

1 AN ACT relating to eligibility for benefits in the systems administered by the
2 Kentucky Public Pensions Authority.

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

4 ➔Section 1. KRS 61.595 is amended to read as follows:

5 (1) Effective July 1, 1990, upon retirement at normal retirement date or subsequent
6 thereto, a Kentucky Employees Retirement System member may receive an annual
7 retirement allowance, payable monthly during his or her lifetime, which shall
8 consist of an amount equal to one and ninety-seven hundredths percent (1.97%) of
9 final compensation multiplied by the number of years of service credit, except that:

10 (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement
11 System who was participating in one (1) of the state-administered retirement
12 systems as of January 1, 1998, and continues to participate through January 1,
13 1999, shall receive an annual retirement allowance, payable monthly during
14 his or her lifetime, which shall consist of an amount equal to two percent (2%)
15 of final compensation multiplied by the number of years of service credit.
16 Any Kentucky Employees Retirement System member whose effective date
17 of retirement is between February 1, 1999, and January 31, 2009, and who has
18 at least twenty (20) years of service credit in one (1) of the state-administered
19 retirement systems and who was participating in one (1) of the state-
20 administered retirement systems as of January 1, 1998, and continues to
21 participate through January 1, 1999, shall receive an annual retirement
22 allowance, payable monthly during his or her lifetime, which shall consist of
23 an amount equal to two and two-tenths percent (2.2%) of final compensation
24 multiplied by the number of years of service credit. Notwithstanding the
25 provisions of KRS 61.565, the funding for this paragraph shall be provided
26 from existing funds of the retirement allowance account;

27 (b) The annual normal retirement allowance for members of the General

- 1 Assembly, who serve during the 1974 or 1976 General Assembly, and will
2 have eight (8) years or more of total legislative service as of January 6, 1978,
3 shall not be less than two hundred forty dollars (\$240) multiplied by the
4 number of years of service as a member of the General Assembly;
- 5 (c) For a member of the Kentucky Employees Retirement System who begins
6 participating on or after September 1, 2008, the annual retirement allowance
7 upon retirement shall be equal to:
- 8 1. a. One and one-tenth percent (1.1%) of final compensation for each
9 year of service if the member has earned ten (10) or less years of
10 service at retirement;
 - 11 b. One and three-tenths percent (1.3%) of final compensation for
12 each year of service if the member has earned greater than ten (10)
13 but no more than twenty (20) years of service at retirement;
 - 14 c. One and one-half percent (1.5%) of final compensation for each
15 year of service if the member has earned greater than twenty (20)
16 but no more than twenty-six (26) years of service at retirement; or
 - 17 d. One and three-quarters percent (1.75%) of final compensation for
18 each year of service if the member has earned greater than twenty-
19 six (26) but no more than thirty (30) years of service at retirement;
20 and
 - 21 2. Two percent (2.0%) of final compensation for each year of service
22 earned in excess of thirty (30) years of service at retirement;
- 23 (d) The annual normal retirement allowance for members of the General
24 Assembly who will have fewer than eight (8) years of service as of December
25 31, 1975, shall be as prescribed in Chapter 116, section 36(1), Acts of the
26 1972 General Assembly for legislative service prior to January 1, 1974;
- 27 (e) Former members of the General Assembly who have eight (8) or more years

1 of legislative service prior to the 1976 Regular Session are eligible for an
2 increased retirement allowance of two hundred forty dollars (\$240) times the
3 years of legislative service, if the member pays to the Kentucky Employees
4 Retirement System thirty-five percent (35%) of the actuarial cost of the higher
5 benefit, as determined by the system, except that a former member with
6 sixteen (16) or more years of legislative service, or his or her beneficiary, who
7 is receiving a retirement allowance, also is eligible under this section and may
8 apply for a recomputation of his or her retirement allowance. The employer's
9 share of sixty-five percent (65%) of the computed actuarial cost shall be paid
10 from the State Treasury to the Kentucky Employees Retirement System upon
11 presentation of a properly documented claim to the Finance and
12 Administration Cabinet. If any member with sixteen (16) or more years of
13 legislative service previously applied for and is receiving a retirement
14 allowance, he or she may reapply and his or her retirement allowance shall be
15 recomputed in accordance with this paragraph, and he or she shall thereafter
16 be paid in accordance with the option selected by him or her at the time of the
17 reapplication; and

18 (f) The annual normal retirement allowance for a member with ten (10) or more
19 years of service, in the Kentucky Employees Retirement System, at least one
20 (1) of which is current service, shall not be less than five hundred twelve
21 dollars (\$512).

22 (2) (a) Upon service retirement prior to normal retirement date, a member may
23 receive an annual retirement allowance payable monthly during his or her
24 lifetime which shall be determined in the same manner as for retirement at his
25 or her normal retirement date with years of service and final compensation
26 being determined as of the date of his or her actual retirement, but the amount
27 of the retirement allowance so determined shall be reduced at an amount

1 determined by the board's actuary to reflect the earlier commencement of
2 benefits.

3 (b) A member of the Kentucky Employees Retirement System who begins
4 participating before September 1, 2008, who has:

5 1. Twenty-seven (27) or more years of service credit, at least fifteen (15)
6 of which are current service, may retire with no reduction in the
7 retirement allowance; ~~[- A member who begins participating before~~
8 ~~September 1, 2008, who has]~~

9 2. Earned vested service credit in a retirement system, other than the
10 Teachers' Retirement System, sponsored by a Kentucky institution of
11 higher education, the Council on Postsecondary Education, or the
12 Higher Education Assistance Authority, may count the vested service
13 toward attaining the necessary years of service credit as provided in
14 KRS 61.559(2)(c) and (d) to qualify for a retirement allowance. The
15 credit from a Kentucky institution of higher education, the Council on
16 Postsecondary Education, or the Higher Education Assistance Authority
17 **established by this subparagraph** shall not be used toward the minimum
18 fifteen (15) years of current service required by KRS 61.559(2)(c) and
19 (d) or to calculate his or her retirement allowance pursuant to this
20 section; **and**

21 **3. Employment that provides services for Kentucky River Community**
22 **Care in a regular full-time position, regardless of whether the member**
23 **was employed directly by Kentucky River Community Care or**
24 **indirectly through a third-party entity, in which the member did not**
25 **participate in the Kentucky Employees Retirement System for the**
26 **period of employment, may count the employment as service toward**
27 **attaining the necessary years of service credit as provided in KRS**

1 *61.559(2)(c) and (d) to qualify for a retirement allowance. The credit*
2 *for employment from Kentucky River Community Care established by*
3 *this subparagraph shall not be used toward the minimum fifteen (15)*
4 *years of current service required by KRS 61.559(2)(c) and (d) or to*
5 *calculate his or her retirement allowance pursuant to this section,*
6 *unless at a later date the employment with Kentucky River Community*
7 *Care is determined to have been eligible for participation in the*
8 *Kentucky Employees Retirement System and the employee and*
9 *employer pay the required costs to establish service in the system for*
10 *the period of employment.*

11 The provisions of this paragraph shall not be construed to limit the use of
12 Teachers' Retirement System credit pursuant to KRS 61.680(2)(a).

13 (c) A member of the Kentucky Employees Retirement System who begins
14 participating on or after September 1, 2008, may retire with no reduction in
15 benefits if the member is fifty-seven (57) years of age or older and has an age
16 and years of service total of at least eighty-seven (87) years. The years of
17 service used to determine eligibility for an unreduced retirement allowance
18 under this paragraph shall only include years of service credited under KRS
19 16.543(1), 61.543(1), or 78.615(1) or another state-administered retirement
20 system.

21 (3) Subsections (1) and (2) of this section shall not apply to members who begin
22 participating in the system on or after January 1, 2014. Members who begin
23 participating in the system on or after January 1, 2014, shall receive the retirement
24 benefits prescribed by KRS 61.597.

25 ➔Section 2. KRS 61.552 is amended to read as follows:

26 (1) Called to Active Duty Military Service. An employee of an employer participating
27 in the system who is called to active military duty in the Armed Forces of the

1 United States shall be credited in accordance with 38 U.S.C. sec. 4318 with service
2 credit, creditable compensation, and in the case of employees participating in the
3 hybrid cash balance plan, employee contributions, employer credits, and interest
4 credits, for a period of active military duty of up to six (6) years, provided:

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

7 1. After the employee's membership date in the system and provided the
8 employee was on leave of absence from the employer and did not
9 withdraw his or her accumulated account balance; or

10 2. Prior to the employee's membership date in the system and the date the
11 employee terminated employment with his or her employer;

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

14 (c) The employee's discharge military service was terminated in a manner other
15 than as described in 38 U.S.C. sec. 4304;

16 (d) The employee returns to work with an employer participating in the system
17 within two (2) years after completion of the period of active military duty, or
18 upon the subsequent termination of any total disability which existed at the
19 expiration of the two (2) years after discharge; and

20 (e) For an employee whose membership date is on or after January 1, 2014, who
21 is participating in the hybrid cash balance plan under KRS 16.583, 61.597,
22 78.5512, or 78.5516, the employee pays the employee contributions on the
23 credited compensation as provided under KRS 16.543, 61.543, and 78.615.

24 For periods of active military duty that meet the requirements of this subsection, the
25 employer shall pay the employer contributions payable under KRS 61.565, 61.702,
26 78.5536, and 78.635.

27 (2) (a) Omitted Service. Any person who is entitled to service credit for employment

1 which was not reported by the employer in accordance with KRS 16.543,
2 61.543, or 78.615 may obtain credit for the service subject to the provisions of
3 this subsection.

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

8 (c) Any employee participating in one (1) of the state-administered retirement
9 systems entitled to service credit under paragraph (a) of this subsection who
10 has not repaid the employee contributions due within six (6) months of
11 notification by the system may purchase the credit after the six (6) months by
12 paying to the system the employee contributions plus interest at the actuarially
13 assumed rate from the date of initial notification under paragraph (b) of this
14 subsection.

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

16 1. Be considered service credited under KRS 16.543(1), 61.543(1), or
17 78.615(1) for purposes of determining eligibility for retirement benefits
18 under KRS 78.510 to 78.852; and

19 2. Not be credited to the member's account until the employer
20 contributions due and any interest or penalties on the delinquent
21 employer contributions for the period of omitted service are received by
22 the system.

23 (e) Employees who begin participating on or after January 1, 2014, in the hybrid
24 cash balance plan provided by KRS 16.583 or 61.597 or 78.5512 or 78.5516
25 shall, upon payment of the employee and employer contributions due under
26 this subsection, have their accumulated account balance increased by the
27 employee contributions, employer pay credits, and interest credits that would

1 have been credited to their member's account if the contributions had been
2 paid on time.

3 (f) Contributions payable by the employer under this subsection for omitted
4 service shall be considered delinquent from the date the employee should
5 have been reported and received service credit in accordance with KRS
6 16.543, 61.543, and 78.615.

7 (3) (a) Recontribution of a Refund. Any employee participating in one (1) of the
8 state-administered retirement systems who has been refunded his or her
9 accumulated account balance under the provisions of KRS 61.625, thereby
10 losing service credit in the system, may regain the credit by paying to the
11 system the amount or amounts refunded by the system with interest at a rate
12 determined by the board. Service purchased under this subsection on or after
13 January 1, 2014, shall not be used to determine the member's membership
14 date in the systems.

15 (b) Recontribution of a refund purchased under this subsection shall not be used
16 in determining a retirement allowance until the member has accrued at least
17 six (6) months of service credit in a state-administered retirement system,
18 excluding the service purchased under this subsection. If the member does not
19 accrue at least six (6) months of service credit in a state-administered
20 retirement system, excluding service purchased under this subsection, then the
21 payment plus interest as provided in KRS 16.560, 61.575, or 78.640 shall be
22 refunded upon retirement, death, or written request following termination of
23 employment. The service requirement shall be waived if the member dies or
24 becomes disabled as provided for by KRS 16.582, 61.600, 61.621, 78.5522, or
25 78.5524.

26 (4) (a) Summer Months. Any employee participating in one (1) of the state-
27 administered retirement systems who is or has been employed by a school

1 board or community action agency participating in the County Employees
2 Retirement System or a state-operated school under KRS Chapter 167 or an
3 institution of higher learning participating in the Kentucky Employees
4 Retirement System, who receives service credit for less than twelve (12)
5 months each year, may purchase the additional months of service credit
6 needed to total one (1) year of service credit, except the amount purchased for
7 any specific year shall not exceed three (3) months.

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

15 (c) If the employee has purchased service credit under this subsection based on
16 months reported by the employer for the fiscal year, and an audit of the
17 employee's account reduces the number of months of service credit for which
18 the employee is eligible to no fewer than nine (9) months, the employee shall
19 retain credit for the months purchased unless the employee is ineligible for
20 any service in the fiscal year. The employee shall be eligible to purchase the
21 additional months under this subsection to total one (1) year.

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

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

- 1 (a) Past service. "Past service" means periods of employment:
- 2 1. Between July 1, 1956, in the case of the Kentucky Employees
- 3 Retirement System, or July 1, 1958, in the case of the County
- 4 Employees Retirement System, and the effective date of participation by
- 5 the employer; or
- 6 2. With a public agency that did not participate in the Kentucky Employees
- 7 Retirement System but would have been eligible to participate under
- 8 KRS 61.520 or a political subdivision that did not participate in the
- 9 County Employees Retirement System but would have been eligible to
- 10 participate under KRS 78.530, provided the public agency or political
- 11 subdivision has merged with or been taken over by a participating
- 12 employer;
- 13 (b) State university service, provided the university does not participate in a state-
- 14 administered retirement system and the university service being purchased
- 15 was in a nonteaching position that did not participate in a defined benefit
- 16 retirement program;
- 17 (c) 1. Up to ten (10) years of out-of-state service. "Out-of-state" means service
- 18 credited to a state or local government-administered public defined
- 19 benefit plan in another state that is not a defined benefit plan for
- 20 teachers.
- 21 2. Up to ten (10) years of out-of-state hazardous service. "Out-of-state
- 22 hazardous service" means service in a regular full-time position that was
- 23 credited to a defined benefit retirement plan administered by a state or
- 24 local government in another state, if the service could be certified as
- 25 hazardous pursuant to KRS 61.592 or 78.5520, as applicable. The
- 26 employee may purchase out-of-state hazardous service under this
- 27 subparagraph provided the employee is vested to receive benefits from

1 the State Police Retirement System or hazardous duty benefits from the
2 Kentucky Employees Retirement System or the County Employees
3 Retirement System.

4 The employee must purchase out-of-state service or out-of-state hazardous
5 service in the system in which he or she is vested based solely upon the
6 service in that system;

7 (d) Active military duty, which means periods of active military duty in the
8 Armed Forces of the United States, provided:

9 1. The employee's military service was terminated in a manner other than
10 as described in 38 U.S.C. sec. 4304; and

11 2. The service has not been credited as free military service under
12 subsection (1) of this section;

13 (e) National Guard service. An employee may purchase one (1) month of service
14 for each six (6) months of service in the National Guard or the military
15 reserves of the United States. The service shall be treated as service earned
16 prior to participation in the system;

17 (f) Federal service. "Federal service" means service with the United States
18 government, that is not service in the Armed Forces;

19 (g) Seasonal, emergency, interim, probationary, or temporary employment or
20 part-time employment as provided by KRS 61.510(21) or 78.510(21)
21 averaging one hundred (100) or more hours of work per month on a calendar
22 or fiscal year basis. If the average number of hours of work is less than one
23 hundred (100) per month, the member may purchase credit for only those
24 months he or she receives creditable compensation for one hundred (100)
25 hours of work;

26 (h) Part-time employment in a noncertified position at a school board prior to the
27 1990-91 school year which averaged eighty (80) or more hours of work per

1 month on a calendar or fiscal year basis. If the average number of hours of
2 work is less than eighty (80) per month, the noncertified employee of a school
3 board shall be allowed to purchase credit only for those months he or she
4 receives creditable compensation for eighty (80) hours of work;

5 (i) Any period of:

- 6 1. Authorized maternity leave without pay or sick leave without pay;
- 7 2. Unpaid leave authorized under the federal Family and Medical Leave
8 Act;
- 9 3. Approved educational leave; and
- 10 4. Agency-approved leave to work for a work-related labor organization if
11 the agency subsequently participated in the County Employees
12 Retirement System, but only if the board receives a favorable private
13 letter ruling from the United States Internal Revenue Service or a
14 favorable opinion letter from the United States Department of Labor;

15 (j) Non-participating employer service, which means periods of employment
16 with the following types of agencies provided the agency does not participate
17 in a state-administered retirement system:

- 18 1. A regional community services program for mental health organized and
19 operated under the provisions of KRS 210.370 to 210.480;
- 20 2. A community action agency created under KRS 273.405 to 273.453.
21 The service provided by this subparagraph shall be purchased in the
22 County Employees Retirement System;
- 23 3. An area development district created pursuant to KRS 147A.050; or
- 24 4. A business development corporation created pursuant to KRS 155.001
25 to 155.230, provided the system receives a favorable private letter ruling
26 from the United States Internal Revenue Service or a favorable opinion
27 letter from the United States Department of Labor;

- 1 (k) Urban-county government service, which means employment in an urban-
2 county government position that would qualify for hazardous duty coverage
3 under KRS 61.592 or 78.5520. The provisions of this paragraph shall only be
4 applicable to vested members participating in the State Police Retirement
5 System or in a hazardous position in the Kentucky Employees Retirement
6 System or the County Employees Retirement System;
- 7 (l) Periods of service as assistants to officers and employees of the General
8 Assembly for persons who were unable to acquire service under KRS
9 61.510(20) for service performed after January 1, 1960;
- 10 (m) Service as a volunteer in the Kentucky Peace Corps, created by KRS 154.1-
11 720; and
- 12 (n) Employment with a vocational technical school in a noncertified part-time
13 position averaging eighty (80) or more hours per month, determined by using
14 the number of months actually worked within a calendar or fiscal year. The
15 service provided by this paragraph shall be purchased in the Kentucky
16 Employees Retirement System.
- 17 (6) (a) Non-qualified service. Provided the employee's membership date in the
18 system is prior to July 15, 2002, and provided the employee has total service
19 in all state-administered retirement systems of at least one hundred eighty
20 (180) months of service credit, the employee may purchase a combined
21 maximum total of five (5) years of service credit, known as non-qualified
22 service, which is not otherwise purchasable under any of the provisions of
23 KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852.
- 24 (b) The service purchased under this paragraph shall not be used in determining a
25 retirement allowance until the member has accrued at least two hundred forty
26 (240) months of service, excluding service purchased under this subsection. If
27 the member does not accrue at least two hundred forty (240) months of

1 service, excluding service purchased under this subsection, upon retirement,
2 death, or written request following termination, the payment, plus interest as
3 provided in KRS 16.560, 61.575, or 78.640, as applicable, shall be refunded.

4 **(c) Months of employment in a full-time position that provides services for**
5 **Kentucky River Community Care, regardless of whether the member was**
6 **employed directly by Kentucky River Community Care or indirectly through**
7 **a third-party entity, in which the member did not participate in the Kentucky**
8 **Employees Retirement System for the period of employment, may count**
9 **toward attaining the necessary two hundred forty (240) months of service**
10 **required by paragraph (b) of this subsection.**

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

- 12 (a) Except for subsection (6) of this section, the service must qualify as regular
13 full-time as provided by KRS 61.510 and 78.510;
- 14 (b) No service credit may be purchased for periods already credited to the system
15 or another public defined benefit retirement fund, including non-qualified
16 service purchased in another state-administered retirement system;
- 17 (c) Except as provided by paragraph (a)2.a. of subsection (9) of this section, the
18 employee payment for service purchases shall not be picked up, as described
19 in KRS 16.545(4), 61.560(4), or 78.610(4), by the employer;
- 20 (d) Except for service purchased under subsection (2) or (3) of this section,
21 service purchases made pursuant to this section may be purchased by the
22 entire amount of service available or by increments. Service purchases made
23 pursuant to subsections (2) and (3) of this section shall only be purchased by
24 the entire amount of service available; and
- 25 (e) Service purchases as provided by subsections (5)(b), (d) to (f), and (j)1. and
26 (6) of this section may be purchased in any system in which the member has
27 service credit.

- 1 (8) (a) Employer purchase of past service. Any employer participating in the system
2 may purchase service credit, between July 1, 1956, in the case of the
3 Kentucky Employees Retirement System, or July 1, 1958, in the case of the
4 County Employees Retirement System, and the participation date of the
5 employer, for present employees of the county or department who have
6 elected coverage under KRS 61.525(2) or 78.540(1), provided the employee
7 began participating in the system prior to January 1, 2014.
- 8 (b) A Kentucky Employees Retirement System employer shall pay the cost of the
9 service credit within the fiscal year the election is made to purchase the
10 service credit. A County Employees Retirement System employer may
11 purchase the service, with interest at the rate actuarially assumed by the board,
12 over a period not to exceed ten (10) years.
- 13 (c) If an employer elects to purchase service under the provisions of this
14 subsection, any present employee who would be eligible to receive service
15 credit under the provisions of this subsection and has purchased service credit
16 under subsection (5)(a) of this section shall have his or her payment for the
17 service credit refunded with interest at the rate paid under KRS 61.575 or
18 78.640.
- 19 (d) Any payments made by an employer under this subsection shall be deposited
20 to the retirement allowance account of the system and these funds shall not be
21 considered accumulated contributions of the individual members.
- 22 (9) (a) An employee participating in the system may purchase service credit under
23 any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to
24 78.852 for which he or she is eligible to purchase, or as otherwise required by
25 38 U.S.C. ch. 43, by:
- 26 1. Making a lump-sum payment on a before-tax basis as provided in
27 subparagraph 3. of this paragraph, or on an after-tax basis if the

- 1 employee is purchasing service credit under subsection (1) or (3) of this
2 section, service available pursuant to 38 U.S.C. ch. 43 not otherwise
3 provided for in this section, or grandfathered service as defined in
4 paragraph (b) of this subsection;
- 5 2. Entering into an agreement to purchase service credit through an
6 installment purchase of service agreement with the systems as provided
7 by paragraph (c) of this subsection:
- 8 a. On a before-tax basis in which the service is purchased pursuant to
9 the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or
- 10 b. On an after-tax basis if the employee is purchasing service credit
11 under subsection (1) or (3) of this section, service available
12 pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this
13 section, or grandfathered service as defined in paragraph (b) of this
14 subsection; or
- 15 3. Transferring funds to the system through a direct trustee-to-trustee
16 transfer as permitted under the applicable sections of the Internal
17 Revenue Code and any regulations or rulings issued thereunder, through
18 a direct rollover as contemplated by and permitted under 26 U.S.C. sec.
19 401(a)(31) and any regulations or rulings issued thereunder, or through a
20 rollover of funds pursuant to and permitted under the rules specified in
21 26 U.S.C. secs. 402(c) and 408(d)(3). The system shall accept the
22 transfer or rollover to the extent permitted under the rules specified in
23 the applicable provisions of the Internal Revenue Code and any
24 regulations and rulings issued thereunder.
- 25 (b) For purposes of this subsection, "grandfathered service" means service
26 purchases for which a member, whose membership date in the system is prior
27 to July 1, 1999, is eligible to purchase under KRS 16.505 to 16.652, 61.510 to

1 61.705, or 78.510 to 78.852, that were available for all members of the system
2 to purchase on August 5, 1997.

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

1 installments for before-tax purchase of service agreements. Upon
2 notification by the system, the employer shall report the installment
3 payments monthly continuously over each twelve (12) month period at
4 the same time as, but separate from, regular employee contributions on
5 the forms or by the computer format specified by the board.

6 7. The system shall determine how much of the total cost represents
7 payment for one (1) month of the service to be purchased and shall
8 credit one (1) month of service to the member's account each time this
9 amount has been paid. The first service credited shall represent the first
10 calendar month of the service to be purchased and each succeeding
11 month of service credit shall represent the succeeding months of that
12 service.

13 8. If the employee utilizing an installment purchase of service agreement
14 dies, retires, does not continue employment in a position required to
15 participate in the system, or elects to stop an after-tax installment
16 purchase of service agreement, the member, or in the case of death, the
17 beneficiary, shall have sixty (60) days to pay the remaining principal or
18 a portion of the remaining principal of the installment purchase of
19 service agreement by lump sum, subject to the restrictions of paragraph
20 (a)1. of this subsection, or by transfer of funds under paragraph (a)3. of
21 this subsection, except that payment by the member shall be filed with
22 the system prior to the member's effective retirement date. If the
23 member or beneficiary does not pay the remaining cost, the system shall
24 refund to the member or the beneficiary the payment, payments, or
25 portion of a payment that does not represent a full month of service
26 purchased, except as provided by subsection (6) of this section.

27 9. If the employer does not report installment payments on an employee

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

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

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

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

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

1 without a reduction in benefits and the cost-of-living adjustments provided to
2 members upon retirement.

3 (b) Service purchased on or after August 1, 2004, under the provisions of KRS
4 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, except for service
5 purchased under subsections (1) to (3) of this section or service purchased as
6 described by paragraph (d) of this subsection, shall not be used to determine
7 eligibility for or the amount of the monthly insurance contribution under KRS
8 61.702 or 78.5536.

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

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

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

23 (d) Paragraphs (b) and (c) of this subsection shall not apply to a member who was
24 bound by an educational contract as a conditional employee to the state of
25 Kentucky prior to December 31, 2003, regardless of membership date in the
26 system. Educational leave, seasonal service, or any other qualified service
27 purchased by a member with this classification under this section shall be

1 used to determine eligibility for benefits, membership dates, and the amount
2 of benefit for:

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