provided by this  
16 section.

17 (3) If the employer makes an election as provided by subsection (2) of this section,  
18 each employee participating in a hazardous position with the employer may make  
19 a one (1) time irrevocable election to opt into the alternative benefit program  
20 established under this section for service to the employer by making an election  
21 within one (1) year of:

22 (a) Completing ten (10) years of service in a hazardous position; or

23 (b) Entering regular full-time employment in a hazardous position with the  
24 employer provided the employee has ten (10) or more years of service in a  
25 hazardous position.

26 (4) If the employee makes an election as provided by subsection (3) of this section  
27 and the employee meets the requirements to be considered a career hazardous

1 employee at the time of retirement, he or she shall receive the following benefits:

2 (a) For service in a hazardous position accrued prior to the member's effective  
3 election date, the member shall receive a benefit equal to the benefits  
4 determined under Section 3 of this Act in the hybrid cash balance plan  
5 based upon the members accumulated account balance as of the effective  
6 election date in the alternative benefit program with annual adjustments to  
7 the interest credits as provided by Section 3 of this Act; and

8 (b) For alternative benefit calculation service, an annual retirement allowance  
9 payable monthly during his or her lifetime, equal to:

10 1. Except as adjusted by subsection (6) of this section, two and one-  
11 quarter percent (2.25%) of final compensation for each year of  
12 alternative benefit calculation service if the employee has earned at  
13 least twenty (20) but less than twenty-five (25) years of alternative  
14 benefit calculation service; or

15 2. Except as adjusted by subsection (6) of this section, two and one-half  
16 percent (2.5%) of final compensation for each year of alternative  
17 benefit calculation service if the employee has earned twenty-five (25)  
18 or more years of alternative benefit calculation service.

19 (5) If the employee makes an election as provided by subsection (3) of this section but  
20 the employee does not meet the requirements to be considered a career hazardous  
21 employee at the time of retirement, he or she shall receive benefits calculated in  
22 accordance with Section 3 of this Act as if the employee had not elected to  
23 participate in the alternative benefit calculation established by this section.

24 (6) (a) The annual actuarial valuation completed in accordance with Section 6 of  
25 this Act shall include an assessment of the funding levels, unfunded  
26 liabilities, and the actuarially required employer contribution rates payable  
27 for the members and recipients of the alternative benefit program provided

1 by this section.

2 (b) If, on the basis of the valuation assessment required under paragraph (a) of  
3 this subsection, the funding level for the alternative benefit program falls  
4 below ninety percent (90%) or the employer contribution rate for the  
5 alternative benefit program is projected to exceed sixteen percent (16%) of  
6 pay, the board shall, notwithstanding any other provision of KRS 16.505 to  
7 16.652, 61.510 to 61.705, and 78.510 to 78.852 to the contrary, make one (1)  
8 or more of the following adjustments to maintain the ninety percent (90%)  
9 funding level and maximum sixteen percent (16%) of pay employer  
10 contribution rate for the alternative benefit program by:

11 1. Increasing the years of service or alternative benefit calculation  
12 service required to be considered a career hazardous employee under  
13 subsection (1)(a) of this section for any member who is not receiving  
14 benefits from the alternative benefit program;

15 2. Reducing the percentages provided for each year of alternative benefit  
16 calculation service under subsection (4)(b) of this section for  
17 prospective service earned by the member; or

18 3. Changing the computation of final compensation calculated under  
19 paragraph (1)(d) of this section.

20 Notwithstanding any other provision of KRS 16.505 to 16.652, 61.510 to  
21 61.705, and 78.510 to 78.852 to the contrary, the board may utilize any and  
22 all of the above adjustments at any time on all members of the alternative  
23 benefit program in order to maintain the program's required funding level  
24 and employer costs as provided by this paragraph.

25 (c) Employers opting into the alternative benefit program shall be required to  
26 pay any additional actuarial costs to fund the program if necessary as  
27 provided by Section 4 of this Act. Employers who are not participating in

1 *the alternative benefit program shall not be required to fund any additional*  
 2 *actuarial costs of the alternative benefit program.*

3 *(7) The provisions of this section shall not be construed to authorize the board to*  
 4 *retroactively restore benefits or eligibility for benefits in the alternative benefit*  
 5 *program that were previously reduced by the board pursuant to subsection (6)(b)*  
 6 *of this section.*

7 *(8) The provisions of this section shall not apply to members who began participating*  
 8 *in the systems prior to January 1, 2014, or who fail to make an election as*  
 9 *provided by subsection (3) of this section.*

10 *(9) The General Assembly reserves the right to amend, suspend, or reduce the*  
 11 *benefits and rights provided under this section or Section 3 of this Act if, in its*  
 12 *judgment, the welfare of the Commonwealth so demands, except that the amount*  
 13 *of benefits the member has accrued at the time of amendment, suspension, or*  
 14 *reduction shall not be affected.*

15 ➔Section 2. KRS 78.510 is amended to read as follows:

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

- 17 (1) "System" means the County Employees Retirement System;
- 18 (2) "Board" means the board of trustees of the system as provided in KRS 78.782;
- 19 (3) "County" means any county, or nonprofit organization created and governed by a  
 20 county, counties, or elected county officers, sheriff and his or her employees,  
 21 county clerk and his or her employees, circuit clerk and his or her deputies, former  
 22 circuit clerks or former circuit clerk deputies, or political subdivision or  
 23 instrumentality, including school boards, cities, charter county governments, urban-  
 24 county governments, consolidated local governments, or unified local governments  
 25 participating in the system by order appropriate to its governmental structure, as  
 26 provided in KRS 78.530, and if the board is willing to accept the agency,  
 27 organization, or corporation, the board being hereby granted the authority to

- 1 determine the eligibility of the agency to participate;
- 2 (4) "School board" means:
- 3 (a) Any board of education participating in the system by order appropriate to its  
4 governmental structure, as provided in KRS 78.530, and if the board is willing  
5 to accept the agency or corporation, the board being hereby granted the  
6 authority to determine the eligibility of the agency to participate; or
- 7 (b) A public charter school as defined in KRS 160.1590 if the public charter  
8 school satisfies the criteria set by the Internal Revenue Service to participate  
9 in a governmental retirement plan;
- 10 (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- 11 (6) "Employee" means every regular full-time appointed or elective officer or  
12 employee of a participating county and the coroner of a participating county,  
13 whether or not he or she qualifies as a regular full-time officer. The term shall not  
14 include persons engaged as independent contractors, seasonal, emergency,  
15 temporary, and part-time workers. In case of any doubt, the board shall determine if  
16 a person is an employee within the meaning of KRS 78.510 to 78.852;
- 17 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected  
18 officials of a county, or any authority of the county having the power to appoint or  
19 elect an employee to office or employment in the county;
- 20 (8) "Member" means any employee who is included in the membership of the system  
21 or any former employee whose membership has not ceased under KRS 78.535;
- 22 (9) "Service" means the total of current service and prior service as defined in this  
23 section;
- 24 (10) "Current service" means the number of years and months of employment as an  
25 employee, on and after July 1, 1958, for which creditable compensation is paid and  
26 employee contributions deducted, except as otherwise provided;
- 27 (11) "Prior service" means the number of years and completed months, expressed as a

1 fraction of a year, of employment as an employee, prior to July 1, 1958, for which  
2 creditable compensation was paid. An employee shall be credited with one (1)  
3 month of prior service only in those months he received compensation for at least  
4 one hundred (100) hours of work. Twelve (12) months of current service in the  
5 system shall be required to validate prior service;

6 (12) "Accumulated contributions" means the sum of all amounts deducted from the  
7 compensation of a member and credited to his individual account in the members'  
8 account, including employee contributions picked up after August 1, 1982, pursuant  
9 to KRS 78.610(4), together with interest credited, on the amounts, and any other  
10 amounts the member shall have contributed thereto, including interest credited  
11 thereon. "Accumulated contributions" shall not include employee contributions that  
12 are deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the  
13 fund established in KRS 78.520, as prescribed by KRS 78.5536(3)(b);

14 (13) "Creditable compensation":

15 (a) Except as limited by paragraph (c) of this subsection, means all salary, wages,  
16 and fees, including payments for compensatory time, paid to the employee as  
17 a result of services performed for the employer or for time during which the  
18 member is on paid leave, which are includable on the member's federal form  
19 W-2 wage and tax statement under the heading "wages, tips, other  
20 compensation", including employee contributions picked up after August 1,  
21 1982, pursuant to KRS 78.610(4). The creditable compensation of fee officers  
22 who receive salary, fees, maintenance, or other perquisites as a result of their  
23 official duties is the gross amount received decreased by the cost of salary  
24 paid deputies and clerks and the cost of office supplies and other official  
25 expenses;

26 (b) Includes:

27 1. Lump-sum bonuses, severance pay, or employer-provided payments for

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



- 1 accrued vacation leave, sick leave except as provided in KRS 78.616(5),  
2 and other items determined by the board;
- 3 2. For employees who begin participating on or after September 1, 2008,  
4 lump-sum payments for compensatory time;
- 5 3. Training incentive payments for city officers paid as set out in KRS  
6 64.5277 to 64.5279;
- 7 4. For employees who begin participating on or after August 1, 2016,  
8 nominal fees paid for services as a volunteer; and
- 9 5. Any salary or wages paid to an employee for services as a Kentucky  
10 State Police school resource officer as defined by KRS 158.441;

11 (14) "Final compensation" means:

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

1 consecutive. If the number of months of service credit during the three (3)  
2 year period is less than twenty-four (24), one (1) or more additional fiscal  
3 years shall be used;

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

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

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

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

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

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

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

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

- 1 (a) For a member with service in a nonhazardous position, the sixty-fifth birthday  
2 of a member;
- 3 (b) For a member with service in a hazardous position who begins participating  
4 before September 1, 2008, the first day of the month following a member's  
5 fifty-fifth birthday; or
- 6 (c) For a member with service in a hazardous position who begins participating  
7 on or after September 1, 2008, the first day of the month following a  
8 member's sixtieth birthday;
- 9 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
10 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
11 limitation year used to determine contribution and benefits limits as set out in 26  
12 U.S.C. sec. 415;
- 13 (20) "Agency reporting official" means the person designated by the participating  
14 employer who shall be responsible for forwarding all employer and employee  
15 contributions and a record of the contributions to the system and for performing  
16 other administrative duties pursuant to the provisions of KRS 78.510 to 78.852;
- 17 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean  
18 all positions that average one hundred (100) or more hours per month, determined  
19 by using the number of hours actually worked in a calendar or fiscal year, or eighty  
20 (80) or more hours per month in the case of noncertified employees of school  
21 boards, determined by using the number of hours actually worked in a calendar or  
22 school year, unless otherwise specified, except:
- 23 (a) Seasonal positions, which although temporary in duration, are positions which  
24 coincide in duration with a particular season or seasons of the year and that  
25 may recur regularly from year to year, in which case the period of time shall  
26 not exceed nine (9) months, except for employees of school boards, in which  
27 case the period of time shall not exceed six (6) months;

- 1 (b) Emergency positions which are positions utilized by the employer during:
- 2 1. An emergency as determined by the employer for a period not
- 3 exceeding thirty (30) working days and are nonrenewable; or
- 4 2. A state of emergency declared by the President of the United States or
- 5 the Governor of the Commonwealth of Kentucky that are created or
- 6 filled specifically for addressing the employer's needs during and as a
- 7 result of the declared emergency;
- 8 (c) Temporary positions that are positions of employment with a participating
- 9 agency for a period of time not to exceed twelve (12) months and not
- 10 renewable;
- 11 (d) Probationary positions which are positions of employment with a participating
- 12 employer that do not exceed twelve (12) months and that are used uniformly
- 13 by the participating agency on new employees who would otherwise be
- 14 eligible for participation in the system. Probationary positions shall not be
- 15 renewable by the participating employer for the same employee, unless the
- 16 employee has not been employed with the participating employer for a period
- 17 of at least twelve (12) months; or
- 18 (e) Part-time positions that are positions that may be permanent in duration, but
- 19 that require less than a calendar or fiscal year average of one hundred (100)
- 20 hours of work per month, determined by using the number of months actually
- 21 worked within a calendar or fiscal year, in the performance of duty, except in
- 22 case of noncertified employees of school boards, the school term average shall
- 23 be eighty (80) hours of work per month, determined by using the number of
- 24 months actually worked in a calendar or school year, in the performance of
- 25 duty;
- 26 (22) "Alternate participation plan" means a method of participation in the system as
- 27 provided for by KRS 78.530(3);

- 1 (23) "Retired member" means any former member receiving a retirement allowance or  
2 any former member who has on file at the retirement office the necessary  
3 documents for retirement benefits and is no longer contributing to the system;
- 4 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
5 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
6 pay. The rate shall be certified by the employer;
- 7 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
8 member in accordance with KRS 61.542 or 61.705 to receive any available benefits  
9 in the event of the member's death. As used in KRS 78.5536, beneficiary shall not  
10 mean an estate, trust, or trustee;
- 11 (26) "Recipient" means the retired member, the person or persons designated as  
12 beneficiary by the member and drawing a retirement allowance as a result of the  
13 member's death, or a dependent child drawing a retirement allowance. An alternate  
14 payee of a qualified domestic relations order shall not be considered a recipient,  
15 except for purposes of KRS 61.623;
- 16 (27) "Person" means a natural person;
- 17 (28) "School term or year" means the twelve (12) months from July 1 through the  
18 following June 30;
- 19 (29) "Retirement office" means the Kentucky Public Pensions Authority office building  
20 in Frankfort, unless otherwise designated by the Kentucky Public Pensions  
21 Authority;
- 22 (30) "Vested" for purposes of determining eligibility for purchasing service credit under  
23 KRS 61.552 means the employee has at least forty-eight (48) months of service if  
24 age sixty-five (65) or older or at least sixty (60) months of service if under the age  
25 of sixty-five (65). For purposes of this subsection, "service" means service in the  
26 systems administered by the Kentucky Retirement Systems and County Employees  
27 Retirement System;

- 1 (31) "Participating" means an employee is currently earning service credit in the system  
2 as provided in KRS 78.615;
- 3 (32) "Month" means a calendar month;
- 4 (33) "Membership date" means the date upon which the member began participating in  
5 the system as provided in KRS 78.615;
- 6 (34) "Participant" means a member, as defined by subsection (8) of this section, or a  
7 retired member, as defined by subsection (23) of this section;
- 8 (35) "Qualified domestic relations order" means any judgment, decree, or order,  
9 including approval of a property settlement agreement, that:
- 10 (a) Is issued by a court or administrative agency; and
- 11 (b) Relates to the provision of child support, alimony payments, or marital  
12 property rights to an alternate payee;
- 13 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
14 participant, who is designated to be paid retirement benefits in a qualified domestic  
15 relations order;
- 16 (37) "Accumulated employer credit" means the employer pay credit deposited to the  
17 member's account and interest credited on such amounts as provided by KRS  
18 78.5512 and 78.5516;
- 19 (38) "Accumulated account balance" means:
- 20 (a) For members who began participating in the system prior to January 1, 2014,  
21 the member's accumulated contributions; or
- 22 (b) For members who began participating in the system on or after January 1,  
23 2014, in the hybrid cash balance plan as provided by KRS 78.5512 and  
24 78.5516, the combined sum of the member's accumulated contributions and  
25 the member's accumulated employer credit, **except as otherwise provided by**  
26 **Sections 1 and 3 of this Act;**
- 27 (39) "Volunteer" means an individual who:

- 1 (a) Freely and without pressure or coercion performs hours of service for an  
2 employer participating in one (1) of the systems administered by Kentucky  
3 Retirement Systems or the County Employees Retirement System without  
4 receipt of compensation for services rendered, except for reimbursement of  
5 actual expenses, payment of a nominal fee to offset the costs of performing  
6 the voluntary services, or both; and
- 7 (b) If a retired member, does not become an employee, leased employee, or  
8 independent contractor of the employer for which he or she is performing  
9 volunteer services for a period of at least twelve (12) months following the  
10 retired member's most recent retirement date;
- 11 (40) "Nominal fee" means compensation earned for services as a volunteer that does not  
12 exceed five hundred dollars (\$500) per month with each participating employer.  
13 Compensation earned for services as a volunteer from more than one (1)  
14 participating employer during a month shall not be aggregated to determine whether  
15 the compensation exceeds the five hundred dollars (\$500) per month maximum  
16 provided by this subsection;
- 17 (41) "Nonhazardous position" means a position that does not meet the requirements of  
18 KRS 78.5520 or has not been approved by the board as a hazardous position;
- 19 (42) "Hazardous position" means a position that meets the requirements of KRS 78.5520  
20 and has been approved by the board as hazardous;
- 21 (43) "Level-percentage-of-payroll amortization method" means a method of determining  
22 the annual amortization payment on the unfunded actuarial accrued liability as  
23 expressed as a percentage of payroll over a set period of years. Under this method,  
24 the percentage of payroll shall be projected to remain constant for all years  
25 remaining in the set period and the unfunded actuarially accrued liability shall be  
26 projected to be fully amortized at the conclusion of the set period;
- 27 (44) "Increment" means twelve (12) months of service credit which are purchased. The



1 twelve (12) months need not be consecutive. The final increment may be less than  
2 twelve (12) months;

3 (45) "Last day of paid employment" means the last date employer and employee  
4 contributions are required to be reported in accordance with KRS 16.543, 61.543, or  
5 78.615 to the retirement office in order for the employee to receive current service  
6 credit for the month. Last day of paid employment does not mean a date the  
7 employee receives payment for accrued leave, whether by lump sum or otherwise,  
8 if that date occurs twenty-four (24) or more months after previous contributions;

9 (46) "Objective medical evidence" means reports of examinations or treatments; medical  
10 signs which are anatomical, physiological, or psychological abnormalities that can  
11 be observed; psychiatric signs which are medically demonstrable phenomena  
12 indicating specific abnormalities of behavior, affect, thought, memory, orientation,  
13 or contact with reality; or laboratory findings which are anatomical, physiological,  
14 or psychological phenomena that can be shown by medically acceptable laboratory  
15 diagnostic techniques, including but not limited to chemical tests,  
16 electrocardiograms, electroencephalograms, X-rays, and psychological tests;

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

21 (48) "Act in line of duty" means, for employees in hazardous positions under KRS  
22 78.5520:

23 (a) A single act occurring which was required in the performance of the principal  
24 duties of the hazardous position as defined by the job description; or

25 (b) A single act of violence committed against the employee that is found to be  
26 related to his or her job duties, whether or not it occurs at his or her job site;

27 (49) "Dependent child" means a child in the womb and a natural or legally adopted child

1 of the member who has neither attained age eighteen (18) nor married or who is an  
2 unmarried full-time student who has not attained age twenty-two (22). Solely in the  
3 case of a member who dies as a direct result of an act in line of duty as defined in  
4 this section, dies as a result of a duty-related injury as defined in KRS 61.621,  
5 becomes totally and permanently disabled as a direct result of an act in the line of  
6 duty as defined in this section, or becomes disabled as a result of a duty-related  
7 injury as defined in KRS 61.621 and is eligible for the benefits provided by KRS  
8 61.621(5)(a), "dependent child" also means a naturally or legally adopted disabled  
9 child of the member, regardless of the child's age, if the child has been determined  
10 to be eligible for federal Social Security disability benefits or is being claimed as a  
11 qualifying child for tax purposes due to the child's total and permanent disability;

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

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

17 (52) "Monthly average pay" means:

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

23 (b) In the case where a member becomes totally and permanently disabled as a  
24 direct result of an act in line of duty as defined in KRS 16.505 or becomes  
25 disabled as a result of a duty-related injury as defined in KRS 61.621 and is  
26 eligible for the benefits provided by KRS 61.621(5)(a), the higher of the  
27 member's monthly final rate of pay or the average monthly creditable

1 compensation earned by the disabled member during his or her last twelve  
 2 (12) months of employment prior to the date the act in line of duty or duty-  
 3 related injury occurred;

4 (53) "Authority" means the Kentucky Public Pensions Authority as provided by KRS  
 5 61.505; and

6 (54) "Executive director" means the executive director of the Kentucky Public Pensions  
 7 Authority.

8 ➔Section 3. KRS 78.5516 is amended to read as follows:

9 (1) **Except as provided by Section 1 of this Act,** a member of the County Employees  
 10 Retirement System in a hazardous position covered by this section, who begins  
 11 participating in the system on or after January 1, 2014, or a member who makes an  
 12 election pursuant to KRS 61.5955, shall receive the retirement benefits provided by  
 13 this section in lieu of the retirement benefits provided under KRS 78.5514. The  
 14 retirement benefit provided by this section shall be known as the hybrid cash  
 15 balance plan and shall operate as another benefit tier within the County Employees  
 16 Retirement System.

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

19 (a) Contributions made by the member as provided by KRS 78.510 to 78.852,  
 20 except for employee contributions;

21 **1. Prescribed by KRS 78.5536(3)(b); and**

22 **2. Paid while an employee is participating in the alternative benefit**  
 23 **program as provided by Section 1 of this Act except as provided by**  
 24 **subsection (5) of Section 1 of this Act;**

25 (b) An employer pay credit of seven and one-half percent (7.5%) of the creditable  
 26 compensation earned by the employee for each month the employee is  
 27 contributing to the hybrid cash balance plan provided by this section. **An**

1           *employee participating in the alternative benefit program as provided by*  
2           *Section 1 of this Act shall not be considered as contributing to the hybrid*  
3           *cash balance plan for purposes of this paragraph except as provided by*  
4           *subsection (5) of Section 1 of this Act;* and

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

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

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

14          (4) (a) On June 30 of each fiscal year, the system shall determine if the member  
15          contributed to the hybrid cash balance plan, *the alternative benefit program*  
16          *as provided by Section 1 of this Act,* or the Kentucky Retirement Systems  
17          during the fiscal year.

18          (b) If the member contributed to the hybrid cash balance plan, *the alternative*  
19          *benefit program as provided by Section 1 of this Act,* or the Kentucky  
20          Retirement Systems during the fiscal year, the interest credit added to the  
21          member's account for that fiscal year shall be determined by multiplying the  
22          member's accumulated account balance on June 30 of the preceding fiscal  
23          year by a percentage increase equal to:

24                1. Four percent (4%); plus  
25                2. Seventy-five percent (75%) of the system's geometric average net  
26                investment return in excess of a four percent (4%) rate of return.

27          (c) If the member did not contribute to the hybrid cash balance plan, *the*

1 alternative benefit program as provided by Section 1 of this Act, or the  
2 Kentucky Retirement Systems during the fiscal year, the interest credit added  
3 to the member's account for that fiscal year shall be determined by  
4 multiplying the member's accumulated account balance on June 30 of the  
5 preceding fiscal year by four percent (4%).

6 (d) Interest credits shall be provided to an employee who did not meet the  
7 requirements of the alternative benefit program as provided by subsection  
8 (5) of Section 1 of this Act.

9 ~~(e)~~~~(d)~~ For purposes of this subsection, "system's geometric average net  
10 investment return":

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

17 ~~(f)~~~~(e)~~ No employer pay credits or interest credits shall be provided to a  
18 member who has taken a refund of contributions as provided by KRS 61.625  
19 or who has retired and annuitized his or her accumulated account balance as  
20 prescribed by this section.

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

26 (b) Upon termination of employment, a member who has five (5) or more years  
27 of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who

1 elects to take a refund of his or her accumulated account balance as provided  
2 by KRS 61.625, shall receive a full refund of his or her accumulated account  
3 balance.

4 (6) **Except as limited by Section 1 of this Act,** a member participating in the hybrid  
5 cash balance plan provided by this section may retire:

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

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

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

13 (a) Receive a monthly retirement allowance payable for life by having his or her  
14 accumulated account balance, **except as limited by this section for members**  
15 **who retire from the alternative benefit program as provided by Section 1 of**  
16 **this Act,** annuitized by the system in accordance with the actuarial  
17 assumptions and actuarial methods adopted by the board and in effect on the  
18 member's retirement date;

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

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

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

27 ➔Section 4. KRS 78.635 is amended to read as follows:

- 1 (1) (a) Except as provided by subsection (4) of this section, each employer  
2 participating in the County Employees Retirement System as provided for in  
3 KRS 78.510 to 78.852 shall contribute annually to the system an amount  
4 determined by the actuarial valuation completed in accordance with KRS  
5 78.784 and as specified by this section. Employer contributions for the system  
6 shall be equal to the sum of the "normal cost contribution" and the "actuarially  
7 accrued liability contribution." *Each employer participating in the*  
8 *alternative benefit program as provided by Section 1 of this Act shall also be*  
9 *required to pay a contribution computed as a percentage of pay sufficient to*  
10 *fund the alternative benefit program.*
- 11 (b) For purposes of this section, the normal cost contribution shall be computed  
12 as a percentage of pay and shall be an annual amount that is sufficient when  
13 combined with employee contributions to fund benefits earned during the year  
14 in the system. The amount shall be:
- 15 1. Paid as a percentage of creditable compensation reported for each  
16 employee participating in the system and accruing benefits; and
  - 17 2. The same percentage of pay for all employees who are participating in  
18 the system, except that separate percentage rates shall be developed in  
19 each system for those employers whose employees are participating in  
20 hazardous duty retirement coverage as provided by KRS 78.5520.
- 21 (c) For purposes of this section, the actuarially accrued liability contribution shall  
22 be:
- 23 1. Computed by amortizing the total unfunded actuarially accrued liability  
24 of the system over a closed period of thirty (30) years beginning with  
25 the 2019 actuarial valuation using the level percentage of payroll  
26 amortization method, except that any increase or decrease in the  
27 unfunded actuarially accrued liability occurring after the completion of

- 1 the 2019 actuarial valuation shall be amortized over a closed period of  
2 twenty (20) years beginning with the actuarial valuation in which the  
3 increase or decrease in the unfunded actuarially accrued liability is  
4 recognized. An increase or decrease in the unfunded actuarially accrued  
5 liability may result from, but not be limited to, legislative changes to  
6 benefits, changes in actuarial methods or assumptions, or actuarial gains  
7 or losses;
- 8 2. Paid as a percentage of payroll on the creditable compensation reported  
9 for each employee participating in the system and accruing benefits; and  
10 3. The same percentage of pay for all employees who are participating in  
11 the system, except that separate percentage rates shall be developed in  
12 each system for those employers whose employees are participating in  
13 hazardous duty retirement coverage as provided by KRS 78.5520.
- 14 (d) The employer contributions computed under this section shall be determined  
15 using:
- 16 1. The entry age normal cost funding method;  
17 2. An asset smoothing method that smooths investment gains and losses  
18 over a five (5) year period; and  
19 3. Other funding methods and assumptions established by the board in  
20 accordance with KRS 78.784.
- 21 (2) Normal contribution and the actuarially accrued liability contribution rates shall be  
22 determined by the board on the basis of the annual actuarial valuation last preceding  
23 the July 1 of a new fiscal year.
- 24 (3) Employer contribution rates as provided by this section shall include an employer  
25 contribution rate to fund pension benefits and an employer contribution rate to fund  
26 retiree health benefits.
- 27 (4) The employer contribution rate established by the board for the County Employees



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

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

11 ➔Section 5. KRS 78.640 is amended to read as follows:

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

13 (a) All members' contributions, or contributions picked up by the employer after  
14 August 1, 1982, and interest allowances as provided in KRS 78.510 to 78.852  
15 shall be credited, except as provided by KRS 78.5536(3)(b); and

16 (b) For members who begin participating in the system on or after January 1,  
17 2014, the employer pay credit and interest credited on such amounts as  
18 provided by KRS 78.5512 and 78.5516 shall be credited.

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

24 (2) Each member's contribution or contribution picked up by the employer shall be  
25 credited to the individual account of the contributing member, except as provided  
26 by KRS 78.5536(3)(b).

27 (3) (a) Each member shall have his or her individual account credited with interest on

- 1 June 30 of each year.
- 2 (b) For a member who begins participating before September 1, 2008, interest  
3 shall be credited to his or her individual account at a rate determined by the  
4 board but not less than two percent (2%) per annum on the accumulated  
5 account balance of the member on June 30 of the preceding fiscal year.
- 6 (c) For a member who begins participating on or after September 1, 2008, but  
7 prior to January 1, 2014, interest shall be credited to his or her individual  
8 account at a rate of two and one-half percent (2.5%) per annum on the  
9 accumulated contributions of the member on June 30 of the preceding fiscal  
10 year.
- 11 (d) For a member who begins participating on or after January 1, 2014, in the  
12 hybrid cash balance plan, interest shall be credited in accordance with KRS  
13 78.5512 and Section 3 of this Act~~[KRS 16.583 and 61.597]~~.
- 14 (e) For a member who begins participating on or after January 1, 2014, and  
15 who elects to participate in the alternative benefit program as provided by  
16 Section 1 of this Act, interest shall be credited to his or her individual  
17 account at a rate of two and one-half percent (2.5%) per annum on the  
18 accumulated contributions of the member on June 30 of the preceding  
19 fiscal year, except as otherwise provided in Sections 1 and 3 of this Act.
- 20 (f) The amounts of interest credited to a member's account under this subsection  
21 shall be transferred from the retirement allowance account.
- 22 (4) (a) Upon the retirement of a member who began participating in the system prior  
23 to January 1, 2014, his or her accumulated account balance shall be  
24 transferred from the members' account to the retirement allowance account.
- 25 (b) Upon the retirement of a member who began participating in the system on or  
26 after January 1, 2014, who elects to annuitize his or her accumulated account  
27 balance as prescribed by KRS 78.5512(7)(a) or (b) or 78.5516(7)(a) or (b), or

1                   who begins drawing a benefit under the provisions of the alternative benefit  
2                   program as provided by Section 1 of this Act, the member's accumulated  
3                   account balance shall be transferred to the retirement allowance account.

4                   ➔Section 6. KRS 78.784 is amended to read as follows:

- 5                   (1) (a) As soon as practicable after its organization, the County Employees  
6                   Retirement System board shall adopt the actuarial tables, assumptions, and  
7                   methods necessary for the administration of the system and for the annual  
8                   determination of actuarial assets, actuarial liabilities, and recommended  
9                   employer contribution rates of the system as provided by KRS 61.702 and  
10                  78.635, for the pension and retiree health funds.
- 11                  (b) The board shall cause an actuarial valuation to be made annually. The  
12                  valuation shall at a minimum include:
- 13                       1. A description of the actuarial assumptions used in the actuarial  
14                       valuation, which shall be reasonably related to the experience of the  
15                       system and represent the actuary's best estimate of anticipated  
16                       experience;
- 17                       2. A description of any funding methods utilized or required by state law in  
18                       the development of the actuarial valuation results;
- 19                       3. A description of any changes in actuarial assumptions and methods from  
20                       the previous year's actuarial valuation;
- 21                       4. The actuarially recommended contribution rate for employers for the  
22                       upcoming budget periods;
- 23                       5. A thirty (30) year projection of the funding levels, unfunded liabilities,  
24                       and actuarially recommended contribution rates for employers based  
25                       upon the actuarial assumptions, funding methods, and experience of the  
26                       system as of the valuation date; ~~and~~
- 27                       6. A sensitivity analysis that evaluates the impact of changes in system

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

5           **7. The annual assessment of the alternative benefit program as provided**  
 6           **by Section 1 of this Act.**

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

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

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

24          (d) **1.** Pursuant to the actuarial investigations, the board shall, from time to  
 25          time, revise the actuarial tables previously adopted by the board and  
 26          shall thereupon revise the bases of the rates of employer contributions  
 27          required under KRS 78.510 to 78.852.

1           **2. Pursuant to the annual assessment of the alternative benefit program**  
2           **as required by Section 1 of this Act, the board shall make the**  
3           **necessary adjustments in benefits for members of the alternative**  
4           **benefit program as required by subsection (6) of Section 1 of this Act.**

5           (e) For any change in actuarial assumptions, funding methods, retiree health  
6           insurance premiums and subsidies, or any other decisions made by the board  
7           that impact system liabilities and actuarially recommended contribution rates  
8           for employers and that are not made in conjunction with the actuarial  
9           investigations required by paragraph (c) of this subsection, an actuarial  
10          analysis shall be completed showing the projected impact of the changes on  
11          funding levels, unfunded liabilities, and actuarially recommended contribution  
12          rates for employers over a thirty (30) year period.

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

16       (2) A copy of each actuarial investigation, actuarial analysis, and annual valuation  
17       required by subsection (1) of this section shall be forwarded electronically to the  
18       Legislative Research Commission no later than ten (10) days after receipt by the  
19       board, and the Legislative Research Commission shall distribute the information  
20       received to the committee staff and co-chairs of any committee that has jurisdiction  
21       over the County Employees Retirement System. The actuarial valuation required by  
22       subsection (1)(b) of this section shall be submitted no later than November 15  
23       following the close of the fiscal year. In addition, the County Employees  
24       Retirement System shall submit a summary of the actuarial valuation to the Public  
25       Pension Oversight Board by December 31 following completion of the actuarial  
26       valuation which shall include the employer contribution rates to be payable by  
27       participating employers in the upcoming fiscal year, key actuarial statistics and

1 trends, any changes in assumptions or methods since the last valuation, and other  
2 pertinent actuarial data and information.

3 ➔Section 7. Sections 1 to 6 of this Act take effect July 1, 2025.