

1 AN ACT relating to retirement benefits for employees participating in hazardous  
2 positions in the County Employees Retirement System.

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) "Employer's effective election date" means the last day of the system's plan*  
10 *year in the year in which the employer has made an election as provided by*  
11 *subsection (2) of this section, provided the employer has met the*  
12 *requirements of this section;*

13 *(b) "Tier II benefits" means the benefits provided to a member who began*  
14 *participating in the County Employees Retirement System immediately prior*  
15 *to January 1, 2014; and*

16 *(c) "Tier III benefits" means the benefits provided to a member who began*  
17 *participating in the County Employees Retirement System on or after*  
18 *January 1, 2014.*

19 *(2) (a) Effective July 1, 2027, and subject to the provisions of this section,*  
20 *employers participating in the County Employees Retirement System may*  
21 *make a one (1) time irrevocable election to provide Tier II benefits to*  
22 *employees of the employer who are participating in a hazardous position in*  
23 *the County Employees Retirement System with the employer and who are*  
24 *accruing or would otherwise accrue Tier III benefits for their service to the*  
25 *employer.*

26 *(b) If an employer decides to make an election as provided by paragraph (a) of*  
27 *this subsection, the employer shall:*

- 1           1. Adopt a resolution electing Tier II benefits for employees in a  
2           hazardous position who are currently being provided Tier III benefits  
3           and shall submit the resolution to the board for its approval at least six  
4           (6) months prior to the employer's desired effective election date; and  
5           2. Agree to pay the additional actuarial costs to the system for making  
6           the election as provided by Section 6 of this Act.

7           (c) An employer may request, at any time, an estimate of the cost to make an  
8           election as provided by this subsection, provided the employer pays all costs  
9           to perform the estimate.

10          (3) Except as otherwise provided by this section:

11           (a) Any employee participating in Tier III benefits in a hazardous position  
12           through the employer on the employer's effective election date may, within  
13           thirty (30) days of the employer's effective election date, individually make  
14           an irrevocable election to participate in Tier II benefits for any future  
15           participating service in a hazardous position with the employer. If such  
16           election is made:

17           1. All service accrued on or after January 1, 2014, in a hazardous  
18           position in the system with the employer shall be converted to Tier II  
19           service and shall be presumed as service credit earned immediately  
20           prior to January 1, 2014, for purposes of determining benefits  
21           provided by KRS 78.510 to 78.852;

22           2. The member's accumulated contributions shall remain in the  
23           member's account; and

24           3. The accumulated employer credit for the Tier III benefit with the  
25           employer shall be transferred to the retirement allowance account as  
26           provided by KRS 78.650.

27           If an employee eligible to make an election as provided by this paragraph

1           does not or fails to make an irrevocable election to participate in Tier II  
2           benefits as provided by this paragraph, then the employee shall remain  
3           under Tier III benefit coverage.

4           (b) Any other employee hired on or after the employer's effective election date  
5           who would otherwise participate in Tier III benefits in a hazardous position  
6           shall participate in Tier II benefits for any prospective participating service  
7           with the employer, but any prior service accrued prior to the employee's hire  
8           date shall not be impacted except as provided by paragraph (c) of this  
9           subsection.

10          (c) As provided by Section 5 of this Act, an employee who is participating in  
11          Tier II benefits pursuant to this section or their employer if the employer  
12          has made an election to provide Tier II benefits pursuant to this section,  
13          may pay the costs to convert any other Tier III benefit service in a  
14          hazardous position to Tier II benefit service.

15          (4) An employee who is eligible to make a one (1) time irrevocable election provided  
16          by subsection (3)(a) of this section shall not have the option to change or make a  
17          new election under any circumstances relating to a change in employment or  
18          reemployment with a participating employer, including employment or  
19          reemployment with a different employer.

20          (5) This section shall not apply to:

21          (a) Retired members who are reemployed on or after September 1, 2008, and  
22          who are not eligible to participate in the systems during reemployment; or

23          (c) Any individual who made an election to participate in the hybrid cash  
24          balance plan as provided by Section 2 of this Act.

25          ➔Section 2. KRS 61.5955 is amended to read as follows:

26          Notwithstanding any provision of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to  
27          78.852 to the contrary:

- 1 (1) Subject to the provisions of this section, any member who began participating in the  
2 Kentucky Employees Retirement System, the County Employees Retirement  
3 System, or the State Police Retirement System on or after September 1, 2008, but  
4 prior to January 1, 2014, may in lieu of the benefits he or she is currently eligible to  
5 receive from the systems, elect to receive the benefits and rights provided to  
6 members who began participating in the systems on or after January 1, 2014,  
7 including participating in the hybrid cash balance plan created pursuant to KRS  
8 61.597 or 78.5512 for members in nonhazardous duty positions or pursuant to KRS  
9 16.583 or 78.5516 for members in hazardous duty positions, as applicable;
- 10 (2) The election provided by this section shall be made in writing and on a form  
11 prescribed by the Kentucky Public Pensions Authority and shall apply to all service  
12 or accounts in the Kentucky Retirement Systems or the County Employees  
13 Retirement System;
- 14 (3) For each member who makes an election provided by this section:
- 15 (a) Any service credit the member has accrued prior to January 1, 2014, shall be  
16 considered as service credit earned on or after January 1, 2014, for purposes  
17 of determining benefits under KRS 16.505 to 16.652, 61.510 to 61.705, and  
18 78.510 to 78.852;
- 19 (b) On the member's effective election date, the value of the member's  
20 accumulated contributions, less any interest, shall be deposited into the  
21 member's hybrid cash balance account as provided by KRS 16.583, 61.597,  
22 78.5512, or 78.5516, as applicable, and considered part of the member's  
23 accumulated account balance;
- 24 (c) On the member's effective election date, an employer pay credit as provided  
25 by KRS 16.583, 61.597, 78.5512, or 78.5516, as applicable, shall be added to  
26 the member's accumulated account balance for each month the member  
27 contributed to the Kentucky Employees Retirement System, the County

1 Employees Retirement System, or the State Police Retirement System prior to  
2 his or her effective election date; and

3 (d) Interest credits as provided by KRS 16.583, 61.597, 78.5512, or 78.5516, as  
4 applicable, shall only be applied for periods occurring on or after the  
5 member's effective election date;

6 (4) Before accepting an election provided by this section, the Kentucky Public Pensions  
7 Authority shall provide the member with information detailing the potential results  
8 of the member's election;

9 (5) An election made pursuant to this section shall be irrevocable;

10 (6) (a) A member of the Kentucky Employees Retirement System, the County  
11 Employees Retirement System, or the State Police Retirement System shall  
12 not be eligible to make an election prescribed by this section until the  
13 Kentucky Retirement Systems receives a favorable private letter ruling from  
14 the Internal Revenue Service regarding this section.

15 (b) If the Internal Revenue Service denies the request for a private letter ruling as  
16 provided by paragraph (a) of this subsection, this section shall be void.

17 (c) The Kentucky Public Pensions Authority may promulgate administrative  
18 regulations under KRS Chapter 13A in order to carry out this section; and

19 (7) This section shall not apply to:

20 (a) Retirees who were reemployed on or after September 1, 2008, and who are  
21 not eligible to participate in the systems during reemployment; or

22 (b) Members who are participating in Tier II benefits as defined by Section 1 of  
23 this Act based upon an election of an employer pursuant to Section 1 of this  
24 Act.

25 ➔Section 3. KRS 61.680 is amended to read as follows:

26 (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to  
27 any deduction from his or her compensation required by KRS 6.500 to 6.535,

1 16.505 to 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions  
 2 thereof. Thereafter, employee contributions shall be picked up by the employer  
 3 pursuant to KRS 61.560(4).

4 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to  
 5 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:

6 1. Upon death, disability, or service retirement, a member's accounts under  
 7 the Legislators' Retirement Plan, State Police Retirement System,  
 8 Kentucky Employees Retirement System, County Employees  
 9 Retirement System, and Teachers' Retirement System, except for service  
 10 prohibited by KRS 161.623(2), shall be consolidated for the purpose of  
 11 determining eligibility and amount of benefits, including:

12 a. ~~those~~ Members who participate in the hybrid cash balance plan  
 13 within the Kentucky Employees Retirement System, the County  
 14 Employees Retirement System, and the State Police Retirement  
 15 System, on or after January 1, 2014; and ~~;~~

16 **b. Members who have both Tier II benefits and Tier III benefits in**  
 17 **the Kentucky Employees Retirement System, the County**  
 18 **Employees Retirement System, and the State Police Retirement**  
 19 **System due to an election by an employer to provide Tier II**  
 20 **benefits as provided by Section 1 of this Act;**

21 and regardless of the transition of administration of the County  
 22 Employees Retirement System to the County Employees Retirement  
 23 System board of trustees;

24 2. Vested service credit in a retirement system, other than the Teachers'  
 25 Retirement System, sponsored by a Kentucky institution of higher  
 26 education and accepted by the Kentucky Employees Retirement System  
 27 or the County Employees Retirement System, may be used to determine

- 1 eligibility for twenty-seven (27) year retirement for an employee who  
2 begins participating before September 1, 2008, but not the amount of  
3 benefits;
- 4 3. The computation of benefits shall be based on the applicable formula in  
5 each system and service credit in each system, but the final  
6 compensation, excluding compensation earned under KRS 161.155(10),  
7 shall be determined as if all service were in one (1) system, **including**  
8 **for those members who have both Tier II benefits and Tier III benefits**  
9 **in the Kentucky Employees Retirement System, the County Employees**  
10 **Retirement System, and the State Police Retirement System due to an**  
11 **election by an employer to provide Tier II benefits as provided by**  
12 **Section 1 of this Act;**
- 13 4. If the member has prior service in more than one (1) system  
14 administered by Kentucky Retirement Systems, he or she shall obtain at  
15 least twelve (12) months' current service in each system in which he or  
16 she has prior service in order to validate the prior service in each system  
17 for purposes of determining consolidated benefits under this subsection;  
18 and
- 19 5. Upon the determination of benefits, each system shall pay the applicable  
20 amount of benefits due the member.
- 21 (b) The provisions of paragraph (a) of this subsection shall be waived if the  
22 member:
- 23 1. Notifies the system of his or her desire to maintain separate retirement  
24 accounts in the State Police Retirement System, Kentucky Employees  
25 Retirement System, or County Employees Retirement System; or
- 26 2. Fails to simultaneously retire from all state-administered retirement  
27 systems in which the member has an account or fails to retire from any

1           other systems not administered by Kentucky Retirement Systems within  
2           one (1) month of the member's effective retirement date in the systems  
3           administered by Kentucky Retirement Systems.

4           (c) If the member has not contributed at least one (1) year in a system in which he  
5           or she has prior service, his or her current service in the system shall be valid  
6           for purposes of determining eligibility and in computation of benefits on a  
7           consolidated basis.

8           (3) (a) A member with service credit in the Kentucky Employees Retirement System,  
9           State Police Retirement System, or the County Employees Retirement System  
10          who becomes the holder of an office entitling him or her to membership in the  
11          Judicial Retirement Plan or the Legislators' Retirement Plan, but who does not  
12          elect within thirty (30) days after taking office in such service to participate in  
13          the plan, in accordance with KRS 6.505 or 21.360, shall be deemed to have  
14          elected to retain membership in the system in which he or she is a member,  
15          either the Kentucky Employees Retirement System, State Police Retirement  
16          System, or the County Employees Retirement System. In that event, the  
17          agency employing the member shall withhold employee contributions, or  
18          picked-up employee contributions after August 2, 1982, make employer  
19          contributions and remit these contributions to the system in which the member  
20          retained his or her membership.

21          (b) Any person entitled to membership in the Judicial Retirement Plan or the  
22          Legislators' Retirement Plan, who does not elect within thirty (30) days after  
23          taking office to participate in the plan, in accordance with KRS 6.505 or  
24          21.360, and who at the time of taking office is not a contributing member of,  
25          or does not have service credit in, any of the retirement systems mentioned in  
26          this section, or the Teachers' Retirement System, shall participate in the  
27          Kentucky Employees Retirement System.

- 1 (c) A member of one (1) of the state-administered retirement plans who ceases to  
2 contribute to the plan as provided in KRS 21.360 and who is employed in a  
3 nonelected position by an agency participating in the Kentucky Retirement  
4 Systems or Kentucky Teachers' Retirement System shall be deemed to have  
5 elected membership in the system in which the employer of the nonelected  
6 position participates. A member of one (1) of the state-administered  
7 retirement plans who ceases to contribute to the plan as provided in KRS  
8 21.360 and who is not employed in a nonelected position by an agency  
9 participating in the Kentucky Retirement Systems shall be deemed to have  
10 elected membership in the Kentucky Employees Retirement System.
- 11 (4) (a) Prior to July 1, 1976, a person entering the service of an employer  
12 participating in the Kentucky Employees Retirement System or the County  
13 Employees Retirement System with service credit in the Teachers' Retirement  
14 System and who desires to retain membership in the Teachers' Retirement  
15 System, and who is permitted by that system to continue, shall be exempt  
16 from participating in the Kentucky Employees Retirement System or the  
17 County Employees Retirement System.
- 18 (b) Any person who has elected to retain membership in the Teachers' Retirement  
19 System as provided in paragraph (a) of this subsection may cancel his or her  
20 election and participate in the system under which his or her position would  
21 normally participate, if he or she elects to cancel his or her option prior to  
22 January 1, 1977.
- 23 (c) Any member of the General Assembly who upon election is a contributing  
24 member of the Teachers' Retirement System and who does not elect within  
25 thirty (30) days after taking office to participate in the Legislators' Retirement  
26 Plan, in accordance with KRS 6.505, shall during his or her term of office  
27 participate in the Kentucky Employees Retirement System unless an election

1 to retain membership in the Teachers' Retirement System is filed in writing  
2 within ninety (90) days after his or her term of office begins. No contributions  
3 may be made to the Teachers' Retirement System for the same period of  
4 service under the Legislators' Retirement Plan or the Kentucky Employees  
5 Retirement System as a member of the General Assembly, but contributions  
6 made to the Teachers' Retirement System while a member of the General  
7 Assembly shall be transferred to the Legislators' Retirement Plan, as provided  
8 for in KRS 6.535, when the member elects to join the Legislators' Retirement  
9 Plan, and service credit in the Legislators' Retirement Plan shall be granted as  
10 provided for in KRS 6.505(5).

11 (5) Any member of the Kentucky Employees Retirement System or County Employees  
12 Retirement System who is working in a position covered by one (1) of these  
13 retirement systems and his or her employee contributions, service credit and  
14 employer contributions made on his or her behalf are being transferred to the other  
15 retirement system shall contribute to the system in which his or her employer  
16 participates, or after August 1, 1982, the employer shall pick up the employee  
17 contributions, and no further contributions or service credit shall be transferred to  
18 the system in which he or she elected to retain membership, as subsection (2) of this  
19 section eliminates the necessity of the transfers.

20 (6) (a) Except as provided by KRS 61.545(3)(b)2., any member of the Kentucky  
21 Employees Retirement System or County Employees Retirement System who  
22 is working in more than one (1) position covered by the same retirement  
23 system, shall have his or her wages and contributions consolidated and his or  
24 her retirement account administered as a single account. If part-time positions  
25 are involved, an accumulation of all hours worked within the same retirement  
26 system shall be used to determine eligibility under KRS 61.510(21).

27 (b) The provisions of this subsection shall not apply to an individual serving as a

1 volunteer who is receiving compensation from the employer equal to or less  
2 than a nominal fee as defined by KRS 61.510 and 78.510 if the compensation  
3 paid to the volunteer is excluded from the definition of creditable  
4 compensation as provided by KRS 61.510(13) or 78.510(13).

5 (7) (a) Notwithstanding the provisions of subsection (2) of this section, a person who  
6 does not have the amount of service required for service retirement in the  
7 State Police Retirement System, Kentucky Employees Retirement System,  
8 County Employees Retirement System, Legislators' Retirement Plan, or  
9 Teachers' Retirement System, but who is a member of one (1) of the systems  
10 or is a former member of one (1) or more of the systems with valid service  
11 credit therein, shall become eligible for service retirement benefits attributable  
12 to the amount of his or her actual service credit in each system in which he or  
13 she has service credit when his or her combined service credit in all the  
14 systems, plus any service credit he or she has in the Judicial Retirement Plan,  
15 is equal to that required for service retirement in each respective system. The  
16 computation of benefits shall be based on the applicable formula in each  
17 system and service credit in each system, except that total service in all  
18 systems, unless prohibited by KRS 161.623(2), shall be used to determine the  
19 reduction for early retirement, if any. Except as provided in KRS 21.360, the  
20 final compensation shall be determined by using the creditable compensation  
21 reported to the State Police Retirement System, Kentucky Employees  
22 Retirement System, County Employees Retirement System, Legislators'  
23 Retirement Plan, or Teachers' Retirement System and only as much of the  
24 compensation earned in the Judicial Retirement Plan as is needed to satisfy  
25 the final compensation requirement applicable in the respective retirement  
26 systems.

27 (b) Paragraph (a) of this subsection shall be waived if the member fails to

1 simultaneously retire from all state-administered retirement systems in which  
2 the member has an account or fails to retire from any other systems not  
3 administered by Kentucky Retirement Systems within one (1) month of the  
4 member's effective retirement date in the systems administered by the  
5 Kentucky Retirement Systems.

6 (8) Each retirement system from which the member retires shall pay a retirement  
7 allowance upon receipt of required forms and documents, except that no retirement  
8 system shall pay a retirement allowance or annuity until all forms and documents  
9 are filed at all retirement systems in compliance with each system's requirements.

10 ➔Section 4. KRS 78.510 is amended to read as follows:

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

12 (1) "System" means the County Employees Retirement System created by KRS 78.510  
13 to 78.852;

14 (2) "Board" means the board of trustees of the system as provided in KRS 78.782;

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

25 (4) "School board" means:

26 (a) Any board of education participating in the system by order appropriate to its  
27 governmental structure, as provided in KRS 78.530, and if the board is willing

- 1 to accept the agency or corporation, the board being hereby granted the  
2 authority to determine the eligibility of the agency to participate; or
- 3 (b) A public charter school as defined in KRS 160.1590 if the public charter  
4 school satisfies the criteria set by the Internal Revenue Service to participate  
5 in a governmental retirement plan;
- 6 (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- 7 (6) "Employee" means every regular full-time appointed or elective officer or  
8 employee of a participating county and the coroner of a participating county,  
9 whether or not he or she qualifies as a regular full-time officer. The term shall not  
10 include persons engaged as independent contractors, seasonal, emergency,  
11 temporary, and part-time workers. In case of any doubt, the board shall determine if  
12 a person is an employee within the meaning of KRS 78.510 to 78.852;
- 13 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected  
14 officials of a county, or any authority of the county having the power to appoint or  
15 elect an employee to office or employment in the county;
- 16 (8) "Member" means any employee who is included in the membership of the system  
17 or any former employee whose membership has not ceased under KRS 78.535;
- 18 (9) "Service" means the total of current service and prior service as defined in this  
19 section;
- 20 (10) "Current service" means the number of years and months of employment as an  
21 employee, on and after July 1, 1958, for which creditable compensation is paid and  
22 employee contributions deducted, except as otherwise provided;
- 23 (11) "Prior service" means the number of years and completed months, expressed as a  
24 fraction of a year, of employment as an employee, prior to July 1, 1958, for which  
25 creditable compensation was paid. An employee shall be credited with one (1)  
26 month of prior service only in those months he or she received compensation for at  
27 least one hundred (100) hours of work. Twelve (12) months of current service in the

1 system shall be required to validate prior service;

2 (12) "Accumulated contributions" means the sum of all amounts deducted from the  
3 compensation of a member and credited to his or her individual account in the  
4 members' account, including employee contributions picked up after August 1,  
5 1982, pursuant to KRS 78.610(4), together with interest credited, on the amounts,  
6 and any other amounts the member shall have contributed thereto, including interest  
7 credited thereon. "Accumulated contributions" shall not include employee  
8 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.  
9 401(h) within the fund established in KRS 78.520, as prescribed by KRS  
10 78.5536(3)(b);

11 (13) "Creditable compensation":

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

23 (b) Includes:

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

- 1           2. Cases where compensation includes maintenance and other perquisites,  
2           but the board shall fix the value of that part of the compensation not paid  
3           in money;
- 4           3. Lump-sum payments for creditable compensation paid as a result of an  
5           order of a court of competent jurisdiction, the Personnel Board, or the  
6           Kentucky Commission on Human Rights, or for any creditable  
7           compensation paid in anticipation of settlement of an action before a  
8           court of competent jurisdiction, the Personnel Board, or the Kentucky  
9           Commission on Human Rights, including notices of violations of state  
10          or federal wage and hour statutes or violations of state or federal  
11          discrimination statutes, which shall be credited to the fiscal year during  
12          which the wages were earned or should have been paid by the employer.  
13          This subparagraph shall also include lump-sum payments for reinstated  
14          wages pursuant to KRS 61.569, which shall be credited to the period  
15          during which the wages were earned or should have been paid by the  
16          employer;
- 17          4. Amounts which are not includable in the member's gross income by  
18          virtue of the member having taken a voluntary salary reduction provided  
19          for under applicable provisions of the Internal Revenue Code; and
- 20          5. Elective amounts for qualified transportation fringes paid or made  
21          available on or after January 1, 2001, for calendar years on or after  
22          January 1, 2001, that are not includable in the gross income of the  
23          employee by reason of 26 U.S.C. sec. 132(f)(4); and
- 24          (c) Excludes:
- 25               1. Living allowances, expense reimbursements, lump-sum payments for  
26               accrued vacation leave, sick leave except as provided in KRS 78.616(5),  
27               and other items determined by the board;

- 1           2. For employees who begin participating on or after September 1, 2008,
- 2           lump-sum payments for compensatory time;
- 3           3. Training incentive payments for city officers paid as set out in KRS
- 4           64.5277 to 64.5279;
- 5           4. For employees who begin participating on or after August 1, 2016,
- 6           nominal fees paid for services as a volunteer; and
- 7           5. Any salary or wages paid to an employee for services as a Kentucky
- 8           State Police school resource officer as defined by KRS 158.441;

9 (14) "Final compensation" means:

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

1 years shall be used;

2 (c) For a member who begins participating before September 1, 2008, who is  
3 employed in a hazardous position, as provided in KRS 78.5520, the creditable  
4 compensation of the member during the three (3) fiscal years he or she was  
5 paid at the highest average monthly rate divided by the number of months of  
6 service credit during that three (3) year period multiplied by twelve (12). The  
7 three (3) years may be fractional and need not be consecutive. If the number  
8 of months of service credit during the three (3) year period is less than twenty-  
9 four (24), one (1) or more additional fiscal years, which may contain less than  
10 twelve (12) months of service credit, shall be used;

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

21 (e) For a member who begins participating on or after September 1, 2008, but  
22 prior to January 1, 2014, who is employed in a hazardous position as provided  
23 in KRS 78.5520, the creditable compensation of the member during the three  
24 (3) complete fiscal years he or she was paid at the highest average monthly  
25 rate divided by three (3). Each fiscal year used to determine final  
26 compensation must contain twelve (12) months of service credit. If the  
27 member does not have three (3) complete fiscal years that each contain twelve

1 (12) months of service credit, then one (1) or more additional fiscal years,  
2 which may contain less than twelve (12) months of service credit, shall be  
3 added until the number of months in the final compensation calculation is at  
4 least thirty-six (36) months;

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

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

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

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

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

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

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

- 1 documents for retirement benefits and is no longer contributing to the system;
- 2 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,  
3 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of  
4 pay. The rate shall be certified by the employer;
- 5 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the  
6 member in accordance with KRS 61.542 or 61.705 to receive any available benefits  
7 in the event of the member's death. As used in KRS 78.5536, beneficiary shall not  
8 mean an estate, trust, or trustee;
- 9 (26) "Recipient" means the retired member, the person or persons designated as  
10 beneficiary by the member and drawing a retirement allowance as a result of the  
11 member's death, or a dependent child drawing a retirement allowance. An alternate  
12 payee of a qualified domestic relations order shall not be considered a recipient,  
13 except for purposes of KRS 61.623;
- 14 (27) "Person" means a natural person;
- 15 (28) "School term or year" means the twelve (12) months from July 1 through the  
16 following June 30;
- 17 (29) "Retirement office" means the Kentucky Public Pensions Authority office building  
18 in Frankfort, unless otherwise designated by the Kentucky Public Pensions  
19 Authority;
- 20 (30) "Vested" for purposes of determining eligibility for purchasing service credit under  
21 KRS 61.552 means the employee has at least forty-eight (48) months of service if  
22 age sixty-five (65) or older or at least sixty (60) months of service if under the age  
23 of sixty-five (65). For purposes of this subsection, "service" means service in the  
24 systems administered by the Kentucky Retirement Systems and County Employees  
25 Retirement System;
- 26 (31) "Participating" means an employee is currently earning service credit in the system  
27 as provided in KRS 78.615;

- 1 (32) "Month" means a calendar month;
- 2 (33) "Membership date" means:
- 3 (a) The date upon which the member began participating in the system as
- 4 provided in KRS 78.615; or
- 5 (b) *December 31, 2013, solely for service converted or accrued as Tier II*
- 6 *benefits pursuant to Sections 1 and 5 of this Act;*
- 7 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
- 8 retired member, as defined by subsection (23) of this section;
- 9 (35) "Qualified domestic relations order" means any judgment, decree, or order,
- 10 including approval of a property settlement agreement, that:
- 11 (a) Is issued by a court or administrative agency; and
- 12 (b) Relates to the provision of child support, alimony payments, or marital
- 13 property rights to an alternate payee;
- 14 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
- 15 participant, who is designated to be paid retirement benefits in a qualified domestic
- 16 relations order;
- 17 (37) "Accumulated employer credit" means the employer pay credit deposited to the
- 18 member's account and interest credited on such amounts as provided by KRS
- 19 78.5512 and 78.5516;
- 20 (38) "Accumulated account balance" means:
- 21 (a) For members who began participating in the system prior to January 1, 2014,
- 22 the member's accumulated contributions; or
- 23 (b) For members who began participating in the system on or after January 1,
- 24 2014, in the hybrid cash balance plan as provided by KRS 78.5512 and
- 25 78.5516, the combined sum of the member's accumulated contributions and
- 26 the member's accumulated employer credit;
- 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;

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

8 (55) "Gainful employment" means work in any capacity that is or may be performed  
9 with regularity and is or may be usually done for pay, whether pay is received or  
10 not received, including seasonal, volunteer, part-time, and on-call work.

11 ➔Section 5. KRS 78.5520 is amended to read as follows:

12 (1) For purposes of this section:

13 (a) "Hazardous position" for employees who began participating in the County  
14 Employees Retirement System prior to September 1, 2008, means any  
15 position whose principal duties involve active law enforcement, including the  
16 positions of probation and parole officer, active fire suppression or  
17 prevention, correctional officers with duties that routinely and regularly  
18 require face-to-face contact with inmates, or other positions, including but not  
19 limited to paramedics and emergency medical technicians, with duties that  
20 require frequent exposure to a high degree of danger or peril and also require  
21 a high degree of physical conditioning; and

22 (b) "Hazardous position" for employees who begin participating in the County  
23 Employees Retirement System on or after September 1, 2008, means police  
24 officers and firefighters as defined in KRS 61.315(1), paramedics,  
25 correctional officers with duties that routinely and regularly require face-to-  
26 face contact with inmates, and emergency medical technicians, if:

27 1. The employee's duties require frequent exposure to a high degree of

- 1 danger or peril and a high degree of physical conditioning; and
- 2 2. The employee's duties are not primarily clerical or administrative.
- 3 (2) (a) Each employer may request of the board hazardous coverage for those  
4 positions as defined in subsection (1) of this section. Upon request, each  
5 employer shall certify to the system, in the manner prescribed by the board,  
6 the names of all employees working in a hazardous position as defined in  
7 subsection (1) of this section for which coverage is requested. The  
8 certification of the employer shall bear the approval of the agent or agency  
9 responsible for the budget of the employer indicating that the required  
10 employer contributions have been provided for in the budget of the employer.  
11 The system shall determine whether the employees whose names have been  
12 certified by the employer are working in positions meeting the definition of a  
13 hazardous position as provided by subsection (1) of this section.
- 14 (b) Each employer shall also certify, under penalty of perjury in accordance with  
15 KRS Chapter 523, that each employee's actual job duties are accurately  
16 reflected in the job description provided to the system. The system shall  
17 determine whether the employees whose names have been certified by the  
18 employer are working in positions meeting the definition of a hazardous  
19 position as defined in subsection (1) of this section.
- 20 (c) The board shall have the authority to remove any employee from hazardous  
21 coverage if the board determines the employee is not working in a hazardous  
22 position or if the employee is classified in a hazardous position but has  
23 individual job duties that do not meet the definition of a hazardous position or  
24 are not accurately reflected in the job descriptions filed by the employer with  
25 the system.
- 26 (3) (a) If the employer participated in the system prior to electing hazardous  
27 coverage, the employer may pay to the system the cost of converting the

1 nonhazardous service to hazardous service from the date of participation to  
2 the date the payment is made, or the employer may establish a payment  
3 schedule for payment of the cost of the hazardous service above that which  
4 would be funded within the existing employer contribution rate. The employer  
5 may extend the payment schedule to a maximum of thirty (30) years.  
6 Payments made by the employer under this subsection shall be deposited to  
7 the retirement allowance account of the proper retirement or retiree health  
8 fund and shall not be considered accumulated contributions of the individual  
9 members.

10 (b) If the employer elects not to make the additional payment as provided by  
11 paragraph (a) of this subsection, the employee may pay the cost of converting  
12 the service and provide payment for the cost as provided by KRS 61.552(9).  
13 Payments made by the employee under this subsection shall not be picked up,  
14 as described in KRS 78.610(4), by the employer.

15 (c) If neither the employer nor employee makes the payment, the service prior to  
16 hazardous position coverage shall remain nonhazardous.

17 (d) The provisions of this subsection shall not apply to members who begin  
18 participating in the system on or after January 1, 2014.

19 (4) **(a) If an employer providing hazardous retirement coverage pursuant to this**  
20 **section makes an election to convert from Tier III benefits to Tier II**  
21 **benefits for service with the employer as provided by Section 1 of this Act,**  
22 **the employee may pay the cost of converting any other Tier III service in a**  
23 **hazardous position to Tier II service as defined by Section 1 of this Act by**  
24 **providing payment for the cost as provided by KRS 61.552(9). Payments**  
25 **made by the employee under this subsection shall not be picked up, as**  
26 **described in KRS 78.610(4), by the employer.**

27 **(b) The employer may, on behalf of the employee, pay the cost of converting**

1                   any service that could be converted under paragraph (a) of this subsection.  
 2                   Payments made by the employer under this subsection shall be deposited to  
 3                   the retirement allowance account of the proper retirement or retiree health  
 4                   fund and shall not be considered accumulated contributions of the  
 5                   individual members.

6     (5) Any person employed in a hazardous position shall be required to undergo a  
 7       thorough medical examination by a licensed physician, and a copy of the medical  
 8       report of the physician shall be retained on file by the person's employer and made  
 9       available to the system upon request.

10    ~~(6)~~(5) If doubt exists regarding the benefits payable to a hazardous position  
 11       employee under this section, the board shall determine the benefits payable under  
 12       KRS 78.510 to 78.852.

13       ➔Section 6. KRS 78.635 is amended to read as follows:

14    (1) (a) Except as provided by subsection (4) of this section, each employer  
 15       participating in the County Employees Retirement System as provided for in  
 16       KRS 78.510 to 78.852 shall contribute annually to the system an amount  
 17       determined by the actuarial valuation completed in accordance with KRS  
 18       78.784 and as specified by this section. Employer contributions for the system  
 19       shall be equal to the sum of the "normal cost contribution" and the "actuarially  
 20       accrued liability contribution."

21       (b) For purposes of this section, the normal cost contribution shall be computed  
 22       as a percentage of pay and shall be an annual amount that is sufficient when  
 23       combined with employee contributions to fund benefits earned during the year  
 24       in the system. The amount shall be:

- 25           1. Paid as a percentage of creditable compensation reported for each
- 26           employee participating in the system and accruing benefits; and
- 27           2. The same percentage of pay for all employees who are participating in

1 the system, except that separate percentage rates shall be developed in  
2 each system for those employers whose employees are participating in  
3 hazardous duty retirement coverage as provided by KRS 78.5520.

4 (c) For purposes of this section, the actuarially accrued liability contribution shall  
5 be:

6 1. Computed by amortizing the total unfunded actuarially accrued liability  
7 of the system over a closed period of thirty (30) years beginning with  
8 the 2019 actuarial valuation using the level percentage of payroll  
9 amortization method, except that any increase or decrease in the  
10 unfunded actuarially accrued liability occurring after the completion of  
11 the 2019 actuarial valuation shall be amortized over a closed period of  
12 twenty (20) years beginning with the actuarial valuation in which the  
13 increase or decrease in the unfunded actuarially accrued liability is  
14 recognized. An increase or decrease in the unfunded actuarially accrued  
15 liability may result from, but not be limited to, legislative changes to  
16 benefits, changes in actuarial methods or assumptions, or actuarial gains  
17 or losses. *Each employer who makes a one (1) time irrevocable*  
18 *election as provided by Section 1 of this Act shall also be required to*  
19 *pay an additional actuarially accrued liability contribution that is*  
20 *sufficient to fund the conversion of benefits as provided by Section 1*  
21 *of this Act;*

22 2. Paid as a percentage of payroll on the creditable compensation reported  
23 for each employee participating in the system and accruing benefits; and

24 3. The same percentage of pay for all employees who are participating in  
25 the system, except that:

26 *a.* Separate percentage rates shall be developed in each system for  
27 those employers whose employees are participating in hazardous

1 duty retirement coverage as provided by KRS 78.5520; and  
2 *b. Employers who make a one (1) time irrevocable election as*  
3 *provided by Section 1 of this Act shall pay the additional*  
4 *contribution specified by subparagraph 1. of this paragraph.*

- 5 (d) The employer contributions computed under this section shall be determined  
6 using:
- 7 1. The entry age normal cost funding method;
  - 8 2. An asset smoothing method that smooths investment gains and losses  
9 over a five (5) year period; and
  - 10 3. Other funding methods and assumptions established by the board in  
11 accordance with KRS 78.784.
- 12 (2) Normal contribution and the actuarially accrued liability contribution rates shall be  
13 determined by the board on the basis of the annual actuarial valuation last preceding  
14 the July 1 of a new fiscal year.
- 15 (3) Employer contribution rates as provided by this section shall include an employer  
16 contribution rate to fund pension benefits and an employer contribution rate to fund  
17 retiree health benefits.
- 18 (4) The employer contribution rate established by the board for the County Employees  
19 Retirement System that is payable on or after July 1, 2018, and until June 30, 2028,  
20 for the pension and retiree health insurance funds, including the normal cost  
21 contribution and the actuarially accrued liability contribution for each fund, shall  
22 not increase by more than a factor of one and twelve one hundredths (1.12) over the  
23 prior fiscal year's employer contribution rate as determined by the system's  
24 consulting actuary.
- 25 (5) The system shall advise each employer prior to the beginning of each fiscal year of  
26 any change in the employer contribution rate. Based on the employer contribution  
27 rate, each employer shall include in the budget sufficient funds to pay the employer

1 contributions as determined by the board under this section.

2 ➔Section 7. KRS 78.640 is amended to read as follows:

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

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

7 (b) For members who begin participating in the system on or after January 1,  
8 2014, the employer pay credit and interest credited on such amounts as  
9 provided by KRS 78.5512 and 78.5516 shall be credited.

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

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

18 (3) (a) Each member shall have his or her individual account credited with interest on  
19 June 30 of each year.

20 (b) For a member who begins participating before September 1, 2008, interest  
21 shall be credited to his or her individual account at a rate determined by the  
22 board but not less than two percent (2%) per annum on the accumulated  
23 account balance of the member on June 30 of the preceding fiscal year.

24 (c) For a member who begins participating on or after September 1, 2008, but  
25 prior to January 1, 2014, interest shall be credited to his or her individual  
26 account at a rate of two and one-half percent (2.5%) per annum on the  
27 accumulated contributions of the member on June 30 of the preceding fiscal

1 year.

2 (d) For a member who begins participating on or after January 1, 2014, in the  
3 hybrid cash balance plan, interest shall be credited in accordance with KRS  
4 78.5512 and 78.5516.

5 (e) The amounts of interest credited to a member's account under this subsection  
6 shall be transferred from the retirement allowance account.

7 (4) (a) Upon the retirement of a member who began participating in the system prior  
8 to January 1, 2014, his or her accumulated account balance shall be  
9 transferred from the members' account to the retirement allowance account.

10 (b) Upon the retirement of a member who began participating in the system on or  
11 after January 1, 2014, who elects to annuitize his or her accumulated account  
12 balance as prescribed by KRS 78.5512(7)(a) or (b) or 78.5516(7)(a) or (b), the  
13 member's accumulated account balance shall be transferred to the retirement  
14 allowance account.

15 **(c) Upon the conversion of any Tier III benefits to Tier II benefits as provided**  
16 **by Sections 1 and 5 of this Act, the member's accumulated employer credit**  
17 **attributable to service converted to Tier II benefits as provided by Sections 1**  
18 **or 5 of this Act shall be transferred to the retirement allowance account.**

19 ➔Section 8. This Act shall be effective July 1, 2027.