

1 AN ACT relating to retirement.

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

3 ➔Section 1. KRS 6.505 is amended to read as follows:

4 (1) (a) Each legislator in office on July 1, 1980, may within thirty (30) days after that
5 date, and any legislator thereafter taking office may within thirty (30) days
6 after the date thereof, elect to make monthly contributions to the Legislators'
7 Retirement Plan, in an amount equal to five percent (5%) of his monthly
8 creditable compensation, as defined in KRS 61.510(13), **or the amount**
9 **specified by paragraph (d) of this subsection.** The election shall be effective
10 to establish membership in the plan as of July 1, 1980, or as of the date from
11 which the thirty (30) day period is measured, as the case may be. Provided,
12 however, that any legislator who was in office on July 1, 1980, and who is in
13 office at the time he makes the election may, after the expiration of the thirty
14 (30) day period and until May 1, 1982, make the election, in which event he
15 shall pay to the Legislators' Retirement Plan, for the months between July 1,
16 1980, and the date of his election such sum as, when added to any member's
17 contribution by him that is transferred from another retirement system under
18 KRS 6.535, will equal the member's contribution required by this section. If
19 the member makes his election after February 1, 1981, he shall in addition pay
20 to the plan interest on the foregoing sum, at six percent (6%) per annum,
21 calculated as if the sum consisted of equal monthly payments, one (1) of
22 which was due at the end of each month between July 1, 1980, and the date
23 the election was made. The election shall be addressed to and filed with the
24 secretary of the Finance and Administration Cabinet and shall constitute an
25 authorization to the secretary to thereafter cause to be deducted from the
26 member's monthly creditable compensation an amount equal to five percent
27 (5%) thereof, as a voluntarily elected contribution by the member towards the

1 funding of the Legislators' Retirement Plan.

2 (b) 1. For a member who begins participating in the Legislators' Retirement
3 Plan prior to January 1, 2014, the election shall operate to create an
4 inviolable contract between such member and the Commonwealth,
5 guaranteeing to and vesting in the member the rights and benefits
6 provided for under KRS 6.515 to 6.530, except that the General
7 Assembly reserves the right to amend, reduce, or suspend any
8 legislative changes to the provisions of KRS 6.500 to 6.577 that
9 become effective on or after July 1, 2018.

10 2. a. For members who begin participating in the Legislators'
11 Retirement Plan on or after January 1, 2014, the General Assembly
12 reserves the right to amend, suspend, or reduce the benefits and
13 rights provided under KRS 6.500 to 6.577 if, in its judgment, the
14 welfare of the Commonwealth so demands, except that the amount
15 of benefits the member has accrued at the time of amendment,
16 suspension, or reduction shall not be affected.

17 b. For purposes of this subparagraph, the amount of benefits the
18 member has accrued at the time of amendment, suspension, or
19 reduction shall be limited to the accumulated account balance the
20 member has accrued at the time of amendment, suspension, or
21 reduction.

22 c. The provisions of this subsection shall not be construed to limit the
23 General Assembly's authority to change any other benefit or right
24 specified by KRS 6.500 to 6.577, for members who begin
25 participating in the Legislators' Retirement Plan on or after January
26 1, 2014, except the benefits specified by subparagraph 2.b. of this
27 paragraph.

- 1 3. The provisions of this paragraph shall not be construed to limit the
2 General Assembly's authority to amend, reduce, or suspend the benefits
3 and rights of members of the Legislators' Retirement Plan as provided by
4 KRS 6.500 to 6.577 that the General Assembly had the authority to
5 amend, reduce, or suspend, prior to July 1, 2013.
- 6 (c) An election once made under this section either to participate or not to
7 participate in the Legislators' Retirement Plan, shall be considered to apply to
8 all future service as a legislator **except as provided by Section 7 of this Act or**
9 **subsection (3) of Section 8 of this Act**, whether in the same or a different
10 office as a legislator, and whether or not it is in successive terms.
- 11 (d) Notwithstanding the provisions of this subsection:
- 12 1. A legislator who becomes a member of the Legislators' Retirement Plan
13 on or after September 1, 2008, but prior to January 1, 2014, shall make
14 monthly contributions to the Legislators' Retirement Plan in an amount
15 equal to six percent (6%) of his monthly creditable compensation, as
16 defined in KRS 61.510(13);~~[-]~~
- 17 2. A legislator who becomes a member of the Legislators' Retirement Plan
18 on or after January 1, 2014, shall make monthly contributions to the
19 Legislators' Retirement Plan in an amount equal to six percent (6%) of
20 his or her monthly creditable compensation, as defined in KRS
21 61.510(13), of which:
- 22 a. Five percent (5%) of his or her monthly creditable compensation,
23 as defined in KRS 61.510(13), shall be used to provide funding for
24 benefits provided under KRS 21.402; and
- 25 b. One percent (1%) of his or her monthly creditable compensation,
26 as defined in KRS 61.510(13), shall be used exclusively to help
27 fund retiree health benefits as provided by KRS 6.577 and shall not

1 be refunded to the member if the member withdraws his or her
2 accumulated account balance as provided by KRS 21.460. The
3 amounts deducted under this subdivision shall be credited to an
4 account established pursuant to 26 U.S.C. sec. 401(h), within the
5 fund established by KRS 6.530.

6 (2) A legislator entitled to elect membership in the retirement system who failed to
7 elect membership within thirty (30) days after taking office may elect membership
8 not later than August 31, 2005. An election, upon being made pursuant to this
9 section, shall operate to create an inviolable contract between the member entitled
10 to elect membership under this subsection and the Commonwealth, guaranteeing to
11 and vesting in the member the rights and benefits provided for under the terms and
12 conditions of KRS 6.500 to 6.577, *except that the General Assembly reserves the*
13 *right to amend, reduce, or suspend any legislative changes to the provisions of*
14 *KRS 6.500 to 6.577 that become effective on or after July 1, 2018.*

15 (3) When any legislator makes a delayed election of membership in the Legislators'
16 Retirement Plan under subsection (2) of this section, his active membership in the
17 Kentucky Employees Retirement System shall terminate, as of the date his
18 membership in the Legislators' Retirement Plan becomes effective, and any credit in
19 the Kentucky Employees Retirement System, earned for service as a legislator,
20 which he then has or which he subsequently regains while being an active member
21 of the Legislators' Retirement Plan, shall be transferred to and counted as service
22 credit in the Legislators' Retirement Plan, and shall no longer constitute credit in the
23 Kentucky Employees Retirement System, except for the purpose of validating any
24 other credit in that system if the member pays the difference, if any, between the
25 amount transferred from the Kentucky Employees Retirement System and the
26 actuarial value of the transferred service. However, any credit he then has in the
27 Kentucky Employees Retirement System, earned for service in any capacity other

1 than a legislator, shall not be affected. No person may attain credit in more than one
2 (1) of the retirement plans or systems mentioned in this section for the same period
3 of service. When credit is transferred from the Kentucky Employees Retirement
4 System to the Legislators' Retirement Plan, the Kentucky Employees Retirement
5 System shall transfer to the Legislators' Retirement Fund an amount equal to the
6 employee's and employer's contributions attributable to that credit, together with
7 interest on the contributions from the date made to the date of transfer at the
8 actuarially assumed interest rate of the Kentucky Employees Retirement System in
9 effect at the time the contributions were made, compounded annually at that same
10 interest rate.

11 (4) The state shall, solely for the purpose of compliance with Section 414(h) of the
12 United States Internal Revenue Code, pick up the employee contributions required
13 by this section for all compensation earned after August 1, 1982, and the
14 contributions so picked up shall be treated as employer contributions in determining
15 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).
16 The picked-up employee contribution shall satisfy all obligations to the retirement
17 system satisfied prior to August 1, 1982, by the employee contribution, and the
18 picked-up employee contribution shall be in lieu of an employee contribution. The
19 state shall pay these picked-up employee contributions from the same source of
20 funds which is used to pay earnings to the employee. The employee shall have no
21 option to receive the contributed amounts directly instead of having them paid by
22 the employer to the system. Employee contributions picked up after August 1, 1982,
23 shall be treated for all purposes of KRS 6.500 to 6.535 in the same manner and to
24 the same extent as employee contributions made prior to August 1, 1982.

25 (5) When any legislator elects membership in the Legislators' Retirement Plan in
26 accordance with this section, his active membership in the Kentucky Employees
27 Retirement System, State Police Retirement System, County Employees Retirement

1 System, or Teachers' Retirement System shall terminate, as of the date his
2 membership in the Legislators' Retirement Plan becomes effective, and any credit in
3 such other system or systems, earned for service as a legislator, which he then has or
4 which he subsequently regains while being an active member of the Legislators'
5 Retirement Plan, shall be transferred to and counted as service credit in the
6 Legislators' Retirement Plan, and shall no longer constitute credit in such other
7 retirement system except for the purpose of validating any other credit in that
8 system. However, any credit he then has in such other retirement system, earned for
9 service in any capacity other than a legislator, shall not be affected. No person may
10 attain credit in more than one (1) of the retirement plans or systems mentioned in
11 this section, for the same period of service.

12 (6) A member of the Legislators' Retirement Plan who would be entitled, under KRS
13 61.552, to repurchase credit in the Kentucky Employees Retirement System, for
14 previous service as a legislator, which credit had been lost by refund of
15 contributions, may pay the amount required by KRS 61.552 directly to the
16 Legislators' Retirement Plan and thereby obtain credit in that plan for such service,
17 rather than making payment to the Kentucky Employees Retirement System for
18 credit which would be transferred to the Legislators' Retirement Plan. In such event,
19 the Kentucky Employees Retirement System shall transfer to the Legislators'
20 Retirement Plan an amount equal to the employer's contributions that originally
21 were made to the Kentucky Employees Retirement System for the regained service
22 credit, with interest as provided in KRS 6.535. Six (6) months' current service shall
23 be required in the Legislators' Retirement Plan in order for the repurchased credit to
24 remain in force, the same as provided in KRS 61.552. Service purchased under this
25 subsection on or after January 1, 2014, shall not be used to determine the member's
26 participation date in the Legislators' Retirement Plan.

27 ➔Section 2. KRS 6.518 is amended to read as follows:

- 1 (1) For purposes of this section, "bona fide promotion or career advancement":
- 2 (a) Means a professional advancement in substantially the same line of work held
- 3 by the member in the four (4) years immediately prior to the final five (5)
- 4 annual years preceding retirement or a change in employment position based
- 5 on the training, skills, education, or expertise of the member that imposes a
- 6 significant change in job duties and responsibilities to clearly justify the
- 7 increased compensation to the member; and
- 8 (b) Does not include any circumstance in which a legislator participating in the
- 9 Legislators' Retirement Plan takes a position of employment with an employer
- 10 participating in any of the other state-administered retirement systems.
- 11 (2) (a) For members retiring on or after January 1, 2018, the plan shall, for each of
- 12 the retiring member's last five (5) annual years of service in the General
- 13 Assembly or with any employer participating in any of the state-administered
- 14 retirement systems, identify any annual year in which the creditable
- 15 compensation used to calculate benefits in the Legislators' Retirement Plan
- 16 increased at a rate of ten percent (10%) or more annually over the immediately
- 17 preceding annual year's creditable compensation.
- 18 (b) Except as limited or excluded by subsections (3) and (4) of this section, any
- 19 amount of increase in creditable compensation for an annual year identified
- 20 under paragraph (a) of this subsection that exceeds ten percent (10%) more
- 21 than the member's creditable compensation from the immediately preceding
- 22 annual year shall not be included in the creditable compensation used to
- 23 calculate the member's monthly pension benefits. If the creditable
- 24 compensation for a specific annual year identified under paragraph (a) of this
- 25 subsection as exceeding the ten percent (10%) increase limitation is not used
- 26 to calculate the retiring member's monthly pension benefits, then no reduction
- 27 in creditable compensation shall occur for that annual year. Reductions to

1 creditable compensation as provided by this paragraph shall include any
2 creditable compensation used to calculate the retiring member's benefits,
3 including creditable compensation earned in another state-administered
4 retirement system.

5 (c) If the creditable compensation of the retiring member is reduced as provided
6 by paragraph (b) of this subsection, the retirement system shall,
7 notwithstanding KRS 21.460 and as applicable, refund the member
8 contributions attributable to the reduction in creditable compensation.

9 (3) In order to ensure the prospective application of the limitations on increases in
10 creditable compensation contained in subsection (2) of this section, only the
11 creditable compensation earned by the retiring member on or after July 1, 2017,
12 shall be subject to reduction under subsection (2) of this section. Creditable
13 compensation earned by the retiring member prior to July 1, 2017, shall not be
14 subject to reduction under subsection (2) of this section.

15 (4) Subsections (2) and (3) of this section shall not apply to increases that are the direct
16 result of a bona fide promotion or career advancement.

17 (5) The Judicial Form Retirement System board of trustees shall determine whether
18 increases in creditable compensation during the last five (5) annual years of
19 employment prior to retirement constitute a bona fide promotion or career
20 advancement and may promulgate administrative regulations in accordance with
21 KRS Chapter 13A to administer this section. All state-administered retirement
22 systems shall cooperate to implement this section.

23 (6) This section shall not apply to:

24 (a) Employees participating in the hybrid cash balance ~~plans~~~~[plan]~~ as provided by
25 KRS 21.402 or Section 19 of this Act; or

26 (b) Service earned in the 401(a) money purchase plan as provided by Section 12
27 of this Act.

1 ➔Section 3. KRS 6.520 is amended to read as follows:

- 2 (1) A member of the Legislators' Retirement Plan who retires on or after his normal
3 retirement date shall receive a service retirement allowance, payable monthly during
4 his lifetime, in an amount per month equal to three and fifty one-hundredths percent
5 (3.50%) of his final compensation multiplied by the number of years of his service,
6 but in no event to exceed one hundred percent (100%) of final compensation. For
7 this purpose, "final compensation" means the average monthly creditable
8 compensation as determined in KRS 61.510(13) of the member for services as a
9 legislator for the three (3) years during which the member had the highest creditable
10 legislative compensation.
- 11 (2) A member shall have rights, with respect to retirement before reaching normal
12 retirement date in the Legislators' Retirement Plan, identical in terms with those
13 rights provided in KRS 21.400(2) and (3) in the Judicial Retirement Plan for
14 members of that plan, except that the reduction in a legislators' service retirement
15 allowance for early retirement shall be at the rate of five percent (5%) of the
16 allowance for each year that retirement precedes the normal retirement date.
- 17 (3) Subsections (1) and (2) of this section to the contrary notwithstanding, each
18 legislator in office on July 1, 1982, that is a member of the Legislators' Retirement
19 Plan, who retires on or after his normal retirement date, shall receive a service
20 retirement allowance, payable monthly, on a formula equal to that of a justice or
21 judge of the Court of Justice with an equivalent service entrance date, but in no
22 event less than that specified in subsection (1) of this section, of his final
23 compensation multiplied by the number of years of his service, but in no event to
24 exceed one hundred percent (100%) of his final compensation. For this purpose,
25 "final compensation" means the average monthly creditable compensation as
26 determined in KRS 61.510(13) of the three (3) years during which the member had
27 the highest creditable legislative compensation.

1 (4) Notwithstanding any other provision of KRS 6.500 to 6.577 or 21.345 to
 2 21.580~~[Subsections (1) and (2) of this section]~~ to the contrary~~[notwithstanding]~~, a
 3 member of the Legislators' Retirement Plan with a service entrance date after July 1,
 4 1982 but prior to January 1, 2014, who retires on or after his normal retirement date,
 5 shall receive a service retirement allowance, payable monthly during his lifetime, in
 6 an amount per month equal to:

7 (a) Two and seventy-five one-hundredths percent (2.75%) of his final
 8 compensation multiplied by the number of years of his service *accrued prior*
 9 *to January 1, 2019; and*

10 (b) *One and ninety-seven one-hundredths percent (1.97%) of his or her final*
 11 *compensation multiplied by the number of years of his or her service*
 12 *accrued on or after January 1, 2019;*~~[, but]~~

13 In no event *shall the benefit provided by this subsection*~~[to]~~ exceed one hundred
 14 percent (100%) of final compensation. For this purpose, "final compensation"
 15 means the average monthly creditable compensation as determined in KRS
 16 61.510(13) of the member for services as a legislator for the three (3) years during
 17 which the member had the highest creditable legislative compensation.

18 (5) Subsections (1) to (4) of this section shall not apply to members who begin
 19 participating in the Legislators' Retirement Plan on or after January 1, 2014.

20 ➔Section 4. KRS 6.525 is amended to read as follows:

21 The Legislators' Retirement Plan shall be governed by KRS 21.560 and by provisions
 22 identical in terms with those provided in KRS 21.345(1), 21.345(3) to (6), 21.357,
 23 21.360(1), 21.370 to 21.410, 21.374, 21.420, 21.425, 21.450, 21.460, 21.470, 21.480,
 24 21.525, 21.540, and 61.552 for the Judicial Retirement Plan, except that:

25 (1) Five (5) years of service as a legislator will be sufficient for vesting; and

26 (2) (a) A member of the Legislators' Retirement Plan may combine his service credit
 27 with his service credit in the Teachers' Retirement System, Kentucky

1 Employees Retirement System, County Employees Retirement System, and
2 State Police Retirement System at the time of his retirement, according to the
3 procedure of KRS 61.680(2)(a), except that the salary used to determine final
4 compensation, if applicable, shall be based on the creditable compensation in
5 KRS 61.510(13) for service while a member of the General Assembly whether
6 or not a member of the Legislators' Retirement Plan.

- 7 (b) 1. For members contributing on or after June 20, 2005 but prior to January
8 1, 2014, who have service credit in the State Police Retirement System,
9 Kentucky Employees Retirement System, County Employees
10 Retirement System, or Teachers' Retirement System prior to January
11 1, 2019: Upon retirement, a member's accounts under the Legislators'
12 Retirement Plan, State Police Retirement System, Kentucky Employees
13 Retirement System, County Employees Retirement System, and
14 Teachers' Retirement System shall be consolidated for the purpose of
15 determining eligibility and amount of benefits as provided in KRS
16 61.680(2)(a) and in the same manner as for the other retirement systems
17 using the highest salary regardless of the system in which it was earned,
18 except that any salary earned in the State Police Retirement System,
19 Kentucky Employees Retirement System, County Employees
20 Retirement System, or Kentucky Teachers' Retirement System on or
21 after January 1, 2019, shall not be used to determine benefits in the
22 Legislators' Retirement Plan.
- 23 2. The consolidation of accounts as provided by this paragraph shall not
24 apply to accounts in the State Police Retirement System, the Kentucky
25 Employees Retirement System, the County Employees Retirement
26 System, and the Teachers' Retirement System, from which the member
27 is receiving a retirement benefit.

- 1 **3.** For purposes of this paragraph, "retirement" means the month in which
2 the member elects to begin receiving benefits or benefits become
3 payable due to the member's death.
- 4 (c) A member who has an account in the Legislators' Retirement Plan and the
5 Judicial Retirement Plan may combine his service in both plans for purposes
6 of determining:
- 7 1. Eligibility and the amount of benefits; and
8 2. Final compensation, provided the member began participating in the
9 Legislators' Retirement Plan prior to January 1, 2014, and except that
10 any salary earned in the Judicial Retirement Plan on or after January
11 1, 2019, shall not be used to determine final compensation in the
12 Legislators' Retirement Plan.
- 13 (d) A member who began participating in the Legislators' Retirement Plan prior to
14 January 1, 2014, may retire at the completion of twenty-seven (27) or more
15 years of combined service credit, so long as at least fifteen (15) years of such
16 credit were earned after January 1, 1960, and there shall be no reduction in the
17 retirement allowance because of retirement before the age of sixty-five (65).
- 18 (e) For the purposes of this section, any reference in the KRS sections listed
19 above to the Judicial Retirement Plan shall also be read as a reference to the
20 Legislators' Retirement Plan, and any reference to the Legislators' Retirement
21 Plan shall also be read as a reference to the Judicial Retirement Plan.
- 22 (3) Any other statute to the contrary notwithstanding, a member of any state-
23 administered retirement system who has ceased to qualify for membership but
24 subsequently returns to a qualified status, shall, for the purposes of determining the
25 date of entry into the state-administered retirement system for the subsequent period
26 or periods of service, be deemed to have never left the retirement system.
- 27 ➔Section 5. KRS 21.360 is amended to read as follows:

- 1 (1) (a) Each Judge of the District Court in office on July 1, 1978, may within thirty
2 (30) days after that date, and any judge or justice of any court entitled to be a
3 member thereafter taking office may within thirty (30) days after taking office,
4 elect to make monthly contributions to the retirement system in an amount
5 equal to:
- 6 1. Five percent (5%) of his or her monthly official salary, if the judge or
7 justice became a member of the Kentucky Judicial Retirement Plan prior
8 to September 1, 2008;
 - 9 2. Six percent (6%) of his or her monthly official salary, if the judge or
10 justice became a member of the Kentucky Judicial Retirement Plan on
11 or after September 1, 2008, but prior to January 1, 2014; or
 - 12 3. Six percent (6%) of his or her monthly official salary, if the judge or
13 justice who becomes a member of the Kentucky Judicial Retirement
14 Plan on or after January 1, 2014, which shall be used to fund benefits as
15 follows:
 - 16 a. Five percent (5%) of the monthly official salary shall be used to
17 provide funding for benefits provided under KRS 21.402; and
 - 18 b. One percent (1%) of the monthly official salary to be used
19 exclusively to help fund retiree health benefits as provided by KRS
20 21.427 and which shall not be refunded to the member if the
21 member withdraws his or her accumulated account balance as
22 provided by KRS 21.460. The deducted amounts under this
23 subdivision shall be credited to an account established pursuant to
24 26 U.S.C. sec. 401(h), within the fund established by KRS 21.347.
- 25 (b) The election shall be effective to establish membership in the system as of
26 July 1, 1978, or as of the date the judge or justice took office, as the case may
27 be. The election shall be addressed to and filed with the secretary of the

1 Finance and Administration Cabinet, and shall constitute an authorization by
2 the member, to the secretary, to thereafter cause to be deducted from the
3 member's official salary, each month, the amount required by paragraph (a) of
4 this subsection, as a voluntary contribution by the member towards the
5 funding of the retirement system. For a member who began contributing to the
6 Judicial Retirement Plan prior to January 1, 2014, the contribution shall
7 continue until the judge or justice is vested in a service retirement allowance
8 equal to one hundred percent (100%) of final compensation. Thereafter
9 employee contributions shall be discontinued but continued service and
10 retirement benefits shall not be affected thereby.

11 (2) A judge or justice entitled to elect membership in the retirement system who failed
12 to elect membership within thirty (30) days after taking office in 1980 or who
13 elected membership in the Kentucky Employees Retirement System may elect
14 membership not later than August 31, 2005. An election, upon being made pursuant
15 to this section, shall operate to create an inviolable contract between the member
16 entitled to elect membership under this subsection and the Commonwealth,
17 guaranteeing to and vesting in the member the rights and benefits provided for
18 under the terms and conditions of KRS 21.350 to 21.510, **except that the General**
19 **Assembly reserves the right to amend, reduce, or suspend any legislative changes**
20 **to the provisions of KRS 21.345 to 21.580 that become effective on or after July 1,**
21 **2018.**

22 (3) (a) When any judge makes a delayed election of membership in the Judicial
23 Retirement Plan under subsection (2) of this section, his active membership in
24 the Kentucky Employees Retirement System shall terminate, as of the date his
25 membership in the Judicial Retirement Plan becomes effective, and any credit
26 in the Kentucky Employees Retirement System, earned for service as a judge,
27 which he then has or which he subsequently regains while being an active

1 member of the Judicial Retirement Plan, shall be transferred to and counted as
2 service credit in the Judicial Retirement Plan, and shall no longer constitute
3 credit in the Kentucky Employees Retirement System, except for the purpose
4 of validating any other credit in that system, if the member pays the
5 difference, if any, between the amount transferred from the Kentucky
6 Employees Retirement System and the actuarial value of the transferred
7 service.

8 (b) Any credit he then has in the Kentucky Employees Retirement System, earned
9 for service in any capacity other than a judge, shall not be affected.
10 Notwithstanding any provisions of KRS 61.680 to the contrary, final
11 compensation used to determine benefits for any service credit remaining in
12 the Kentucky Employees Retirement System shall be based on the highest
13 years of compensation as a judge whether the years occur before or after the
14 judge elects membership in the Judicial Retirement Plan.

15 (c) No person may attain credit in more than one (1) of the retirement plans or
16 systems mentioned in this section for the same period of service. When credit
17 is transferred from the Kentucky Employees Retirement System to the Judicial
18 Retirement Plan, the Kentucky Employees Retirement System shall transfer to
19 the Judicial Retirement Fund an amount equal to the employee's and
20 employer's contributions attributable to that credit, together with interest on
21 the contributions from the date made to the date of transfer at the actuarially-
22 assumed interest rate of the Kentucky Employees Retirement System in effect
23 at the time the contributions were made, compounded annually at that same
24 interest rate.

25 (4) Membership and benefit rights for judges and justices (other than Judges of the
26 District Court), and for the commissioners and administrative director, who took
27 office prior to July 1, 1978, shall be dependent upon valid elections having been

1 made under this section (and KRS 21.355 and 21.365) prior to the 1978 amendment
2 to this section. The terms of such elections, including the contribution rate, shall
3 continue to govern for the duration of the member's service.

4 (5) When any Judge of the District Court in office on July 1, 1978, elects membership
5 in the Judicial Retirement ~~Plan~~~~[System]~~ in accordance with this section, his
6 membership in the Kentucky Employees Retirement System shall terminate as of
7 July 1, 1978, and any credit in that system he earned for service as a Judge of the
8 District Court shall be nullified; provided that the effect of such service to validate
9 any other service credit in that system shall not be nullified.

10 (6) The state shall, solely for the purpose of compliance with Section 414(h) of the
11 United States Internal Revenue Code, pick up the employee contributions required
12 by this section for all compensation earned after August 1, 1982, and the
13 contributions so picked up shall be treated as employer contributions in determining
14 tax treatment under the United States Internal Revenue Code and KRS 141.010(10).
15 The picked-up employee contribution shall satisfy all obligations to the retirement
16 system satisfied prior to August 1, 1982, by the employee contribution, and the
17 picked-up employee contribution shall be in lieu of an employee contribution. The
18 state shall pay these picked-up employee contributions from the same source of
19 funds which is used to pay earnings to the employee. The employee shall have no
20 option to receive the contributed amounts directly instead of having them paid by
21 the employer to the system. Employee contributions picked up after August 1, 1982,
22 shall be treated for all purposes of KRS 21.345 to 21.570 in the same manner and to
23 the same extent as employee contributions made prior to August 1, 1982.

24 (7) An election once made under this section, either to participate or not to participate
25 in the Judicial Retirement Plan, shall be considered to apply, to all future service in
26 any office covered by the plan, **except as provided by Section 7 of this Act and**
27 **subsection (3) of Section 8 of this Act**, whether such service is in the same or a

1 different office, and whether or not it is continuous.

2 ➔Section 6. KRS 21.372 is amended to read as follows:

3 (1) For purposes of this section:

4 (a) "Bona fide promotion or career advancement":

5 1. Means a professional advancement in substantially the same line of
6 work held by the member in the four (4) years immediately prior to the
7 final sixty (60) months preceding retirement or a change in employment
8 position based on the training, skills, education, or expertise of the
9 member that imposes a significant change in job duties and
10 responsibilities to clearly justify the increased compensation to the
11 member, including any circumstance when a member is elected or
12 appointed to another court within the Court of Justice; and

13 2. Does not include any circumstance where a judge or justice participating
14 in the Judicial Retirement Plan takes a position of employment with an
15 employer participating in any of the other state-administered retirement
16 systems; and

17 (b) "Year" has the same meaning as in KRS 21.345(3).

18 (2) (a) For members retiring on or after January 1, 2018, the plan shall identify any
19 consecutive year utilized in determining the member's final compensation in
20 which the member's compensation increased at a rate of ten percent (10%) or
21 more over the member's compensation in the immediately preceding year.

22 (b) Except as limited or excluded by subsections (3) and (4) of this section, any
23 amount of increase in compensation for a year identified under paragraph (a)
24 of this subsection that exceeds ten percent (10%) more than the member's
25 compensation from the immediately preceding year shall not be used in the
26 calculation of the member's final compensation for the purposes of
27 determining the member's monthly pension benefit under KRS 21.400.

- 1 (c) If the member's final compensation is reduced for the purposes of determining
 2 the member's pension benefit under KRS 21.400 as provided by paragraph (b)
 3 of this subsection, the retirement system shall, notwithstanding KRS 21.460
 4 and as applicable, refund the member contributions attributable to the
 5 reduction in creditable compensation.
- 6 (3) In order to ensure the prospective application of the potential reduction in pension
 7 benefits as provided in subsection (2) of this section, only the compensation earned
 8 by the retiring member on or after July 1, 2017, shall be subject to reduction under
 9 subsection (2) of this section. Compensation earned by the retiring member prior to
 10 July 1, 2017, shall not be subject to reduction under subsection (2) of this section.
- 11 (4) Subsections (2) and (3) of this section shall not apply to increases that are the direct
 12 result of a bona fide promotion or career advancement or to compensation used in
 13 accordance with KRS 61.680(7) in which the member does not have sixty (60)
 14 months of service in the Judicial Retirement Plan.
- 15 (5) The ~~Judicial Form Retirement System~~ board of trustees shall determine whether
 16 increases in compensation during the final sixty (60) months preceding retirement
 17 constitute a bona fide promotion or career advancement and may promulgate
 18 administrative regulations in accordance with KRS Chapter 13A to administer this
 19 section. All state-administered retirement systems shall cooperate to implement this
 20 section.
- 21 (6) This section shall not apply to:
- 22 (a) Employees participating in the hybrid cash balance ~~plans~~plan as provided by
 23 KRS 21.402 or Section 19 of this Act; or
- 24 (b) Service earned in the 401(a) money purchase plan as provided by Section 12
 25 of this Act.
- 26 ➔Section 7. KRS 21.374 is amended to read as follows:
 27 Notwithstanding KRS 6.500 to 6.577 and 21.345 to 21.580:

- 1 (1) Subject to the provisions of this section, any member who began participating in the
 2 Legislators' Retirement Plan or the Judicial Retirement Plan prior to January 1,
 3 2019~~[January 1, 2014]~~, may prior to January 1, 2021,~~[in lieu of the benefits he or~~
 4 ~~she is currently eligible to receive under the plans,]~~ elect to cease participating in
 5 the Legislators' Retirement Plan or the Judicial Retirement Plan and participate
 6 prospectively in the Kentucky Employees Retirement System as a nonhazardous
 7 employee for any future service as a legislator, judge, or justice and be provided
 8 the following benefits in lieu of the benefits provided by KRS 6.500 to 6.577 and
 9 21.345 to 21.580:
- 10 (a) Participation in the 401(a) money purchase plan provided by Section 12 of
 11 this Act. Members making an election shall not accrue service credit in the
 12 Kentucky Employees Retirement System for purposes of determining
 13 retirement benefits under the provisions of subsection (14) of Section 14 of
 14 this Act or Section 19 or 27 of this Act~~[receive the benefits and rights~~
 15 ~~provided to members who began participating in the Legislators' Retirement~~
 16 ~~Plan or the Judicial Retirement Plan on or after January 1, 2014, including~~
 17 ~~participating in the hybrid cash balance plan created pursuant to KRS 21.402];~~
 18 and
- 19 (b) Any other benefits the person would be eligible for in the Kentucky
 20 Employees Retirement System based upon the election provided by this
 21 section or his or her membership date in the state-administered retirement
 22 systems.
- 23 (2) The election provided by this section shall be made in writing and on a form
 24 prescribed by the Judicial Form Retirement System board;
- 25 (3) For each member who makes an election provided by this section, ~~]:~~
 26 (a) ~~]~~any service credit, final compensation, or other benefits the member has
 27 accrued prior to the member's effective election date~~[January 1, 2014]~~, in the

- 1 *Judicial Retirement Plan or Legislators' Retirement Plan, shall remain, but*
2 *the member shall not accrue any additional service, final compensation, or*
3 *any other benefits in the Judicial Retirement Plan or the Legislators'*
4 *Retirement Plan on or after the effective election date* ~~shall be considered as~~
5 service credit earned on or after January 1, 2014, for purposes of determining
6 benefits under KRS 6.500 to 6.577 and 21.345 to 21.580;
- 7 ~~(b) On the member's effective election date, the value of the member's~~
8 ~~accumulated contributions, less any interest, shall be deposited into the~~
9 ~~member's hybrid cash balance account as provided by KRS 21.402 and~~
10 ~~considered part of the member's accumulated account balance;~~
- 11 ~~(c) On the member's effective election date, an employer pay credit as provided~~
12 ~~by KRS 21.402 shall be added to the member's accumulated account balance~~
13 ~~for each month the member contributed to the Legislators' Retirement Plan or~~
14 ~~the Judicial Retirement Plan prior to his or her effective election date; and~~
- 15 ~~(d) Interest credits as provided by KRS 21.402 shall only be applied for periods~~
16 ~~occurring on or after the member's effective election date];~~
- 17 (4) Before accepting an election provided by this section, the Judicial Form Retirement
18 System board shall provide the member with information detailing the potential
19 results of the member's election;
- 20 (5) An election made pursuant to this section shall be irrevocable; and
- 21 (6) (a) A member of the Legislators' Retirement Plan or the Judicial Retirement Plan
22 shall not be eligible to make an election prescribed by this section until the
23 Judicial Form Retirement System receives a favorable private letter ruling
24 from the Internal Revenue Service regarding this section.
- 25 (b) If the Internal Revenue Service denies the request for a private letter ruling as
26 provided by paragraph (a) of this subsection, this section shall be void.
- 27 (c) The Judicial Form Retirement System may promulgate administrative

1 regulations under KRS Chapter 13A in order to carry out this section.

2 ➔Section 8. KRS 21.385 is amended to read as follows:

3 (1) In a situation in which, by reason of federal tax law, the failure to commence the
4 payment of retirement benefits to a vested member of the Kentucky Judicial
5 Retirement Plan, by a specified date after the member reaches a specified age, as
6 designated by the federal tax law, will result in the imposition of a special excise
7 tax, the member, without retiring, shall be entitled, as of the specified date, to
8 commence drawing from the plan the monthly benefit he would have been entitled
9 to had he retired on that date. Notwithstanding the provisions of KRS 21.360 and
10 61.680, a member who began participating in the Judicial Retirement Plan prior to
11 January 1, 2014, may, at his option, continue to be a participating member of the
12 plan thereafter until he retires, or, may elect to cease to be a participating member of
13 the plan, in which latter event he shall not be required to become a participating
14 member of the Kentucky Employees Retirement System.

15 (2) A member drawing benefits from the Kentucky Judicial Retirement Plan pursuant
16 to subsection (1) of this section who elects to continue as a participating member of
17 the plan, or a person drawing benefits from the plan by reason of having retired,
18 who by reason of reemployment again becomes a participating member of the plan,
19 shall continue to draw the benefits until he retires, and accrue additional benefits,
20 but in the calculation of the additional benefits only the years of service after he
21 commenced drawing the initial benefits shall be counted, and the monthly
22 additional benefit shall not exceed such amount as, when added to the initial
23 monthly benefit, will equal the final compensation on which the additional benefit
24 was calculated. The member's surviving spouse, if married to the member at the
25 time of his ultimate retirement, shall be considered to be the surviving spouse with
26 respect to both the additional and the initial benefits.

27 **(3) Notwithstanding any other provision of KRS 6.500 to 6.577 or 21.345 to 21.580 to**

1 *the contrary, an individual who retires and begins drawing a retirement*
 2 *allowance from one (1) or more of the systems or plans administered by Kentucky*
 3 *Retirement Systems, the Teachers' Retirement System, or the Judicial Form*
 4 *Retirement System on or after January 1, 2019, shall not be eligible to earn*
 5 *benefits in the Legislators' Retirement Plan or Judicial Retirement Plan for*
 6 *service as a judge, justice, or legislator that occurs on or after January 1, 2019.*

7 ➔Section 9. KRS 21.402 is amended to read as follows:

8 (1) A member of the Legislators' Retirement Plan or the Judicial Retirement Plan,
 9 whose participation in the Legislators' Retirement Plan or the Judicial Retirement
 10 Plan begins on or after January 1, 2014~~, or a member making an election pursuant~~
 11 ~~to KRS 21.374],~~ shall receive the retirement benefits provided by this section in lieu
 12 of the retirement benefits provided under KRS 6.520 and 21.400. The retirement
 13 benefit provided by this section shall be known as the hybrid cash balance plan and
 14 shall operate as another benefit tier within the Legislators' Retirement Plan and the
 15 Judicial Retirement Plan.

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

18 (a) Contributions made by the member as provided by KRS 6.500 to 6.577 and
 19 21.345 to 21.580, except for employee contributions prescribed by KRS
 20 6.505(1)(d)2.b. and 21.360(1)(a)3.b.;

21 (b) An employer pay credit of four percent (4%) of the creditable compensation
 22 earned by the employee for each month the employee is contributing to the
 23 hybrid cash balance plan provided by this section; and

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

26 (3) (a) Member contributions and employer pay credits as provided by subsection
 27 (2)(a) and (b) of this section shall be credited to the member's account

1 monthly as contributions are reported and posted to the plan.

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

5 (4) (a) On June 30 of each fiscal year, the plan shall determine if the member
6 contributed to the hybrid cash balance plan or another state-administered
7 retirement system during the fiscal year.

8 (b) If the member contributed to the hybrid cash balance plan or another state-
9 administered retirement system during the fiscal year, the interest credit
10 added to the member's account for that fiscal year shall be determined by
11 multiplying the member's accumulated account balance on June 30 of the
12 preceding fiscal year by a percentage increase equal to eighty-five percent
13 (85%)[-:

14 1.— Four percent (4%); plus

15 2.— ~~Seventy five percent (75%)~~] of the plan's geometric average net
16 investment return, but in no case shall be less than zero percent (0%)[-
17 ~~in excess of a four percent (4%) rate of return~~].

18 (c) If the member did not contribute to the hybrid cash balance plan or another
19 state-administered retirement system during the fiscal year, then no[the]
20 interest credit shall be added to the member's account for that fiscal year[-
21 ~~shall be determined by multiplying the member's accumulated account balance~~
22 ~~on June 30 of the preceding fiscal year by four percent (4%)~~].

23 (d) For purposes of this subsection, "plan's geometric average net investment
24 return":

25 1. Means the annual average geometric investment return, net of
26 administrative and investment fees and expenses, over the last five (5)
27 fiscal years as of the date the interest is credited to the member's

1 account; and

2 2. Shall be expressed as a percentage and based upon the plan in which the
3 member has an account.

4 (5) (a) Upon termination of employment, a member who has less than five (5) years
5 of service credited under the Legislators' Retirement Plan or the Judicial
6 Retirement Plan, who elects to take a refund of his or her accumulated account
7 balance as provided by KRS 21.460, shall forfeit the accumulated employer
8 credit, and shall only receive a refund of his or her accumulated contributions.

9 (b) Upon termination of employment, a member who has five (5) or more years of
10 service credited under the Legislators' Retirement Plan or the Judicial
11 Retirement Plan, who elects to take a refund of his or her accumulated account
12 balance as provided by KRS 21.460, shall receive a full refund of his or her
13 accumulated account balance.

14 (6) A member participating in the hybrid cash balance plan provided by this section
15 may retire:

16 (a) Upon reaching normal retirement age, provided he or she has earned five (5)
17 or more years of service credited under the Legislators' Retirement Plan or the
18 Judicial Retirement Plan, or another state-administered retirement system; or

19 (b) If the member is at least age fifty-seven (57) and has an age and years of
20 service total of at least eighty-seven (87) years. The years of service used to
21 determine eligibility for retirement under this paragraph shall only include
22 years of service credited under the Legislators' Retirement Plan or the Judicial
23 Retirement Plan, or another state-administered retirement system.

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

25 (a) Receive a monthly retirement allowance payable for life by having his or her
26 accumulated account balance annuitized by the retirement plan in accordance
27 with the actuarial assumptions and actuarial methods adopted by the board

1 and in effect on the member's retirement date;

2 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
3 under paragraph (a) of this subsection payable under one (1) of the options set
4 forth in KRS 21.420(8)(b); or

5 (c) Take a refund of his or her accumulated account balance as provided by KRS
6 21.460.

7 (8) The board of the Judicial Form Retirement System shall establish individual
8 members' accounts for each member participating in the hybrid cash balance plan as
9 provided by this section. The Judicial Form Retirement System may promulgate
10 administrative regulations in accordance with KRS Chapter 13A to administer the
11 provisions of this section.

12 (9) The provisions of this section shall not apply to members who began participating
13 in the Legislators' Retirement Plan or the Judicial Retirement Plan prior to January
14 1, 2014 ~~[, except for those members making an election pursuant to KRS 21.374].~~

15 ➔Section 10. KRS 21.460 is amended to read as follows:

16 (1) (a) For members who began participating in the Judicial Retirement Plan prior to
17 January 1, 2014: If any member of the plan ceases, other than by death or by
18 disability retirement under KRS 21.410, to hold an office qualifying him for
19 membership in the plan established by KRS 21.350 to 21.480, without having
20 met the requirements for vesting, he shall be refunded on demand the amount
21 of his accumulated contributions and any service credit he had in the plan
22 shall be nullified.

23 (b) A member who begins participating in the Judicial Retirement Plan on or after
24 January 1, 2014, may, if the member ceases to hold an office qualifying him or
25 her for membership in the plan established by KRS 21.345 to 21.580, elect to
26 take a refund of his or her accumulated account balance subject to the
27 limitations provided by KRS 21.402.

1 (2) The member may elect to leave his contributions in the plan, in which event the
2 service credit he had in the plan shall be considered to be service credit for vesting
3 purposes as provided in KRS 21.375 and for service retirement eligibility as
4 provided in KRS 61.680(7), and, in the event he again becomes a member of the
5 Judicial Retirement Plan, shall be counted toward his total service credit in that
6 plan.

7 (3) (a) If a person who has been refunded his accumulated contributions or
8 accumulated account balance in accordance with subsection (1) of this section
9 subsequently becomes a member of the Legislators' Retirement Plan, the
10 Kentucky Employees Retirement System, County Employees Retirement
11 System, State Police Retirement System, or Teachers' Retirement System, he
12 may while holding such membership repurchase the service credit he
13 previously had in the Judicial Retirement Plan by repaying to that plan the
14 amount that was refunded to him with interest at six percent (6%) per annum,
15 in which event such service credit shall have operative effect to the same
16 limited extent as provided in subsection (2) of this section. Service purchased
17 under this subsection on or after January 1, 2014, shall not be used to
18 determine the member's participation date in the Judicial Retirement Plan.

19 **(b) Members or persons participating in the 401(a) money purchase plan as**
20 **provided by Section 12 of this Act, shall not be eligible to purchase service**
21 **under the provisions of this section.**

22 (4) If a person who has been refunded his accumulated contribution or accumulated
23 account balance in accordance with subsection (1) of this section thereafter becomes
24 again the holder of an office qualifying him for membership in the Judicial
25 Retirement Plan, he shall not be entitled to credit for his prior period of service
26 unless he has previously repaid his refunded contributions in accordance with
27 subsection (3) of this section or unless within thirty (30) days after again assuming

1 office he repays to the plan the amount that was refunded to him with interest at six
2 percent (6%) per annum. Service purchased under this subsection on or after
3 January 1, 2014, shall not be used to determine the member's participation date in
4 the Judicial Retirement Plan. Members or persons participating in the 401(a)
5 money purchase plan as provided by Section 12 of this Act, shall not be eligible to
6 purchase service under the provisions of this section.

7 (5) If the taking of a refund of contributions by a member of the Kentucky Judicial
8 Retirement Plan, when first entitled thereto, would subject the member to a federal
9 excise tax, by reason of the refund's being made before the member has reached an
10 age designated by the federal taxing act, and the member has elected, pursuant to
11 subsection (2) of this section, to defer taking a refund, so much of the contributions
12 as would have been subject to the excise tax shall accrue interest at the rate of six
13 percent (6%) per annum, from the date the member first could have taken a refund
14 until the date the refund is taken or the date as of which the federal excise tax no
15 longer would apply to a refund, whichever is sooner, the interest to be paid by the
16 plan at the time of the refund. The provisions of this subsection shall not apply to
17 members who begin participating in the Judicial Retirement Plan on or after January
18 1, 2014.

19 ➔Section 11. KRS 21.480 is amended to read as follows:

20 (1) For members who begin participating in the Judicial Retirement Plan prior to
21 January 1, 2014, it is hereby declared that in consideration of the contributions by
22 the members, and in further consideration of benefits received by the state through
23 the inducement of qualified and experienced judges and commissioners to continue
24 in service, KRS 21.350 to 21.510, except as provided in KRS 6.696, shall constitute
25 an inviolable contract of the Commonwealth, and the rights and benefits provided
26 therein shall, ~~except as provided in KRS 6.696,~~ not be subject to reduction or
27 impairment by alteration, amendment or repeal, except:

1 (a) As provided in KRS 6.696; and

2 (b) The General Assembly reserves the right to amend, reduce, or suspend any
 3 legislative changes to the provisions of KRS 21.345 to 21.580 that become
 4 effective on or after July 1, 2018.

5 (2) (a) For members who begin participating in the Judicial Retirement Plan on or
 6 after January 1, 2014, the General Assembly reserves the right to amend,
 7 suspend, or reduce the benefits and rights provided under KRS 21.345 to
 8 21.580 if, in its judgment, the welfare of the Commonwealth so demands,
 9 except that the amount of benefits the member has accrued at the time of
 10 amendment, suspension, or reduction shall not be affected.

11 (b) For purposes of this subsection, the amount of benefits the member has
 12 accrued at the time of amendment, suspension, or reduction shall be limited to
 13 the accumulated account balance the member has accrued at the time of
 14 amendment, suspension, or reduction.

15 (c) The provisions of this subsection shall not be construed to limit the General
 16 Assembly's authority to change any other benefit or right specified by KRS
 17 21.345 to 21.580, for members who begin participating in the Judicial
 18 Retirement Plan on or after January 1, 2014, except the benefits specified by
 19 paragraph (b) of this subsection.

20 (3) The provisions of this section shall not be construed to limit the General Assembly's
 21 authority to amend, reduce, or suspend the benefits and rights of members of the
 22 Judicial Retirement Plan as provided by KRS 21.345 to 21.580 that the General
 23 Assembly had the authority to amend, reduce, or suspend, prior to July 1, 2013.

24 ➔SECTION 12. A NEW SECTION OF KRS 61.510 TO 61.705 IS CREATED
 25 TO READ AS FOLLOWS:

26 (1) (a) The retirement benefit provided by this section shall be known as the 401(a)
 27 money purchase plan and shall operate as an optional benefit tier within

1 the Kentucky Employees Retirement System or the County Employees
2 Retirement System, as applicable, for members in a nonhazardous position.

3 **(b) A member participating in a nonhazardous position in the Kentucky**
4 **Employees Retirement System or the County Employees Retirement System**
5 **whose participation in the systems begins on or after January 1, 2019, may**
6 **elect within ninety (90) days of his or her membership date to receive the**
7 **retirement benefits provided by this section in lieu of the hybrid cash**
8 **balance retirement benefits provided under Section 19 of this Act. An**
9 **election to participate in the 401(a) money purchase plan shall be**
10 **irrevocable and shall apply to any future service as a nonhazardous**
11 **member participating in the Kentucky Employees Retirement System or the**
12 **County Employees Retirement System.**

13 **(c) Any member or person who makes an election as prescribed by Section 7**
14 **shall accrue the retirement benefits provided by this section in lieu of**
15 **accruing additional benefits under KRS 21.345 to 21.580, subsection (14) of**
16 **Section 14 of this Act, or Section 19 or 27 of this Act.**

17 **(d) Any member who makes an election as prescribed by Section 38 of this Act**
18 **shall accrue the retirement benefits provided by this section in lieu of**
19 **accruing additional final compensation and retirement benefits under**
20 **subsection (14) of Section 14 of this Act, subsection (14) of Section 15 of**
21 **this Act, or Section 19 or 27 of this Act.**

22 **(2) The 401(a) money purchase plan shall be a mandatory defined contribution plan**
23 **and shall provide a retirement benefit based upon the member's accumulated**
24 **account balance, which shall include:**

25 **(a) Contributions made by the member as provided by KRS 61.510 to 61.705**
26 **and 78.510 to 78.852, except for employee contributions prescribed by KRS**
27 **61.702(2)(b);**

1 (b) An employer contribution of four percent (4%) of the creditable
2 compensation earned by the employee for each month the employee is
3 contributing to the 401(a) money purchase plan provided by this section;
4 and

5 (c) Investment returns on employee and employer contributions. Investment
6 returns on the employee and employer contributions shall be net of
7 administrative expenses and investment fees and expenses.

8 (3) (a) Member contributions and employer contributions as provided by
9 subsection (2)(a) and (b) of this section shall be credited to the member's
10 account monthly as contributions are reported and posted to the system in
11 accordance with KRS 61.675 or 78.625.

12 (b) Investment returns shall be determined based upon the investment program
13 established by the board, which may include but not be limited to a program
14 that invests in system assets or asset classes, a program that provides
15 investment options selected or authorized by the board internally or through
16 an external vendor, or investment options provided through an agreement
17 with the Kentucky Employees Deferred Compensation Authority.

18 (4) (a) Upon termination of employment, a member who has less than five (5)
19 years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), or
20 another state-administered retirement system who elects to take a refund of
21 his or her accumulated account balance as provided by KRS 61.625, shall
22 forfeit the accumulated employer contribution, and shall only receive a
23 refund of his or her accumulated contributions.

24 (b) Upon termination of employment, a member who has five (5) or more years
25 of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), or
26 another state-administered retirement system who elects to take a refund of
27 his or her accumulated account balance as provided by KRS 61.625, shall

1 receive a full refund of his or her accumulated account balance.

2 (5) A member participating in the 401(a) money purchase plan provided by this
3 section may retire:

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

7 (b) If the member is at least age fifty-seven (57) and has an age and years of
8 service total of at least eighty-seven (87) years. The years of service used to
9 determine eligibility for retirement under this paragraph shall only include
10 years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or
11 another state-administered retirement system; or

12 (c) Immediately for those members electing to participate in the 401(a) money
13 purchase plan as described by subsection (1)(c) to (d) of this section if he or
14 she is otherwise eligible to retire from the systems administered by Kentucky
15 Retirement Systems.

16 (6) A member eligible to retire under subsection (5) of this section may elect to:

17 (a) Receive a monthly retirement allowance payable for life by having his or
18 her accumulated account balance in the 401(a) defined contribution plan
19 annuitized by the retirement systems in accordance with the actuarial
20 assumptions and actuarial methods adopted by the board and in effect on
21 the member's retirement date;

22 (b) Receive the actuarial equivalent of his or her retirement allowance
23 calculated under paragraph (a) of this subsection payable under one (1) of
24 the options set forth in KRS 61.635, except for the option provided by KRS
25 61.635(11); or

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

27 (7) Members who are participating in the 401(a) defined contribution plan as

- 1 described by subsection (1)(c) to (d) of this section upon retirement may:
- 2 (a) Elect to annuitize only the portion of their accumulated account balance
- 3 that was accrued in the 401(a) money purchase plan; or
- 4 (b) Elect to take a refund of his or her account balance accrued solely while
- 5 participating in the 401(a) money purchase plan. The provisions of this
- 6 paragraph shall not prohibit a member from receiving a monthly benefit
- 7 under the provisions of Section 27 of this Act for service accrued in the
- 8 systems prior to participating in the 401(a) money purchase plan.
- 9 (8) The provisions of this section shall not apply to members who began participating
- 10 in the systems or plans administered by Kentucky Retirement Systems prior to
- 11 January 1, 2019, unless the member makes an election as provided by Section 7
- 12 or 38 of this Act.

13 ➔Section 13. KRS 16.505 is amended to read as follows:

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

- 15 (1) "System" means the State Police Retirement System created by KRS 16.505 to
- 16 16.652;
- 17 (2) "Board" means the board of trustees of the Kentucky Retirement Systems;
- 18 (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its
- 19 successor;
- 20 (4) "Current service" means the number of years and completed months of employment
- 21 as an employee subsequent to July 1, 1958, for which creditable compensation was
- 22 paid by the employer and employee contributions deducted except as otherwise
- 23 provided;
- 24 (5) "Prior service" means the number of years and completed months of employment as
- 25 an employee prior to July 1, 1958, for which creditable compensation was paid to
- 26 the employee by the Commonwealth. Twelve (12) months of current service in the
- 27 system are required to validate prior service;

- 1 (6) "Service" means the total of current service and prior service;
- 2 (7) "Accumulated contributions" at any time means the sum of all amounts deducted
3 from the compensation of a member and credited to his individual account in the
4 member's account, including employee contributions picked up after August 1,
5 1982, pursuant to KRS 16.545(4), together with interest credited on such amounts
6 as provided in KRS 16.505 to 16.652, and any other amounts the member shall have
7 contributed, including interest credited. For members who begin participating on or
8 after September 1, 2008, "accumulated contributions" shall not include employee
9 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.
10 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as
11 prescribed by KRS 61.702(2)(b);
- 12 (8) "Creditable compensation":
- 13 (a) Except as provided by paragraph (b) or (c) of this subsection, means all
14 salary and wages, including payments for compensatory time, paid to the
15 employee as a result of services performed for the employer or for time during
16 which the member is on paid leave, which are includable on the member's
17 federal form W-2 wage and tax statement under the heading "wages, tips,
18 other compensation," including employee contributions picked up after
19 August 1, 1982, pursuant to KRS 16.545(4);
- 20 (b) Includes:
- 21 1. Lump-sum bonuses, severance pay, or employer-provided payments for
22 purchase of service credit, which shall be averaged over the employee's
23 total service with the system in which it is recorded if it is equal to or
24 greater than one thousand dollars (\$1,000);
- 25 2. Lump-sum payments for creditable compensation paid as a result of an
26 order of a court of competent jurisdiction, the Personnel Board, or the
27 Commission on Human Rights, or for any creditable compensation paid

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

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

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

17 (c) Excludes:

18 1. Uniform, equipment, or any other expense allowances paid on or after
 19 January 1, 2019, living allowances, expense reimbursements, lump-sum
 20 payments for accrued vacation leave, and other items determined by the
 21 board; and

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

24 (9) "Final compensation" means:

25 (a) For a member who begins participating prior to~~before~~ September 1, 2008,
 26 who retires prior to January 1, 2019, the creditable compensation of a
 27 member during the three (3) fiscal years he was paid at the highest average

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

6 (b) For a member who begins participating on or after September 1, 2008, but
7 prior to January 1, 2014, or for a member who begins participating prior to
8 September 1, 2008, who retires on or after January 1, 2019, the creditable
9 compensation of the member during the three (3) complete fiscal years he or
10 she was paid at the highest average monthly rate divided by three (3). Each
11 fiscal year used to determine final compensation must contain twelve (12)
12 months of service credit. If the member does not have three (3) complete
13 fiscal years that each contain twelve (12) months of service credit, then one
14 (1) or more additional fiscal years, which may contain less than twelve (12)
15 months of service credit, shall be added until the number of months in the
16 final compensation calculation is at least thirty-six (36) months;

17 (10) "Final rate of pay" means the actual rate upon which earnings of a member were
18 calculated during the twelve (12) month period immediately preceding the
19 member's effective retirement date, including employee contributions picked up
20 after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the
21 system by the employer and the following equivalents shall be used to convert the
22 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
23 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-
24 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)
25 months, or one (1) year;

26 (11) "Retired member" means any former member receiving a retirement allowance or
27 any former member who has filed the necessary documents for retirement benefits

- 1 and is no longer contributing to the retirement system;
- 2 (12) "Retirement allowance" means the retirement payments to which a retired member
3 is entitled;
- 4 (13) "Actuarial equivalent" means a benefit of equal value when computed upon the
5 basis of actuarial tables adopted by the board. In cases of disability retirement, the
6 options authorized by KRS 61.635 shall be computed by adding ten (10) years to
7 the age of the member, unless the member has chosen the Social Security
8 adjustment option as provided for in KRS 61.635(8), in which case the member's
9 actual age shall be used. For members who began participating in the system prior
10 to January 1, 2014, no disability retirement option shall be less than the same option
11 computed under early retirement;
- 12 (14) "Authorized leave of absence" means any time during which a person is absent from
13 employment but retained in the status of an employee in accordance with the
14 personnel policy of the Department of Kentucky State Police;
- 15 (15) "Normal retirement date" means:
- 16 (a) For a member who begins participating before September 1, 2008, the first
17 day of the month following a member's fifty-fifth birthday, except that for
18 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,
19 1959; or
- 20 (b) For a member who begins participating on or after September 1, 2008, the
21 first day of the month following a member's sixtieth birthday;
- 22 (16) "Disability retirement date" means the first day of the month following the last day
23 of paid employment;
- 24 (17) "Dependent child" means a child in the womb and a natural or legally adopted child
25 of the member who has neither attained age eighteen (18) nor married or who is an
26 unmarried full-time student who has not attained age twenty-two (22);
- 27 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member

- 1 in lieu of all other benefits provided by KRS 16.505 to 16.652;
- 2 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined
3 by the board, was required in the performance of the duties specified in KRS
4 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of
5 duty" shall mean an act occurring which was required in the performance of the
6 principal duties of the position as defined by the job description;
- 7 (20) "Early retirement date" means:
- 8 (a) For a member who begins participating before September 1, 2008, the
9 retirement date declared by a member who is not less than fifty (50) years of
10 age and has fifteen (15) years of service; or
- 11 (b) For a member who begins participating on or after September 1, 2008, but
12 prior to January 1, 2014, the retirement date declared by a member who is not
13 less than fifty (50) years of age and has fifteen (15) years of service credited
14 under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-administered
15 retirement system;
- 16 (21) "Member" means any officer included in the membership of the system as provided
17 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 18 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS
19 16.010;
- 20 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which
21 results in an employee's total incapacity to continue as an employee in a hazardous
22 position, but the employee is not necessarily deemed to be totally and permanently
23 disabled to engage in other occupations for remuneration or profit;
- 24 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
25 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
26 pay. The rate shall be certified by the employer;
- 27 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the

1 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
2 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not
3 mean an estate, trust, or trustee;

4 (26) "Recipient" means the retired member, the person or persons designated as
5 beneficiary by the member and drawing a retirement allowance as a result of the
6 member's death, or a dependent child drawing a retirement allowance. An alternate
7 payee of a qualified domestic relations order shall not be considered a recipient,
8 except for purposes of KRS 61.623;

9 (27) "Person" means a natural person;

10 (28) "Retirement office" means the Kentucky Retirement Systems office building in
11 Frankfort;

12 (29) "Delayed contribution payment" means an amount paid by an employee for
13 purchase of current service. The amount shall be determined using the same formula
14 in KRS 61.5525, and the payment shall not be picked up by the employer. A
15 delayed contribution payment shall be deposited to the member's account and
16 considered as accumulated contributions of the individual member;

17 (30) "Last day of paid employment" means the last date employer and employee
18 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
19 78.615 to the retirement office in order for the employee to receive current service
20 credit for the month. Last day of paid employment does not mean a date the
21 employee receives payment for accrued leave, whether by lump sum or otherwise, if
22 that date occurs twenty-four (24) or more months after previous contributions;

23 (31) "Objective medical evidence" means reports of examinations or treatments; medical
24 signs which are anatomical, physiological, or psychological abnormalities that can
25 be observed; psychiatric signs which are medically demonstrable phenomena
26 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
27 or contact with reality; or laboratory findings which are anatomical, physiological,

- 1 or psychological phenomena that can be shown by medically acceptable laboratory
2 diagnostic techniques, including but not limited to chemical tests,
3 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 4 (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the
5 following June 30, which shall also be the plan year. The "fiscal year" shall be the
6 limitation year used to determine contribution and benefit limits established by 26
7 U.S.C. sec. 415;
- 8 (33) "Participating" means an employee is currently earning service credit in the system
9 as provided in KRS 16.543;
- 10 (34) "Month" means a calendar month;
- 11 (35) "Membership date" means the date upon which the member began participating in
12 the system as provided by KRS 16.543;
- 13 (36) "Participant" means a member, as defined by subsection (21) of this section, or a
14 retired member, as defined by subsection (11) of this section;
- 15 (37) "Qualified domestic relations order" means any judgment, decree, or order,
16 including approval of a property settlement agreement, that:
- 17 (a) Is issued by a court or administrative agency; and
18 (b) Relates to the provision of child support, alimony payments, or marital
19 property rights to an alternate payee;
- 20 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
21 participant, who is designated to be paid retirement benefits in a qualified domestic
22 relations order;
- 23 (39) "Accumulated employer credit" means the employer pay credit deposited to the
24 member's account and interest credited on such amounts as provided by KRS
25 16.583; and
- 26 (40) "Accumulated account balance" means:
- 27 (a) For members who began participating in the system prior to January 1, 2014,

1 the member's accumulated contributions; or

2 (b) For members who began participating in the system on or after January 1,
3 2014, in the hybrid cash balance plan as provided by KRS 16.583, the
4 combined sum of the member's accumulated contributions and the member's
5 accumulated employer pay credit.

6 ➔Section 14. KRS 61.510 is amended to read as follows:

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

- 8 (1) "System" means the Kentucky Employees Retirement System created by KRS
9 61.510 to 61.705;
- 10 (2) "Board" means the board of trustees of the system as provided in KRS 61.645;
- 11 (3) "Department" means any state department or board or agency participating in the
12 system in accordance with appropriate executive order, as provided in KRS 61.520.
13 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the
14 General Assembly and any other body, entity, or instrumentality designated by
15 executive order by the Governor, shall be deemed to be a department,
16 notwithstanding whether said body, entity, or instrumentality is an integral part of
17 state government;
- 18 (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- 19 (5) "Employee" means the members, officers, and employees of the General Assembly
20 and every regular full-time, appointed or elective officer or employee of a
21 participating department, including the Department of Military Affairs. The term
22 does not include persons engaged as independent contractors, seasonal, emergency,
23 temporary, interim, and part-time workers. In case of any doubt, the board shall
24 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 25 (6) "Employer" means a department or any authority of a department having the power
26 to appoint or select an employee in the department, including the Senate and the
27 House of Representatives, or any other entity, the employees of which are eligible

- 1 for membership in the system pursuant to KRS 61.525;
- 2 (7) "State" means the Commonwealth of Kentucky;
- 3 (8) "Member" means any employee who is included in the membership of the system or
4 any former employee whose membership has not been terminated under KRS
5 61.535;
- 6 (9) "Service" means the total of current service and prior service as defined in this
7 section;
- 8 (10) "Current service" means the number of years and months of employment as an
9 employee, on and after July 1, 1956, except that for members, officers, and
10 employees of the General Assembly this date shall be January 1, 1960, for which
11 creditable compensation is paid and employee contributions deducted, except as
12 otherwise provided, and each member, officer, and employee of the General
13 Assembly shall be credited with a month of current service for each month he
14 serves in the position;
- 15 (11) "Prior service" means the number of years and completed months, expressed as a
16 fraction of a year, of employment as an employee, prior to July 1, 1956, for which
17 creditable compensation was paid; except that for members, officers, and employees
18 of the General Assembly, this date shall be January 1, 1960. An employee shall be
19 credited with one (1) month of prior service only in those months he received
20 compensation for at least one hundred (100) hours of work; provided, however, that
21 each member, officer, and employee of the General Assembly shall be credited with
22 a month of prior service for each month he served in the position prior to January 1,
23 1960. Twelve (12) months of current service in the system are required to validate
24 prior service;
- 25 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
26 from the compensation of a member and credited to his individual account in the
27 members' account, including employee contributions picked up after August 1,

1 1982, pursuant to KRS 61.560(4), together with interest credited, or investment
2 returns earned as provided by Section 12 of this Act, on such amounts and any
3 other amounts the member shall have contributed thereto, including interest credited
4 thereon or investment returns earned as provided by Section 12 of this Act. ~~For~~
5 ~~members who begin participating on or after September 1, 2008,~~ "Accumulated
6 contributions" shall not include employee contributions that are deposited into
7 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established
8 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

9 (13) "Creditable compensation":

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

22 (b) Includes:

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

- 1 but the board shall fix the value of that part of the compensation not paid
2 in money;
- 3 3. Lump-sum payments for creditable compensation paid as a result of an
4 order of a court of competent jurisdiction, the Personnel Board, or the
5 Commission on Human Rights, or for any creditable compensation paid
6 in anticipation of settlement of an action before a court of competent
7 jurisdiction, the Personnel Board, or the Commission on Human Rights,
8 including notices of violations of state or federal wage and hour statutes
9 or violations of state or federal discrimination statutes, which shall be
10 credited to the fiscal year during which the wages were earned or should
11 have been paid by the employer. This subparagraph shall also include
12 lump-sum payments for reinstated wages pursuant to KRS 61.569,
13 which shall be credited to the period during which the wages were
14 earned or should have been paid by the employer;
- 15 4. Amounts which are not includable in the member's gross income by
16 virtue of the member having taken a voluntary salary reduction provided
17 for under applicable provisions of the Internal Revenue Code; and
- 18 5. Elective amounts for qualified transportation fringes paid or made
19 available on or after January 1, 2001, for calendar years on or after
20 January 1, 2001, that are not includable in the gross income of the
21 employee by reason of 26 U.S.C. sec. 132(f)(4); and
- 22 (c) Excludes:
- 23 1. *Uniform, equipment, or any other expense allowances paid on or after*
24 *January 1, 2019*, living allowances, expense reimbursements, lump-sum
25 payments for accrued vacation leave, and other items determined by the
26 board;
- 27 2. For employees who begin participating on or after September 1, 2008,

1 lump-sum payments for compensatory time; ~~and~~

2 3. *For employees participating in a nonhazardous position who began*
 3 *participating prior to September 1, 2008, and who retire after July 1,*
 4 *2023, lump-sum payments for compensatory time upon termination of*
 5 *employment; and*

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

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

9 (a) For a member who begins participating before September 1, 2008, who is
 10 ~~not~~ employed in a *nonhazardous* ~~hazardous~~ position ~~, as provided in KRS~~
 11 ~~61.592~~, the creditable compensation of the member during the five (5) fiscal
 12 years he was paid at the highest average monthly rate divided by the number
 13 of months of service credit during that five (5) year period multiplied by
 14 twelve (12). The five (5) years may be fractional and need not be consecutive,
 15 *except that for members retiring on or after January 1, 2019, the five (5)*
 16 *fiscal years shall be complete fiscal years.* If the number of months of service
 17 credit during the five (5) year period is less than forty-eight (48) *for members*
 18 *retiring prior to January 1, 2019,* one (1) or more additional fiscal years shall
 19 be used. *If a member retiring on or after January 1, 2019, does not have five*
 20 *(5) complete fiscal years that each contain twelve (12) months of service*
 21 *credit, then one (1) or more additional fiscal years, which may contain less*
 22 *than twelve (12) months of service credit, shall be added until the number of*
 23 *months in the final compensation calculation is at least sixty (60) months;*

24 (b) For a member who is ~~not~~ employed in a *nonhazardous* ~~hazardous~~
 25 position ~~, as provided in KRS 61.592~~, whose effective retirement date is
 26 between August 1, 2001, and January 1, 2009, and whose total service credit
 27 is at least twenty-seven (27) years and whose age and years of service total at

1 least seventy-five (75), final compensation means the creditable compensation
2 of the member during the three (3) fiscal years the member was paid at the
3 highest average monthly rate divided by the number of months of service
4 credit during that three (3) years period multiplied by twelve (12). The three
5 (3) years may be fractional and need not be consecutive. If the number of
6 months of service credit during the three (3) year period is less than twenty-
7 four (24), one (1) or more additional fiscal years shall be used.
8 Notwithstanding the provision of KRS 61.565, the funding for this paragraph
9 shall be provided from existing funds of the retirement allowance;

10 (c) For a member who begins participating before September 1, 2008, who is
11 employed in a hazardous position, as provided in KRS 61.592, **and who**
12 **retired prior to January 1, 2019,** the creditable compensation of the member
13 during the three (3) fiscal years he was paid at the highest average monthly
14 rate divided by the number of months of service credit during that three (3)
15 year period multiplied by twelve (12). The three (3) years may be fractional
16 and need not be consecutive. If the number of months of service credit during
17 the three (3) year period is less than twenty-four (24), one (1) or more
18 additional fiscal years shall be used;

19 (d) For a member who begins participating on or after September 1, 2008, but
20 prior to January 1, 2014, who is ~~not~~ employed in a
21 **nonhazardous**~~hazardous~~ position~~, as provided in KRS 61.592,~~ the
22 creditable compensation of the member during the five (5) complete fiscal
23 years immediately preceding retirement divided by five (5). Each fiscal year
24 used to determine final compensation must contain twelve (12) months of
25 service credit. If the member does not have five (5) complete fiscal years that
26 each contain twelve (12) months of service credit, then one (1) or more
27 additional fiscal years, which may contain less than twelve (12) months of

1 service credit, shall be added until the number of months in the final
2 compensation calculation is at least sixty (60) months; or

3 (e) For a member who begins participating on or after September 1, 2008, but
4 prior to January 1, 2014, who is employed in a hazardous position~~[,]~~ as
5 provided in KRS 61.592, **or for a member who begins participating prior to**
6 **September 1, 2008, who is employed in a hazardous position as provided in**
7 **KRS 61.592, who retires on or after January 1, 2019,** the creditable
8 compensation of the member during the three (3) complete fiscal years he was
9 paid at the highest average monthly rate divided by three (3). Each fiscal year
10 used to determine final compensation must contain twelve (12) months of
11 service credit. If the member does not have three (3) complete fiscal years that
12 each contain twelve (12) months of service credit, then one (1) or more
13 additional fiscal years, which may contain less than twelve (12) months of
14 service credit, shall be added until the number of months in the final
15 compensation calculation is at least thirty-six (36) months;

16 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
17 calculated during the twelve (12) month period immediately preceding the
18 member's effective retirement date, including employee contributions picked up
19 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
20 system by the employer and the following equivalents shall be used to convert the
21 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
22 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
23 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
24 one (1) year;

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

27 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the

1 basis of the actuarial tables that are adopted by the board. In cases of disability
2 retirement, the options authorized by KRS 61.635 shall be computed by adding ten
3 (10) years to the age of the member, unless the member has chosen the Social
4 Security adjustment option as provided for in KRS 61.635(8), in which case the
5 member's actual age shall be used. For members who began participating in the
6 system prior to January 1, 2014, no disability retirement option shall be less than the
7 same option computed under early retirement;

8 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless
9 otherwise provided in KRS 61.510 to 61.705;

10 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
11 following June 30, which shall also be the plan year. The "fiscal year" shall be the
12 limitation year used to determine contribution and benefit limits as established by
13 26 U.S.C. sec. 415;

14 (20) "Officers and employees of the General Assembly" means the occupants of those
15 positions enumerated in KRS 6.150. The term shall also apply to assistants who
16 were employed by the General Assembly for at least one (1) regular legislative
17 session prior to July 13, 2004, who elect to participate in the retirement system, and
18 who serve for at least six (6) regular legislative sessions. Assistants hired after July
19 13, 2004, shall be designated as interim employees;

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

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

- 1 (b) Emergency positions which are positions which do not exceed thirty (30)
2 working days and are nonrenewable;
- 3 (c) Temporary positions which are positions of employment with a participating
4 department for a period of time not to exceed nine (9) months and are
5 nonrenewable;
- 6 (d) Part-time positions which are positions which may be permanent in duration,
7 but which require less than a calendar or fiscal year average of one hundred
8 (100) hours of work per month, determined by using the number of months
9 actually worked within a calendar or fiscal year, in the performance of duty;
10 and
- 11 (e) Interim positions which are positions established for a one-time or recurring
12 need not to exceed nine (9) months;
- 13 (22) "Delayed contribution payment" means an amount paid by an employee for
14 purchase of current service. The amount shall be determined using the same formula
15 in KRS 61.5525, and the payment shall not be picked up by the employer. A
16 delayed contribution payment shall be deposited to the member's account and
17 considered as accumulated contributions of the individual member. In determining
18 payments under this subsection, the formula found in this subsection shall prevail
19 over the one found in KRS 212.434;
- 20 (23) "Parted employer" means a department, portion of a department, board, or agency,
21 such as Outwood Hospital and School, which previously participated in the system,
22 but due to lease or other contractual arrangement is now operated by a publicly held
23 corporation or other similar organization, and therefore is no longer participating in
24 the system. The term "parted employer" shall not include a department, board, or
25 agency that ceased participation in the system pursuant to KRS 61.522;
- 26 (24) "Retired member" means any former member receiving a retirement allowance or
27 any former member who has filed the necessary documents for retirement benefits

- 1 and is no longer contributing to the retirement system;
- 2 (25) "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 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
6 the member in accordance with KRS 61.542 or 61.705 to receive any available
7 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
8 does not mean an estate, trust, or trustee;
- 9 (27) "Recipient" means the retired member or 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 (28) **"Level dollar amortization method"**~~["Level percentage of payroll amortization
15 method"]~~ means a method of determining the annual amortization payment on the
16 unfunded actuarial accrued liability **that is set as an equal dollar amount**~~as
17 expressed as a percentage of payroll~~ over **the remaining amortization period as of**
18 **the actuarial valuation date**~~[a set period of years]~~. Under this method, ~~the~~
19 ~~percentage of payroll shall be projected to remain constant for all years remaining in~~
20 ~~the set period and~~ the unfunded actuarially accrued liability shall be projected to be
21 fully amortized at the conclusion of the **amortization period**~~[set period]~~;
- 22 (29) "Increment" means twelve (12) months of service credit which are purchased. The
23 twelve (12) months need not be consecutive. The final increment may be less than
24 twelve (12) months;
- 25 (30) "Person" means a natural person;
- 26 (31) "Retirement office" means the Kentucky Retirement Systems office building in
27 Frankfort;

- 1 (32) "Last day of paid employment" means the last date employer and employee
2 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
3 78.615 to the retirement office in order for the employee to receive current service
4 credit for the month. Last day of paid employment does not mean a date the
5 employee receives payment for accrued leave, whether by lump sum or otherwise, if
6 that date occurs twenty-four (24) or more months after previous contributions;
- 7 (33) "Objective medical evidence" means reports of examinations or treatments; medical
8 signs which are anatomical, physiological, or psychological abnormalities that can
9 be observed; psychiatric signs which are medically demonstrable phenomena
10 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
11 or contact with reality; or laboratory findings which are anatomical, physiological,
12 or psychological phenomena that can be shown by medically acceptable laboratory
13 diagnostic techniques, including but not limited to chemical tests,
14 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 15 (34) "Participating" means an employee is currently earning service credit in the system
16 as provided in KRS 61.543;
- 17 (35) "Month" means a calendar month;
- 18 (36) "Membership date" means:
- 19 (a) The date upon which the member began participating in the system as
20 provided in KRS 61.543; or
- 21 (b) For a member electing to participate in the system pursuant to KRS
22 196.167(4) who has not previously participated in the system or the Kentucky
23 Teachers' Retirement System, the date the member began participating in a
24 defined contribution plan that meets the requirements of 26 U.S.C. sec.
25 403(b);
- 26 (37) "Participant" means a member, as defined by subsection (8) of this section, or a
27 retired member, as defined by subsection (24) of this section;

- 1 (38) "Qualified domestic relations order" means any judgment, decree, or order,
2 including approval of a property settlement agreement, that:
- 3 (a) Is issued by a court or administrative agency; and
4 (b) Relates to the provision of child support, alimony payments, or marital
5 property rights to an alternate payee;
- 6 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
7 participant, who is designated to be paid retirement benefits in a qualified domestic
8 relations order;
- 9 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
10 member's account and interest credited on such amounts as provided by KRS
11 16.583 and 61.597;
- 12 (41) "Accumulated account balance" means:
- 13 (a) For members who began participating in the system prior to January 1, 2014,
14 the member's accumulated contributions;~~[-or]~~
- 15 (b) For members who began participating in the system on or after January 1,
16 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
17 the combined sum of the member's accumulated contributions and the
18 member's accumulated employer credit; or
- 19 (c) For nonhazardous members who are participating in the 401(a) money
20 purchase plan as provided by Section 12 of this Act, the combined sum of
21 the member's accumulated contribution and the member's accumulated
22 employer contribution in the 401(a) money purchase plan;
- 23 (42) "Volunteer" means an individual who:
- 24 (a) Freely and without pressure or coercion performs hours of service for an
25 employer participating in one (1) of the systems administered by Kentucky
26 Retirement Systems without receipt of compensation for services rendered,
27 except for reimbursement of actual expenses, payment of a nominal fee to

1 offset the costs of performing the voluntary services, or both; and

2 (b) If a retired member, does not become an employee, leased employee, or
 3 independent contractor of the employer for which he or she is performing
 4 volunteer services for a period of at least twenty-four (24) months following
 5 the retired member's most recent retirement date;~~and~~

6 (43) "Nominal fee" means compensation earned for services as a volunteer that does not
 7 exceed five hundred dollars (\$500) per month. Compensation earned for services as
 8 a volunteer from more than one (1) participating employer during a month shall be
 9 aggregated to determine whether the compensation exceeds the five hundred dollars
 10 (\$500) per month maximum provided by this subsection;

11 **(44) "Nonhazardous position" means a position that does not meet the requirements**
 12 **of KRS 61.592 or has not been approved by the board as a hazardous position;**
 13 **and**

14 **(45) "Accumulated employer contribution" means the employer contribution**
 15 **deposited to the member's account and any investment returns on such amounts**
 16 **as provided by Section 12 of this Act.**

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

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

- 19 (1) "System" means the County Employees Retirement System;
- 20 (2) "Board" means the board of trustees of the system as provided in KRS 78.780;
- 21 (3) "County" means any county, or nonprofit organization created and governed by a
 22 county, counties, or elected county officers, sheriff and his employees, county clerk
 23 and his employees, circuit clerk and his deputies, former circuit clerks or former
 24 circuit clerk deputies, or political subdivision or instrumentality, including school
 25 boards, charter county government, or urban-county government participating in the
 26 system by order appropriate to its governmental structure, as provided in KRS
 27 78.530, and if the board is willing to accept the agency, organization, or

1 corporation, the board being hereby granted the authority to determine the eligibility
2 of the agency to participate;

3 (4) "School board" means any board of education participating in the system by order
4 appropriate to its governmental structure, as provided in KRS 78.530, and if the
5 board is willing to accept the agency or corporation, the board being hereby granted
6 the authority to determine the eligibility of the agency to participate;

7 (5) "Examiner" means the medical examiners as provided in KRS 61.665;

8 (6) "Employee" means every regular full-time appointed or elective officer or employee
9 of a participating county and the coroner of a participating county, whether or not he
10 qualifies as a regular full-time officer. The term shall not include persons engaged
11 as independent contractors, seasonal, emergency, temporary, and part-time workers.
12 In case of any doubt, the board shall determine if a person is an employee within the
13 meaning of KRS 78.510 to 78.852;

14 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected
15 officials of a county, or any authority of the county having the power to appoint or
16 elect an employee to office or employment in the county;

17 (8) "Member" means any employee who is included in the membership of the system or
18 any former employee whose membership has not been terminated under KRS
19 61.535;

20 (9) "Service" means the total of current service and prior service as defined in this
21 section;

22 (10) "Current service" means the number of years and months of employment as an
23 employee, on and after July 1, 1958, for which creditable compensation is paid and
24 employee contributions deducted, except as otherwise provided;

25 (11) "Prior service" means the number of years and completed months, expressed as a
26 fraction of a year, of employment as an employee, prior to July 1, 1958, for which
27 creditable compensation was paid. An employee shall be credited with one (1)

1 month of prior service only in those months he received compensation for at least
2 one hundred (100) hours of work. Twelve (12) months of current service in the
3 system shall be required to validate prior service;

4 (12) "Accumulated contributions" means the sum of all amounts deducted from the
5 compensation of a member and credited to his individual account in the members'
6 account, including employee contributions picked up after August 1, 1982, pursuant
7 to KRS 78.610(4), together with interest credited, or investment returns earned as
8 provided by Section 12 of this Act, on the amounts, and any other amounts the
9 member shall have contributed thereto, including interest credited thereon or
10 investment returns earned as provided by Section 12 of this Act. ~~For members~~
11 ~~who begin participating on or after September 1, 2008,]~~ "Accumulated
12 contributions" shall not include employee contributions that are deposited into
13 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established
14 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

15 (13) "Creditable compensation":

16 (a) Except as provided by paragraph (b) or (c) of this subsection, means all
17 salary, wages, and fees, including payments for compensatory time, paid to the
18 employee as a result of services performed for the employer or for time during
19 which the member is on paid leave, which are includable on the member's
20 federal form W-2 wage and tax statement under the heading "wages, tips,
21 other compensation", including employee contributions picked up after
22 August 1, 1982, pursuant to KRS 78.610(4);

23 (b) Includes:

24 1. Lump-sum bonuses, severance pay, or employer-provided payments for
25 purchase of service credit, which shall be averaged over the employee's
26 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 Commission on Human Rights, or for any creditable compensation paid
7 in anticipation of settlement of an action before a court of competent
8 jurisdiction, the Personnel Board, or the Commission on Human Rights,
9 including notices of violations of state or federal wage and hour statutes
10 or violations of state or federal discrimination statutes, which shall be
11 credited to the fiscal year during which the wages were earned or should
12 have been paid by the employer. This subparagraph shall also include
13 lump-sum payments for reinstated wages pursuant to KRS 61.569,
14 which shall be credited to the period during which the wages were
15 earned or should have been paid by the employer;
- 16 4. Amounts which are not includable in the member's gross income by
17 virtue of the member having taken a voluntary salary reduction provided
18 for under applicable provisions of the Internal Revenue Code; and
- 19 5. Elective amounts for qualified transportation fringes paid or made
20 available on or after January 1, 2001, for calendar years on or after
21 January 1, 2001, that are not includable in the gross income of the
22 employee by reason of 26 U.S.C. sec. 132(f)(4); and
- 23 (c) Excludes:
- 24 1. *Uniform, equipment, or any other expense allowances paid on or after*
25 *January 1, 2019*, living allowances, expense reimbursements, lump-sum
26 payments for accrued vacation leave, sick leave except as provided in
27 KRS 78.616(5), 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; ~~and~~
- 3 3. Training incentive payments for city officers paid as set out in KRS
4 64.5277 to 64.5279; ~~and~~
- 5 4. For employees who begin participating on or after August 1, 2016,
6 ~~creditable compensation shall exclude~~ nominal fees paid for services
7 as a volunteer; ***and***
- 8 5. For employees who are employed in a nonhazardous position, who
9 began participating prior to September 1, 2008, and who retire after
10 July 1, 2023, lump-sum payments for compensatory time upon
11 termination of employment;

12 (14) "Final compensation" means:

- 13 (a) For a member who begins participating before September 1, 2008, who is
14 ~~not~~ employed in a ***nonhazardous***~~hazardous~~ position~~, as provided in KRS~~
15 ~~64.592~~, the creditable compensation of the member during the five (5) fiscal
16 years he was paid at the highest average monthly rate divided by the number
17 of months of service credit during that five (5) year period multiplied by
18 twelve (12). The five (5) years may be fractional and need not be consecutive,
19 ***except that for members retiring on or after January 1, 2019, the five (5)***
20 ***fiscal years shall be complete fiscal years.*** If the number of months of service
21 credit during the five (5) year period is less than forty-eight (48) ***for members***
22 ***retiring prior to January 1, 2019,*** one (1) or more additional fiscal years shall
23 be used. ***If a member retiring on or after January 1, 2019, does not have five***
24 ***(5) complete fiscal years that each contain twelve (12) months of service***
25 ***credit, then one (1) or more additional fiscal years, which may contain less***
26 ***than twelve (12) months of service credit, shall be added until the number of***
27 ***months in the final compensation calculation is at least sixty (60) months;***

- 1 (b) For a member who is ~~[not]~~ employed in a **nonhazardous**~~[hazardous]~~
2 position~~[, as provided in KRS 61.592]~~, whose effective retirement date is
3 between August 1, 2001, and January 1, 2009, and whose total service credit
4 is at least twenty-seven (27) years and whose age and years of service total at
5 least seventy-five (75), final compensation means the creditable compensation
6 of the member during the three (3) fiscal years the member was paid at the
7 highest average monthly rate divided by the number of months of service
8 credit during that three (3) year period multiplied by twelve (12). The three (3)
9 years may be fractional and need not be consecutive. If the number of months
10 of service credit during the three (3) year period is less than twenty-four (24),
11 one (1) or more additional fiscal years shall be used. Notwithstanding the
12 provision of KRS 61.565, the funding for this paragraph shall be provided
13 from existing funds of the retirement allowance;
- 14 (c) For a member who begins participating before September 1, 2008, who is
15 employed in a hazardous position, as provided in KRS 61.592, **and who**
16 **retired prior to January 1, 2019,** the creditable compensation of the member
17 during the three (3) fiscal years he was paid at the highest average monthly
18 rate divided by the number of months of service credit during that three (3)
19 year period multiplied by twelve (12). The three (3) years may be fractional
20 and need not be consecutive. If the number of months of service credit during
21 the three (3) year period is less than twenty-four (24), one (1) or more
22 additional fiscal years, which may contain less than twelve (12) months of
23 service credit, shall be used;
- 24 (d) For a member who begins participating on or after September 1, 2008, but
25 prior to January 1, 2014, who is ~~[not]~~ employed in a
26 **nonhazardous**~~[hazardous]~~ position~~[, as provided in KRS 61.592]~~, the
27 creditable compensation of the member during the five (5) complete fiscal

1 years immediately preceding retirement divided by five (5). Each fiscal year
2 used to determine final compensation must contain twelve (12) months of
3 service credit. If the member does not have five (5) complete fiscal years that
4 each contain twelve (12) months of service credit, then one (1) or more
5 additional fiscal years, which may contain less than twelve (12) months of
6 service credit, shall be added until the number of months in the final
7 compensation calculation is at least sixty (60) months; or

8 (e) For a member who begins participating on or after September 1, 2008, but
9 prior to January 1, 2014, who is employed in a hazardous position~~[-]~~ as
10 provided in KRS 61.592, or for a member who begins participating prior to
11 September 1, 2008, who is employed in a hazardous position as provided in
12 KRS 61.592, who retires on or after January 1, 2019, the creditable
13 compensation of the member during the three (3) complete fiscal years he was
14 paid at the highest average monthly rate divided by three (3). Each fiscal year
15 used to determine final compensation must contain twelve (12) months of
16 service credit. If the member does not have three (3) 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 thirty-six (36) months;

21 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
22 calculated during the twelve (12) month period immediately preceding the
23 member's effective retirement date, and shall include employee contributions picked
24 up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to
25 the system by the employer and the following equivalents shall be used to convert
26 the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
27 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half

- 1 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve
2 (12) months, one (1) year;
- 3 (16) "Retirement allowance" means the retirement payments to which a member is
4 entitled;
- 5 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
6 basis of the actuarial tables adopted by the board. In cases of disability retirement,
7 the options authorized by KRS 61.635 shall be computed by adding ten (10) years
8 to the age of the member, unless the member has chosen the Social Security
9 adjustment option as provided for in KRS 61.635(8), in which case the member's
10 actual age shall be used. For members who begin participating in the system prior to
11 January 1, 2014, no disability retirement option shall be less than the same option
12 computed under early retirement;
- 13 (18) "Normal retirement date" means the sixty-fifth birthday of a member unless
14 otherwise provided in KRS 78.510 to 78.852;
- 15 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
16 following June 30, which shall also be the plan year. The "fiscal year" shall be the
17 limitation year used to determine contribution and benefits limits as set out in 26
18 U.S.C. sec. 415;
- 19 (20) "Agency reporting official" means the person designated by the participating agency
20 who shall be responsible for forwarding all employer and employee contributions
21 and a record of the contributions to the system and for performing other
22 administrative duties pursuant to the provisions of KRS 78.510 to 78.852;
- 23 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean
24 all positions that average one hundred (100) or more hours per month, determined
25 by using the number of hours actually worked in a calendar or fiscal year, or eighty
26 (80) or more hours per month in the case of noncertified employees of school
27 boards, determined by using the number of hours actually worked in a calendar or

1 school year, unless otherwise specified, except:

2 (a) Seasonal positions, which although temporary in duration, are positions which
3 coincide in duration with a particular season or seasons of the year and that
4 may recur regularly from year to year, in which case the period of time shall
5 not exceed nine (9) months, except for employees of school boards, in which
6 case the period of time shall not exceed six (6) months;

7 (b) Emergency positions that are positions that do not exceed thirty (30) working
8 days and are nonrenewable;

9 (c) Temporary positions that are positions of employment with a participating
10 agency for a period of time not to exceed twelve (12) months and not
11 renewable;

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

19 (e) Part-time positions that are positions that may be permanent in duration, but
20 that require less than a calendar or fiscal year average of one hundred (100)
21 hours of work per month, determined by using the number of months actually
22 worked within a calendar or fiscal year, in the performance of duty, except in
23 case of noncertified employees of school boards, the school term average shall
24 be eighty (80) hours of work per month, determined by using the number of
25 months actually worked in a calendar or school year, in the performance of
26 duty;

27 (22) "Alternate participation plan" means a method of participation in the system as

- 1 provided for by KRS 78.530(3);
- 2 (23) "Retired member" means any former member receiving a retirement allowance or
3 any former member who has on file at the retirement office the necessary
4 documents for retirement benefits and is no longer contributing to the system;
- 5 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
6 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
7 pay. The rate shall be certified by the employer;
- 8 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
9 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
10 in the event of the member's death. As used in KRS 61.702, beneficiary shall not
11 mean an estate, trust, or trustee;
- 12 (26) "Recipient" means the retired member, the person or persons designated as
13 beneficiary by the member and drawing a retirement allowance as a result of the
14 member's death, or a dependent child drawing a retirement allowance. An alternate
15 payee of a qualified domestic relations order shall not be considered a recipient,
16 except for purposes of KRS 61.623;
- 17 (27) "Person" means a natural person;
- 18 (28) "School term or year" means the twelve (12) months from July 1 through the
19 following June 30;
- 20 (29) "Retirement office" means the Kentucky Retirement Systems office building in
21 Frankfort;
- 22 (30) "Delayed contribution payment" means an amount paid by an employee for current
23 service obtained under KRS 61.552. The amount shall be determined using the
24 same formula in KRS 61.5525, except the determination of the actuarial cost for
25 classified employees of a school board shall be based on their final compensation,
26 and the payment shall not be picked up by the employer. A delayed contribution
27 payment shall be deposited to the member's account and considered as accumulated

- 1 contributions of the individual member. In determining payments under this
2 subsection, the formula found in this subsection shall prevail over the one found in
3 KRS 212.434;
- 4 (31) "Participating" means an employee is currently earning service credit in the system
5 as provided in KRS 78.615;
- 6 (32) "Month" means a calendar month;
- 7 (33) "Membership date" means the date upon which the member began participating in
8 the system as provided in KRS 78.615;
- 9 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
10 retired member, as defined by subsection (23) of this section;
- 11 (35) "Qualified domestic relations order" means any judgment, decree, or order,
12 including approval of a property settlement agreement, that:
- 13 (a) Is issued by a court or administrative agency; and
- 14 (b) Relates to the provision of child support, alimony payments, or marital
15 property rights to an alternate payee;
- 16 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
17 participant, who is designated to be paid retirement benefits in a qualified domestic
18 relations order;
- 19 (37) "Accumulated employer credit" means the employer pay credit deposited to the
20 member's account and interest credited on such amounts as provided by KRS
21 16.583 and 61.597;
- 22 (38) "Accumulated account balance" means:
- 23 (a) For members who began participating in the system prior to January 1, 2014,
24 the member's accumulated contributions;~~{or}~~
- 25 (b) For members who began participating in the system on or after January 1,
26 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
27 the combined sum of the member's accumulated contributions and the

1 member's accumulated employer credit; or

2 (c) For nonhazardous members who are participating in the 401(a) money
 3 purchase plan as provided by Section 12 of this Act, the combined sum of
 4 the member's accumulated contributions and the member's accumulated
 5 employer contributions in the 401(a) money purchase plan;

6 (39) "Volunteer" means an individual who:

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

12 (b) If a retired member, does not become an employee, leased employee, or
 13 independent contractor of the employer for which he or she is performing
 14 volunteer services for a period of at least twenty-four (24) months following
 15 the retired member's most recent retirement date; ~~and~~

16 (40) "Nominal fee" means compensation earned for services as a volunteer that does not
 17 exceed five hundred dollars (\$500) per month. Compensation earned for services as
 18 a volunteer from more than one (1) participating employer during a month shall be
 19 aggregated to determine whether the compensation exceeds the five hundred dollars
 20 (\$500) per month maximum provided by this subsection;

21 (41) "Nonhazardous position" means a position that does not meet the requirements
 22 of KRS 61.592 or has not been approved by the board as a hazardous position;
 23 and

24 (42) "Accumulated employer contribution" means the employer contribution
 25 deposited to the member's account and any investment returns on such amounts
 26 as provided by Section 12 of this Act.

27 ➔Section 16. KRS 61.546 is amended to read as follows:

1 (1) Any member of the Kentucky Employees Retirement System or the State Police
 2 Retirement System whose retirement date is July 14, 1984, or thereafter, shall
 3 receive credit for unused sick leave accrued while contributing to the retirement
 4 system from which the retirement benefit is to be paid in accordance with this
 5 section.

6 (2) **(a) Each employer shall certify the following to the system for purposes of this**
 7 **section:**

8 **1.** Upon the member's notification of retirement as prescribed in KRS
 9 16.576 or 61.590, ~~the employer shall certify~~ the retiring member's
 10 unused, accumulated sick leave balance; **and** ~~to the system~~

11 **2. Each member's unused, accumulated sick leave balance as of**
 12 **December 31, 2018, except for those members who began participating**
 13 **in the systems on or after January 1, 2014.**

14 **(b) Except as provided by subsection (3) of this section,** the member's sick leave
 15 balance, expressed in days, shall be divided by the average number of working
 16 days per month in the state service and rounded to the nearest number of
 17 whole months. **Except as provided by subsection (3) of this section, all of** the
 18 member's sick leave balance, expressed in months, shall **upon retirement** be
 19 added to his service credit for the purpose of determining his annual
 20 retirement allowance under KRS 16.505 to 16.652 or 61.510 to 61.705 and for
 21 the purpose of determining whether the member is eligible to receive a
 22 retirement allowance under KRS 16.505 to 16.652 or 61.510 to 61.705~~;~~
 23 ~~except as provided by subsection (3) of this section. Accumulated sick leave~~
 24 ~~in excess of six (6) months shall be added to the member's service credit, and~~
 25 ~~the last participating Kentucky Employees Retirement Systems employer shall~~
 26 ~~pay to the retirement system the value of the additional service credit based on~~
 27 ~~the formula adopted by the board, except as provided by subsection (3) of this~~

1 ~~section. All of a state policeman's sick leave balance, expressed in months,~~
 2 ~~except as provided by subsection (3) of this section, shall be added to his~~
 3 ~~service credit for the purposes of determining his annual retirement allowance~~
 4 ~~and whether the member is eligible to receive a retirement allowance under~~
 5 ~~KRS 16.505 to 16.652].~~

6 (3) **Effective January 1, 2019**, for a member who **retires from**~~[begins participating in]~~
 7 the Kentucky Employees Retirement System or the State Police Retirement System
 8 on or after **January 1, 2019**~~[September 1, 2008]:~~

9 (a) The member shall receive no more **service credit for accumulated sick leave**
 10 **under this section** than **the lesser of the following:**

11 **1. The amount of service credit based upon the member's accumulated**
 12 **sick leave upon retirement as certified in accordance with subsection**

13 **(2)(a)1. of this section; or**

14 **2. For members retiring on or after January 1, 2019, the amount of**
 15 **service credit based upon the member's accumulated sick leave**
 16 **balance as of December 31, 2018, as certified in accordance with**
 17 **subsection (2)(a)2. of this section.**

18 **For those members who began participating in the Kentucky Employees**
 19 **Retirement System or the State Police Retirement System on or after**
 20 **September 1, 2008, but prior to January 1, 2014, the amount of service**
 21 **credit provided under this paragraph shall not exceed** twelve (12) months~~]~~

22 ~~of service credit upon retirement for accumulated unused sick leave accrued~~
 23 ~~while contributing to the retirement system or systems from which the~~
 24 ~~retirement benefit is to be paid];~~

25 (b) The service credited for accumulated unused sick leave **as limited by this**
 26 **section** and added to the member's service credit shall be used for purposes of
 27 determining the member's annual retirement allowance under KRS 16.505 to

1 16.652 and 61.510 to 61.705; and

2 (c) For members who began participating in the systems on or after September
3 1, 2008, and for those members retiring on or after January 1, 2019, the
4 service credited for accumulated unused sick leave and added to the member's
5 service credit shall not be used to determine whether a member is eligible to
6 receive a retirement allowance under any of the provisions of KRS 16.505 to
7 16.652 and 61.510 to 61.705 or to reduce any applicable actuarial
8 reductions[: and

9 ~~(d) Except as provided by subsection (4) of this section, the value of any~~
10 ~~accumulated unused sick leave in excess of six (6) months that is added to the~~
11 ~~member's service credit in the Kentucky Employees Retirement System shall~~
12 ~~be paid to the retirement system by the last participating Kentucky Employees~~
13 ~~Retirement System employer based upon the formula adopted by the board].~~

14 (4) Notwithstanding any other provision of this section to the contrary, the value of any
15 accumulated sick leave that is added to the member's service credit in the Kentucky
16 Employees Retirement System or the State Police Retirement System on or after
17 July 1, 2010, shall be paid to the retirement system by the last participating
18 Kentucky Employees Retirement System or State Police Retirement System
19 employer based upon a formula adopted by the board.

20 (5) The provisions of this section shall not apply to a participating agency whose
21 employees are not employed by the Commonwealth until the agency certifies to the
22 system that a sick leave program has been formally adopted and is universally
23 administered within the agency, except that any agency participating in the
24 Kentucky Employees Retirement System who has not adopted a sick leave
25 program prior to August 1, 2018, shall not be eligible to adopt a sick leave
26 program under this section.

27 (6) This section shall not apply to members who begin participating in the systems

1 administered by Kentucky Retirement Systems on or after January 1, 2014.

2 ➔Section 17. KRS 78.616 is amended to read as follows:

3 (1) Any agency participating in the County Employees Retirement System which has
4 formally adopted a sick-leave program that is universally administered to its
5 employees may purchase service credit with the retirement system for up to six (6)
6 months of unused sick leave for each retiring employee, **subject to the limitations**
7 **of subsection (8) of this section.**

8 (2) Participation under this section shall be at the option of each participating employer.
9 The election to participate shall be made by the governing authority of the
10 participating employer and shall be certified in writing to the system on forms
11 prescribed by the board. The certification shall provide for equal treatment of all
12 employees participating under this section. **Any employer in the County Employees**
13 **Retirement System who has not elected to participate in a sick leave program**
14 **established by this section prior to August 1, 2018, shall not be eligible to elect to**
15 **participate in a sick leave program established by this section.**

16 (3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590,
17 the employer shall certify the retiring employee's unused, accumulated sick-
18 leave balance to the system. The member's sick-leave balance, expressed in
19 days, shall be divided by the average number of working days per month in
20 county service and rounded to the nearest number of whole months. A
21 maximum of six (6) months of the member's sick-leave balance **or the**
22 **amount specified by subsection (8) of this section,** expressed in months, shall
23 be added to his service credit for the purpose of determining his annual
24 retirement allowance under KRS 78.510 to 78.852 and for the purpose of
25 determining whether the member is eligible to receive a retirement allowance
26 under KRS 78.510 to 78.852, except as provided by **paragraphs**~~[paragraph]~~
27 (d) **and (e)** of this subsection. **Except as limited by subsection (8) of this**

1 section, accumulated sick-leave in excess of six (6) months shall be added to
2 the member's service credit if the member or employer pays to the retirement
3 system the value of the additional service credit based on the formula adopted
4 by the board, subject to the restrictions provided by paragraph (d) of this
5 subsection.

6 (b) Except as limited by subsection (8) of this section, the employer may elect to
7 pay fifty percent (50%) of the cost of the sick leave in excess of six (6)
8 months on behalf of its employees. The employee shall pay the remaining fifty
9 percent (50%). The payment by the employer shall not be deposited to the
10 member's account. Service credit shall not be credited to the member's account
11 until both the employer's and employee's payments are received by the
12 retirement system.

13 (c) Once the employer elects to pay all or fifty percent (50%) of the cost on behalf
14 of its employees, it shall continue to pay the same portion of the cost.

15 (d) For a member who begins participating in the retirement system on or after
16 September 1, 2008, but prior to January 1, 2014, whose employer has
17 established a sick-leave program under subsections (1) to (4) and (6) of this
18 section:

19 1. Upon retirement, the member shall receive no more than twelve (12)
20 months of service credit or the amount determined by subsection (8) of
21 this section ~~[upon retirement]~~ for accumulated unused sick leave
22 accrued while contributing to the retirement system from which the
23 retirement benefit is to be paid;

24 2. The service added to the member's service credit shall be used for
25 purposes of determining the member's annual retirement allowance
26 under KRS 78.510 to 78.852;

27 3. The service added to the member's service credit shall not be used to

1 determine whether a member is eligible to receive a retirement
2 allowance under KRS 78.510 to 78.852; and

3 4. The cost of the service provided by this paragraph shall be paid by the
4 employer.

5 **(e) Effective January 1, 2019, for members retiring on or after January 1,**
6 **2019, any service added for accumulated sick leave to the member's service**
7 **credit shall not be used to determine whether a member is eligible to receive**
8 **a retirement allowance under KRS 78.510 to 78.852 or to reduce any**
9 **applicable actuarial reductions.**

10 (4) The system shall compute the cost of the sick-leave credit of each retiring employee
11 and bill each employer with whom the employee accrued sick leave accordingly.
12 The employer shall remit payment within thirty (30) days from receipt of the bill.

13 (5) (a) As an alternative to subsections (1), (3), (4), and (6) of this section, any
14 agency participating in the County Employees Retirement System which has
15 formally adopted a sick-leave program that is universally administered to its
16 employees, or administered to a majority of eligible employees in accordance
17 with subsection (6) of this section, shall, at the time of termination, or as
18 **authorized by**~~provided in~~ KRS 161.155 in the case of school boards,
19 compensate the employee for unused sick-leave days the employee has
20 accumulated which it is the uniform policy of the agency to allow.

21 (b) The rate of compensation for each unused sick-leave day shall be based on the
22 daily salary rate calculated from the employee's current rate of pay. Payment
23 for unused sick-leave days shall be incorporated into the employee's final
24 compensation if the employee and employer make the regular employee and
25 employer contributions, respectively, on the sick-leave payment.

26 (c) The number of sick-leave days for which the employee is compensated shall
27 be divided by the average number of working days per month in county

1 service and rounded to the nearest number of whole months. This number of
2 months, not to exceed the amount specified by subsection (8) of this section,
3 shall be added to the employee's total service credit and to the number of
4 months used to determine creditable compensation, pursuant to KRS 78.510,
5 but no more than sixty (60) months shall be used to determine final
6 compensation. For an employee who begins participating on or after
7 September 1, 2008, but prior to January 1, 2014, the number of months added
8 to the employee's total service credit under this paragraph shall not exceed
9 twelve (12) months, or the amount specified by subsection (8) of this section,
10 and the additional service shall not be used to determine whether a member is
11 eligible to receive a retirement allowance under KRS 78.510 to 78.852.

12 (d) Effective January 1, 2019, any service added for accumulated sick leave to
13 the member's service credit shall not be used to determine whether a
14 member is eligible to receive a retirement allowance under KRS 78.510 to
15 78.852 or to reduce any applicable actuarial reductions.

16 (6) Except as limited by subsection (8) of this section, any city of the first class that
17 has two (2) or more sick-leave programs for its employees may purchase service
18 credit with the retirement system for up to six (6) months of unused sick leave for
19 each retiring employee who participates in the sick-leave program administered to a
20 majority of the eligible employees of the city. An employee participating in a sick-
21 leave program administered to a minority of the eligible employees shall become
22 eligible for the purchase of service credit under this subsection when the employee
23 commences participating in the sick-leave program that is administered to a
24 majority of the eligible employees of the city.

25 (7) The provisions of this section shall not apply to employees who begin participating
26 in the system on or after January 1, 2014, and no service credit shall be provided for
27 accumulated sick leave balances of those employees who begin participating in the

1 system on or after January 1, 2014.

2 **(8) (a) Each employer who has adopted a sick leave program prior to August 1,**
 3 **2018, shall on or after December 31, 2018, certify each member's unused,**
 4 **accumulated sick leave balance as of December 31, 2018, except for those**
 5 **members who began participating in the systems on or after January 1,**
 6 **2014.**

7 **(b) Notwithstanding any other provision of this section, the member shall**
 8 **receive no more service credit for accumulated sick leave under this section**
 9 **than the lesser of the following:**

10 **1. The amount of service credit based upon the member's accumulated**
 11 **sick leave upon retirement as certified in accordance with subsections**
 12 **(1) to (7) of this section and based upon the employer's adopted sick**
 13 **leave program; or**

14 **2. For members retiring on or after January 1, 2019, the amount of**
 15 **service credit based upon the member's accumulated sick leave**
 16 **balance as of December 31, 2018, as certified in accordance with**
 17 **paragraph (a) of this subsection.**

18 **For those members who began participating in the system on or after**
 19 **September 1, 2008, but prior to January 1, 2014, the amount of service**
 20 **credit provided for accumulated sick leave under this paragraph shall not**
 21 **exceed twelve (12) months.**

22 ➔Section 18. KRS 61.565 is amended to read as follows:

23 (1) (a) Each employer participating in the State Police Retirement System as
 24 provided for in KRS 16.505 to 16.652, ~~each employer participating in~~ the
 25 County Employees Retirement System as provided for in KRS 78.510 to
 26 78.852, and ~~each employer participating in~~ the Kentucky Employees
 27 Retirement System as provided for in KRS 61.510 to 61.705 shall contribute

1 annually to the respective retirement system an amount determined by the
 2 actuarial valuation completed in accordance with KRS 61.670 and as
 3 specified by this section. Employer contributions for each respective
 4 retirement system shall be equal to the sum of percent, as computed under
 5 subsection (2) of this section, of the creditable compensation of its employees
 6 to be known as the "normal cost contribution[contributions,]" and [an
 7 additional amount to be known as] the "actuarially accrued liability
 8 contribution."

9 (b) For purposes of this section, the normal cost contribution shall be
 10 computed as a percentage of pay and shall be an annual amount that is
 11 sufficient when combined with employee contributions to fund benefits
 12 earned during the year in the respective system or plan, including costs for
 13 those members who elect to participate in the 401(a) money purchase plan.
 14 The amount shall be paid as a percentage of creditable compensation
 15 reported for each employee participating in the system or plan and accruing
 16 benefits.

17 (c) For purposes of this section, the actuarially accrued liability
 18 contribution[which] shall be an annual dollar amount that is sufficient to
 19 amortize[computed by amortizing] the total unfunded actuarially accrued
 20 liability of each system over a closed period of thirty (30) years using the
 21 level-dollar[level percentage of payroll] amortization method. This method
 22 shall be used beginning with the 2019[2007] actuarial valuation, and
 23 employer costs for the actuarially accrued liability contribution shall be
 24 prorated to each employer as provided by paragraph (f) of this subsection[-].
 25 The initial thirty (30) year amortization period shall begin with the 2007
 26 actuarial valuation, except as provided by paragraph (b) of this subsection].

27 (d) The employer contributions computed under this section shall be

1 determined using:

2 1. The entry age normal cost funding method;

3 2. An asset smoothing method that smooths investment gains and losses
 4 over a five (5) year period; and

5 3. Other funding methods and assumptions established by the board in
 6 accordance with KRS 61.670.

7 ~~(e)(b)~~ Effective with the 2019~~[2013]~~ actuarial valuation, the amortization
 8 period for the Kentucky Employees Retirement System, the County
 9 Employees Retirement System, and the State Police Retirement System shall
 10 be reset to a new thirty (30) year closed period for purposes of calculating the
 11 actuarially accrued liability contribution prescribed by this subsection.

12 (f) The dollar value of the actuarially accrued liability contribution specified by
 13 paragraph (c) of this subsection payable by each individual system employer
 14 based upon the 2019 actuarial valuation shall be prorated based upon the
 15 individual employer's average percentage of the total creditable
 16 compensation reported by all employers in the specific system in fiscal year
 17 2014-2015, 2015-2016, and 2016-2017, except that the amount shall:

18 1. Not apply to any employer who ceases participation and pays the full
 19 actuarial cost of ceasing participation as provided by KRS 61.522; and

20 2. Be adjusted for each remaining employer of a system to reflect any
 21 employer who ceases participation and who pays the full actuarial cost
 22 of ceasing participation as provided by KRS 61.522.

23 ~~{(e) Any significant increase in the actuarially accrued liability due to benefit~~
 24 ~~improvements after the 2007 valuation shall be amortized using the level-~~
 25 ~~percentage of payroll amortization method over a separate thirty (30) year~~
 26 ~~period commencing in the year of the actuarial valuation in which the benefit~~
 27 ~~improvements are first reflected.]~~

1 (2) ~~{The normal contribution rate shall be determined by the entry age normal cost~~
2 ~~funding method. The actuarially accrued liability shall be determined by actuarial~~
3 ~~method consistent with the methods prescribed for determining the normal~~
4 ~~contribution rate. Normal contributions and the actuarially accrued liability~~
5 ~~contribution shall be determined on actuarial bases adopted by the board.~~

6 ~~(3)~~ (a) Normal cost contribution rates and the actuarially accrued liability
7 contribution~~{rates}~~ shall be determined by the board on the basis of the annual
8 actuarial valuation last preceding the July 1 of a new biennium.

9 (b) The board may amend contribution rates as of July 1 of the second year of a
10 biennium~~{ for the County Employees Retirement System}~~, if it is determined
11 on the basis of a subsequent actuarial valuation that amended contribution
12 rates are necessary to satisfy the requirements of ~~{subsections (1) and (2) of~~
13 ~~}this section.~~

14 (c) Effective for employer contribution rates payable on or after July 1, 2014,
15 through June 30, 2020, the board shall not have the authority to amend
16 contribution rates as of July 1 of the second year of the biennium for the
17 Kentucky Employees Retirement System and the State Police Retirement
18 System.

19 ~~(3)~~~~{(4)}~~ The system shall advise each employer prior to the beginning of each
20 biennium, or prior to July 1 of the second year of a biennium for employers
21 participating in the County Employees Retirement System, of any change in the
22 employer contribution rate. Based on the employer contribution rate, each employer
23 shall include in the budget sufficient funds to pay the employer contributions as
24 determined by the board under ~~{subsections (1) to (3) of}this section.~~

25 ~~(4)~~~~{(5)}~~ The General Assembly shall pay the full actuarially required contribution rate,
26 as prescribed by this section, to the Kentucky Employees Retirement System and
27 the State Police Retirement System in fiscal years occurring on or after July 1, 2014.

1 ~~(5)~~~~(6)~~ Notwithstanding any other provision of KRS Chapter 61 to the contrary, the
 2 board shall establish employer contribution rates for the County Employees
 3 Retirement System that will phase in to the full actuarially required contribution for
 4 the health insurance fund over a ten (10) year period using the 2007-2008 fiscal year
 5 employer contribution for the health insurance fund as a base employer rate and
 6 incrementally increasing the employer rate from fiscal year 2008-2009 through
 7 fiscal year 2017-2018.

8 ➔Section 19. KRS 61.597 is amended to read as follows:

9 (1) A member of the Kentucky Employees Retirement System or County Employees
 10 Retirement System who is ~~not~~ participating in a nonhazardous~~hazardous-duty~~
 11 position~~as provided by KRS 61.592~~, whose participation in the systems begins on
 12 or after January 1, 2014, except for those members~~for a member~~ making an
 13 election pursuant to KRS 61.5955 or Section 12 of this Act, shall receive the
 14 retirement benefits provided by this section in lieu of the retirement benefits
 15 provided under KRS 61.559 and 61.595. The retirement benefit provided by this
 16 section shall be known as the hybrid cash balance plan and shall operate as another
 17 benefit tier within the Kentucky Employees Retirement System and the County
 18 Employees Retirement System.

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

21 (a) Contributions made by the member as provided by KRS 16.505 to 16.652,
 22 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions
 23 prescribed by KRS 61.702(2)(b);

24 (b) An employer pay credit of four percent (4%) of the creditable compensation
 25 earned by the employee for each month the employee is contributing to the
 26 hybrid cash balance plan provided by this section; and

27 (c) Interest credits added annually to the member's accumulated account balance

1 as provided by this section.

2 (3) (a) Member contributions and employer pay credits as provided by subsection
3 (2)(a) and (b) of this section shall be credited to the member's account
4 monthly as contributions are reported and posted to the system in accordance
5 with KRS 61.675 and 78.625.

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

9 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
10 contributed to the hybrid cash balance plan or another state-administered
11 retirement system during the fiscal year.

12 (b) If the member contributed to the hybrid cash balance plan or another state-
13 administered retirement system during the fiscal year, the interest credit
14 added to the member's account for that fiscal year shall be determined by
15 multiplying the member's accumulated account balance on June 30 of the
16 preceding fiscal year by a percentage increase equal to eighty-five percent
17 (85%)[-

18 1.—Four percent (4%); plus

19 2.—~~seventy five percent (75%)~~] of the system's geometric average net
20 investment return, but in no case shall be less than zero percent (0%)
21 ~~[in excess of a four percent (4%) rate of return].~~

22 (c) If the member did not contribute to the hybrid cash balance plan or another
23 state-administered retirement system during the fiscal year, then no[the]
24 interest credit shall be added to the member's account for that fiscal year[-
25 shall be determined by multiplying the member's accumulated account balance
26 on June 30 of the preceding fiscal year by four percent (4%)].

27 (d) For purposes of this subsection, "system's geometric average net investment

1 return":

2 1. Means the annual average geometric investment return, net of
3 administrative and investment fees and expenses, over the last ten
4 ~~(10)[five (5)]~~ fiscal years as of the date the interest is credited to the
5 member's account; and

6 2. Shall be expressed as a percentage and based upon the system in which
7 the member has an account.

8 (e) No employer pay credits or interest credits shall be provided to a member who
9 has taken a refund of contributions as provided by KRS 61.625 or who has
10 retired and annuitized his or her accumulated account balance as prescribed by
11 this section.

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

17 (b) Upon termination of employment, a member who has five (5) or more years of
18 service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to
19 take a refund of his or her accumulated account balance as provided by KRS
20 61.625, shall receive a full refund of his or her accumulated account balance.

21 (6) A member participating in the hybrid cash balance plan provided by this section
22 may retire:

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

26 (b) If the member is at least age fifty-seven (57) and has an age and years of
27 service total of at least eighty-seven (87) years. The years of service used to

1 determine eligibility for retirement under this paragraph shall only include
 2 years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or
 3 another state-administered retirement system.

- 4 (7) A member eligible to retire under subsection (6) of this section may elect to:
- 5 (a) Receive a monthly retirement allowance payable for life by having his or her
 6 accumulated account balance annuitized by the retirement systems in
 7 accordance with the actuarial assumptions and actuarial methods adopted by
 8 the board and in effect on the member's retirement date;
- 9 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
 10 under paragraph (a) of this subsection payable under one (1) of the options set
 11 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or
- 12 (c) Take a refund of his or her account balance as provided by KRS 61.625.
- 13 (8) The provisions of this section shall not apply to members who began participating
 14 in the Kentucky Employees Retirement System or the County Employees
 15 Retirement System prior to January 1, 2014~~], except for those members making an~~
 16 ~~election pursuant to KRS 61.5955].~~

17 ➔Section 20. KRS 61.575 is amended to read as follows:

- 18 (1) The members' account shall be the account to which:
- 19 (a) All members' contributions, or contributions picked up by the employer after
 20 August 1, 1982, and interest allowances ***or investment returns*** as provided in
 21 KRS 61.510 to 61.692 shall be credited, except as provided by KRS
 22 61.702(2)(b);~~and~~
- 23 (b) For members who begin participating in the system on or after January 1,
 24 2014, ***who are participating in the hybrid cash balance plan***, the employer
 25 pay credit and interest credited on such amounts as provided by KRS 16.583
 26 and 61.597 shall be credited; ***and***
- 27 ***(c) For members who elect to participate in the 401(a) money purchase plan as***

1 *provided by Section 7, 12, or 38 of this Act, the employer contribution and*
2 *investment return on such amounts as provided by Section 12 of this Act.*

3 Only funds from this account shall be used to return the accumulated contributions
4 or accumulated account balances of a member when required by reason of any
5 provision of KRS 61.510 to 61.705. Prior to the member's retirement, death, or
6 refund in accordance with KRS 61.625, no funds shall be made available from the
7 member account.

8 (2) Each member's contribution or contribution picked up by the employer shall be
9 credited to the individual account of the contributing member, except as provided
10 by KRS 61.702(2)(b).

11 (3) *Except for the portion of the member's account balance in the 401(a) money*
12 *purchase plan as provided by Section 12 of this Act:*

13 (a) Each member shall have his individual account credited with interest on June
14 30 of each fiscal year.

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

19 (c) For a member who begins participating on or after September 1, 2008, but
20 prior to January 1, 2014, interest shall be credited to his individual account at
21 a rate of two and one-half percent (2.5%) per annum on the accumulated
22 account balance of the member on June 30 of the preceding fiscal year.

23 (d) For a member who begins participating on or after January 1, 2014, in the
24 hybrid cash balance plan, interest shall be credited in accordance with KRS
25 16.583 and 61.597.

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

- 1 (4) (a) Upon the retirement of a member who began participating in the system prior
 2 to January 1, 2014, his or her accumulated account balance shall be
 3 transferred from the members' account to the retirement allowance account.
- 4 (b) Upon the retirement of a member who began participating in the system on or
 5 after January 1, 2014, or who elects to participate in the 401(a) money
 6 purchase plan, who elects to annuitize his or her accumulated account
 7 balance in the hybrid cash balance plan or 401(a) money purchase plan as
 8 prescribed by KRS 16.583(7)(a) or (b), ~~or~~ 61.597(7)(a) or (b), or subsection
 9 (6)(a) or (b) of Section 12 of this Act, the member's accumulated account
 10 balance shall be transferred to the retirement allowance account.

11 ➔Section 21. KRS 78.640 is amended to read as follows:

- 12 (1) The members' account shall be the account to which:
- 13 (a) All members' contributions, or contributions picked up by the employer after
 14 August 1, 1982, and interest allowances or investment returns as provided in
 15 KRS 78.510 to 78.852 shall be credited, except as provided by KRS
 16 61.702(2)(b);~~and~~
- 17 (b) For members who begin participating in the system on or after January 1,
 18 2014, who are participating in the hybrid cash balance plan, the employer
 19 pay credit and interest credited on such amounts as provided by KRS 16.583
 20 and 61.597 shall be credited; and
- 21 (c) For members who elect to participate in the 401(a) money purchase plan
 22 provided by Section 7, 12, or 38 of this Act, the employer contribution and
 23 investment return on such amounts as provided by Section 12 of this Act.

24 Only funds from this account shall be used to return the accumulated contributions
 25 or accumulated account balances of a member when required to be returned to him
 26 by reason of any provision of KRS 78.510 to 78.852. Prior to the member's
 27 retirement, death, or refund in accordance with KRS 61.625, no funds shall be made

1 available from the member account.

2 (2) Each member's contribution or contribution picked up by the employer shall be
3 credited to the individual account of the contributing member, except as provided
4 by KRS 61.702(2)(b).

5 (3) Except for the portion of the member's account balance in the 401(a) money
6 purchase plan as provided by Section 12 of this Act:

7 (a) Each member shall have his individual account credited with interest on June
8 30 of each year.

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

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

18 (d) For a member who begins participating on or after January 1, 2014, in the
19 hybrid cash balance plan, interest shall be credited in accordance with KRS
20 16.583 and 61.597.

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

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

26 (b) Upon the retirement of a member who began participating in the system on or
27 after January 1, 2014, or who elects to participate in the 401(a) money

1 *purchase plan*, who elects to annuitize his or her accumulated account
 2 balance *in the hybrid cash balance plan or 401(a) money purchase plan* as
 3 prescribed by KRS 16.583(7)(a) or (b), ~~or~~ 61.597(7)(a) or (b), *or subsection*
 4 *(6)(a) or (b) of Section 12 of this Act*, the member's accumulated account
 5 balance shall be transferred to the retirement allowance account.

6 ➔Section 22. KRS 61.580 is amended to read as follows:

7 The retirement allowance account shall be the account in which shall be accumulated all
 8 employer contributions and amounts transferred from the members' account, and to which
 9 all income from the invested assets of the system shall be credited. From this account
 10 shall be paid the expenses of the system and the board incurred in administration of the
 11 system, retirement allowances, and any other benefits payable after a member's retirement
 12 and from this account shall be transferred to the members' account:

13 (1) The employer pay credit added monthly to each member's individual accounts as
 14 provided by KRS 16.583 and 61.597;~~and~~

15 (2) *The employer contribution for the 401(a) money purchase plan as provided by*
 16 *Section 12 of this Act; and*

17 (3) The interest credited annually to ~~a~~each member's individual account as provided
 18 by KRS 61.510 to 61.705.

19 ➔Section 23. KRS 78.650 is amended to read as follows:

20 The retirement allowance account shall be the account in which shall be accumulated all
 21 employer contributions and amounts transferred from the members' account, and to which
 22 all income from the invested assets of the system shall be credited. From this account
 23 shall be paid the expenses of the system and the board in administration of the system,
 24 retirement allowances, and any other benefits payable after a member's retirement and
 25 from this account shall be transferred to the members' account:

26 (1) The employer pay credit added monthly to each member's individual accounts as
 27 provided by KRS 16.583 and 61.597;~~and~~

1 (2) *The employer contribution for the 401(a) money purchase plan as provided by*
 2 *Section 12 of this Act; and*

3 (3) The interest credited annually to ~~a~~each member's individual account as provided
 4 by KRS 78.510 to 78.852.

5 →Section 24. KRS 16.601 is amended to read as follows:

6 (1) If ~~the death of~~ a member dies ~~in service occurs on or after August 1, 1992,~~ as a
 7 direct result of an ~~act in line of duty~~ as defined in subsection (19) of Section
 8 13 of this Act and is survived by a spouse:~~and the member has on file in the~~
 9 retirement office at the time of his or her death a written designation of only one (1)
 10 beneficiary, who is his or her spouse, the beneficiary]

11 (a) The surviving spouse shall be the beneficiary, and this shall supersede the
 12 designation of all previous beneficiaries of the deceased member's
 13 retirement account; and

14 (b) The surviving spouse may elect to receive a lump-sum payment of ten
 15 thousand dollars (\$10,000) and a monthly payment equal to twenty-five
 16 percent (25%) of the member's monthly final rate of pay beginning in the
 17 month following the member's death and continuing each month until death.

18 (2) If ~~the death of~~ a member dies~~in service occurs on or after July 1, 1968,~~ as a
 19 direct result of an ~~act in line of duty~~ as defined in subsection (19) of Section
 20 13 of this Act and the member has on file in the retirement office at the time of his
 21 or her death a written designation of only one (1) beneficiary other than his or her
 22 spouse who has not been superseded by the surviving spouse as provided by
 23 subsection (1)(a) of this section and~~,~~ who is a dependent receiving at least one-
 24 half (1/2) of his or her support from the deceased member, the beneficiary may elect
 25 to receive a lump-sum payment of ten thousand dollars (\$10,000).

26 (3) In the period of time following a member's death during which dependent children
 27 survive, monthly payments shall be made for each dependent child who is alive,

1 equal to ten percent (10%) of the deceased member's monthly final rate of pay;
2 however, total maximum dependent children's benefits shall not be greater than
3 forty percent (40%) of the deceased member's monthly final rate of pay at the time
4 any particular payment is due. The payments shall commence in the month
5 following the date of death of the member and shall be payable to the beneficiaries,
6 or to a legally appointed guardian or as directed by the system. Benefits shall be
7 payable under this subsection notwithstanding an election by a surviving spouse or
8 beneficiary to withdraw the deceased member's accumulated account balance as
9 provided in KRS 61.625 or benefits under any other provisions of KRS 16.510 to
10 16.652.

11 (4) A surviving spouse or beneficiary eligible for benefits under subsection (1) or (2) of
12 this section who is also eligible for benefits under any other provisions of KRS
13 16.510 to 16.652 may elect benefits under this section or any other section of KRS
14 16.510 to 16.652 but cannot elect to receive both.

15 (5) (a) A surviving spouse or beneficiary applying for benefits under subsection (1)
16 or (2) of this section who is also eligible for benefits under KRS 16.578 may
17 elect to receive benefits under KRS 16.578(2)(a) or (b) while the application
18 for benefits under subsection (1) or (2) of this section is pending.

19 (b) If a final determination results in a finding of eligibility for benefits under
20 subsection (1) or (2) of this section, the system shall recalculate the benefits
21 due the surviving spouse or beneficiary in accordance with this subsection.

22 (c) If the surviving spouse or beneficiary has been paid less than the amount of
23 benefits to which the beneficiary was entitled to receive under this section, the
24 system shall pay the additional funds due to the surviving spouse or
25 beneficiary.

26 (d) If the surviving spouse or beneficiary has been paid more than the amount of
27 benefits to which the surviving spouse or beneficiary was entitled to receive

1 under this section, the system shall deduct the amount overpaid to the
2 surviving spouse or beneficiary from the ten thousand dollars (\$10,000)
3 lump-sum payment and from the monthly retirement allowance payments until
4 the amount owed to the systems has been recovered.

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

6 (1) (a) Any employee participating in one (1) of the state-administered retirement
7 systems who has been refunded his accumulated account balance under the
8 provisions of KRS 16.645(21), 61.625, or 78.545(15), thereby losing service
9 credit, may regain the credit by paying to the system from which he received
10 the refund or refunds the amount or amounts refunded with interest at a rate
11 determined by the board of the respective retirement system.

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

22 (c) Service purchased under this subsection on or after January 1, 2014, shall not
23 be used to determine the member's participation date in the system. Members
24 participating in the 401(a) money purchase plan as provided by Section 12
25 of this Act shall not be eligible to purchase service under this subsection.

26 (2) Any employee participating in one (1) of the retirement systems administered by
27 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if

1 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
2 (65) in the systems administered by the Kentucky Retirement Systems, and who did
3 not elect membership in the County Employees Retirement System, as provided in
4 KRS 78.540(2), may purchase service credit in the County Employees Retirement
5 System for the service he would have received had he elected membership.

6 (3) Any employee participating in one (1) of the retirement systems administered by
7 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
8 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
9 (65) in the systems administered by the Kentucky Retirement Systems, and who did
10 not elect membership in the Kentucky Employees Retirement System, as provided
11 in KRS 61.525(2), may purchase service credit in the Kentucky Employees
12 Retirement System for the service he would have received had he elected
13 membership.

14 (4) An employee participating in one (1) of the retirement systems administered by
15 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
16 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
17 (65) in the systems administered by the Kentucky Retirement Systems, may
18 purchase service credit in the Kentucky Employees Retirement System for service
19 between July 1, 1956, and the effective date of participation of his department.

20 (5) (a) An employee participating in one (1) of the retirement systems administered
21 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
22 service if age sixty-five (65) or at least sixty (60) months of service if under
23 age sixty-five (65) in the systems administered by the Kentucky Retirement
24 Systems, may purchase service credit in the County Employees Retirement
25 System for service between July 1, 1958, and the effective date of
26 participation of his county.

27 (b) An employee participating in one (1) of the retirement systems administered

1 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
2 service if age sixty-five (65) or at least sixty (60) months of service if under
3 age sixty-five (65) in the systems administered by Kentucky Retirement
4 Systems may purchase service credit for the period of his service with an area
5 development district created pursuant to KRS 147A.050 or with a business
6 development corporation created pursuant to KRS 155.001 to 155.230 if that
7 service was not covered by a state-administered retirement system. The
8 employee may obtain credit for employment with a business development
9 corporation only if the Kentucky Retirement Systems receives a favorable
10 private letter ruling from the United States Internal Revenue Service or a
11 favorable opinion letter from the United States Department of Labor.

12 (6) The member shall not receive service credit for the same period of time in which
13 the member has service credit in one (1) of the systems administered by Kentucky
14 Retirement Systems or another public defined benefit retirement fund.

15 (7) Any employee participating in one (1) of the retirement systems administered by
16 Kentucky Retirement Systems who has at least forty-eight (48) months' service if
17 age sixty-five (65) or at least sixty (60) months' service if under age sixty-five (65)
18 in the retirement systems administered by the Kentucky Retirement Systems, who
19 formerly worked for a state university in a nonteaching position which would have
20 qualified as a regular full-time position had the university been a participating
21 department, and who did not participate in a defined benefit retirement program at
22 the university, may purchase service credit in any of the systems administered by
23 Kentucky Retirement Systems in which the employee is a member for the service he
24 would have received had his period of university employment been covered by the
25 County Employees Retirement System, Kentucky Employees Retirement System, or
26 State Police Retirement System.

27 (8) (a) Effective August 1, 1980, any county participating in the County Employees

1 Retirement System may purchase current service, between July 1, 1958, and
2 participation date of the county, for present employees of the county who have
3 obtained coverage under KRS 78.540(2).

4 (b) Effective July 1, 1973, any department participating in the Kentucky
5 Employees Retirement System may purchase current service between July 1,
6 1956, and participation date of the department, for present employees of the
7 department who were employees on the participation date of the department
8 and elected coverage under KRS 61.525(2).

9 (c) Cost of the service credit purchased under this subsection shall be determined
10 by computing the discounted value of the additional service credit based on an
11 actuarial formula recommended by the board's consulting actuary and
12 approved by the board. A department shall make payment for the service
13 credit within the same fiscal year in which the option is elected. The county
14 shall establish a payment schedule subject to approval by the board for
15 payment of the service credit. The maximum period allowed in a payment
16 schedule shall be ten (10) years with interest at the rate actuarially assumed by
17 the board; however, a shorter period is desirable and the board may approve
18 any schedule provided it is not longer than a ten (10) year period.

19 (d) If a county or department elects the provisions of this subsection, any present
20 employee who would be eligible to receive service credit under the provisions
21 of this subsection and has purchased service credit under subsection (4) or (5)
22 of this section shall have his payment for the service credit refunded with
23 interest at the rate paid under KRS 61.575 or 78.640.

24 (e) Any payments made by a county or department under this subsection shall be
25 deposited to the retirement allowance account of the proper retirement system
26 and these funds shall not be considered accumulated contributions of the
27 individual members.

- 1 (9) Interest paid by a member of the Kentucky Employees Retirement System, County
2 Employees Retirement System, or State Police Retirement System under this
3 section or other similar statutes under KRS 16.505 to 16.652, 61.510 to 61.705, or
4 78.510 to 78.852 prior to June 19, 1976, shall be credited to the individual
5 member's account in the appropriate retirement system and considered as
6 accumulated contributions of the member.
- 7 (10) Employees who served as assistants to officers and employees of the General
8 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)
9 or at least sixty (60) months of service if under age sixty-five (65) in the systems
10 administered by Kentucky Retirement Systems and who were unable to acquire
11 service under KRS 61.510(20) may purchase credit for the service performed after
12 January 1, 1960.
- 13 (11) (a) Effective August 1, 1988, any employee participating in one (1) of the
14 retirement systems administered by Kentucky Retirement Systems who has at
15 least forty-eight (48) months of service if age sixty-five (65) or at least sixty
16 (60) months of service if under age sixty-five (65) in the systems administered
17 by Kentucky Retirement Systems may purchase service credit for interim,
18 seasonal, emergency, temporary, probationary, or part-time employment
19 averaging one hundred (100) or more hours of work per month on a calendar
20 or fiscal year basis. If the average number of hours of work is less than one
21 hundred (100) per month, the member shall be allowed credit only for those
22 months he receives creditable compensation for one hundred (100) or more
23 hours of work.
- 24 (b) Any noncertified employee of a school board who has at least forty-eight (48)
25 months of service if age sixty-five (65) or at least sixty (60) months of service
26 if under age sixty-five (65) in the systems administered by Kentucky
27 Retirement Systems may purchase service credit in the County Employees

1 Retirement System for part-time employment prior to the 1990-91 school year
2 which averaged eighty (80) or more hours of work per month on a calendar or
3 fiscal year basis. If the average number of hours of work is less than eighty
4 (80) per month, the noncertified employee of a school board shall be allowed
5 to purchase service credit only for those months he received creditable
6 compensation for eighty (80) or more hours of work.

7 (12) Any employee participating in one (1) of the systems administered by Kentucky
8 Retirement Systems who has at least forty-eight (48) months of service if age sixty-
9 five (65) or at least sixty (60) months of service if under age sixty-five (65) in the
10 systems administered by Kentucky Retirement Systems may purchase service credit
11 for any period of approved educational leave, or for agency-approved leave to work
12 for a work-related labor organization if the agency subsequently participated in the
13 County Employees Retirement System. The employee may also purchase service
14 credit for agency-approved leave to work for a work-related labor organization if
15 the agency subsequently participated in the County Employees Retirement System,
16 but only if the Kentucky Retirement Systems receives a favorable private letter
17 ruling from the United States Internal Revenue Service or a favorable opinion letter
18 from the United States Department of Labor.

19 (13) Any employee participating in one (1) of the retirement systems administered by
20 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
21 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
22 (65) in the systems administered by Kentucky Retirement Systems may purchase
23 service credit for any period of authorized maternity leave, unpaid leave authorized
24 under the Federal Family and Medical Leave Act, or for any period of authorized
25 sick leave without pay.

26 (14) (a) Any employee participating in one (1) of the retirement systems administered
27 by Kentucky Retirement Systems may purchase service credit under any of the

1 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852,
2 or as otherwise required by 38 U.S.C. ch. 43, by:

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

1 and any regulations and rulings issued thereunder.

2 (b) For purposes of this subsection, "grandfathered service" means service
3 purchases for which a member, whose membership date in the system is prior
4 to July 1, 1999, is eligible to purchase under KRS 16.505 to 16.652, 61.510 to
5 61.705, or 78.510 to 78.852, that were available for all members of the system
6 to purchase on August 5, 1997.

7 (c) 1. For service purchased under a before-tax or after-tax installment
8 purchase of service agreement as provided by paragraph (a)2. of this
9 subsection, the cost of the service shall be computed in the same manner
10 as for a lump-sum payment which shall be the principal, except that
11 interest compounded annually at the actuarial rate in effect at the time
12 the member elects to make the purchase shall be added for the period
13 that the installments are to be made.

14 2. Multiple service purchases may be combined under a single installment
15 agreement, except that no employee may make more than one (1)
16 installment purchase at the same time.

17 3. For after-tax installment purchase of service agreements, the employee
18 may elect to stop the installment payments by notifying the retirement
19 system; may have the installment purchase recalculated to add one (1) or
20 more additional service purchases; or may pay by lump sum the
21 remaining principal or a portion of the remaining principal.

22 4. Before-tax installment purchase of service agreements shall be
23 irrevocable, and the employee shall not be able to stop installment
24 payments or to pay off the remaining balance of the purchase of service
25 agreement, except upon termination of employment or death.

26 5. One (1) year of installment payments shall be made for each one
27 thousand dollars (\$1,000) or any part thereof of the total cost, except that

- 1 the total period allowed for installments shall not be less than one (1)
2 year and shall not exceed five (5) years.
- 3 6. The employee shall pay the installments by payroll deduction for after-
4 tax purchase of service agreements, and the employer shall pick up
5 installments for before-tax purchase of service agreements. Upon
6 notification by the retirement system, the employer shall report the
7 installment payments either monthly or semimonthly continuously over
8 each twelve (12) month period at the same time as, but separate from,
9 regular employee contributions on the forms or by the computer format
10 specified by the board.
- 11 7. The retirement system shall determine how much of the total cost
12 represents payment for one (1) month of the service to be purchased and
13 shall credit one (1) month of service to the member's account each time
14 this amount has been paid. The first service credited shall represent the
15 first calendar month of the service to be purchased and each succeeding
16 month of service credit shall represent the succeeding months of that
17 service.
- 18 8. If the employee utilizing an installment purchase of service agreement
19 dies, retires, does not continue employment in a position required to
20 participate in the retirement system, or elects to stop an after-tax
21 installment purchase of service agreement, the member, or in the case of
22 death, the beneficiary, shall have sixty (60) days to pay the remaining
23 principal or a portion of the remaining principal of the installment
24 purchase of service agreement by lump sum, subject to the restrictions of
25 paragraph (a)1. of this subsection, or by transfer of funds under
26 paragraph (a)3. of this subsection, except that payment by the member
27 shall be filed with the system prior to the member's effective retirement

1 date. If the member or beneficiary does not pay the remaining cost, the
2 retirement system shall refund to the member or the beneficiary the
3 payment, payments, or portion of a payment that does not represent a
4 full month of service purchased, except as provided by subsection (22)
5 of this section.

6 9. If the employer does not report installment payments on an employee for
7 sixty (60) days for an after-tax installment purchase of service
8 agreement, except in the case of employees on military leave or sick
9 leave without pay, the installment purchase shall cease and the
10 retirement system shall refund to the employee the payment, payments,
11 or portion of a payment that does not represent a full month of service
12 purchased.

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

16 11. If payments have ceased under subparagraph 8. or 9. of this paragraph
17 and the member later becomes a participating employee in one (1) of the
18 three (3) systems administered by Kentucky Retirement Systems, the
19 employee may complete the adjusted original installment purchase by
20 lump sum or installment payments, subject to the restrictions of this
21 subsection. If the employee elects to renew the installment purchase, the
22 cost of the remaining service shall be recalculated in accordance with
23 paragraph (a) of this subsection.

24 (d) Except as provided by paragraph (a)2.a. of this subsection, the cost of
25 purchasing service shall not be picked up, as described in KRS 16.545(4),
26 61.560(4), or 78.610(4), by the employer.

27 (e) The cost of purchasing service credit under any provision of this section,

1 except as provided by subsections (1) and (20) of this section, shall be
2 determined by the delayed contribution method as provided by KRS 61.5525.

3 (f) Member payments, including interest, properly received pursuant to this
4 subsection shall be deposited to the member's account and considered as
5 accumulated contributions of the individual member.

6 (15) After August 1, 1998, any employee participating in one (1) of the retirement
7 systems administered by Kentucky Retirement Systems who is age sixty-five (65) or
8 older and has forty-eight (48) months of service credit or, if younger, who has sixty
9 (60) months of service credit in systems administered by Kentucky Retirement
10 Systems may purchase service credit in the system in which the employee has the
11 service credit for up to ten (10) years service in a regular full-time position that was
12 credited to a state or local government-administered public defined benefit plan in
13 another state other than a defined benefit plan for teachers. The employee shall
14 provide proof that he is not eligible for a retirement benefit for the period of service
15 from the other state's plan.

16 (16) After August 1, 1998, any employee participating in one (1) of the retirement
17 systems administered by Kentucky Retirement Systems, who has sixty (60) or more
18 months of service in the State Police Retirement System or in a hazardous position
19 in the Kentucky Employees Retirement System or the County Employees
20 Retirement System, may purchase service credit in the system in which the
21 employee has the sixty (60) months of service credit for up to ten (10) years of
22 service in a regular full-time position that was credited to a defined benefit
23 retirement plan administered by a state or local government in another state, if the
24 service could be certified as hazardous pursuant to KRS 61.592. The employee shall
25 provide proof that he is not eligible for a retirement benefit for the period of service
26 from the other unit of government's plan.

27 (17) Any employee participating in one (1) of the retirement systems administered by

1 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
2 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
3 (65) in the systems administered by Kentucky Retirement Systems and who has
4 completed service as a volunteer in the Kentucky Peace Corps, created by KRS
5 154.1-720, may purchase service credit for the time served in the corps.

6 (18) An employee participating in any retirement system administered by Kentucky
7 Retirement Systems who has at least forty-eight (48) months of service if age sixty-
8 five (65), or at least sixty (60) months of service if under age sixty-five (65) in the
9 systems administered by Kentucky Retirement Systems, and who was formerly
10 employed in a regional community services program for mental health and
11 individuals with an intellectual disability, organized and operated under the
12 provisions of KRS 210.370 to 210.480, which does not participate in a state-
13 administered retirement system may purchase service credit for the period of his
14 service in the regional community program for mental health and individuals with
15 an intellectual disability.

16 (19) An employee participating in one (1) of the retirement systems administered by
17 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
18 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
19 (65) in the systems administered by the Kentucky Retirement Systems, who was
20 employed by a vocational technical school in a noncertified part-time position
21 averaging eighty (80) or more hours per month, determined by using the number of
22 months actually worked within a calendar or fiscal year, may purchase service credit
23 in the Kentucky Employees Retirement System.

24 (20) (a) Any person who is entitled to service credit for employment which was not
25 reported in accordance with KRS 16.543, 61.543, or 78.615 may obtain credit
26 for the service by paying the employee contributions due within six (6)
27 months of notification by the system. No interest shall be added to the

1 contributions. The service credit shall not be credited to the member's account
2 until the employer contributions are received. If a retired member makes the
3 payment within six (6) months, the retired member's retirement allowance
4 shall be adjusted to reflect the added service after the employer contributions
5 and any interest or penalties on the delinquent employer contributions are
6 received by the retirement system.

7 (b) Any employee participating in one (1) of the state-administered retirement
8 systems who is entitled to service credit under paragraph (a) of this subsection
9 and who has not repaid the employee contributions due within six (6) months
10 of notification by the system may regain the credit after the six (6) months by
11 paying to the system the employee contributions plus interest at the actuarially
12 assumed rate from the date of initial notification under paragraph (a) of this
13 subsection. Service credit shall not be credited to the member's account until
14 the employer contributions and any interest or penalties on the delinquent
15 employer contributions are received by the retirement system.

16 (c) Service purchased under this subsection by employees who begin participating
17 on or after September 1, 2008, shall be considered service credited under KRS
18 16.543(1), 61.543(1), or 78.615(1) for purposes of determining eligibility for
19 retirement benefits under KRS 16.505 to 16.652, 61.510 to 61.705, and
20 78.510 to 78.852.

21 (d) Employees who begin participating on or after January 1, 2014, in the hybrid
22 cash balance plan provided by KRS 16.583 and 61.597 shall, upon payment of
23 the employee and employer contributions due under this subsection, have their
24 accumulated account balance increased by the employee contributions,
25 employer pay credits, and interest credits that would have been credited to
26 their member's account if the contributions had been paid on time.

27 **(e) An employee participating in the 401(a) money purchase plan as provided**

1 by Section 12 of this Act shall, upon payment of the employee and employer
 2 contributions due under this subsection, have his or her accumulated
 3 account balance increased by the employee contributions and employer
 4 contributions that would have been credited to his or her member account if
 5 the contributions had been paid on time.

6 ~~(f)(e)~~ Employer contributions payable under this subsection shall be
 7 considered delinquent and the employer shall be required to pay interest and
 8 any other penalties on the delinquent contributions in accordance with KRS
 9 61.675(3)(b) and 78.625(2)(a) from the date the employee should have been
 10 reported and received service credit in accordance with KRS 16.543, 61.543,
 11 and 78.615.

12 (21) Any employee participating in one (1) of the retirement systems administered by
 13 Kentucky Retirement Systems who has at least forty-eight (48) months of service if
 14 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
 15 (65) in the systems administered by the Kentucky Retirement Systems may
 16 purchase service credit for employment with a public agency that would have been
 17 eligible to participate under KRS 61.520 but which did not participate in the
 18 Kentucky Employees Retirement System or a political subdivision that would have
 19 been eligible to participate under KRS 78.530 but which did not participate in the
 20 County Employees Retirement System if the former public agency or political
 21 subdivision has merged with or been taken over by a participating department or
 22 county.

23 (22) Any employee participating in one (1) of the retirement systems administered by the
 24 Kentucky Retirement Systems prior to July 15, 2002, who has accrued at least forty-
 25 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of
 26 service if under age sixty-five (65) in the systems administered by the Kentucky
 27 Retirement Systems and who has total service in all state-administered retirement

1 systems of at least one hundred eighty (180) months of service credit may purchase
2 a combined maximum total of five (5) years of retirement service credit which is
3 not otherwise purchasable under any of the provisions of KRS 16.505 to 16.652,
4 61.510 to 61.705, and 78.510 to 78.852. The purchase shall be made in any of the
5 systems administered by Kentucky Retirement Systems in which the employee is a
6 member. The service purchased under this subsection shall not be used in
7 determining a retirement allowance until the member has accrued at least two
8 hundred forty (240) months of service, excluding service purchased under this
9 subsection. If the member does not accrue at least two hundred forty (240) months
10 of service, excluding service purchased under this subsection, upon retirement,
11 death, or written request following termination, the payment, plus interest as
12 provided in KRS 61.575, shall be refunded.

13 (23) An employee participating in one (1) of the retirement systems administered by
14 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
15 age sixty-five (65), or at least sixty (60) months of service if under age sixty-five
16 (65), in the systems administered by Kentucky Retirement Systems, may obtain
17 credit in the County Employees Retirement System for the period of that employee's
18 service with a community action agency created under KRS 273.405 to 273.453 if
19 that service was not covered by a state-administered retirement system.

20 (24) An employee may obtain credit for regular full-time service with an agency prior to
21 August 1, 1998, for which the employee did not receive credit due to KRS
22 61.637(1). Service credit obtained under this subsection shall not be used in
23 determining benefits under KRS 61.702. The employee may purchase credit for
24 service prior to August 1, 1998, if:

25 (a) The employee retired from one (1) of the retirement systems administered by
26 the Kentucky Retirement Systems and was reemployed prior to August 1,
27 1998, earning less than the maximum permissible earnings under the Federal

- 1 Social Security Act;
- 2 (b) The employee elected to participate in a second retirement account effective
3 August 1, 1998, in accordance with KRS 61.637(7); and
- 4 (c) The employee has at least forty-eight (48) months of service if age sixty-five
5 (65), or at least sixty (60) months of service if under age sixty-five (65), in a
6 second account in the systems administered by Kentucky Retirement Systems.
- 7 (25) An employee participating in one (1) of the retirement systems administered by the
8 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if
9 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
10 (65) in the systems administered by the Kentucky Retirement Systems, may obtain
11 credit for the service in a regular full-time position otherwise creditable under the
12 Kentucky Employees Retirement System, the County Employees Retirement
13 System, or the State Police Retirement System for service in the United States
14 government, other than service in the Armed Forces, for which service is not
15 otherwise given.
- 16 (26) An employee participating in a hazardous position in one (1) of the retirement
17 systems administered by the Kentucky Retirement Systems, who has at least forty-
18 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of
19 service if under age sixty-five (65) in the systems administered by the Kentucky
20 Retirement Systems, may obtain credit for service in a regular full-time position in
21 an urban-county government that would qualify for hazardous duty coverage under
22 KRS 61.592.
- 23 (27) Subsections (2) to (5), (7) to (13), (15) to (19), and (21) to (26) of this section shall
24 not apply to members who begin participating in the systems administered by
25 Kentucky Retirement Systems on or after January 1, 2014, **or to members who**
26 **make an election as provided by Section 7, 12, or 38 of this Act.**
- 27 (28) Service purchases made pursuant to subsections (2) to (5), (7), (10) to (13), (15) to

1 (19), (21) to (23), (25), and (26) of this section shall be purchased by the entire
2 amount of service available pursuant to that subsection or by increments. Service
3 purchases made pursuant to subsections (1), (20), and (24) of this section shall be
4 purchased by the entire amount of service available.

5 ➔Section 26. KRS 61.555 is amended to read as follows:

6 (1) (a) After August 1, 1998, any employee entering the Armed Forces of the United
7 States after he first participates in the system, who joins the Armed Forces
8 within three (3) months of the last day of paid employment, being on leave of
9 absence from service and not withdrawing his accumulated account balance,
10 shall be credited for retirement purposes with service credit and creditable
11 compensation as provided in 38 U.S.C. sec. 4318 for his period of active
12 military duty in the Armed Forces of the United States, not to exceed six (6)
13 years, if:

- 14 1. The member's military service was terminated in a manner other than as
15 described in 38 U.S.C. sec. 4304; and
- 16 2. The member returns to work with an employer participating in one (1) of
17 the retirement systems administered by the Kentucky Retirement
18 Systems within two (2) years after completion of the period of active
19 military duty, or upon the subsequent termination of any total disability
20 which existed at the expiration of the two (2) years after discharge.

21 (b) A member eligible for the benefit prescribed by this subsection who
22 participates in the hybrid cash balance plan as provided by KRS 16.583 and
23 61.597 shall also have his or her member account credited with employee
24 contributions, employer pay credits, and interest credits, as provided by KRS
25 16.583 and 61.597, as though the member were employed during the
26 member's period of active military duty described by this subsection.

27 (c) A member eligible for the benefit prescribed by this subsection who

1 *participates in the 401(a) money purchase plan as provided by Section 12 of*
2 *this Act shall also have his or her member account credited with employee*
3 *and employer contributions, as provided by Section 12 of this Act, as though*
4 *the member were employed during the member's period of active military*
5 *duty described by this subsection.*

6 (d) The employer shall remit to the retirement systems the employer contributions
7 that would have been due under KRS 61.565 and 61.702 for periods of service
8 credited under this subsection.

9 (2) (a) After August 1, 1998, any employee who, prior to the date he first participated
10 in the system, terminated his employment with an agency participating in one
11 (1) of the systems administered by the Kentucky Retirement Systems and
12 within three (3) months entered the Armed Forces of the United States and
13 who returns to work with an employer participating in one (1) of the
14 retirement systems administered by the Kentucky Retirement Systems within
15 two (2) years after completion of the period of active military duty, or upon
16 the subsequent termination of any total disability which existed at the
17 expiration of the two (2) years after discharge, shall be credited for retirement
18 purposes with service credit and creditable compensation as provided in 38
19 U.S.C. sec. 4318 for his period of active military duty in the Armed Forces,
20 not to exceed six (6) years if his military service was terminated in a manner
21 other than as described in 38 U.S.C. sec. 4304.

22 (b) A member eligible for the benefit prescribed by this subsection who
23 participates in the hybrid cash balance plan as provided by KRS 16.583 and
24 61.597 shall also have his or her member account credited with employee
25 contributions, employer pay credits, and interest credits, as provided by KRS
26 16.583 and 61.597, as though the member were employed during the
27 member's period of active military duty described by this subsection.

- 1 (c) *A member eligible for the benefit prescribed by this subsection who*
2 *participates in the 401(a) money purchase plan as provided by Section 12 of*
3 *this Act shall also have his or her member account credited with employee*
4 *and employer contributions, as provided by Section 12 of this Act, as though*
5 *the member were employed during the member's period of active military*
6 *duty described by this subsection.*
- 7 (d) The employer shall remit to the retirement systems the employer contributions
8 that would have been due under KRS 61.565 and 61.702 for periods of service
9 credited under this subsection.
- 10 (3) Any National Guard technician involuntarily serving on active military duty during
11 the period between January 26, 1968, and January 1, 1970, who completes his eight
12 (8) years' service while on military duty during this period, shall have that portion of
13 his active military duty, necessary to the completion of eight (8) years' current
14 service, credited to his account, as current service without having to meet the
15 reemployment criteria.
- 16 (4) Any employee eligible for retirement as prescribed in KRS 61.559 or any employee
17 upon completion of five (5) years of service shall receive current service credit for a
18 maximum of four (4) years for his period of active military duty in the Armed
19 Forces of the United States, if his military service was terminated in a manner other
20 than as described in 38 U.S.C. sec. 4304 and he has not been credited with the
21 service under subsections (1) to (3) of this section if he pays thirty-five percent
22 (35%) of the cost of the service based on the formula adopted by the board. The
23 payment by the member shall not be picked up by the employer, as described in
24 KRS 61.560(4), and shall be deposited to his individual member's account. The
25 remaining sixty-five percent (65%) shall be paid by the state from funds
26 appropriated specifically for the purpose and these payments shall be deposited to
27 the respective retirement allowance accounts. If no funds are available in the special

1 appropriation account, the system shall not accept employee payments until funds
2 are available in the account.

3 (5) Any employee participating in one (1) of the retirement systems administered by
4 Kentucky Retirement Systems eligible to purchase military service credit under
5 subsection (4) of this section shall receive current service credit for active military
6 duty as provided under subsection (4) of this section without payment of the current
7 employee contribution ratio if the member was taken prisoner by a hostile power at
8 any time during active military service.

9 (6) Any employee participating in one (1) of the retirement systems administered by
10 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)
11 months of service, at least twelve (12) of which are current service, or if younger
12 who has sixty (60) months of service, at least twelve (12) of which are current
13 service shall receive current service for his period of active military duty in the
14 Armed Forces of the United States, if his military service was terminated in a
15 manner other than as described in 38 U.S.C. sec. 4304 and he has not been credited
16 with the service under subsections (1) to (4) of this section, by paying the retirement
17 system a delayed contribution payment in accordance with the payment options and
18 restrictions established by KRS 61.552(14). Service purchases made pursuant to this
19 subsection shall be purchased by the entire amount of service available pursuant to
20 this subsection or by increments.

21 (7) Any employee participating in one (1) of the retirement systems administered by the
22 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)
23 months of service, at least twelve (12) of which are current service, or if younger
24 who has sixty (60) months of service, at least twelve (12) of which are current
25 service, shall receive one (1) month of current service for each six (6) months of
26 service in the National Guard or the military reserves of the United States, by
27 paying the retirement system a delayed contribution payment in accordance with the

1 payment options and restrictions established by KRS 61.552(14). The service shall
2 be treated as service earned prior to participation in the system and shall not be
3 included in the member's final compensation. Service purchases made pursuant to
4 this subsection shall be purchased by the entire amount of service available pursuant
5 to this subsection or by increments.

6 (8) For members who begin participating in the systems administered by Kentucky
7 Retirement Systems on or after January 1, 2014, in the hybrid cash balance plan
8 prescribed by KRS 16.583 and 61.597, **and for members who make an election to**
9 **participate in the 401(a) money purchase plan as provided by Section 7, 12, or 38**
10 **of this Act**, the provisions of subsections (4) to (7) of this section shall not apply.

11 ➔Section 27. KRS 61.595 is amended to read as follows:

12 **Except as limited by Section 12 or 38 of this Act:**

13 (1) Effective July 1, 1990, upon retirement at normal retirement date or subsequent
14 thereto, a member may receive an annual retirement allowance, payable monthly
15 during his lifetime, which shall consist of an amount equal to two and two-tenths
16 percent (2.2%) for the County Employees Retirement System and one and ninety-
17 seven hundredths percent (1.97%) for the Kentucky Employees Retirement System
18 of final compensation multiplied by the number of years of service credit, except
19 that:

20 (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement
21 System who was participating in one (1) of the state-administered retirement
22 systems as of January 1, 1998, and continues to participate through January 1,
23 1999, shall receive an annual retirement allowance, payable monthly during
24 his lifetime, which shall consist of an amount equal to two percent (2%) of
25 final compensation multiplied by the number of years of service credit. Any
26 Kentucky Employees Retirement System member whose effective date of
27 retirement is between February 1, 1999, and January 31, 2009, and who has at

1 least twenty (20) years of service credit in one (1) of the state-administered
2 retirement systems and who was participating in one (1) of the state-
3 administered retirement systems as of January 1, 1998, and continues to
4 participate through January 1, 1999, shall receive an annual retirement
5 allowance, payable monthly during his lifetime, which shall consist of an
6 amount equal to two and two-tenths percent (2.2%) of final compensation
7 multiplied by the number of years of service credit. Notwithstanding the
8 provisions of KRS 61.565, the funding for this paragraph shall be provided
9 from existing funds of the retirement allowance account;

10 (b) For a member of the County Employees Retirement System whose
11 participation begins on or after August 1, 2004, the annual retirement
12 allowance upon retirement at normal retirement date or later shall be equal to
13 two percent (2%) of final compensation multiplied by the number of years of
14 service credit and shall be payable monthly during his lifetime;

15 (c) The annual normal retirement allowance for members of the General
16 Assembly, who serve during the 1974 or 1976 General Assembly, and will
17 have eight (8) years or more of total legislative service as of January 6, 1978,
18 shall not be less than two hundred forty dollars (\$240) multiplied by the
19 number of years of service as a member of the General Assembly;

20 (d) For a member of the Kentucky Employees Retirement System or the County
21 Employees Retirement System who begins participating on or after September
22 1, 2008, the annual retirement allowance upon retirement shall be equal to:

23 1. a. One and one-tenth percent (1.1%) of final compensation for each
24 year of service if the member has earned ten (10) or less years of
25 service at retirement;

26 b. One and three-tenths percent (1.3%) of final compensation for
27 each year of service if the member has earned greater than ten (10)

- 1 but no more than twenty (20) years of service at retirement;
- 2 c. One and one-half percent (1.5%) of final compensation for each
3 year of service if the member has earned greater than twenty (20)
4 but no more than twenty-six (26) years of service at retirement; or
- 5 d. One and three-quarters percent (1.75%) of final compensation for
6 each year of service if the member has earned greater than twenty-
7 six (26) but no more than thirty (30) years of service at retirement;
8 and
- 9 2. Two percent (2.0%) of final compensation for each year of service
10 earned in excess of thirty (30) years of service at retirement;
- 11 (e) The annual normal retirement allowance for members of the General
12 Assembly who will have fewer than eight (8) years of service as of December
13 31, 1975, shall be as prescribed in Chapter 116, section 36(1), Acts of the
14 1972 General Assembly for legislative service prior to January 1, 1974;
- 15 (f) Former members of the General Assembly who have eight (8) or more years
16 of legislative service prior to the 1976 Regular Session are eligible for an
17 increased retirement allowance of two hundred forty dollars (\$240) times the
18 years of legislative service, if the member pays to the Kentucky Employees
19 Retirement System thirty-five percent (35%) of the actuarial cost of the higher
20 benefit, as determined by the system, except that a former member with
21 sixteen (16) or more years of legislative service, or his beneficiary, who is
22 receiving a retirement allowance, also is eligible under this section and may
23 apply for a recomputation of his retirement allowance. The employer's share
24 of sixty-five percent (65%) of the computed actuarial cost shall be paid from
25 the State Treasury to the Kentucky Employees Retirement System upon
26 presentation of a properly documented claim to the Finance and
27 Administration Cabinet. If any member with sixteen (16) or more years of

1 legislative service previously applied for and is receiving a retirement
2 allowance, he may reapply and his retirement allowance shall be recomputed
3 in accordance with this paragraph, and he shall thereafter be paid in
4 accordance with the option selected by him at the time of the reapplication;
5 and

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

10 (2) (a) Upon service retirement prior to normal retirement date, a member may
11 receive an annual retirement allowance payable monthly during his lifetime
12 which shall be determined in the same manner as for retirement at his normal
13 retirement date with years of service and final compensation being determined
14 as of the date of his actual retirement, but the amount of the retirement
15 allowance so determined shall be reduced at an amount determined by the
16 board's actuary to reflect the earlier commencement of benefits.

17 (b) A member of the Kentucky Employees Retirement System or the County
18 Employees Retirement System who begins participating before September 1,
19 2008, who has twenty-seven (27) or more years of service credit, at least
20 fifteen (15) of which are current service, may retire with no reduction in the
21 retirement allowance. A member who begins participating before September
22 1, 2008, who has earned vested service credit in a retirement system, other
23 than the Teachers' Retirement System, sponsored by a Kentucky institution of
24 higher education, the Council on Postsecondary Education, or the Higher
25 Education Assistance Authority, may count the vested service toward attaining
26 the necessary years of service credit as provided in KRS 61.559(2)(c) and (d)
27 to qualify for a retirement allowance. The credit from a Kentucky institution

1 of higher education, the Council on Postsecondary Education, or the Higher
2 Education Assistance Authority shall not be used toward the minimum fifteen
3 (15) years of current service required by KRS 61.559(2)(c) and (d) or to
4 calculate his retirement allowance pursuant to this section. The provisions of
5 this paragraph shall not be construed to limit the use of Teachers' Retirement
6 System credit pursuant to KRS 61.680(2)(a).

7 (c) A member of the Kentucky Employees Retirement System or the County
8 Employees Retirement System who begins participating on or after September
9 1, 2008, may retire with no reduction in benefits if the member is fifty-seven
10 (57) years of age or older and has an age and years of service total of at least
11 eighty-seven (87) years. The years of service used to determine eligibility for
12 an unreduced retirement allowance under this paragraph shall only include
13 years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or
14 another state-administered retirement system.

15 (3) Subsections (1) and (2) of this section shall not apply to members who begin
16 participating in the system on or after January 1, 2014. Members who begin
17 participating in the system on or after January 1, 2014, shall receive the retirement
18 benefits prescribed by KRS 61.597 or Section 12 of this Act, as applicable.

19 ➔Section 28. KRS 61.637 is amended to read as follows:

20 (1) A retired member who is receiving monthly retirement payments under any of the
21 provisions of KRS 61.510 to 61.705 and 78.510 to 78.852 and who is reemployed
22 as an employee by a participating agency prior to August 1, 1998, shall have his
23 retirement payments suspended for the duration of reemployment. Monthly
24 payments shall not be suspended for a retired member who is reemployed if he
25 anticipates that he will receive less than the maximum permissible earnings as
26 provided by the Federal Social Security Act in compensation as a result of
27 reemployment during the calendar year. The payments shall be suspended at the

1 beginning of the month in which the reemployment occurs.

2 (2) Employer and employee contributions shall be made as provided in KRS 61.510 to
3 61.705 and 78.510 to 78.852 on the compensation paid during reemployment,
4 except where monthly payments were not suspended as provided in subsection (1)
5 of this section or would not increase the retired member's last monthly retirement
6 allowance by at least one dollar (\$1), and the member shall be credited with
7 additional service credit.

8 (3) In the month following the termination of reemployment, retirement allowance
9 payments shall be reinstated under the plan under which the member was receiving
10 payments prior to reemployment.

11 (4) (a) Notwithstanding the provisions of this section, the payments suspended in
12 accordance with subsection (1) of this section shall be paid retroactively to the
13 retired member, or his estate, if he does not receive more than the maximum
14 permissible earnings as provided by the Federal Social Security Act in
15 compensation from participating agencies during any calendar year of
16 reemployment.

17 (b) If the retired member is paid suspended payments retroactively in accordance
18 with this section, employee contributions deducted during his period of
19 reemployment, if any, shall be refunded to the retired employee, and no
20 service credit shall be earned for the period of reemployment.

21 (c) If the retired member is not eligible to be paid suspended payments for his
22 period of reemployment as an employee, his retirement allowance shall be
23 recomputed under the plan under which the member was receiving payments
24 prior to reemployment as follows:

25 1. The retired member's final compensation shall be recomputed using
26 creditable compensation for his period of reemployment; however, the
27 final compensation resulting from the recalculation shall not be less than

- 1 that of the member when his retirement allowance was last determined;
- 2 2. If the retired member initially retired on or subsequent to his normal
3 retirement date, his retirement allowance shall be recomputed by using
4 the formula in KRS 61.595(1);
- 5 3. If the retired member initially retired prior to his normal retirement date,
6 his retirement allowance shall be recomputed using the formula in KRS
7 61.595(2), except that the member's age used in computing benefits shall
8 be his age at the time of his initial retirement increased by the number of
9 months of service credit earned for service performed during
10 reemployment;
- 11 4. The retirement allowance payments resulting from the recomputation
12 under this subsection shall be payable in the month following the
13 termination of reemployment in lieu of payments under subparagraph 3.
14 The member shall not receive less in benefits as a result of the
15 recomputation than he was receiving prior to reemployment or would
16 receive as determined under KRS 61.691; and
- 17 5. Any retired member who was reemployed prior to March 26, 1974, shall
18 begin making contributions to the system in accordance with the
19 provisions of this section on the first day of the month following March
20 26, 1974.
- 21 (5) A retired member, or his estate, shall pay to the retirement fund the total amount of
22 payments which are not suspended in accordance with subsection (1) of this section
23 if the member received more than the maximum permissible earnings as provided
24 by the Federal Social Security Act in compensation from participating agencies
25 during any calendar year of reemployment, except the retired member or his estate
26 may repay the lesser of the total amount of payments which were not suspended or
27 fifty cents (\$0.50) of each dollar earned over the maximum permissible earnings

1 during reemployment if under age sixty-five (65), or one dollar (\$1) for every three
2 dollars (\$3) earned if over age sixty-five (65).

3 (6) (a) "Reemployment" or "reinstatement" as used in this section shall not include a
4 retired member who has been ordered reinstated by the Personnel Board under
5 authority of KRS 18A.095.

6 (b) A retired member who has been ordered reinstated by the Personnel Board
7 under authority of KRS 18A.095 or by court order or by order of the Human
8 Rights Commission and accepts employment by an agency participating in the
9 Kentucky Employees Retirement System or County Employees Retirement
10 System shall void his retirement by reimbursing the system in the full amount
11 of his retirement allowance payments received.

12 (7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this
13 section shall no longer apply to a retired member who is reemployed in a
14 position covered by the same retirement system from which the member
15 retired. Reemployed retired members shall be treated as new members upon
16 reemployment. Any retired member whose reemployment date preceded
17 August 1, 1998, who does not elect, within sixty (60) days of notification by
18 the retirement systems, to remain under the provisions of subsections (1) to
19 (4) of this section shall be deemed to have elected to participate under this
20 subsection.

21 (b) A retired member whose disability retirement was discontinued pursuant to
22 KRS 61.615 and who is reemployed in one (1) of the systems administered by
23 the Kentucky Retirement Systems prior to his or her normal retirement date
24 shall have his or her accounts combined upon termination for determining
25 eligibility for benefits. If the member is eligible for retirement, the member's
26 service and creditable compensation earned as a result of his or her
27 reemployment shall be used in the calculation of benefits, except that the

1 member's final compensation shall not be less than the final compensation last
2 used in determining his or her retirement allowance. The member shall not
3 change beneficiary or payment option designations. This provision shall apply
4 to members reemployed on or after August 1, 1998.

5 (8) A retired member or his employer shall notify the retirement system if he has
6 accepted employment or is serving as a volunteer with an employer that participates
7 in the retirement system from which the member retired. The retired member and
8 the participating employer shall submit the information required or requested by the
9 systems to confirm the individual's employment or volunteer status.

10 (9) If the retired member is under a contract, the member shall submit a copy of that
11 contract to the retirement system, and the retirement system shall determine if the
12 member is an independent contractor for purposes of retirement benefits. The
13 retired member and the participating employer shall submit the information required
14 or requested by the systems to confirm the individual's employment or volunteer
15 status.

16 (10) If a member is receiving a retirement allowance, or has filed the forms required for
17 a retirement allowance, and is employed within one (1) month of the member's
18 initial retirement date in a position that is required to participate in the same
19 retirement system from which the member retired, the member's retirement shall be
20 voided and the member shall repay to the retirement system all benefits received.
21 The member shall contribute to the member account established for him prior to his
22 voided retirement. The retirement allowance for which the member shall be eligible
23 upon retirement shall be determined by total service and creditable compensation.

24 (11) (a) If a member of the Kentucky Employees Retirement System retires from a
25 department which participates in more than one (1) retirement system and is
26 reemployed within one (1) month of his initial retirement date by the same
27 department in a position participating in another retirement system, the retired

1 member's retirement allowance shall be suspended for the first month of his
2 retirement and the member shall repay to the retirement system all benefits
3 received for the month.

4 (b) A retired member of the County Employees Retirement System who after
5 initial retirement is hired by the county from which the member retired shall
6 be considered to have been hired by the same employer.

7 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a
8 nonhazardous member who retired prior to age sixty-five (65), is reemployed
9 within six (6) months of the member's termination by the same employer, the
10 member shall obtain from his previous and current employers a copy of the
11 job description established by the employers for the position and a statement
12 of the duties performed by the member for the position from which he retired
13 and for the position in which he has been reemployed.

14 (b) The job descriptions and statements of duties shall be filed with the retirement
15 office.

16 (13) If the retirement system determines that the retired member has been employed in a
17 position with the same principal duties as the position from which the member
18 retired:

19 (a) The member's retirement allowance shall be suspended during the period that
20 begins on the month in which the member is reemployed and ends six (6)
21 months after the member's termination;

22 (b) The retired member shall repay to the retirement system all benefits paid from
23 systems administered by Kentucky Retirement Systems under reciprocity,
24 including medical insurance benefits, that the member received after
25 reemployment began;

26 (c) Upon termination, or subsequent to expiration of the six (6) month period
27 from the date of termination, the retired member's retirement allowance based

1 on his initial retirement account shall no longer be suspended and the member
2 shall receive the amount to which he is entitled, including an increase as
3 provided by KRS 61.691;

4 (d) Except as provided in subsection (7) of this section, if the position in which a
5 retired member is employed after initial retirement is a regular full-time
6 position, the retired member shall contribute to a second member account
7 established for him in the retirement system. Service credit gained after the
8 member's date of reemployment shall be credited to the second member
9 account; and

10 (e) Upon termination, the retired member shall be entitled to benefits payable
11 from his second retirement account.

12 (14) (a) If the retirement system determines that the retired member has not been
13 reemployed in a position with the same principal duties as the position from
14 which he retired, the retired member shall continue to receive his retirement
15 allowance.

16 (b) If the position is a regular full-time position, the member shall contribute to a
17 second member account in the retirement system.

18 (15) (a) If a retired member is reemployed at least one (1) month after initial
19 retirement in a different position, or at least six (6) months after initial
20 retirement in the same position, and prior to normal retirement age, the retired
21 member shall contribute to a second member account in the retirement system
22 and continue to receive a retirement allowance from the first member account.

23 (b) Service credit gained after reemployment shall be credited to the second
24 member account. Upon termination, the retired member shall be entitled to
25 benefits payable from the second member account.

26 (16) A retired member who is reemployed and contributing to a second member account
27 shall not be eligible to purchase service credit under any of the provisions of KRS

1 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 which he was eligible to
2 purchase prior to his initial retirement.

3 (17) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (15) of this
4 section, the following shall apply to retired members **who retired prior to January**
5 **1, 2019, and** who are reemployed by an agency participating in one (1) of the
6 systems administered by Kentucky Retirement Systems on or after September 1,
7 2008:

8 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a member is
9 receiving a retirement allowance from one (1) of the systems administered by
10 Kentucky Retirement Systems, or has filed the forms required to receive a
11 retirement allowance from one (1) of the systems administered by Kentucky
12 Retirement Systems, and is employed in a regular full-time position required
13 to participate in one (1) of the systems administered by Kentucky Retirement
14 Systems or is employed in a position that is not considered regular full-time
15 with an agency participating in one (1) of the systems administered by
16 Kentucky Retirement Systems within three (3) months following the member's
17 initial retirement date, the member's retirement shall be voided, and the
18 member shall repay to the retirement system all benefits received, including
19 any health insurance benefits. If the member is returning to work in a regular
20 full-time position required to participate in one (1) of the systems
21 administered by Kentucky Retirement Systems:

- 22 1. The member shall contribute to a member account established for him or
23 her in one (1) of the systems administered by Kentucky Retirement
24 Systems, and employer contributions shall be paid on behalf of the
25 member by the participating employer; and
- 26 2. Upon subsequent retirement, the member shall be eligible for a
27 retirement allowance based upon total service and creditable

1 compensation, including any additional service or creditable
2 compensation earned after his or her initial retirement was voided;

3 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a member is
4 receiving a retirement allowance from one (1) of the systems administered by
5 Kentucky Retirement Systems and is employed in a regular full-time position
6 required to participate in one (1) of the systems administered by Kentucky
7 Retirement Systems after a three (3) month period following the member's
8 initial retirement date, the member may continue to receive his or her
9 retirement allowance during the period of reemployment subject to the
10 following provisions:

11 1. Both the employee and participating agency shall certify in writing on a
12 form prescribed by the board that no prearranged agreement existed
13 between the employee and agency prior to the employee's retirement for
14 the employee to return to work with the participating agency. If an
15 elected official is reelected to a new term of office in the same position
16 and retires following the election but prior to taking the new term of
17 office, he or she shall be deemed by the system as having a prearranged
18 agreement under the provisions of this subparagraph and shall have his
19 or her retirement voided. If the participating agency or employer fail to
20 complete the certification, the member's retirement shall be voided and
21 the provisions of paragraph (a) of this subsection shall apply to the
22 member and the employer;

23 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
24 the contrary, the member shall not contribute to the systems and shall
25 not earn any additional benefits for any work performed during the
26 period of reemployment;

27 3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer

1 shall pay employer contributions as specified by KRS 61.565 and 61.702
2 on all creditable compensation earned by the employee during the period
3 of reemployment. The additional contributions paid shall be used to
4 reduce the unfunded actuarial liability of the systems; and

5 4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
6 shall be required to reimburse the systems for the cost of the health
7 insurance premium paid by the systems to provide coverage for the
8 retiree, not to exceed the cost of the single premium. Effective July 1,
9 2015, local school boards shall not be required to pay the reimbursement
10 required by this subparagraph for retirees employed by the board for
11 eighty (80) days or less during the fiscal year;

12 (c) If a member is receiving a retirement allowance from the State Police
13 Retirement System or from hazardous duty retirement coverage with the
14 Kentucky Employees Retirement System or the County Employees Retirement
15 System, or has filed the forms required to receive a retirement allowance from
16 the State Police Retirement System or from hazardous duty retirement
17 coverage with the Kentucky Employees Retirement System or the County
18 Employees Retirement System, and is employed in a regular full-time position
19 required to participate in the State Police Retirement System or in a hazardous
20 duty position with the Kentucky Employees Retirement System or the County
21 Employees Retirement System within one (1) month following the member's
22 initial retirement date, the member's retirement shall be voided, and the
23 member shall repay to the retirement system all benefits received, including
24 any health insurance benefits. If the member is returning to work in a regular
25 full-time position required to participate in one (1) of the systems
26 administered by Kentucky Retirement Systems:

27 1. The member shall contribute to a member account established for him or

- 1 her in one (1) of the systems administered by Kentucky Retirement
2 Systems, and employer contributions shall be paid on behalf of the
3 member by the participating employer; and
- 4 2. Upon subsequent retirement, the member shall be eligible for a
5 retirement allowance based upon total service and creditable
6 compensation, including any additional service or creditable
7 compensation earned after his or her initial retirement was voided;
- 8 (d) If a member is receiving a retirement allowance from the State Police
9 Retirement System or from hazardous duty retirement coverage with the
10 Kentucky Employees Retirement System or the County Employees Retirement
11 System and is employed in a regular full-time position required to participate
12 in the State Police Retirement System or in a hazardous duty position with the
13 Kentucky Employees Retirement System or the County Employees Retirement
14 System after a one (1) month period following the member's initial retirement
15 date, the member may continue to receive his or her retirement allowance
16 during the period of reemployment subject to the following provisions:
- 17 1. Both the employee and participating agency shall certify in writing on a
18 form prescribed by the board that no prearranged agreement existed
19 between the employee and agency prior to the employee's retirement for
20 the employee to return to work with the participating agency. If an
21 elected official is reelected to a new term of office in the same position
22 and retires following the election but prior to taking the new term of
23 office, he or she shall be deemed by the system as having a prearranged
24 agreement under the provisions of this subparagraph and shall have his
25 or her retirement voided. If the participating agency or employer fail to
26 complete the certification, the member's retirement shall be voided and
27 the provisions of paragraph (c) of this subsection shall apply to the

- 1 member and the employer;
- 2 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
3 the contrary, the member shall not contribute to the systems and shall
4 not earn any additional benefits for any work performed during the
5 period of reemployment;
- 6 3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
7 shall pay employer contributions as specified by KRS 61.565 and 61.702
8 on all creditable compensation earned by the employee during the period
9 of reemployment. The additional contributions paid shall be used to
10 reduce the unfunded actuarial liability of the systems; and
- 11 4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
12 shall be required to reimburse the systems for the cost of the health
13 insurance premium paid by the systems to provide coverage for the
14 retiree, not to exceed the cost of the single premium;
- 15 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
16 who qualifies as a volunteer for an employer participating in one (1) of the
17 systems administered by Kentucky Retirement Systems and who is receiving
18 reimbursement of actual expenses, a nominal fee for his or her volunteer
19 services, or both, shall not be considered an employee of the participating
20 employer and shall not be subject to paragraphs (a) to (d) of this subsection if:
- 21 1. Prior to the retired member's most recent retirement date, he or she did
22 not receive creditable compensation from the participating employer in
23 which the retired member is performing volunteer services;
- 24 2. Any reimbursement or nominal fee received prior to the retired
25 member's most recent retirement date has not been credited as creditable
26 compensation to the member's account or utilized in the calculation of
27 the retired member's benefits;

- 1 3. The retired member has not purchased or received service credit under
2 any of the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852 for
3 service with the participating employer for which the retired member is
4 performing volunteer services; and
- 5 4. Other than the status of volunteer, the retired member does not become
6 an employee, leased employee, or independent contractor of the
7 employer for which he or she is performing volunteer services for a
8 period of at least twenty-four (24) months following the retired
9 member's most recent retirement date.

10 If a retired member, who provided volunteer services with a participating
11 employer under this paragraph violates any provision of this paragraph, then
12 he or she shall be deemed an employee of the participating employer as of the
13 date he or she began providing volunteer services and both the retired member
14 and the participating employer shall be subject to paragraphs (a) to (d) of this
15 subsection for the period of volunteer service; and

16 (f) Notwithstanding any provision of this section, any mayor or member of a city
17 legislative body who has not participated in the County Employees Retirement
18 System prior to retirement, but who is otherwise eligible to retire from the
19 Kentucky Employees Retirement System or the State Police Retirement
20 System, shall not be:

- 21 1. Required to resign from his or her position as mayor or as a member of
22 the city legislative body in order to begin drawing benefits from the
23 Kentucky Employees Retirement System or the State Police Retirement
24 System; or
- 25 2. Subject to any provision of this section as it relates solely to his or her
26 service as a mayor or member of the city legislative body.

27 **(18) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (17) of this**

1 section, the following shall apply to retired members, retirees, or annuitants of
2 the systems or plans administered by the Kentucky Retirement Systems, the
3 Judicial Form Retirement System, and the Teachers' Retirement System, who
4 retire and begin drawing a retirement allowance on or after January 1, 2019, and
5 are reemployed on or after January 1, 2019, by an agency participating in the
6 systems administered by the Kentucky Retirement Systems:

7 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a retired
8 member is receiving a retirement allowance from the systems administered
9 by the Kentucky Retirement Systems and is reemployed in any position with
10 an agency participating in any of the systems administered by the Kentucky
11 Retirement Systems, regardless of whether or not the position is considered
12 regular full-time under KRS 61.510(21), 78.510(21), or paragraph (g) of
13 this subsection, within a three (3) month period following the member's
14 initial retirement date from the systems, the member's retirement shall be
15 voided and the member shall repay to the system all benefits received,
16 including any health insurance benefits. If the member's retirement is
17 voided as provided by this paragraph and the member has returned to work
18 in a position that is considered a regular full-time position in the systems
19 administered by Kentucky Retirement Systems as defined in KRS 61.510(21)
20 or 78.510(21), as applicable:

21 1. The member shall contribute to a member account established for him
22 or her in one (1) of the systems administered by the Kentucky
23 Retirement Systems and employer contributions shall be paid on
24 behalf of the member by the participating employer; and;

25 2. Upon subsequent retirement, the member shall be eligible for a
26 retirement allowance based upon total service, accumulated account
27 balance, and creditable compensation, including any additional

1 service, creditable compensation, or accumulated account balance
2 earned after his or her initial retirement was voided, subject to the
3 limitations of Section 4, 7, 12, or 38 of this Act;

4 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a retired
5 member, annuitant, or retiree is receiving a retirement allowance from the
6 systems administered by the Kentucky Retirement Systems, and is
7 reemployed or elected to a position with an agency participating in the
8 systems administered by the Kentucky Retirement Systems after a three (3)
9 month period following the member's initial retirement date from the
10 system:

11 1. Both the employee and participating agency shall certify in writing on
12 a form prescribed by the board that no prearranged agreement existed
13 between the employee and agency prior to the employee's retirement
14 for the employee to return to work with the participating agency. If an
15 elected official is reelected to a new term of office in the same position
16 and retires following the election but prior to taking the new term of
17 office, he or she shall be deemed by the system as having a
18 prearranged agreement under the provisions of this subparagraph and
19 shall have his or her retirement voided. If the participating agency or
20 employer fails to complete the certification, the member's retirement
21 shall be voided and the provisions of paragraph (a) of this subsection
22 shall apply to the member and the employer;

23 2. The member shall not contribute to the systems and shall not earn any
24 additional benefits for any work performed during the period of
25 reemployment;

26 3. The retired member may continue to draw his or her retirement
27 allowance during the period of reemployment if:

- 1 a. The period of reemployment is not considered regular full-time
2 as defined by paragraph (g) of this subsection; or
- 3 b. The period of reemployment is considered regular full-time but
4 the member has not returned to reemployment for at least a
5 twelve (12) month period following his or her initial retirement.
6 If the member returns to reemployment in a regular full-time
7 position after a three (3) month but prior to a twelve (12) month
8 period following his or her initial retirement, then the member's
9 retirement allowance shall be suspended until twelve (12)
10 months following his or her initial retirement; and
- 11 4. The employer shall pay the employer normal cost contributions as
12 specified by subsection (1)(b) of Section 18 of this Act and Section 30
13 of this Act, on all creditable compensation earned by the employee
14 during the period of regular full-time reemployment, based upon the
15 system in which the member is reemployed. The employer normal cost
16 contributions shall be payable on the employee's behalf for the period
17 of regular full-time reemployment and shall be used to pay down the
18 unfunded liability of the systems;
- 19 (c) If a member is receiving a retirement allowance from the State Police
20 Retirement System or from hazardous duty retirement coverage with the
21 Kentucky Employees Retirement System or the County Employees
22 Retirement System or is a certified peace officer as provided in KRS
23 Chapter 15, and is reemployed in any position with an agency participating
24 in the systems or plans administered by the Kentucky Retirement Systems,
25 regardless of whether or not the position is considered regular full-time
26 under KRS 61.510(21), 78.510(21), or paragraph (g) of this subsection,
27 within a one (1) month period following the member's initial retirement

1 date from the system, the member's retirement shall be voided and the
2 member shall repay to the system or plan all benefits received, including
3 any health insurance benefits. If the member's retirement is voided as
4 provided by this paragraph and the member has returned to work in a
5 position that qualifies for participation in a position that is considered a
6 regular full-time position in the systems administered by Kentucky
7 Retirement Systems as defined in KRS 61.510(21) or 78.510(21), as
8 applicable:

9 1. The member shall contribute to a member account established for him
10 or her in one (1) of the systems administered by the Kentucky
11 Retirement Systems and employer contributions shall be paid on
12 behalf of the member by the participating employer; and

13 2. Upon subsequent retirement, the member shall be eligible for a
14 retirement allowance based upon total service, accumulated account
15 balance, and creditable compensation, including any additional
16 service, creditable compensation, or accumulated account balance
17 earned after his or her initial retirement was voided, subject to the
18 limitations of Section 4, 7, 12, or 38 of this Act;

19 (d) If a member is receiving a retirement allowance from the State Police
20 Retirement System or from hazardous duty retirement coverage with the
21 Kentucky Employees Retirement System or the County Employees
22 Retirement System or is a certified peace officer as provided in KRS
23 Chapter 15, and is reemployed with an agency participating in the systems
24 administered by the Kentucky Retirement Systems after a one (1) month
25 period following the member's initial retirement date from the system, the
26 member may continue to receive his or her retirement allowance during the
27 period of reemployment subject to the following provisions:

- 1 1. Both the employee and participating agency shall certify in writing on
2 a form prescribed by the board that no prearranged agreement existed
3 between the employee and agency prior to the employee's retirement
4 for the employee to return to work with the participating agency. If an
5 elected official is reelected to a new term of office in the same position
6 and retires following the election but prior to taking the new term of
7 office, he or she shall be deemed by the system as having a
8 prearranged agreement under the provisions of this subparagraph and
9 shall have his or her retirement voided. If the participating agency or
10 employer fails to complete the certification, the member's retirement
11 shall be voided and the provisions of paragraph (c) of this subsection
12 shall apply to the member and the employer;
- 13 2. The member shall not contribute to the systems and shall not earn any
14 additional benefits for any work performed during the period of
15 reemployment; and
- 16 3. The employer shall pay the employer normal cost contributions as
17 specified by subsection (1)(b) of Section 18 of this Act and Section 30
18 of this Act on all creditable compensation earned by the employee
19 during the period of regular full-time reemployment, based upon the
20 system in which the member is reemployed. The employer normal cost
21 contributions shall be payable on the employee's behalf for the period
22 of regular full-time reemployment and shall be used to pay down the
23 unfunded liability of the systems;
- 24 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
25 who qualifies as a volunteer for an employer participating in one (1) of the
26 systems administered by Kentucky Retirement Systems and who is receiving
27 reimbursement of actual expenses, a nominal fee for his or her volunteer

1 services, or both, shall not be considered an employee of the participating
2 employer and shall not be subject to paragraphs (a) to (d) of this subsection
3 if:

4 1. Prior to the retired member's most recent retirement date, he or she
5 did not receive creditable compensation from the participating
6 employer for which the retired member is performing volunteer
7 services;

8 2. Any reimbursement or nominal fee received prior to the retired
9 member's most recent retirement date has not been credited as
10 creditable compensation to the member's account or utilized in the
11 calculation of the retired member's benefits;

12 3. The retired member has not purchased or received service credit under
13 any of the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852 for
14 service with the participating employer for which the retired member
15 is performing volunteer services; and

16 4. Other than the status of volunteer, the retired member does not
17 become an employee, leased employee, or independent contractor of
18 the employer for which he or she is performing volunteer services for
19 a period of at least twenty-four (24) months following the retired
20 member's most recent retirement date.

21 If a retired member, who provided volunteer services with a participating
22 employer under this paragraph violates any provision of this paragraph,
23 then he or she shall be deemed an employee of the participating employer as
24 of the date he or she began providing volunteer services, and both the
25 retired member and the participating employer shall be subject to
26 paragraphs (a) to (d) of this subsection for the period of volunteer service;

27 (f) Notwithstanding any provision of this section, any mayor or member of a

1 city legislative body who has not participated in the County Employees
2 Retirement System prior to retirement, but who is otherwise eligible to retire
3 from the Kentucky Employees Retirement System or the State Police
4 Retirement System, shall not be:

5 1. Required to resign from his or her position as mayor or as a member
6 of the city legislative body in order to begin drawing benefits from the
7 Kentucky Employees Retirement System or the State Police Retirement
8 System; or

9 2. Subject to any provision of this section as it relates solely to his or her
10 service as a mayor or member of the city legislative body; and

11 (g) For purposes of this subsection, "regular full-time" shall mean any
12 position that requires an average of one hundred (100) or more hours per
13 month over a calendar or fiscal year basis, except that in the case of
14 classified school board employees it shall be more than one hundred (100)
15 days of work during the fiscal year. Interim, temporary, or seasonal
16 positions as defined and time limited by subsection (21) of Section 14 of this
17 Act or subsection (21) of Section 15 of this Act shall not be considered
18 regular full-time.

19 (h) Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to the
20 contrary, an individual who retires and begins drawing a retirement
21 allowance from one (1) or more of the systems or plans administered by the
22 Teachers' Retirement System or the Judicial Form Retirement System on or
23 after January 1, 2019, who is reemployed with an agency participating in
24 one (1) of the systems administered by Kentucky Retirement Systems, shall
25 not be eligible to earn benefits in the Kentucky Employees Retirement
26 System, County Employees Retirement System, or the State Police
27 Retirement System for reemployment that occurs on or after January 1,

1 2019.

2 ➔Section 29. KRS 61.680 is amended to read as follows:

3 **Except as limited by Section 4, 7, 12, or 38 of this Act:**

4 (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to
5 any deduction from his compensation required by KRS 6.500 to 6.535, 16.505 to
6 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions thereof.
7 Thereafter, employee contributions shall be picked up by the employer pursuant to
8 KRS 61.560(4).

9 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to
10 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:

11 1. Upon death, disability, or service retirement, a member's accounts under
12 the Legislators' Retirement Plan, State Police Retirement System,
13 Kentucky Employees Retirement System, County Employees Retirement
14 System, and Teachers' Retirement System, except for service prohibited
15 by KRS 161.623(2), shall be consolidated for the purpose of determining
16 eligibility and amount of benefits, including those members who
17 participate in the hybrid cash balance plan or 401(a) money purchase
18 plans within the Kentucky Employees Retirement System, the County
19 Employees Retirement System, ~~and~~ the State Police Retirement
20 System, or the Teachers' Retirement System ~~[on or after January 1,~~
21 ~~2014]~~;

22 2. Vested service credit in a retirement system, other than the Teachers'
23 Retirement System, sponsored by a Kentucky institution of higher
24 education and accepted by the Kentucky Employees Retirement System
25 or the County Employees Retirement System, may be used to determine
26 eligibility for twenty-seven (27) year retirement for an employee who
27 begins participating before September 1, 2008, but not the amount of

1 benefits;

2 3. The computation of benefits shall be based on the applicable formula in
3 each system and service credit in each system, but the final
4 compensation, excluding compensation earned under KRS 161.155(10),
5 shall be determined as if all service were in one (1) system;

6 4. If the member has prior service in more than one (1) system
7 administered by Kentucky Retirement Systems, he shall obtain at least
8 twelve (12) months' current service in each system in which he has prior
9 service in order to validate the prior service in each system for purposes
10 of determining consolidated benefits under this subsection; and

11 5. Upon the determination of benefits, each system shall pay the applicable
12 amount of benefits due the member.

13 (b) The provisions of paragraph (a) of this subsection shall be waived if the
14 member:

15 1. Notifies the system of his desire to maintain separate retirement
16 accounts in the State Police Retirement System, Kentucky Employees
17 Retirement System, or County Employees Retirement System; or

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

23 (c) If the member has not contributed at least one (1) year in a system in which he
24 has prior service, his current service in the system shall be valid for purposes
25 of determining eligibility and in computation of benefits on a consolidated
26 basis.

27 (3) (a) A member with service credit in the Kentucky Employees Retirement System,

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

13 (b) Any person entitled to membership in the Judicial Retirement Plan or the
14 Legislators' Retirement Plan, who does not elect within thirty (30) days after
15 taking office to participate in the plan, in accordance with KRS 6.505 or
16 21.360, and who at the time of taking office is not a contributing member of,
17 or does not have service credit in, any of the retirement systems mentioned in
18 this section, or the Teachers' Retirement System, shall participate in the
19 Kentucky Employees Retirement System.

20 (c) A member of one (1) of the state-administered retirement plans who ceases to
21 contribute to the plan as provided in KRS 21.360 and who is employed in a
22 nonelected position by an agency participating in the Kentucky Retirement
23 Systems or Kentucky Teachers' Retirement System shall be deemed to have
24 elected membership in the system in which the employer of the nonelected
25 position participates. A member of one (1) of the state-administered
26 retirement plans who ceases to contribute to the plan as provided in KRS
27 21.360 and who is not employed in a nonelected position by an agency

1 participating in the Kentucky Retirement Systems shall be deemed to have
2 elected membership in the Kentucky Employees Retirement System.

3 (4) (a) Prior to July 1, 1976, a person entering the service of an employer
4 participating in the Kentucky Employees Retirement System or the County
5 Employees Retirement System with service credit in the Teachers' Retirement
6 System and who desires to retain membership in the Teachers' Retirement
7 System, and who is permitted by that system to continue, shall be exempt
8 from participating in the Kentucky Employees Retirement System or the
9 County Employees Retirement System.

10 (b) Any person who has elected to retain membership in the Teachers' Retirement
11 System as provided in paragraph (a) of this subsection may cancel his election
12 and participate in the system under which his position would normally
13 participate, if he elects to cancel his option prior to January 1, 1977.

14 (c) Any member of the General Assembly who upon election is a contributing
15 member of the Teachers' Retirement System and who does not elect within
16 thirty (30) days after taking office to participate in the Legislators' Retirement
17 Plan, in accordance with KRS 6.505, shall during his term of office participate
18 in the Kentucky Employees Retirement System unless an election to retain
19 membership in the Teachers' Retirement System is filed in writing within
20 ninety (90) days after his term of office begins. No contributions may be made
21 to the Teachers' Retirement System for the same period of service under the
22 Legislators' Retirement Plan or the Kentucky Employees Retirement System
23 as a member of the General Assembly, but contributions made to the Teachers'
24 Retirement System while a member of the General Assembly shall be
25 transferred to the Legislators' Retirement Plan, as provided for in KRS 6.535,
26 when the member elects to join the Legislators' Retirement Plan, and service
27 credit in the Legislators' Retirement Plan shall be granted as provided for in

1 KRS 6.505(5).

2 (5) Any member of the Kentucky Employees Retirement System or County Employees
3 Retirement System who is working in a position covered by one (1) of these
4 retirement systems and his employee contributions, service credit and employer
5 contributions made on his behalf are being transferred to the other retirement
6 system shall contribute to the system in which his employer participates, or after
7 August 1, 1982, the employer shall pick up the employee contributions, and no
8 further contributions or service credit shall be transferred to the system in which he
9 elected to retain membership, as subsection (2) of this section eliminates the
10 necessity of the transfers.

11 (6) Any member of the Kentucky Employees Retirement System or County Employees
12 Retirement System who is working in more than one (1) position covered by the
13 same retirement system, shall have his wages and contributions consolidated and his
14 retirement account administered as a single account. If part-time positions are
15 involved, an accumulation of all hours worked within the same retirement system
16 shall be used to determine eligibility under KRS 61.510(21).

17 (7) (a) Notwithstanding the provisions of subsection (2) of this section, a person who
18 does not have the amount of service required for service retirement in the
19 State Police Retirement System, Kentucky Employees Retirement System,
20 County Employees Retirement System, Legislators' Retirement Plan, or
21 Teachers' Retirement System, but who is a member of one (1) of the systems
22 or is a former member of one (1) or more of the systems with valid service
23 credit therein, shall become eligible for service retirement benefits attributable
24 to the amount of his actual service credit in each system in which he has
25 service credit when his combined service credit in all the systems, plus any
26 service credit he has in the Judicial Retirement Plan, is equal to that required
27 for service retirement in each respective system. The computation of benefits

1 shall be based on the applicable formula in each system and service credit in
2 each system, except that total service in all systems, unless prohibited by KRS
3 161.623(2), shall be used to determine the reduction for early retirement, if
4 any. Except as provided in KRS 21.360, the final compensation shall be
5 determined by using the creditable compensation reported to the State Police
6 Retirement System, Kentucky Employees Retirement System, County
7 Employees Retirement System, Legislators' Retirement Plan, or Teachers'
8 Retirement System and only as much of the compensation earned in the
9 Judicial Retirement Plan as is needed to satisfy the final compensation
10 requirement applicable in the respective retirement systems.

11 (b) Paragraph (a) of this subsection shall be waived if the member fails to
12 simultaneously retire from all state-administered retirement systems in which
13 the member has an account or fails to retire from any other systems not
14 administered by Kentucky Retirement Systems within one (1) month of the
15 member's effective retirement date in the systems administered by the
16 Kentucky Retirement Systems.

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

21 ➔Section 30. KRS 61.702 is amended to read as follows:

22 (1) (a) 1. The board of trustees of Kentucky Retirement Systems shall arrange by
23 appropriate contract or on a self-insured basis to provide a group
24 hospital and medical insurance plan for present and future recipients of a
25 retirement allowance from the Kentucky Employees Retirement System,
26 County Employees Retirement System, and State Police Retirement
27 System, except as provided in subsection (8) of this section. The board

1 shall also arrange to provide health care coverage through an insurer
2 licensed pursuant to Subtitle 38 of KRS Chapter 304 and offering a
3 managed care plan as defined in KRS 304.17A-500, as an alternative to
4 group hospital and medical insurance for any person eligible for hospital
5 and medical benefits under this section.

6 2. Any person who chooses coverage under a hospital and medical
7 insurance plan shall pay, by payroll deduction from the retirement
8 allowance or by another method, the difference in premium between the
9 cost of the hospital and medical insurance plan coverage and the benefits
10 to which he would be entitled under this section.

11 3. For purposes of this section, "hospital and medical insurance plan" may
12 include, at the board's discretion, any one (1) or more of the following:

13 a. Any hospital and medical expense policy or certificate, provider-
14 sponsored integrated health delivery network, self-insured medical
15 plan, health maintenance organization contract, or other health
16 benefit plan;

17 b. Any health savings account as permitted by 26 U.S.C. sec. 223 or
18 health reimbursement arrangement or a similar account as may be
19 permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or
20 account, in the board's discretion, may reimburse any medical
21 expense permissible under 26 U.S.C. sec. 213; or

22 c. A medical insurance reimbursement program established by the
23 board through the promulgation of administrative regulation under
24 which members purchase individual health insurance coverage
25 through a health insurance exchange established under 42 U.S.C.
26 sec. 18031 or 18041.

27 (b) The board may authorize present and future recipients of a retirement

1 allowance from any of the three (3) retirement systems to be included in the
2 state employees' group for hospital and medical insurance and shall provide
3 benefits for recipients equal to those provided to state employees having the
4 same Medicare hospital and medical insurance eligibility status, except as
5 provided in subsection (8) of this section. Notwithstanding the provisions of
6 any other statute, recipients shall be included in the same class as current state
7 employees in determining medical insurance policies and premiums.

8 (c) For recipients of a retirement allowance who are not eligible for the same
9 level of hospital and medical benefits as recipients living in Kentucky having
10 the same Medicare hospital and medical insurance eligibility status, the board
11 shall provide a medical insurance reimbursement plan as described in
12 subsection (7) of this section.

13 (d) Notwithstanding anything in KRS Chapter 61 to the contrary, the board of
14 trustees, in its discretion, may take necessary steps to ensure compliance with
15 42 U.S.C. secs. 300bb-1 et seq., including but not limited to receiving
16 contributions and premiums from, and providing benefits pursuant to this
17 section to, persons entitled to continuation coverage under 42 U.S.C. secs.
18 300bb-1 et seq., regardless of whether such persons are recipients of a
19 retirement allowance.

20 (2) (a) Each employer participating in the State Police Retirement System as
21 provided for in KRS 16.505 to 16.652, each employer participating in the
22 County Employees Retirement System as provided in KRS 78.510 to 78.852,
23 and each employer participating in the Kentucky Employees Retirement
24 System as provided for in KRS 61.510 to 61.705 shall contribute to the
25 Kentucky Retirement Systems insurance trust fund the amount necessary to
26 provide hospital and medical insurance as provided for under this section.
27 Such employer contribution rate shall be developed by appropriate actuarial

1 method as a part of the determination of each respective employer
2 contribution rate to each respective retirement system determined under KRS
3 61.565.

4 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
5 from the creditable compensation of each member having a membership
6 date on or after July 1, 2003~~[September 1, 2008]~~, an amount equal to
7 one percent (1%) of the member's creditable compensation.

8 The deducted amounts shall be credited to accounts established pursuant
9 to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510,
10 61.515, and 78.520.

11 2. The employer shall file the contributions as provided by subparagraph 1.
12 of this paragraph at the retirement office in accordance with KRS 61.675
13 and 78.625. Any interest or penalties paid on any delinquent
14 contributions shall be credited to accounts established pursuant to 26
15 U.S.C. sec. 401(h), within the funds established in KRS 16.510, 61.515,
16 and 78.520. Notwithstanding any minimum compensation requirements
17 provided by law, the deductions provided by this paragraph shall be
18 made, and the compensation of the member shall be reduced
19 accordingly.

20 3. Each employer shall submit payroll reports, contributions lists, and other
21 data as may be required by administrative regulation promulgated by the
22 board of trustees pursuant to KRS Chapter 13A.

23 4. Every member shall be deemed to consent and agree to the deductions
24 made pursuant to this paragraph, and the payment of salary or
25 compensation less the deductions shall be a full and complete discharge
26 of all claims for services rendered by the person during the period
27 covered by the payment, except as to any benefits provided by KRS

1 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852. No member
2 may elect whether to participate in, or choose the contribution amount to
3 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
4 established in KRS 16.510, 61.515, and 78.520. The member shall have
5 no option to receive the contribution required by this paragraph directly
6 instead of having the contribution paid to accounts established pursuant
7 to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,
8 61.515, and 78.520. No member may receive a rebate or refund of
9 contributions. If a member establishes a membership date prior to
10 September 1, 2008, pursuant to KRS 61.552(1) or 61.552(20), then this
11 paragraph shall not apply to the member and all contributions previously
12 deducted in accordance with this paragraph shall be refunded to the
13 member without interest. The contribution made pursuant to this
14 paragraph shall not act as a reduction or offset to any other contribution
15 required of a member or recipient under KRS 16.505 to 16.652, 61.510
16 to 61.705, and 78.510 to 78.852.

17 5. The board of trustees, at its discretion, may direct that the contributions
18 required by this paragraph be accounted for within accounts established
19 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
20 16.510, 61.515, and 78.520 through the use of separate accounts.

21 (3) (a) The premium required to provide hospital and medical benefits under this
22 section shall be paid:

23 1. Wholly or partly from funds contributed by the recipient of a retirement
24 allowance, by payroll deduction, or otherwise;

25 2. Wholly or partly from funds contributed by the Kentucky Retirement
26 Systems insurance trust fund;

27 3. Wholly or partly from funds contributed to accounts established

- 1 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
2 16.510, 61.515, and 78.520;
- 3 4. Wholly or partly from funds contributed by another state-administered
4 retirement system under a reciprocal arrangement, except that any
5 portion of the premium paid from the Kentucky Retirement Systems
6 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
7 401(h) within the funds established in KRS 16.510, 61.515, and 78.520
8 under a reciprocal agreement shall not exceed the amount that would be
9 payable under this section if all the member's service were in one (1) of
10 the systems administered by the Kentucky Retirement Systems;
- 11 5. Partly from subparagraphs 1. to 4. of this paragraph, except that any
12 premium for hospital and medical insurance over the amount contributed
13 by the Kentucky Retirement Systems insurance trust fund; accounts
14 established pursuant to 26 U.S.C. sec. 401(h) within the funds
15 established in KRS 16.510, 61.515, and 78.520; or another state-
16 administered retirement system under a reciprocal agreement shall be
17 paid by the recipient by an automatic electronic transfer of funds. If the
18 board provides for cross-referencing of insurance premiums, the
19 employer's contribution for the working member or spouse shall be
20 applied toward the premium, and the Kentucky Retirement Systems
21 insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
22 401(h) within the funds established in KRS 16.510, 61.515, and 78.520
23 shall pay the balance, not to exceed the monthly contribution; or
- 24 6. In full from the Kentucky Retirement Systems insurance trust fund or
25 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
26 established in KRS 16.510, 61.515, and 78.520 for all recipients of a
27 retirement allowance from any of the three (3) retirement systems where

1 such recipient is a retired former member of one (1) or more of the three
2 (3) retirement systems (not a beneficiary or dependent child receiving
3 benefits) and had two hundred and forty (240) months or more of service
4 upon retirement. Should such recipient have less than two hundred forty
5 (240) months of service but have at least one hundred eighty (180)
6 months of service, seventy-five percent (75%) of such premium shall be
7 paid from the insurance trust fund or accounts established pursuant to 26
8 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
9 and 78.520, provided such recipient agrees to pay the remaining twenty-
10 five percent (25%) by payroll deduction from his retirement allowance
11 or by another method. Should such recipient have less than one hundred
12 eighty (180) months of service but have at least one hundred twenty
13 (120) months of service, fifty percent (50%) of such premium shall be
14 paid from the insurance trust fund or accounts established pursuant to 26
15 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
16 and 78.520, provided such recipient agrees to pay the remaining fifty
17 percent (50%) by payroll deduction from his retirement allowance or by
18 another method. Should such recipient have less than one hundred
19 twenty (120) months of service but have at least forty-eight (48) months
20 of service, twenty-five percent (25%) of such premium shall be paid
21 from the insurance trust fund or accounts established pursuant to 26
22 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
23 and 78.520, provided such recipient agrees to pay the remaining seventy-
24 five percent (75%) by payroll deduction from his retirement allowance
25 or by another method. Notwithstanding the foregoing provisions of this
26 subsection, an employee participating in one (1) of the retirement
27 systems administered by the Kentucky Retirement Systems who

1 becomes disabled in the line of duty as defined in KRS 16.505(19) or
2 61.621, shall have his premium paid in full as if he had two hundred
3 forty (240) months or more of service. Further, an employee
4 participating in one (1) of the retirement systems administered by the
5 Kentucky Retirement Systems who is killed in the line of duty as
6 defined in KRS 16.505(19) or 61.621, shall have the premium for the
7 beneficiary, if the beneficiary is the member's spouse, and for each
8 dependent child paid so long as they individually remain eligible for a
9 monthly retirement benefit. "Months of service" as used in this section
10 shall mean the total months of combined service used to determine
11 benefits under any or all of the three (3) retirement systems, except
12 service added to determine disability benefits shall not be counted as
13 "months of service." For current and former employees of the Council
14 on Postsecondary Education who were employed prior to January 1,
15 1993, and who earn at least fifteen (15) years of service credit in the
16 Kentucky Employees Retirement System, "months of service" shall also
17 include vested service in another retirement system other than the
18 Kentucky Teachers' Retirement System sponsored by the Council on
19 Postsecondary Education.

- 20 (b) 1. For a member electing insurance coverage through the Kentucky
21 Retirement Systems, "months of service" shall include, in addition to
22 service as described in paragraph (a) of this subsection, service credit in
23 one (1) of the other state-administered retirement plans.
- 24 2. Effective August 1, 1998, the Kentucky Retirement Systems shall
25 compute the member's combined service, including service credit in
26 another state-administered retirement plan, and calculate the portion of
27 the member's premium to be paid by the insurance trust fund accounts

1 established pursuant to 26 U.S.C. sec. 401(h) within the funds
2 established in KRS 16.510, 61.515, and 78.520, according to the criteria
3 established in paragraph (a) of this subsection. Each state-administered
4 retirement plan annually shall pay to the insurance trust fund the
5 percentage of the system's cost of the retiree's monthly contribution for
6 single coverage for hospital and medical insurance which shall be equal
7 to the percentage of the member's number of months of service in the
8 other state-administered retirement plan divided by his total combined
9 service. The amounts paid by the other state-administered retirement
10 plans and the insurance trust fund or accounts established pursuant to 26
11 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515,
12 and 78.520 shall not be more than one hundred percent (100%) of the
13 monthly contribution adopted by the respective boards of trustees.

14 3. A member may not elect coverage for hospital and medical benefits
15 under this subsection through more than one (1) of the state-
16 administered retirement plans.

17 4. A state-administered retirement plan shall not pay any portion of a
18 member's monthly contribution for medical insurance unless the member
19 is a recipient or annuitant of the plan.

20 5. The premium paid by the Kentucky Retirement Systems insurance trust
21 fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within
22 the funds established in KRS 16.510, 61.515, and 78.520 shall not
23 exceed one hundred percent (100%) of the monthly contribution rate
24 toward hospital and medical insurance coverage approved by the board
25 of trustees of the Kentucky Retirement Systems.

26 (4) (a) Group rates under the hospital and medical insurance plan shall be made
27 available to the spouse, each dependent child, and each disabled child,

1 regardless of the disabled child's age, of a recipient who is a former member
2 or the beneficiary, if the premium for the hospital and medical insurance for
3 the spouse, each dependent child, and each disabled child, or beneficiary is
4 paid by payroll deduction from the retirement allowance or by another
5 method. For purposes of this subsection only, a child shall be considered
6 disabled if he has been determined to be eligible for federal Social Security
7 disability benefits or meets the dependent disability standard established by
8 the Department of Employee Insurance in the Personnel Cabinet.

9 (b) The other provisions of this section notwithstanding, the insurance trust fund
10 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
11 established in KRS 16.510, 61.515, and 78.520 shall pay a percentage of the
12 monthly contribution for the spouse and for each dependent child of a
13 recipient who was a member of the General Assembly and is receiving a
14 retirement allowance based on General Assembly service, of the Kentucky
15 Employees Retirement System and determined to be in a hazardous position,
16 of the County Employees Retirement System, and determined to be in a
17 hazardous position or of the State Police Retirement System. The percentage
18 of the monthly contribution paid for the spouse and each dependent child of a
19 recipient who was in a hazardous position shall be based solely on the
20 member's service with the State Police Retirement System or service in a
21 hazardous position using the formula in subsection (3)(a) of this section,
22 except that for any recipient of a retirement allowance from the County
23 Employees Retirement System who was contributing to the system on January
24 1, 1998, for service in a hazardous position, the percentage of the monthly
25 contribution shall be based on the total of hazardous service and any
26 nonhazardous service as a police or firefighter with the same agency, if that
27 agency was participating in the County Employees Retirement System but did

1 not offer hazardous duty coverage for its police and firefighters at the time of
2 initial participation.

3 (c) The insurance trust fund or accounts established pursuant to 26 U.S.C. sec.
4 401(h) within the funds established in KRS 16.510, KRS 61.515, and 78.520
5 shall continue the same level of coverage for a recipient who was a member of
6 the County Employees Retirement System after the age of sixty-five (65) as
7 before the age of sixty-five (65), if the recipient is not eligible for Medicare
8 coverage. If the insurance trust fund or accounts established pursuant to 26
9 U.S.C. sec. 401(h) within the funds established in KRS 16.510, 61.515, and
10 78.520 provides coverage for the spouse or each dependent child of a former
11 member of the County Employees Retirement System, the insurance trust fund
12 or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds
13 established in KRS 16.510, 61.515, and 78.520 shall continue the same level
14 of coverage for the spouse or each dependent child after the age of sixty-five
15 (65) as before the age of sixty-five (65), if the spouse or dependent child is not
16 eligible for Medicare coverage.

17 (5) After July 1, 1998, notwithstanding any other provision to the contrary, a member
18 who holds a judicial office but did not elect to participate in the Judicial Retirement
19 Plan and is participating instead in the Kentucky Employees Retirement System, the
20 County Employees Retirement System, or the State Police Retirement System, as
21 provided in KRS 61.680, and who has at least twenty (20) years of total service,
22 one-half (1/2) of which is in a judicial office, shall receive the same hospital and
23 medical insurance benefits, including paid benefits for spouse and dependents, as
24 provided to persons retiring under the provisions of KRS 21.427. The
25 Administrative Office of the Courts shall pay the cost of the medical insurance
26 benefits provided by this subsection.

27 (6) Premiums paid for hospital and medical insurance coverage procured under

1 authority of this section shall be exempt from any premium tax which might
2 otherwise be required under KRS Chapter 136. The payment of premiums by the
3 insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h)
4 within the funds established in KRS 16.510, 61.515, and 78.520 shall not constitute
5 taxable income to an insured recipient. No commission shall be paid for hospital
6 and medical insurance procured under authority of this section.

7 (7) The board shall promulgate an administrative regulation to establish a medical
8 insurance reimbursement plan to provide reimbursement for hospital and medical
9 insurance premiums of recipients of a retirement allowance who are not eligible for
10 the same level of hospital and medical benefits as recipients living in Kentucky and
11 having the same Medicare hospital and medical insurance eligibility status. An
12 eligible recipient shall file proof of payment for hospital and medical insurance at
13 the retirement office. Reimbursement to eligible recipients shall be made on a
14 quarterly basis. The recipient shall be eligible for reimbursement of substantiated
15 medical insurance premiums for an amount not to exceed the total monthly
16 premium determined under subsection (3) of this section. The plan shall not be
17 made available if all recipients are eligible for the same coverage as recipients
18 living in Kentucky.

19 (8) (a) 1. For employees having a membership date on or after July 1, 2003, and
20 before September 1, 2008, participation in the insurance benefits
21 provided under this section shall not be allowed until the employee has
22 earned at least one hundred twenty (120) months of service in the state-
23 administered retirement systems.

24 2. For an employee having a membership date on or after September 1,
25 2008, participation in the insurance benefits provided under this section
26 shall not be allowed until the employee has earned at least one hundred
27 eighty (180) months of service credited under KRS 16.543(1),

- 1 61.543(1), or 78.615(1) or another state-administered retirement system.
- 2 (b) An employee who meets the minimum service requirements as provided by
- 3 paragraph (a) of this subsection shall be eligible for benefits as follows:
- 4 1. For employees who are not in a hazardous position, a monthly insurance
- 5 contribution of ten dollars (\$10) for each year of service as a
- 6 participating employee.
- 7 2. For employees who are in a hazardous position or who participate in the
- 8 State Police Retirement System, a monthly insurance contribution of
- 9 fifteen dollars (\$15) for each year of service as a participating employee
- 10 in a hazardous position or as a participating member of the State Police
- 11 Retirement System. Upon the death of the retired member, the
- 12 beneficiary, if the beneficiary is the member's spouse, shall be entitled to
- 13 a monthly insurance contribution of ten dollars (\$10) for each year of
- 14 service the member attained as a participating employee in a hazardous
- 15 position or as a participating member of the State Police Retirement
- 16 System.
- 17 (c) 1. The minimum service requirement to participate in benefits as provided
- 18 by paragraph (a) of this subsection shall be waived for a member who is
- 19 disabled or killed in the line of duty as defined in KRS 16.505(19), and
- 20 the member or his spouse and eligible dependents shall be entitled to the
- 21 benefits payable under this subsection as though the member had twenty
- 22 (20) years of service in a hazardous position.
- 23 2. The minimum service required to participate in benefits as provided by
- 24 paragraph (a) of this subsection shall be waived for a member who is
- 25 disabled in the line of duty as defined in KRS 61.621, and the member
- 26 shall be entitled to the benefits payable under this subsection as though
- 27 the member has twenty (20) years of service in a nonhazardous position.

1 3. The minimum service required to participate in benefits as provided by
2 paragraph (a) of this subsection shall be waived for a member who is
3 killed in the line of duty as described in KRS 61.621, and the member's
4 spouse and eligible dependents shall be entitled to the benefits payable
5 under this subsection as though the member has twenty (20) years of
6 service in a hazardous position.

7 (d) The monthly insurance contribution amount shall be increased July 1 of each
8 year by one and one-half percent (1.5%). The increase shall be cumulative and
9 shall continue to accrue after the member's retirement for as long as a monthly
10 insurance contribution is payable to the retired member or beneficiary.

11 (e) The benefits of this subsection provided to a member whose participation
12 begins on or after July 1, 2003, shall not be considered as benefits protected
13 by the inviolable contract provisions of KRS 61.692, 16.652, and 78.852. The
14 General Assembly reserves the right to suspend or reduce the benefits
15 conferred in this subsection if in its judgment the welfare of the
16 Commonwealth so demands.

17 (f) An employee whose membership date is on or after September 1, 2008, who
18 retires and is reemployed in a regular full-time position required to participate
19 in one (1) of the systems administered by Kentucky Retirement Systems shall
20 not be eligible for health insurance coverage or benefits provided by this
21 section and shall take coverage with his or her employing agency during the
22 period of reemployment in a regular full-time position.

23 ➔Section 31. KRS 61.705 is amended to read as follows:

24 (1) Upon the death of a retired member of the Kentucky Employees Retirement System,
25 County Employees Retirement System, or State Police Retirement System who was
26 receiving a monthly retirement allowance based on a minimum of forty-eight (48)
27 months of service or whose retirement allowance based on a minimum of forty-

1 eight (48) months was suspended in accordance with KRS 61.637, a death benefit
2 of five thousand dollars (\$5,000) shall be paid. If the retired member had more than
3 one (1) account in the Kentucky Employees Retirement System, County Employees
4 Retirement System, or State Police Retirement System, the system shall pay only
5 one (1) five thousand dollar (\$5,000) death benefit. Application for the death benefit
6 made to the Kentucky Retirement Systems shall include acceptable evidence of
7 death and of the eligibility of the applicant to act on the deceased retired member's
8 behalf.

9 (2) The death benefit shall be paid to a beneficiary named by the retired member. Upon
10 retirement or any time thereafter, the retired member may designate on the form
11 prescribed by the board, death benefit designation, a person, the retired member's
12 estate, a trust or trustee, or a licensed funeral home, as the beneficiary of the death
13 benefit. The beneficiary for the death benefit may or may not be the same
14 beneficiary designated in accordance with KRS 61.590(1). If the beneficiary
15 designated under this section is a person and that person dies prior to the member,
16 or if the beneficiary was the retired member's spouse and they were divorced on the
17 date of the retired member's death, then the retired member's estate shall become the
18 beneficiary, unless the retired member has filed a subsequent death benefit
19 designation. If a licensed funeral home is designated as beneficiary and the licensed
20 funeral home cannot be reasonably identified or located by Kentucky Retirement
21 Systems at the time of the retired member's death, then the retired member's estate
22 shall become the beneficiary of the death benefit.

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

26 (4) Upon the death of a retired member, the death benefit provided pursuant to this
27 section may be assigned by the designated beneficiary to a bank or licensed funeral

1 home.

2 **(5) Effective January 1, 2019, this section does not apply to members who began**
 3 **participating in the systems administered by Kentucky Retirement Systems on or**
 4 **after January 1, 2014.**

5 ➔Section 32. KRS 16.652 is amended to read as follows:

6 (1) For members who begin participating in the State Police Retirement System prior to
 7 January 1, 2014, it is hereby declared that in consideration of the contributions by
 8 the member, and in further consideration of benefits received by the state from the
 9 member's employment, KRS 16.510 to 16.645~~[, except as provided in KRS 6.696~~
 10 ~~effective September 16, 1993,]~~ shall constitute an inviolable contract of the
 11 Commonwealth, and the benefits provided therein shall~~[, except as provided in~~
 12 ~~KRS 6.696,]~~ not be subject to reduction or impairment by alteration, amendment or
 13 repeal, **except:**

14 **(a) As provided in KRS 6.696; and**

15 **(b) The General Assembly reserves the right to amend, reduce, or suspend any**
 16 **legislative changes to the provisions of KRS 16.505 to 16.652 that become**
 17 **effective on or after July 1, 2018.**

18 (2) (a) For members who begin participating in the State Police Retirement System
 19 on or after January 1, 2014, the General Assembly reserves the right to amend,
 20 suspend, or reduce the benefits and rights provided under KRS 16.505 to
 21 16.652 if, in its judgment, the welfare of the Commonwealth so demands,
 22 except that the amount of benefits the member has accrued at the time of
 23 amendment, suspension, or reduction shall not be affected.

24 (b) For purposes of this subsection, the amount of benefits the member has
 25 accrued at the time of amendment, suspension, or reduction shall be limited to
 26 the accumulated account balance the member has accrued at the time of
 27 amendment, suspension, or reduction.

1 (c) The provisions of this subsection shall not be construed to limit the General
2 Assembly's authority to change any other benefit or right specified by KRS
3 16.505 to 16.652, for members who begin participating in the State Police
4 Retirement System on or after January 1, 2014, except the benefits specified
5 by paragraph (b) of this subsection.

6 (3) The provisions of this section shall not be construed to limit the General Assembly's
7 authority to amend, reduce, or suspend the benefits and rights of members of the
8 State Police Retirement System as provided by KRS 16.505 to 16.652 that the
9 General Assembly had the authority to amend, reduce, or suspend, prior to July 1,
10 2013.

11 ➔Section 33. KRS 61.692 is amended to read as follows:

12 (1) For members who begin participating in the Kentucky Employees Retirement
13 System prior to January 1, 2014, it is hereby declared that in consideration of the
14 contributions by the members and in further consideration of benefits received by
15 the state from the member's employment, KRS 61.510 to 61.705 shall ~~not, except as~~
16 ~~provided in KRS 6.696 effective September 16, 1993,~~ constitute an inviolable
17 contract of the Commonwealth, and the benefits provided therein shall ~~not, except as~~
18 ~~provided in KRS 6.696,~~ not be subject to reduction or impairment by alteration,
19 amendment, or repeal, **except:**

20 **(a) As provided in KRS 6.696; and**

21 **(b) The General Assembly reserves the right to amend, reduce, or suspend any**
22 **legislative changes to the provisions of KRS 61.510 to 61.705 that become**
23 **effective on or after July 1, 2018.**

24 (2) (a) For members who begin participating in the Kentucky Employees Retirement
25 System on or after January 1, 2014, the General Assembly reserves the right to
26 amend, suspend, or reduce the benefits and rights provided under KRS 61.510
27 to 61.705 if, in its judgment, the welfare of the Commonwealth so demands,

1 except that the amount of benefits the member has accrued at the time of
2 amendment, suspension, or reduction shall not be affected.

3 (b) For purposes of this subsection, the amount of benefits the member has
4 accrued at the time of amendment, suspension, or reduction shall be limited to
5 the accumulated account balance the member has accrued at the time of
6 amendment, suspension, or reduction.

7 (c) The provisions of this subsection shall not be construed to limit the General
8 Assembly's authority to change any other benefit or right specified by KRS
9 61.510 to 61.705, except the benefits specified by paragraph (b) of this
10 subsection, for members who begin participating in the Kentucky Employees
11 Retirement System on or after January 1, 2014.

12 (3) The provisions of this section shall not be construed to limit the General Assembly's
13 authority to amend, reduce, or suspend the benefits and rights of members of the
14 Kentucky Employees Retirement System as provided by KRS 61.510 to 61.705 that
15 the General Assembly had the authority to amend, reduce, or suspend, prior to July
16 1, 2013.

17 ➔Section 34. KRS 78.852 is amended to read as follows:

18 (1) For members who begin participating in the County Employees Retirement System
19 prior to January 1, 2014, it is hereby declared that in consideration of the
20 contributions by the members and in further consideration of benefits received by
21 the county from the member's employment, KRS 78.510 to 78.852 shall~~[-, except as~~
22 ~~provided in KRS 6.696 effective September 16, 1993,]~~ constitute an inviolable
23 contract of the Commonwealth, and the benefits provided therein shall~~[-, except as~~
24 ~~provided in KRS 6.696,]~~ not be subject to reduction or impairment by alteration,
25 amendment, or repeal, **except:**

26 **(a) As provided in KRS 6.696; and**

27 **(b) The General Assembly reserves the right to amend, reduce, or suspend any**

1 *legislative changes to the provisions of KRS 78.510 to 78.852 that become*
2 *effective on or after July 1, 2018.*

- 3 (2) (a) For members who begin participating in the County Employees Retirement
4 System on or after January 1, 2014, the General Assembly reserves the right to
5 amend, suspend, or reduce the benefits and rights provided under KRS 78.510
6 to 78.852 if, in its judgment, the welfare of the Commonwealth so demands,
7 except that the amount of benefits the member has accrued at the time of
8 amendment, suspension, or reduction shall not be affected.
- 9 (b) For purposes of this subsection, the amount of benefits the member has
10 accrued at the time of amendment, suspension, or reduction shall be limited to
11 the accumulated account balance the member has accrued at the time of
12 amendment, suspension, or reduction.
- 13 (c) The provisions of this subsection shall not be construed to limit the General
14 Assembly's authority to change any other benefit or right specified by KRS
15 78.510 to 78.852, except the benefits specified by paragraph (b) of this
16 subsection, for members who begin participating in the County Employees
17 Retirement System on or after January 1, 2014.
- 18 (3) The provisions of this section shall not be construed to limit the General Assembly's
19 authority to amend, reduce, or suspend the benefits and rights of members of the
20 County Employees Retirement System as provided by KRS 78.510 to 78.852 that
21 the General Assembly had the authority to amend, reduce, or suspend, prior to July
22 1, 2013.

23 ➔Section 35. KRS 61.605 is amended to read as follows:

- 24 (1) Upon disability retirement, *except as provided by subsection (2) of this section,* an
25 employee may receive an annual retirement allowance payable monthly during his
26 lifetime which shall be determined in the same manner as for retirement at his
27 normal retirement date with years of service and final compensation being

1 determined as of the date of his disability except that service credit shall be added to
2 the person's total service beginning with his last date of paid employment and
3 continuing to his sixty-fifth birthday; however, the maximum service credit added
4 shall not exceed the total service the person had upon his last day of paid
5 employment, and the maximum combined service credit for calculating his
6 disability retirement allowance, including total service and added service shall not
7 exceed twenty-five (25) years. If, however, a person has accumulated twenty-five
8 (25) or more years of total service, he shall receive added service necessary to bring
9 his combined service credit, including total and added service, to twenty-seven (27)
10 years.

11 (2) (a) For a member whose participation begins on or after August 1, 2004, but prior
12 to January 1, 2014, the disability retirement allowance shall be the higher of
13 twenty percent (20%) of the member's monthly final rate of pay or the
14 retirement allowance determined in the same manner as for retirement at his
15 normal retirement date with years of service and final compensation being
16 determined as of the date of his disability.

17 (b) For a member who begins participating on or after January 1, 2014, in the
18 hybrid cash balance plan as provided by KRS 61.597 or who elects to
19 participate in the 401(a) money purchase plan as provided by Section 7, 12,
20 or 38 of this Act, the disability retirement allowance shall be the higher of
21 twenty percent (20%) of the member's monthly final rate of pay or the
22 retirement allowance determined in the same manner as for retirement at his
23 or her normal retirement date under KRS 61.597 or Section 12 of this Act, as
24 applicable.

25 ➔Section 36. KRS 61.640 is amended to read as follows:

26 (1) If a member dies prior to the first day of the month in which the member would
27 have received his or her first retirement allowance, the member's beneficiary shall

1 be eligible for the benefits provided by this section if the member had on file a
2 written designation of a beneficiary with the retirement office as provided by KRS
3 61.542 and the member met the following conditions at the date of his or her death:

4 (a) The member was eligible to retire under KRS 61.559(2) or (3), ~~or~~
5 61.597(6)(a) or (b), **or subsection (5)(a) or (b) of Section 12 of this Act;**

6 (b) The member was in active employment or on authorized leave of absence with
7 five (5) or more years of service credit and died prior to his or her normal
8 retirement date or was normal retirement age or older and had at least four (4)
9 years of service credit; or

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

13 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
14 a single person, then the beneficiary may elect to receive:

15 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
16 benefit that would have been paid had the member retired immediately prior
17 to his or her date of death and elected to receive benefits payable under the
18 survivorship one hundred percent (100%) option as provided in KRS
19 61.635(2);

20 (b) A monthly benefit payable for the life of the beneficiary under the beneficiary
21 Social Security adjustment option as provided in KRS 61.635(9) that is the
22 actuarial equivalent to the amount computed under paragraph (a) of this
23 subsection;

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

27 (d) A monthly benefit payable for a period of one hundred twenty (120) months

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

3 (e) If the member began participating in the system prior to January 1, 2014, a
4 monthly benefit payable for a period of one hundred twenty (120) months that
5 is equivalent to the benefit the member would have been entitled to receive
6 based on his or her years of service and final compensation at the date of his
7 or her death reduced by the survivorship fifty percent (50%) factor as provided
8 for in KRS 61.635(4), then reduced by fifty percent (50%), and that is the
9 actuarial equivalent to the amount computed under paragraph (a) of this
10 subsection; or

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

15 (3) If the beneficiary eligible for benefits as provided by subsection (1) of this section
16 are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus or
17 the trustee may elect to receive the actuarial equivalent amounts payable under
18 subsection (2)(c), (d), (e), or (f) of this section using the assumption that the
19 beneficiary's age is the same as the member's age.

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

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

27 ➔Section 37. KRS 61.559 is amended to read as follows:

- 1 (1) In lieu of any other benefits due under KRS 61.510 to 61.705 and 78.510 to 78.852,
2 a member who begins participating before September 1, 2008, who has attained the
3 age of sixty-five (65) and who has obtained at least one (1) month of service credit
4 but no more than forty-seven (47) months of service may elect to receive an annual
5 retirement allowance payable monthly or less frequently, as determined by the
6 board, which shall be determined by multiplying his accumulated contributions by
7 two (2) and converting this amount to an annual retirement allowance based on an
8 annuity rate adopted by the board which would pay the actuarial equivalent of twice
9 his accumulated contributions over the lifetime of the retired member.
- 10 (2) A member who begins participating before September 1, 2008, who is sixty-five
11 (65) years of age or older is eligible for a retirement allowance determined under
12 KRS 61.595 provided such member has forty-eight (48) months of service, at least
13 twelve (12) of which are current service, or a retirement allowance determined
14 under KRS 61.595 prior to age sixty-five (65) provided:
- 15 (a) The member has attained age fifty-five (55) and has service of sixty (60)
16 months at least twelve (12) of which are current service; or
- 17 (b) The member is a retired member of the State Police Retirement System, has
18 attained age fifty-five (55), and has service of forty-eight (48) months at least
19 twelve (12) of which are current service; or
- 20 (c) The member is less than age fifty-five (55) and has twenty-five (25) or more
21 years of service, at least fifteen (15) of which are current service; or
- 22 (d) The member has thirty (30) or more years of service at least fifteen (15) of
23 which are current service, or the member of the Kentucky Employees
24 Retirement System or the County Employees Retirement System has twenty-
25 seven (27) or more years of service, at least fifteen (15) of which are current
26 service; or
- 27 (e) The member of the Kentucky Employees Retirement System has, at least,

- 1 twenty-six (26) years of service credit, at least sixteen (16) of which are
2 current consecutive years of service as a cabinet secretary or administrative
3 head of one (1) of the three (3) branches of government; or
- 4 (f) The member has attained age fifty-five (55) and was an employee of a parted
5 employer at the time his employer became ineligible to continue participation
6 in the system, and his service in the system when added to his service with the
7 parted employer subsequent to his separation from state government equals
8 the early retirement service eligibility requirement of the system on the date
9 his employer became ineligible to continue participation in the system.
- 10 (3) A member who begins participating on or after September 1, 2008, but prior to
11 January 1, 2014, is eligible for a retirement allowance determined under KRS
12 61.595 if:
- 13 (a) The member is sixty-five (65) years of age or older and has at least five (5)
14 years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or
15 another state-administered retirement system;
- 16 (b) The member is fifty-seven (57) years of age or older and has an age and years
17 of service total of at least eighty-seven (87) years. The years of service used to
18 determine eligibility for a retirement allowance under this paragraph shall only
19 include years of service credited under KRS 16.543(1), 61.543(1), or
20 78.615(1) or another state-administered retirement system; or
- 21 (c) The member is sixty (60) years of age or older and has at least ten (10) years
22 of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another
23 state-administered retirement system.
- 24 (4) Subsections (1) to (3) of this section shall not apply to members who begin
25 participating in the system on or after January 1, 2014. Members who begin
26 participating in the system on or after January 1, 2014, shall receive the retirement
27 benefits prescribed by KRS 61.597 *or the 401(a) money purchase plan prescribed*

1 by Section 12 of this Act, as applicable.

2 ➔Section 38. KRS 61.5955 is amended to read as follows:

3 Notwithstanding KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852:

4 (1) Subject to the provisions of this section, any participating member who began
 5 participating in a nonhazardous position in the Kentucky Employees Retirement
 6 System ~~or~~ the County Employees Retirement System~~, or the State Police~~
 7 ~~Retirement System~~ prior to January 1, 2019~~January 1, 2014~~, may prior to
 8 January 1, 2021~~, in lieu of the benefits he or she is currently eligible to receive~~
 9 ~~from the systems,~~ elect to be provided the following benefits:

10 (a) Participation in the 401(a) money purchase plan provided by Section 12 of
 11 this Act in lieu of accruing any additional benefits provided by subsection
 12 (14) of Section 14 of this Act, subsection (14) of Section 15 of this Act, or
 13 Section 19 or 27 of this Act~~receive the benefits and rights provided to~~
 14 ~~members who began participating in the systems on or after January 1, 2014,~~
 15 ~~including participating in the hybrid cash balance plan created pursuant to~~
 16 ~~KRS 61.597 for members in nonhazardous duty positions or pursuant to KRS~~
 17 ~~16.583 for members in hazardous duty positions, as applicable]; and~~

18 (b) Any other benefits the person would be eligible for in the Kentucky
 19 Employees Retirement System or County Employees Retirement System
 20 based upon the election provided by this section or his or her membership
 21 date in the state-administered retirement systems.

22 (2) The election provided by this section shall be made in writing and on a form
 23 prescribed by the Kentucky Retirement Systems board;

24 (3) For each member who makes an election provided by this section, ~~—~~

25 ~~(a) —~~any service credit, final compensation, or other benefits the member has
 26 accrued prior to the effective election date~~January 1, 2014~~, shall remain but
 27 the member shall not accrue any additional service, final compensation, or

1 any other benefits in a nonhazardous position in the Kentucky Employees
 2 Retirement System or County Employees Retirement System on or after the
 3 effective election date for purposes of determining benefits under subsection
 4 (14) of Section 14 of this Act, subsection (14) of Section 15 of this Act, or
 5 Section 19 or 27 of this Act shall be considered as service credit earned on or

6 after January 1, 2014, for purposes of determining benefits under KRS 16.505
 7 to 16.652, 61.510 to 61.705, and 78.510 to 78.852;

8 ~~(b) On the member's effective election date, the value of the member's~~
 9 ~~accumulated contributions, less any interest, shall be deposited into the~~
 10 ~~member's hybrid cash balance account as provided by KRS 16.583[or]~~
 11 ~~61.597, as applicable, and considered part of the member's accumulated~~
 12 ~~account balance;~~

13 ~~(c) On the member's effective election date, an employer pay credit as provided~~
 14 ~~by KRS 16.583 or 61.597, as applicable, shall be added to the member's~~
 15 ~~accumulated account balance for each month the member contributed to the~~
 16 ~~Kentucky Employees Retirement System, the County Employees Retirement~~
 17 ~~System, or the State Police Retirement System prior to his or her effective~~
 18 ~~election date; and~~

19 ~~(d) Interest credits as provided by KRS 16.583 or 61.597, as applicable, shall only~~
 20 ~~be applied for periods occurring on or after the member's effective election~~
 21 ~~date];~~

22 (4) Before accepting an election provided by this section, the Kentucky Retirement
 23 Systems board shall provide the member with information detailing the potential
 24 results of the member's election;

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

26 (6) (a) A member of the Kentucky Employees Retirement System or the County
 27 Employees Retirement System~~, or the State Police Retirement System~~ shall

1 not be eligible to make an election prescribed by this section until the
2 Kentucky Retirement Systems receive a favorable private letter ruling from
3 the Internal Revenue Service regarding this section.

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

6 (c) The Kentucky Retirement Systems may promulgate administrative regulations
7 under KRS Chapter 13A in order to carry out this section; and

8 (7) This section shall not apply to retirees who were reemployed on or after September
9 1, 2008, and who are not eligible to participate in the systems during reemployment.

10 ➔Section 39. KRS 61.655 is amended to read as follows:

11 (1) No trustee or employee of the Kentucky Retirement Systems board shall:

12 (a)~~[(1)]~~ Have any interest, direct or indirect, in the gains or profits of any
13 investment or **any other legal, business, or financial** transaction made by the
14 board, save insofar as any such trustee or employee may be a member,
15 employee, or beneficiary of the retirement system;

16 (b)~~[(2)]~~ Directly or indirectly, for himself or as an agent, use the assets of the
17 retirement system, except to make current and necessary payments authorized
18 by the board;

19 (c)~~[(3)]~~ Become an indorser or surety or in any manner an obligor for moneys
20 loaned by or borrowed from the board;

21 (d)~~[(4)]~~ Have a contract or agreement with the retirement system, individually or
22 through a business owned by the trustee or the employee;

23 (e)~~[(5)]~~ Use his or her official position with the retirement system to obtain a
24 financial gain or benefit or advantage for himself or herself or a family
25 member;

26 (f)~~[(6)]~~ Use confidential information acquired during his or her tenure with the
27 retirement system to further his or her own economic interests or that of

1 another person; or

2 ~~(g)(7)~~ Hold outside employment with, or accept compensation from, any
3 person or business with which he or she has involvement as part of his or her
4 official position with the retirement system. The provisions of this subsection
5 shall not prohibit a trustee from serving as an employee of an agency
6 participating in one (1) of the systems administered by Kentucky Retirement
7 Systems.

8 (2) No trustee or employee of the board of trustees, who has served as a trustee or
9 employee of the board on or after July 1, 2017, shall have any interest, direct or
10 indirect, in the gains or profits of any investment or any other legal, business, or
11 financial transaction made by the board of trustees for a period of five (5) years
12 following termination of his or her position, except that any such trustee or
13 employee may be a member, employee, or beneficiary of the systems administered
14 by Kentucky Retirement Systems.

15 (3) (a) No person who is serving as a member of the General Assembly or is a
16 public servant as defined by subsection (9) of Section 83 of this Act shall
17 have any interest, direct or indirect, in the gains or profits of any investment
18 or any other legal, business, or financial transaction made by the board of
19 trustees, except that any such trustee or public servant may be a member,
20 employee, or beneficiary of the systems administered by Kentucky
21 Retirement Systems.

22 (b) No person who was serving as a member of the General Assembly on or
23 after July 1, 2017, or was serving as a public servant as defined by
24 subsection (9) of Section 83 of this Act on or after July 1, 2017, shall have
25 any interest, direct or indirect, in the gains or profits of any investment or
26 any other legal, business, or financial transaction made by the board of
27 trustees for a period of five (5) years following termination of his or her

1 *position, except that any such member or public servant may be a member,*
2 *employee, or beneficiary of the systems administered by Kentucky*
3 *Retirement Systems.*

4 ➔Section 40. KRS 16.583 is amended to read as follows:

- 5 (1) A member of the State Police Retirement System, a member of the Kentucky
6 Employees Retirement System in a hazardous duty position covered by this section,
7 or a member of the County Employees Retirement System in a hazardous duty
8 position covered by this section, whose participation begins on or after January 1,
9 2014, ~~for a member making an election pursuant to KRS 61.5955,~~ shall receive the
10 retirement benefits provided by this section in lieu of the retirement benefits
11 provided under KRS 16.576 and 16.577. The retirement benefit provided by this
12 section shall be known as the hybrid cash balance plan and shall operate as another
13 benefit tier within the State Police Retirement System, the Kentucky Employees
14 Retirement System, and the County Employees Retirement System.
- 15 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the
16 member's accumulated account balance, which shall include:
- 17 (a) Contributions made by the member as provided by KRS 16.505 to 16.652,
18 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions
19 prescribed by KRS 61.702(2)(b);
- 20 (b) An employer pay credit of seven and one-half percent (7.5%) of the creditable
21 compensation earned by the employee for each month the employee is
22 contributing to the hybrid cash balance plan provided by this section; and
- 23 (c) Interest credits added annually to the member's accumulated account balance
24 as provided by this section.
- 25 (3) (a) Member contributions and employer pay credits as provided by subsection
26 (2)(a) and (b) of this section shall be credited to the member's account
27 monthly as contributions are reported and posted to the system in accordance

1 with KRS 61.675 and 78.625.

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

5 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
6 contributed to the hybrid cash balance plan during the fiscal year.

7 (b) If the member contributed to the hybrid cash balance plan during the fiscal
8 year, the interest credit added to the member's account for that fiscal year shall
9 be determined by multiplying the member's accumulated account balance on
10 June 30 of the preceding fiscal year by a percentage increase equal to:

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

14 (c) If the member did not contribute to the hybrid cash balance plan during the
15 fiscal year, the interest credit added to the member's account for that fiscal
16 year shall be determined by multiplying the member's accumulated account
17 balance on June 30 of the preceding fiscal year by four percent (4%).

18 (d) For purposes of this subsection, "system's geometric average net investment
19 return":

- 20 1. Means the annual average geometric investment return, net of
21 administrative and investment fees and expenses, over the last five (5)
22 fiscal years as of the date the interest is credited to the member's
23 account; and

- 24 2. Shall be expressed as a percentage and based upon the system in which
25 the member has an account.

26 (e) No employer pay credits or interest credits shall be provided to a member who
27 has taken a refund of contributions as provided by KRS 61.625 or who has

1 retired and annuitized his or her accumulated account balance as prescribed by
2 this section.

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

8 (b) Upon termination of employment, a member who has five (5) or more years of
9 service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to
10 take a refund of his or her accumulated account balance as provided by KRS
11 61.625, shall receive a full refund of his or her accumulated account balance.

12 (6) A member participating in the hybrid cash balance plan provided by this section
13 may retire:

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

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

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

21 (a) Receive a monthly retirement allowance payable for life by having his or her
22 accumulated account balance annuitized by the retirement systems in
23 accordance with the actuarial assumptions and actuarial methods adopted by
24 the board and in effect on the member's retirement date;

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

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

2 (8) The provisions of this section shall not apply to members who began participating
3 in the Kentucky Employees Retirement System, the County Employees Retirement
4 System, or the State Police Retirement System prior to January 1, 2014~~], except for~~
5 ~~those members making an election pursuant to KRS 61.5955].~~

6 ➔Section 41. KRS 16.645 is amended to read as follows:

7 The following subjects shall be administered in the same manner subject to the same
8 limitations and requirements as provided for the Kentucky Employees Retirement System
9 as follows:

- 10 (1) Cessation of membership, as provided for by KRS 61.535;
- 11 (2) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 12 (3) Actuarial bases, as provided for by KRS 61.670;
- 13 (4) Duties of the employer, as provided for by KRS 61.675;
- 14 (5) Exemption of benefits of the system for taxation and qualified domestic relations
15 orders, as provided for by KRS 61.690;
- 16 (6) Retirement allowance increase, as provided for by KRS 61.691;
- 17 (7) Calculation of retirement allowance, as provided for by KRS 61.599;
- 18 (8) Beneficiaries to be designated by member, change, rights, as provided for by KRS
19 61.542;
- 20 (9) Year of service credit, as provided for by KRS 61.545;
- 21 (10) Refund of contributions, death after retirement, as provided by KRS 61.630;
- 22 (11) Custodian of fund, payments made, when, as provided for by KRS 61.660;
- 23 (12) Credit for service prior to membership date, as provided for by KRS 61.526;
- 24 (13) Member's account, confidential, as provided for by KRS 61.661;
- 25 (14) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- 26 (15) Correction of errors in records, as provided for by KRS 61.685;
- 27 (16) Maximum disability benefit, as provided for by KRS 61.607;

- 1 (17) Retirement application procedure, effective retirement date, as provided for by KRS
2 61.590;
- 3 (18) Employer contributions, as provided for by KRS 61.565;
- 4 (19) Reinstatement of lost service credit, purchase of service credit, interest paid, and
5 delayed contribution and installment payments, as provided for by KRS 61.552;
- 6 (20) Reciprocal arrangement between systems, as provided by KRS 61.680;
- 7 (21) Refund of contributions, conditions, as provided by KRS 61.625;
- 8 (22) Hospital and medical insurance plan, as provided by KRS 61.702;
- 9 (23) Death benefit, as provided by KRS 61.705;
- 10 (24) Disability retirement allowance, reduction, and discontinuance, as provided by KRS
11 61.615;
- 12 (25) Service credit, Armed Forces, as provided by KRS 61.555;
- 13 (26) Reinstated employee, contributions on creditable compensation, as provided for by
14 KRS 61.569;
- 15 (27) Statement to be made under oath, good faith reliance, as provided for in KRS
16 61.699;
- 17 (28) Retirement of persons in hazardous positions, as provided for by KRS 61.592;
- 18 (29) Direct deposit of recipient's retirement allowance as provided in KRS 61.623;
- 19 (30) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- 20 (31) Payment of small amounts upon death of member, retiree, or recipient without
21 formal administration of the estate as provided in KRS 61.703;
- 22 (32) Suspension of retirement payments on reemployment, reinstatement, recomputation
23 of allowance, waiver of provisions in certain instances, reemployment in a different
24 position, as provided for by KRS 61.637;
- 25 (33) Medical examination and financial review after disability retirement, staff review,
26 as provided in KRS 61.610; ***and***
- 27 (34) Employer payment of increases in creditable compensation and adjustments to

1 creditable compensation during the last five (5) years of employment as provided by
2 KRS 61.598~~]; and~~
3 ~~(35) Benefit election for members of the Kentucky Retirement Systems who began~~
4 ~~participating prior to January 1, 2014, as provided by KRS 61.5955].~~

5 ➔Section 42. KRS 78.545 is amended to read as follows:

6 The following matters shall be administered in the same manner subject to the same
7 limitations and requirements as provided for the Kentucky Employees Retirement System
8 as follows:

- 9 (1) Cessation of membership, conditions, as provided for by KRS 61.535;
- 10 (2) Statement of member and employer, as provided for by KRS 61.540;
- 11 (3) Beneficiary to be designated by member, change, rights, as provided for by KRS
12 61.542;
- 13 (4) Service credit determination, as provided for by KRS 61.545;
- 14 (5) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- 15 (6) Service credit, Armed Forces, as provided for by KRS 61.555;
- 16 (7) Normal and early retirement eligibility requirements, as provided for by KRS
17 61.559;
- 18 (8) Retirement allowance increases as provided for by KRS 61.691;
- 19 (9) Retirement application procedure, effective retirement date, as provided for by KRS
20 61.590;
- 21 (10) Disability retirement, conditions, as provided for by KRS 61.600;
- 22 (11) Disability retirement, allowance, as provided for by KRS 61.605;
- 23 (12) Medical examination after disability retirement, as provided for by KRS 61.610;
- 24 (13) Disability retirement allowance, reduction, as provided for by KRS 61.615;
- 25 (14) Determination of retirement allowance, as provided for by KRS 61.595;
- 26 (15) Refund of contributions, conditions, as provided for by KRS 61.625;
- 27 (16) Refund of contributions, death after retirement, as provided for by KRS 61.630;

- 1 (17) Optional retirement plans, as provided for by KRS 61.635;
- 2 (18) Suspension of retirement payments on reemployment, reinstatement, as provided for
3 by KRS 61.637;
- 4 (19) Death before retirement, beneficiary's options, as provided for by KRS 61.640;
- 5 (20) Board of trustees, conflict of interest, as provided for by KRS 61.655;
- 6 (21) Custodian of funds, payments made, when, as provided for by KRS 61.660;
- 7 (22) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 8 (23) Actuarial bases, as provided for by KRS 61.670;
- 9 (24) Employer's administrative duties, as provided for by KRS 61.675;
- 10 (25) Correction of errors in records, as provided for by KRS 61.685;
- 11 (26) Exemptions of retirement allowances, and qualified domestic relations orders, as
12 provided for by KRS 61.690;
- 13 (27) Credit for service prior to membership date, as provided for by KRS 61.526;
- 14 (28) Creditable compensation of fee officers, as provided for by KRS 61.541;
- 15 (29) Members' account, confidential, as provided for by KRS 61.661;
- 16 (30) Retirement plan for employees determined to be in a hazardous position, as
17 provided for by KRS 61.592;
- 18 (31) Maximum disability benefit, as provided for by KRS 61.607;
- 19 (32) Consent of employees to deductions and reciprocal arrangement between systems,
20 as provided for by KRS 61.680;
- 21 (33) Employer contributions, as provided for by KRS 61.565;
- 22 (34) Recontribution and delayed contribution payments, purchase of service credit,
23 interest, and installment payments, as provided for by KRS 61.552;
- 24 (35) Hospital and medical insurance plan, as provided by KRS 61.702;
- 25 (36) Death benefit, as provided by KRS 61.705;
- 26 (37) Reinstated employee, contributions on creditable compensation, as provided for by
27 KRS 61.569;

- 1 (38) Statement to be made under oath, good faith reliance, as provided for in KRS
2 61.699;
- 3 (39) Disability procedure for members in hazardous positions as provided for in KRS
4 16.582;
- 5 (40) Direct deposit of recipient's retirement allowance as provided for in KRS 61.623;
- 6 (41) Death or disability from a duty-related injury as provided in KRS 61.621;
- 7 (42) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- 8 (43) Payment of small accounts upon death of member, retiree, or recipient without
9 formal administration of the estate as provided in KRS 61.703;
- 10 (44) Hybrid cash balance plan and 401(a) money purchase plan provided to new
11 members as provided by KRS 61.597 and Section 12 of this Act;
- 12 (45) Employer payment of increases in creditable compensation and adjustments to
13 creditable compensation during the last five (5) years of employment as provided by
14 KRS 61.598;
- 15 (46) Calculation of retirement allowance, as provided by KRS 61.599;
- 16 (47) Voluntary and involuntary cessation of participation by a participating agency as
17 provided by KRS 61.522; and
- 18 (48) Benefit election for members of the Kentucky Retirement Systems who began
19 participating prior to January 1, 2019~~[January 1, 2014]~~, as provided by KRS
20 61.5955.

21 ➔SECTION 43. A NEW SECTION OF KRS 161.220 TO 161.716 IS CREATED
22 TO READ AS FOLLOWS:

23 *(1) An individual who becomes a member of the Teachers' Retirement System on or*
24 *after January 1, 2019, shall receive the retirement benefits provided by this*
25 *section in lieu of the retirement benefits provided under Sections 69 and 73 of*
26 *this Act. The retirement benefits provided by this section shall be known as the*
27 *hybrid cash balance plan and shall operate as another benefit tier within the*

1 Teachers' Retirement System.

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

4 (a) Contributions made by the member as provided by KRS 161.220 to 161.716,
5 except for employee contributions prescribed by subsection (1)(a)2., (1)(b)2.,
6 or (1)(c) of Section 57 of this Act;

7 (b) An employer pay credit for:

8 1. Nonuniversity employees equal to eight percent (8%) of the
9 compensation earned by the employee for each month the employee is
10 contributing to the hybrid cash balance plan provided by this section;

11 and

12 2. University employees equal to four percent (4%) of the compensation
13 earned by the employee for each month the employee is contributing
14 to the hybrid cash balance plan provided by this section; and

15 (c) Regular interest added annually to the member's accumulated account
16 balance as provided by this section.

17 (3) (a) Member contributions and employer pay credits as provided by subsection
18 (2)(a) and (b) of this section shall be credited to the member's account
19 monthly as contributions are reported and posted to the system in
20 accordance with KRS 161.560.

21 (b) Regular interest, as provided by subsection (2)(c) of this section, shall be
22 credited to the member's account annually on June 30 of each fiscal year,
23 as determined by subsection (4) of this section.

24 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
25 contributed to the hybrid cash balance plan or another state-administered
26 retirement system during the fiscal year.

27 (b) If the member contributed to the hybrid cash balance plan or another state-

1 administered retirement system during the fiscal year, the regular interest
2 added to the member's account for that fiscal year shall be determined by
3 multiplying the member's accumulated account balance on June 30 of the
4 preceding fiscal year by a percentage increase equal to eighty-five percent
5 (85%) of the system's geometric average net investment return, but in no
6 case shall be less than zero percent (0%).

7 (c) If the member did not contribute to the hybrid cash balance plan or another
8 state-administered retirement system during the fiscal year, the regular
9 interest added to the member's account for that fiscal year shall be zero
10 percent (0%).

11 (d) For purposes of this subsection, "system's geometric average net investment
12 return":

13 1. Means the annual average geometric investment return, net of
14 administrative and investment fees and expenses, over the last ten (10)
15 fiscal years as of the date the regular interest is credited to the
16 member's account; and

17 2. Shall be expressed as a percentage.

18 (e) No employer pay credits or regular interest shall be provided to a member
19 who has taken a refund of his or her accumulated account balance as
20 provided by Section 49 of this Act or who has retired and annuitized his or
21 her accumulated account balance as prescribed by this section.

22 (5) (a) Upon termination of employment, a member who has less than five (5)
23 years of service credited under Section 51 of this Act, who elects to take a
24 refund of his or her accumulated account balance as provided by Section 49
25 of this Act, shall forfeit the accumulated employer credit, and shall only
26 receive a refund of his or her accumulated contributions.

27 (b) Upon termination of employment, a member who has five (5) or more years

1 of service credited under Section 51 of this Act, who elects to take a refund
2 of his or her accumulated account balance as provided by Section 49 of this
3 Act, shall receive a full refund of his or her accumulated account balance.

4 (6) A member participating in the hybrid cash balance plan provided by this section
5 may qualify for service retirement by meeting one (1) of the following
6 requirements:

7 (a) On or after age sixty-five (65), if he or she has earned five (5) or more years
8 of service credited under Section 51 of this Act, or another state-
9 administered retirement system; or

10 (b) If the member is at least age fifty-seven (57) and has an age and years of
11 service total of at least eighty-seven (87) years. The years of service used to
12 determine eligibility for retirement under this paragraph shall only include
13 years of service credited under Section 51 of this Act, or another state-
14 administered retirement system.

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

16 (a) Receive a monthly retirement allowance payable for life by having his or
17 her accumulated account balance annuitized by the retirement system in
18 accordance with the actuarial assumptions and actuarial methods adopted
19 by the board and in effect on the member's retirement date;

20 (b) Receive the actuarial equivalent of his or her retirement allowance
21 calculated under paragraph (a) of this subsection payable under one (1) of
22 the options established by the board pursuant to Section 75 of this Act; or

23 (c) Take a refund of his or her account balance as provided by Section 49 of
24 this Act.

25 (8) This section does not apply to members who began participating in the Teachers'
26 Retirement System prior to January 1, 2019, except for those members who make
27 an election as prescribed by subsection (9) of this section.

- 1 (9) (a) Subject to the provisions of this subsection, any contributing member who
2 began participating in the Teachers' Retirement System prior to January 1,
3 2019, who has less than five (5) years of service in the system may, in lieu of
4 the benefits he or she is currently eligible to receive from the Teachers'
5 Retirement System, elect to participate in the hybrid cash balance plan
6 provided by this section and receive the other benefits and rights under KRS
7 161.220 to 161.716 provided to members who began participating in the
8 system on or after January 1, 2019. After such election, the member shall
9 for purposes of KRS 161.220 to 161.716 be considered a member who began
10 participating on or after January 1, 2019.
- 11 (b) The election provided by this subsection shall be made in writing and on a
12 form prescribed by the Teachers' Retirement System board.
- 13 (c) For each member who makes an election provided by this subsection:
- 14 1. Any service credit the member has accrued prior to January 1, 2019,
15 shall be considered as service credit earned on or after January 1,
16 2019; and
- 17 2. On the member's effective election date, the value of the member's
18 accumulated contributions shall be deposited into the member's
19 hybrid cash balance plan account.
- 20 (d) Before accepting an election provided by this subsection, the Teachers'
21 Retirement System board shall provide the member with information
22 detailing the potential results of the member's election.
- 23 (e) An election made pursuant to this subsection shall be irrevocable.
- 24 (f) 1. A member of the Teachers' Retirement System shall not be eligible to
25 make an election prescribed by this subsection until the board receives
26 a favorable private letter ruling from the Internal Revenue Service
27 regarding this subsection.

1 2. If the Internal Revenue Service denies the request for a private letter
 2 ruling as provided by subparagraph 1. of this paragraph, this
 3 subsection shall be void.

4 3. The system may promulgate administrative regulations under KRS
 5 Chapter 13A in order to carry out this subsection.

6 (g) This subsection does not apply to annuitants who retired on or after
 7 January 1, 2019, and who were reemployed on or after January 1, 2019,
 8 and who are not eligible to participate in the system during reemployment.

9 ➔Section 44. KRS 161.155 is amended to read as follows:

10 (1) As used in this section:

11 (a) "Teacher" shall mean any person for whom certification is required as a basis
 12 of employment in the common schools of the state;

13 (b) "Employee" shall mean any person, other than a teacher, employed in the
 14 public schools, whether on a full or part-time basis;

15 (c) "Immediate family" shall mean the teacher's or employee's spouse, children
 16 including stepchildren and foster children, grandchildren, daughters-in-law
 17 and sons-in law, brothers and sisters, parents and spouse's parents, and
 18 grandparents and spouse's grandparents, without reference to the location or
 19 residence of said relative, and any other blood relative who resides in the
 20 teacher's or employee's home;

21 (d) "Sick leave bank" shall mean an aggregation of sick leave days contributed by
 22 teachers or employees for use by teachers or employees who have exhausted
 23 all sick leave and other available paid leave days; and

24 (e) "Assault" shall mean an act that intentionally causes injury so significant that
 25 the victim is determined to be, by certification of a physician or surgeon duly
 26 qualified under KRS Chapter 342, incapable of performing the duties of his or
 27 her job.

1 (2) Each district board of education shall allow to each teacher and full-time employee
2 in its common school system not less than ten (10) days of sick leave during each
3 school year, without deduction of salary. Sick leave shall be granted to a teacher or
4 employee if he or she presents a personal affidavit or a certificate of a physician
5 stating that the teacher or employee was ill, that the teacher or employee was absent
6 for the purpose of attending to a member of his or her immediate family who was
7 ill, or for the purpose of mourning a member of his or her immediate family. The
8 ten (10) days of sick leave granted in this subsection may be taken by a teacher or
9 employee on any ten (10) days of the school year and shall be granted in addition to
10 accumulated sick leave days that have been credited to the teacher or employee
11 under the provisions of subsection (4) of this section.

12 (3) A school district shall coordinate among the income and benefits from workers'
13 compensation, temporary disability retirement, and district payroll and benefits so
14 that there is no loss of income or benefits to a teacher or employee for work time
15 lost because of an assault while performing the teacher's or employee's assigned
16 duties for a period of up to one (1) year after the assault. In the event a teacher or
17 employee suffers an assault while performing his or her assigned duties that results
18 in injuries that qualify the teacher or employee for workers' compensation benefits,
19 the district shall provide leave to the teacher or employee for up to one (1) year after
20 the assault with no loss of income or benefits under the following conditions:

21 (a) The district shall pay the salary of the teacher or employee between the time
22 of the assault and the time the teacher's or employee's workers' compensation
23 income benefits take effect, or the time the teacher or employee is certified to
24 return to work by a physician or surgeon duly qualified under KRS Chapter
25 342, whichever is sooner;

26 (b) The district shall pay, for up to one (1) year from the time of the assault, the
27 difference between the salary of the teacher or employee and any workers'

1 compensation income benefits received by the teacher or employee resulting
2 from the assault. Payments by the district shall include payments for
3 intermittent work time missed as a result of the assault during the one (1) year
4 period. If the teacher's or employee's workers' compensation income benefits
5 cease during the one (1) year period after the assault, the district shall also
6 cease to make payments under this paragraph;

7 (c) The Commonwealth, through the Kentucky Department of Education, shall
8 make the employer's health insurance contribution during the period that the
9 district makes payments under paragraphs (a) and (b) of this subsection;

10 (d) The Commonwealth, through the Kentucky Department of Education, shall
11 make the employer's contribution to the retirement system in which the
12 teacher or employee is a member during the period that the district makes
13 payments under paragraphs (a) and (b) of this subsection; and

14 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this
15 subsection shall be coordinated with workers' compensation benefits under
16 KRS Chapter 342, disability retirement benefits for teachers under KRS
17 161.661 to 161.663, and disability retirement benefits for employees under
18 KRS 61.600 to 61.621 and 78.545 so that the teacher or employee receives
19 income equivalent to his or her full contracted salary, but in no event shall the
20 combined payments exceed one hundred percent (100%) of the teacher's or
21 employee's full contracted salary.

22 (4) Days of sick leave not taken by an employee or a teacher during any school year
23 shall accumulate without limitation and be credited to that employee or teacher.
24 Accumulated sick leave may be taken in any school year. Any district board of
25 education may, in its discretion, allow employees or teachers in its common school
26 system sick leave in excess of the number of days prescribed in this section and may
27 allow school district employees and teachers to use up to three (3) days' sick leave

1 per school year for emergency leave pursuant to KRS 161.152(3). Any accumulated
2 sick leave days credited to an employee or a teacher shall remain so credited in the
3 event he or she transfers his or her place of employment from one (1) school district
4 to another within the state or to the Kentucky Department of Education or transfers
5 from the Department of Education to a school district.

6 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to
7 the opening day of the school year, an affidavit or a certificate of a physician is
8 presented to the district board of education, stating that the teacher or employee is
9 unable to commence his or her duties on the opening day of the school year, but will
10 be able to assume his or her duties within a period of time that the board determines
11 to be reasonable.

12 (6) Any school teacher or employee may repurchase previously used sick leave days
13 with the concurrence of the local school board by paying to the district an amount
14 equal to the total of all costs associated with the used sick leave.

15 (7) A district board of education may adopt a plan for a sick leave bank. The plan may
16 include limitations upon the number of days a teacher or employee may annually
17 contribute to the bank and limitations upon the number of days a teacher or
18 employee may annually draw from the bank. Only those teachers or employees who
19 contribute to the bank may draw upon the bank. Days contributed will be deducted
20 from the days available to the contributing teacher or employee. The sick leave bank
21 shall be administered in accordance with a policy adopted by the board of
22 education.

23 (8) (a) A district board of education shall establish a sick leave donation program to
24 permit teachers or employees to voluntarily contribute sick leave to teachers
25 or employees in the same school district who are in need of an extended
26 absence from school. A teacher or employee who has accrued more than
27 fifteen (15) days' sick leave may request the board of education to transfer a

1 designated amount of sick leave to another teacher or employee who is
2 authorized to receive the sick leave donated. A teacher or employee may not
3 request an amount of sick leave be donated that reduces his or her sick leave
4 balance to less than fifteen (15) days.

5 (b) A teacher or employee may receive donations of sick leave if:

6 1. a. The teacher or employee or a member of his or her immediate
7 family suffers from a medically certified illness, injury,
8 impairment, or physical or mental condition that has caused or is
9 likely to cause the teacher or employee to be absent for at least ten
10 (10) days; or

11 b. The teacher or employee suffers from a catastrophic loss to his or
12 her personal or real property, due to either a natural disaster or fire,
13 that either has caused or will likely cause the employee to be
14 absent for at least ten (10) consecutive working days;

15 2. The teacher's or employee's need for the absence and use of leave are
16 certified by a licensed physician for leave requested under subparagraph
17 1.a. of this subsection;

18 3. The teacher or employee has exhausted his or her accumulated sick
19 leave, personal leave, and any other leave granted by the school district;
20 and

21 4. The teacher or employee has complied with the school district's policies
22 governing the use of sick leave.

23 (c) While a teacher or employee is on sick leave provided by this section, he or
24 she shall be considered a school district employee, and his or her salary,
25 wages, and other employee benefits shall not be affected.

26 (d) Any sick leave that remains unused, is not needed by a teacher or employee,
27 and will not be needed in the future shall be returned to the teacher or

1 employee donating the sick leave.

2 (e) The board of education shall adopt policies and procedures necessary to
3 implement the sick leave donation program.

4 (9) A teacher or employee may use up to thirty (30) days of sick leave following the
5 birth or adoption of a child or children. Additional days may be used when the need
6 is verified by a physician's statement.

7 (10) (a) After July 1, 1982, a district board of education may compensate, at the time
8 of retirement or upon the death of a member in active contributing status at the
9 time of death who was eligible to retire by reason of service, an employee or a
10 teacher, or the estate of an employee or teacher, for each unused sick leave
11 day. The rate of compensation for each unused sick leave day shall be based
12 on a percentage of the daily salary rate calculated from the employee's or
13 teacher's last annual salary, not to exceed thirty percent (30%). Payment for
14 unused sick leave days, not to exceed the amount based upon the unused
15 sick leave days accrued as of December 31, 2018, shall be incorporated into
16 the annual compensation~~[annual salary]~~ of the final year of service for
17 inclusion in the calculation of the employee's or teacher's retirement allowance
18 only at the time of his or her initial retirement; provided that the member
19 makes the regular retirement contribution for members on the sick leave
20 payment. The accumulation of these days includes unused sick leave days held
21 by the employee or teacher at the time of implementation of the program.

22 (b) For a teacher or employee who begins employment with a local school district
23 on or after July 1, 2008, the maximum amount of unused sick leave days a
24 district board of education may recognize in calculating the payment of
25 compensation to the teacher or employee under this subsection shall not
26 exceed three hundred (300) days.

27 (11) Any statute to the contrary notwithstanding, employees and teachers who

1 transferred from the Department of Education to a school district, from a school
2 district to the Department of Education, or from one (1) school district to another
3 school district after July 15, 1981, shall receive credit for any unused sick leave to
4 which the employee or teacher was entitled on the date of transfer. This credit shall
5 be for the purposes set forth in subsection (10) of this section.

6 (12) The death benefit provided in subsection (10) of this section may be cited as the
7 Baughn Benefit.

8 ➔Section 45. KRS 161.220 is amended to read as follows:

9 As used in KRS 161.220 to 161.716 and 161.990:

10 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to
11 161.716 and 161.990 for payment of allowances to members;

12 (2) "Retirement allowance" means the amount annually payable during the course of his
13 natural life to a member who has been retired by reason of service;

14 (3) "Disability allowance" means the amount annually payable to a member retired by
15 reason of disability;

16 (4) "Member" means the commissioner of education, deputy commissioners, associate
17 commissioners, and all division directors in the State Department of Education,
18 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any
19 full-time teacher or professional occupying a position requiring certification or
20 graduation from a four (4) year college or university, as a condition of employment,
21 and who is employed by public boards, institutions, or agencies as follows:

22 (a) Local boards of education;

23 (b) Eastern Kentucky University, Kentucky State University, Morehead State
24 University, Murray State University, Western Kentucky University, and any
25 community colleges established under the control of these universities;

26 (c) State-operated secondary area vocational education or area technology centers,
27 Kentucky School for the Blind, and Kentucky School for the Deaf;

- 1 (d) The Education Professional Standards Board, other public education agencies
2 as created by the General Assembly, and those members of the administrative
3 staff of the Teachers' Retirement System of the State of Kentucky whom the
4 board of trustees may designate by administrative regulation;
- 5 (e) Regional cooperative organizations formed by local boards of education or
6 other public educational institutions listed in this subsection, for the purpose
7 of providing educational services to the participating organizations;
- 8 (f) All full-time members of the staffs of the Kentucky Association of School
9 Administrators, Kentucky Education Association, Kentucky Vocational
10 Association, Kentucky High School Athletic Association, Kentucky Academic
11 Association, and the Kentucky School Boards Association who were members
12 of the Kentucky Teachers' Retirement System or were qualified for a position
13 covered by the system at the time of employment by the association in the
14 event that the board of directors of the respective association petitions to be
15 included. The board of trustees of the Kentucky Teachers' Retirement System
16 may designate by resolution whether part-time employees of the petitioning
17 association are to be included, except as limited by Section 71 of this Act. The
18 state shall make no contributions on account of these employees, either full-
19 time or part-time. The association shall make the employer's contributions,
20 including any contribution that is specified under KRS 161.550. The
21 provisions of this paragraph shall be applicable to persons in the employ of
22 the associations on or subsequent to July 1, 1972;
- 23 (g) Employees of the Council on Postsecondary Education who were employees
24 of the Department for Adult Education and Literacy and who were members
25 of the Kentucky Teachers' Retirement System at the time the department was
26 transferred to the council pursuant to Executive Order 2003-600;
- 27 (h) The Office of Career and Technical Education, except that the executive

1 director shall not be a member;

2 (i) The Office of Vocational Rehabilitation;

3 (j) The Kentucky Educational Collaborative for State Agency Children;

4 (k) The Governor's Scholars Program;

5 (l) Any person who is retired for service from the retirement system and is
6 reemployed by an employer identified in this subsection in a position that the
7 board of trustees deems to be a member, except that any person who retires
8 on or after January 1, 2019, shall upon reemployment after retirement not
9 earn a second retirement account;

10 (m) Employees of the former Cabinet for Workforce Development who are
11 transferred to the Kentucky Community and Technical College System and
12 who occupy positions covered by the Kentucky Teachers' Retirement System
13 shall remain in the Teachers' Retirement System. New employees occupying
14 these positions, as well as newly created positions qualifying for Teachers'
15 Retirement System coverage that would have previously been included in the
16 former Cabinet for Workforce Development, shall be members of the
17 Teachers' Retirement System;

18 (n) Effective January 1, 1998, employees of state community colleges who are
19 transferred to the Kentucky Community and Technical College System shall
20 continue to participate in federal old age, survivors, disability, and hospital
21 insurance, and a retirement plan other than the Kentucky Teachers' Retirement
22 System offered by Kentucky Community and Technical College System. New
23 employees occupying positions in the Kentucky Community and Technical
24 College System as referenced in KRS 164.5807(5) that would not have
25 previously been included in the former Cabinet for Workforce Development,
26 shall participate in federal old age, survivors, disability, and hospital insurance
27 and have a choice at the time of employment of participating in a retirement

1 plan provided by the Kentucky Community and Technical College System,
2 including participation in the Kentucky Teachers' Retirement System, on the
3 same basis as faculty of the state universities as provided in KRS 161.540,~~f~~
4 ~~and~~ 161.620, and Section 43 of this Act;

5 (o) Employees of the Office of General Counsel, the Office of Budget and
6 Administrative Services, and the Office of Quality and Human Resources
7 within the Office of the Secretary of the former Cabinet for Workforce
8 Development and the commissioners of the former Department for Adult
9 Education and Literacy and the former Department for Technical Education
10 who were contributing to the Kentucky Teachers' Retirement System as of
11 July 15, 2000;

12 (p) Employees of the Kentucky Department of Education only who are graduates
13 of a four (4) year college or university, notwithstanding a substitution clause
14 within a job classification, and who are serving in a professional job
15 classification as defined by the department; and

16 (q) The Governor's School for Entrepreneurs Program.

17 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,
18 and became a member of the retirement system created by 1938 (1st Extra. Sess.)
19 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year
20 after that date, and any teacher who was a member of a local teacher retirement
21 system in the public elementary or secondary schools of the state on or before July
22 1, 1940, and continued to be a member of the system until he, with the membership
23 of the local retirement system, became a member of the state Teachers' Retirement
24 System or who becomes a member under the provisions of KRS 161.470(4);

25 (6) "New teacher" means any member not a present teacher;

26 (7) "Prior service" means the number of years during which the member was a teacher
27 in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior

1 service shall be allowed or credited to any teacher;

2 (8) "Subsequent service" means the number of years during which the teacher is a
3 member of the Teachers' Retirement System after July 1, 1941;

4 (9) "Final average salary" means the average of the five (5) highest **years of annual**
5 **compensation**~~[annual salaries]~~ which the member has received for service in a
6 covered position and on which the member has made contributions, or on which the
7 public board, institution, or agency has picked-up member contributions pursuant to
8 KRS 161.540(2), or the average of the five (5) years of **annual**
9 **compensation**~~[highest salaries]~~ as defined in KRS 61.680(2)(a), which shall include
10 picked-up member contributions. ~~[Additionally,]~~ The board of trustees may approve
11 a final average salary based upon the average of the three (3) highest **years of**
12 **annual compensation**~~[salaries]~~ for members **with twenty (20) or more years of**
13 **service as of July 31, 2018,** who are at least fifty-five (55) years of age and have a
14 minimum of twenty-seven (27) years of Kentucky service credit. **Additionally, the**
15 **board of trustees may approve a final average salary based upon the average of**
16 **the three (3) highest years of annual compensation for members who have less**
17 **than twenty (20) years of service as of July 31, 2018, who are at least sixty (60)**
18 **years of age and have thirty-five (35) or more years of Kentucky service credit.**

19 However, if any of the five (5) or three (3) highest **years of annual compensation**~~[~~
20 ~~annual salaries]~~ used to calculate the final average salary was paid within the three
21 (3) years immediately prior to the date of the member's retirement, the amount of
22 **annual compensation**~~[salary]~~ to be included for each of those three (3) years for the
23 purpose of calculating the final average salary shall be limited to the lesser of:

- 24 (a) The member's actual salary; or
25 (b) The member's annual salary that was used for retirement purposes during each
26 of the prior three (3) years, plus a percentage increase equal to the percentage
27 increase received by all other members employed by the public board,

1 institution, or agency, or for members of school districts, the highest
2 percentage increase received by members on any one (1) rank and step of the
3 salary schedule of the school district. The increase shall be computed on the
4 salary that was used for retirement purposes.

5 This limitation shall not apply if the member receives an increase in salary in a
6 percentage exceeding that received by the other members, and this increase was
7 accompanied by a corresponding change in position or in length of employment.

8 This limitation shall also not apply to the payment to a member for accrued annual
9 leave if the individual becomes a member before July 1, 2008, or accrued sick leave
10 which is authorized by statute and which shall be included as part of a retiring
11 member's annual compensation for the member's last year of active service, as
12 limited by Section 44 of this Act;

13 (10) "Annual compensation" means the total salary received by a member as
14 compensation for all services performed in employment covered by the retirement
15 system during a fiscal year. Annual compensation shall not include payment for any
16 benefit or salary adjustments made by the public board, institution, or agency to the
17 member or on behalf of the member which is not available as a benefit or salary
18 adjustment to other members employed by that public board, institution, or agency.
19 Annual compensation shall not include the salary supplement received by a member
20 under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996. Under no
21 circumstances shall annual compensation include compensation that is earned by a
22 member while on assignment to an organization or agency that is not a public board,
23 institution, or agency listed in subsection (4) of this section. In the event that federal
24 law requires that a member continue membership in the retirement system even
25 though the member is on assignment to an organization or agency that is not a
26 public board, institution, or agency listed in subsection (4) of this section, the
27 member's annual compensation for retirement purposes shall be deemed to be the

1 annual compensation, as limited by subsection (9) of this section, last earned by the
2 member while still employed solely by and providing services directly to a public
3 board, institution, or agency listed in subsection (4) of this section. The board of
4 trustees shall determine if any benefit or salary adjustment qualifies as annual
5 compensation. For an individual who becomes a member on or after July 1, 2008,
6 annual compensation shall not include lump-sum payments upon termination of
7 employment for accumulated annual or compensatory leave;

8 (11) "Age of member" means the age attained on the first day of the month immediately
9 following the birthdate of the member. This definition is limited to retirement
10 eligibility and does not apply to tenure of members;

11 (12) "Employ," and derivatives thereof, means relationships under which an individual
12 provides services to an employer as an employee, as an independent contractor, as
13 an employee of a third party, or under any other arrangement as long as the services
14 provided to the employer are provided in a position that would otherwise be covered
15 by the Kentucky Teachers' Retirement System and as long as the services are being
16 provided to a public board, institution, or agency listed in subsection (4) of this
17 section;

18 (13) "Regular interest" means interest at three percent (3%) per annum, except:

19 (a) For an individual who becomes a member on or after July 1, 2008, ***but prior***
20 ***to January 1, 2019,*** "regular interest" means interest at two and one-half
21 percent (2.5%) per annum for purposes of crediting interest to the teacher
22 savings account or any other contributions made by the employee that are
23 refundable to the employee upon termination of employment; ***and***

24 ***(b) For an individual who becomes a member on or after January 1, 2019, who***
25 ***is participating in the hybrid cash balance plan, "regular interest" means***
26 ***the regular interest credited to the member's accumulated account balance***
27 ***as provided by Section 43 of this Act;***

- 1 (14) "Accumulated contributions" means the contributions of a member to the teachers'
2 savings fund, including picked-up member contributions as described in KRS
3 161.540(2), plus accrued regular interest;
- 4 (15) "Annuitant" means a person who receives a retirement allowance or a disability
5 allowance;
- 6 (16) "Local retirement system" means any teacher retirement or annuity system created
7 in any public school district in Kentucky in accordance with the laws of Kentucky;
- 8 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The
9 retirement plan year is concurrent with this fiscal year. A contract for a member
10 employed by a local board of education may not exceed two hundred sixty-one
11 (261) days in the fiscal year;
- 12 (18) "Public schools" means the schools and other institutions mentioned in subsection
13 (4) of this section;
- 14 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was
15 receiving, at the time of death of the member, at least one-half (1/2) of the support
16 from the member for maintenance, including board, lodging, medical care, and
17 related costs;
- 18 (20) "Active contributing member" means a member currently making contributions to
19 the Teachers' Retirement System, who made contributions in the next preceding
20 fiscal year, for whom picked-up member contributions are currently being made, or
21 for whom these contributions were made in the next preceding fiscal year;
- 22 (21) "Full-time" means employment in a position that requires services on a continuing
23 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year
24 basis;
- 25 (22) "Full actuarial cost," when used to determine the payment that a member must pay
26 for service credit means the actuarial value of all costs associated with the
27 enhancement of a member's benefits or eligibility for benefit enhancements,

1 including health insurance supplement payments made by the retirement system.
2 The actuary for the retirement system shall determine the full actuarial value costs
3 and actuarial cost factor tables as provided in KRS 161.400;

4 (23) "Last annual compensation" means the annual compensation, as defined by
5 subsection (10) of this section and as limited by subsection (9) of this section,
6 earned by the member during the most recent period of contributing service, either
7 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)
8 full year of service credit in the Kentucky Teachers' Retirement System, and which
9 compensation is used in calculating the member's initial retirement allowance,
10 excluding bonuses, retirement incentives, payments for accumulated sick, annual,
11 personal and compensatory leave, and any other lump-sum payment. For an
12 individual who becomes a member on or after July 1, 2008, payments for annual or
13 compensatory leave shall not be included in determining the member's last annual
14 compensation;

15 (24) "Participant" means a member, as defined by subsection (4) of this section, or an
16 annuitant, as defined by subsection (15) of this section;

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

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

20 (b) Relates to the provision of child support, alimony payments, or marital
21 property rights to an alternate payee;~~and~~

22 (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
23 participant, who is designated to be paid retirement benefits in a qualified domestic
24 relations order;

25 **(27) "University member" means an individual who becomes a member through**
26 **employment with an employer specified in subsection (4)(b) and (n) of this**
27 **section;**

1 (28) "Nonuniversity member" means an individual who becomes a member through
 2 employment with an employer specified under subsection (4) of this section,
 3 except for those members employed by an employer specified in subsection (4)(b)
 4 and (n) of this section;

5 (29) "Accumulated employer credit" means the employer pay credit deposited to the
 6 member's account and regular interest credited on such amounts as provided by
 7 Section 43 of this Act; and

8 (30) "Accumulated account balance" means:

9 (a) For members who began participating in the system prior to January 1,
 10 2019, the member's accumulated contributions; or

11 (b) For members who began participating in the system on or after January 1,
 12 2019, in the hybrid cash balance plan as provided by Section 43 of this Act,
 13 the combined sum of the member's accumulated contributions and the
 14 member's accumulated employer credit.

15 ➔Section 46. KRS 161.400 is amended to read as follows:

16 (1) (a) The board of trustees shall designate as actuary a competent person who shall
 17 be a fellow of the Conference of Consulting Actuaries or a member of the
 18 American Academy of Actuaries. He shall be the technical adviser of the
 19 board on matters regarding the operation of the funds of the system and shall
 20 perform such other duties as are required in connection therewith.

21 (b) At least once in each five (5) year period, the actuary shall make an actuarial
 22 investigation into the actuarial assumptions and funding methods used,
 23 including but not limited to mortality, investment rate of return, and service
 24 and compensation of the members and beneficiaries of the retirement system,
 25 relative to the actuarial assumptions and funding methods previously adopted
 26 by the board. The actuarial investigation shall include at a minimum a
 27 summary of the changes in actuarial assumptions and funding methods

1 recommended in the investigation and the projected impact of the
2 recommended changes on funding levels, unfunded liabilities, and actuarially
3 recommended contribution rates for employers over a twenty (20) year period.

4 (c) At least annually the actuary shall make an actuarial valuation of the
5 retirement system. The valuation shall include:

- 6 1. A description of the actuarial assumptions used, and the assumptions
7 shall be reasonably related to the experience of the system and represent
8 the actuary's best estimate of anticipated experience;
- 9 2. A description of any funding methods utilized or required by state law in
10 the development of the actuarial valuation results;
- 11 3. A description of any changes in actuarial assumptions and methods from
12 the previous year's actuarial valuation;
- 13 4. The actuarially recommended contribution rate for employers for the
14 upcoming budget periods;
- 15 5. A twenty (20) year projection of the funding levels, unfunded liabilities,
16 and actuarially recommended contribution rates for employers based
17 upon the actuarial assumptions, funding methods, and experience of the
18 system as of the valuation date; and
- 19 6. A sensitivity analysis that evaluates the impact of changes in system
20 assumptions, including but not limited to the investment return
21 assumption, payroll growth assumption, and medical inflation rates, on
22 employer contribution rates, funding levels, and unfunded liabilities.

23 (d) On the basis of the results of the valuations, the board of trustees shall make
24 necessary changes in the retirement system within the provisions of law and
25 shall establish~~recommend~~ the contributions payable by employers and the
26 state ~~within the limits~~ specified in KRS 161.550.

27 (e) For any change in actuarial assumptions, funding methods, retiree health

1 insurance premiums and subsidies, or any other decisions made by the board
2 that impact system liabilities and actuarially recommended contribution rates
3 for employers and that are not made in conjunction with the actuarial
4 investigation required by paragraph (b) of this subsection, an actuarial analysis
5 shall be completed showing the projected impact of the changes on funding
6 levels, unfunded liabilities, and actuarially recommended contribution rates
7 for employers over a twenty (20) year period.

8 (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for
9 all purposes shall be determined by the actuary of the retirement system and
10 approved by the board of trustees by resolution and implemented without the
11 necessity of an administrative regulation. ~~[- The assets of the system shall be valued~~
12 ~~at market value, or at a modified market value determined by the board to be a~~
13 ~~prudent measure of asset value.]~~

14 (3) A copy of each five (5) year actuarial investigation, actuarial analysis, and valuation
15 required by subsection (1) of this section shall be forwarded electronically to the
16 Legislative Research Commission no later than ten (10) days after receipt by the
17 board, and the Legislative Research Commission shall distribute the information
18 received to the committee staff and co-chairs of any committee that has jurisdiction
19 over the Kentucky Teachers' Retirement System. The actuarial valuation required by
20 subsection (1)(c) of this section shall be submitted no later than November 15
21 following the close of the fiscal year.

22 ➔Section 47. KRS 161.420 is amended to read as follows:

23 All of the assets of the retirement system are for the exclusive purpose of providing
24 benefits to members and annuitants and defraying reasonable expenses of administering
25 the system. The board of trustees shall be the trustee of all funds of the system and shall
26 have full power and responsibility for administering the funds. ~~[It is hereby declared that~~
27 ~~the restrictions and rights provided herein shall not be subject to reduction or impairment~~

1 ~~by alteration, amendment, or repeal.~~ All the assets of the retirement system shall be
 2 credited according to the purpose for which they are held to one (1) of the following
 3 funds:

4 (1) The expense fund shall consist of the funds set aside from year to year by the board
 5 of trustees to defray the expenses of the administration of the retirement system.
 6 Each fiscal year an amount not greater than four percent (4%) of the dividends and
 7 interest income earned from investments during the immediate past fiscal year shall
 8 be set aside into the expense fund or expended for the administration of the
 9 retirement system;

10 (2) (a) The teachers' savings fund shall consist of:

11 1. The contributions paid by members of the retirement system into this
 12 fund and regular interest assigned by the board of trustees from the
 13 guarantee fund or established by Section 43 of this Act, as applicable;

14 and

15 2. For individuals who become members of the Teachers' Retirement
 16 System on or after January 1, 2019, who are participating in the
 17 hybrid cash balance plan, the employer pay credit and regular interest
 18 to the hybrid cash balance plan as provided by Section 43 of this Act
 19 that is assigned by the board of trustees from the guarantee fund.

20 (b) A member may not borrow any amount of his or her accumulated account
 21 balance~~contributions to~~ in the teachers' savings~~this~~ fund, or any regular
 22 interest earned thereon.

23 (c) The accumulated contributions or accumulated account balance of a member
 24 which are returned to him upon his withdrawal or paid to his estate or
 25 designated beneficiary in the event of his death shall be paid from the teachers'
 26 savings fund.

27 (d) Any accumulated account balance~~contributions~~ in the teachers' savings

1 fund forfeited by a failure of a teacher or his estate to claim these
2 contributions shall be transferred from ~~this~~[the teachers' savings] fund to the
3 guarantee fund.

4 **(e) For an individual who becomes a member of the Teachers' Retirement**
5 **System prior to January 1, 2019,** the accumulated **account**
6 **balance**[contributions] of a member **in the teachers' savings fund** shall be
7 transferred from ~~this~~[the teachers' savings] fund to the allowance reserve fund
8 in the event of retirement by reason of service or disability.

9 **(f) For an individual who becomes a member of the Teachers' Retirement**
10 **System on or after January 1, 2019, who is participating in the hybrid cash**
11 **balance plan who elects to annuitize his or her accumulated account**
12 **balance as prescribed by subsection (7)(a) or (b) of Section 43 of this Act,**
13 **the member's accumulated account balance shall be transferred to the**
14 **allowance reserve fund;**

15 (3) The state accumulation fund shall consist of funds **paid by employers and**
16 appropriated by the state for the purpose of providing annuities and survivor
17 benefits, including any sums appropriated for meeting unfunded liabilities, together
18 with regular interest assigned by the board of trustees from the guarantee fund. At
19 the time of retirement or death of a member there shall be transferred from the state
20 accumulation fund to the allowance reserve fund an amount which together with the
21 sum transferred from the teachers' savings fund will be sufficient to provide the
22 member a retirement allowance and provide for benefits under KRS 161.520 and
23 161.525. **There shall also be transferred from the state accumulation fund to the**
24 **teachers' savings fund, the amount needed to fund the employer credits required**
25 **by Section 43 of this Act;**

26 (4) The allowance reserve fund shall be the fund from which shall be paid all retirement
27 allowances and benefits provided under KRS 161.520 and 161.525. In addition,

1 whenever a change in the status of a member results in an obligation on this fund,
 2 there shall be transferred to this fund from the teachers' savings fund and the state
 3 accumulation fund, the amounts as may be held in those funds for the account or
 4 benefit of the member;

5 (5) (a) **Effective January 1, 2019**, the medical insurance fund, which is an account
 6 established according to 26 U.S.C. sec. 401(h), shall consist of amounts
 7 accumulated for the purpose of providing benefits as provided in KRS
 8 161.675, including:

- 9 1. **The member contributions required by subsections (1)(a)2., (1)(b)2.,**
 10 **and (1)(c) of Section 57 of this Act**;~~For individuals who become~~
 11 ~~members before July 1, 2008, one and one-half percent (1.5%) of the~~
 12 ~~gross annual payroll of all members shall be deposited to this fund. Of~~
 13 ~~this amount, three-quarters of a percent (0.75%) shall derive from~~
 14 ~~member contributions as provided by KRS 161.540 and three-quarters of~~
 15 ~~a percent (0.75%) from a state appropriation];~~
- 16 2. **The employer contribution required by subsections (1)(a)1.b.,**
 17 **(1)(a)2.b., and (3)(a) of Section 63 of this Act**;~~For individuals who~~
 18 ~~become members on or after July 1, 2008, two and one-half percent~~
 19 ~~(2.5%) of the gross annual payroll of all members shall be deposited to~~
 20 ~~this fund. Of this amount, one and three-quarters percent (1.75%) shall~~
 21 ~~derive from member contributions as provided by KRS 161.540 and~~
 22 ~~three-quarters of a percent (0.75%) from a state appropriation;~~
- 23 3. ~~Effective July 1, 2010, the member contributions required under KRS~~
 24 ~~161.540(1)(c);~~
- 25 4. ~~Effective July 1, 2010, local board of education, agency, and~~
 26 ~~organization contributions required under KRS 161.550(3), unless the~~
 27 ~~board of trustees establishes a trust fund under 26 U.S.C. sec. 115 for~~

1 ~~health care purposes, in which case the board may direct those~~
 2 ~~contributions to that trust fund];~~

3 **3. State appropriations**~~[5. Employer medical insurance fund~~
 4 ~~stabilization contributions]~~ as set forth in **subsection (2) of Section 63 of**
 5 **this Act**~~[KRS 161.550]~~, unless the contributions are made to a trust fund

6 under 26 U.S.C. sec. 115 established by the board for this purpose; and

7 ~~4.[6.]~~ Interest income from the investments of the fund from contributions
 8 received by the fund under subparagraphs 1. to ~~3.[5.]~~ of this paragraph,
 9 and from income earned on those investments.

10 (b) All claims for benefits under KRS 161.675 shall be paid from this fund or
 11 from any trust fund under 26 U.S.C. sec. 115 as established by the board for
 12 this purpose. Any amounts deposited to the fund that are not required to meet
 13 current costs shall be maintained as a reserve in the fund for these benefits.
 14 The board shall take the necessary and appropriate steps, including
 15 promulgating administrative regulations and procedures to maintain the status
 16 of the medical insurance fund as an account subject to 26 U.S.C. sec. 401(h);

17 (6) The guarantee fund shall be maintained to facilitate the crediting of uniform interest
 18 on the amounts of the other funds, except the expense fund, to finance operating
 19 expenses directly related to investment management services, and to provide a
 20 contingent fund out of which special requirements of any of the other funds may be
 21 covered. All income, interest, and dividends derived from the authorized deposits
 22 and investments shall be paid into the guarantee fund. Any funds received from
 23 gifts and bequests, which the board is hereby authorized to accept and expend
 24 without limitation in a manner either expressed by the donor or deemed to be in the
 25 best interest of the membership, shall be credited to the guarantee fund. Any funds
 26 transferred from the teachers' savings fund by reason of lack of claimant or because
 27 of a surplus in any fund and any other moneys whose disposition is not otherwise

1 provided for, shall also be credited to the guarantee fund. The interest allowed by
 2 the board of trustees to each of the other funds shall be paid to these funds from the
 3 guarantee fund. Any deficit occurring in any fund that would not be automatically
 4 covered shall be met by the payments from the guarantee fund to that fund;

5 (7) The school employee annuity fund shall consist of those funds voluntarily
 6 contributed under the provisions of Section 403(b) of the Internal Revenue Code by
 7 a retired member of the Teachers' Retirement System with accounts that existed on
 8 or after July 1, 1996. The contributions shall not be picked up as provided in KRS
 9 161.540(2). Separate member accounts shall be maintained for each member. The
 10 board of trustees may promulgate administrative regulations pursuant to KRS
 11 Chapter 13A to manage this program;

12 (8) The supplemental retirement benefit fund shall consist of those funds contributed by
 13 the employer for the purpose of constituting a qualified government excess benefit
 14 plan as described in Section 415 of the Internal Revenue Code for accounts that
 15 existed on or after July 1, 1996. The board of trustees shall promulgate
 16 administrative regulations pursuant to KRS Chapter 13A to administer this
 17 program; and

18 (9) The life insurance benefit fund shall consist of amounts accumulated for the
 19 purpose of providing benefits provided under KRS 161.655. The board of trustees
 20 may allocate to this fund a percentage of the employer and state contributions as
 21 provided under KRS 161.550. The allocation to this fund will be in an amount that
 22 the actuary determines necessary to fund the obligation of providing the benefits
 23 provided under KRS 161.655.

24 ➔Section 48. KRS 161.460 is amended to read as follows:

25 (1) No trustee or employee of the board of trustees shall:

26 (a)~~(1)~~ Have any interest, direct or indirect, in the gain or profits of any
 27 investment or **any other legal, business, or financial** transaction made by the

1 board, except that any such trustee or employee may be a member,
2 employee, or beneficiary of the plans administered by the board or
3 authority;

4 ~~(b)~~~~(2)~~ Directly or indirectly for himself or as an agent for another, use any of
5 the assets of the retirement system in any manner except to make current and
6 necessary payments authorized by the board;

7 ~~(c)~~~~(3)~~ Become an endorser, surety, or obligor for moneys loaned to or
8 borrowed from the board;

9 ~~(d)~~~~(4)~~ Have a contract or agreement with the retirement system, individually or
10 through a business owned by the trustee or the employee;

11 ~~(e)~~~~(5)~~ Use his or her official position with the retirement system to obtain a
12 financial gain or benefit or advantage for himself or herself or a family
13 member;

14 ~~(f)~~~~(6)~~ Use confidential information acquired during his or her tenure with the
15 retirement system to further his or her own economic interests or that of
16 another person; or

17 ~~(g)~~~~(7)~~ Hold outside employment with, or accept compensation from, any
18 person or business with which he or she has involvement as part of his or her
19 official position with the retirement system. The provisions of this subsection
20 shall not prohibit a trustee from serving as an employee of an agency
21 participating in the Kentucky Teachers' Retirement System.

22 (2) No trustee or employee of the board of trustees, who has served as a trustee or
23 employee of the board on or after July 1, 2017, shall have any interest, direct or
24 indirect, in the gains or profits of any investment or any other legal, business, or
25 financial transaction made by the board of trustees for a period of five (5) years
26 following termination of his or her position, except that any such trustee or
27 employee may be a member, employee, or beneficiary of the Teachers' Retirement

1 System.

2 **(3) (a) No person who is serving as a member of the General Assembly or is a**
 3 **public servant as defined by subsection (9) of Section 83 of this Act shall**
 4 **have any interest, direct or indirect, in the gains or profits of any investment**
 5 **or any other legal, business, or financial transaction made by the board of**
 6 **trustees, except that any such trustee or public servant may be a member,**
 7 **employee, or beneficiary of the Teachers' Retirement System.**

8 **(b) No person who was serving as a member of the General Assembly on or**
 9 **after July 1, 2017, or was serving as a public servant as defined by**
 10 **subsection (9) of Section 83 of this Act on or after July 1, 2017, shall have**
 11 **any interest, direct or indirect, in the gains or profits of any investment or**
 12 **any other legal, business, or financial transaction made by the board of**
 13 **trustees for a period of five (5) years following termination of his or her**
 14 **position, except that any such member or public servant may be a member,**
 15 **employee, or beneficiary of the Teachers' Retirement System.**

16 ➔Section 49. KRS 161.470 is amended to read as follows:

- 17 (1) The membership of the retirement system shall consist of all new members, all
 18 present teachers, and all persons participating under the retirement system as of
 19 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.
 20 The board of trustees of the Teachers' Retirement System shall be responsible for
 21 final determination of membership eligibility and may direct employers to take
 22 whatever action that may be necessary to correct any error relating to membership.
- 23 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service
 24 it shall be as a new member, except that any teacher who withdraws by claiming his
 25 deposits may repay the system the amount withdrawn plus interest and reestablish
 26 his service credit as provided in subsection (3) of this section.
- 27 (3) Effective July 1, 1988, and thereafter, an active contributing member of the

1 retirement system with contributing service equal to one (1) year may regain service
 2 credit by depositing in the teachers' savings fund the amount withdrawn with
 3 interest at the rate to be set by the board of trustees, and computed from the first of
 4 the month of withdrawal and including the month of redeposit. **Service credit**
 5 **regained pursuant to this subsection on or after January 1, 2019, shall not be**
 6 **used to determine the date the individual purchasing the service became a**
 7 **member of the Teachers' Retirement System.**

8 (4) Effective July 1, 1974, any active contributing member with at least two (2) years of
 9 contributing service credit who declined membership as provided in Acts 1938 (1st
 10 Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and for
 11 any subsequent service prior to date of membership, by depositing in the teachers'
 12 savings fund contributions for each year of subsequent service prior to date of
 13 membership, with interest at the rate of eight percent (8%) compounded annually to
 14 the date of deposit.

15 (5) Membership in the retirement system shall be terminated:

16 (a) By retirement for service;

17 (b) By death;

18 (c) By withdrawal of the member's accumulated **account balance**~~contributions~~;

19 (d) When a member, having less than five (5) years of Kentucky service is absent
 20 from service for more than three (3) consecutive years; or

21 (e) For persons hired on or after August 1, 2000, when a member is convicted, in
 22 any state or federal court of competent jurisdiction, of a felony related to his
 23 employment as provided in subparagraphs 1. and 2. of this paragraph.

24 1. Notwithstanding any provision of law to the contrary, a member hired
 25 on or after August 1, 2000, who is convicted, in any state or federal
 26 court of competent jurisdiction, of a felony related to his employment
 27 shall forfeit rights and benefits earned under the retirement system,

1 except for the return of his accumulated contributions and interest
2 credited on those contributions.

3 2. The payment of retirement benefits ordered forfeited shall be stayed
4 pending any appeal of the conviction. If the conviction is reversed on
5 final judgment, no retirement benefits shall be forfeited.

6 Except for paragraph (e) of this subsection, upon termination of member accounts
7 under this subsection, funds in the account shall be transferred to the guarantee
8 fund. Inactive members may apply for refunds of these funds at any time. The
9 terminated service shall be reinstated, if not withdrawn by the member, in the event
10 that the member returns to active contributing service.

11 (6) In case of withdrawal from service prior to eligibility for retirement, the board of
12 trustees shall on request of the member return all of his accumulated **account**
13 **balance**~~[contributions with regular interest]~~, including any payments made by the
14 member to the state accumulation fund, but the member shall have no claim on any
15 contributions made by the state **or employer** with a view to his retirement, **except as**
16 **provided by Sections 43 of this Act**, or to contributions made to the medical
17 insurance fund. If the member is eligible for an immediate service retirement
18 allowance as provided in KRS 161.600, no withdrawal and refund shall be
19 permitted, unless the allowance would prohibit the member from qualifying for
20 Social Security benefits or the member elects to withdraw part or all of his service
21 for the purpose of obtaining credit in another retirement plan. Requests for refund of
22 contributions by the member must be filed on forms prescribed by the Teachers'
23 Retirement System and the employer shall be financially responsible for all
24 information that is certified on the prescribed form. A member may not withdraw
25 any part of his or her **accumulated account balance in**~~[contributions to]~~ the
26 retirement system except as provided by this subsection.

27 (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to

1 retirement, the board of trustees shall pay to the estate of the deceased member,
2 unless a beneficiary was otherwise applicably designated by the deceased member,
3 then to the beneficiary, all of his accumulated account balance~~[contributions, with~~
4 ~~regular interest]~~, including any payments made by the member to the state
5 accumulation fund, but the estate or beneficiary shall have no claim on any
6 contributions made by the state or employer with a view to the retirement of the
7 member, except as provided by Sections 43 of this Act, or to contributions made to
8 the medical insurance fund.

9 (8) Any active contributing member of the Kentucky Employees Retirement System,
10 the County Employees Retirement System, the State Police Retirement System, or
11 the Judicial Retirement System may use service, under that retirement system for
12 the purpose of meeting the service requirement of subsections (3) and (4) of this
13 section.

14 ➔Section 50. KRS 161.480 is amended to read as follows:

15 Each person, upon becoming a member of the retirement system, shall file a detailed
16 statement as required by the board of trustees and shall designate a primary beneficiary or
17 two (2) or more cobeneficiaries to receive any benefits accruing from the death of the
18 member. A contingent beneficiary may be designated in addition to the primary
19 beneficiary or cobeneficiaries. The member may name more than one (1) contingent
20 beneficiary. Any beneficiary designation made by the member, including the estate should
21 the estate become the beneficiary by default, shall remain in effect until changed by the
22 member on forms prescribed by the Kentucky Teachers' Retirement System, except in the
23 event of subsequent marriage or divorce. Subsequent marriage by the member shall void
24 the primary beneficiary and any cobeneficiary designation, even that of a trust, and the
25 spouse of the member at death shall be considered as the primary beneficiary, unless the
26 member subsequent to marriage designates another beneficiary. A final divorce decree
27 shall terminate an ex-spouse's status as either primary beneficiary, cobeneficiary, or

1 contingent beneficiary, unless subsequent to divorce the member redesignates the former
2 spouse as primary beneficiary, cobeneficiary, or contingent beneficiary. To the extent
3 permitted by the Internal Revenue Code, a trust may be designated as beneficiary for
4 receipt of a member's **accumulated account balance in**~~contributions to~~ the retirement
5 system as provided under KRS 161.470(7). A final divorce decree shall not terminate the
6 designation of a trust as beneficiary regardless of who is designated as beneficiary of the
7 trust. In the event that a member fails to designate a beneficiary, or all designated
8 beneficiaries predecease the member, the member's estate shall be deemed to be the
9 beneficiary. Members may designate as beneficiaries only presently identifiable and
10 existing individuals, or trusts where otherwise permitted, without contingency
11 instructions, on forms prescribed by the retirement system. The provisions of this section
12 shall be retroactive as they relate to election of beneficiaries by members still in active
13 status on the effective date of this section. The provisions of this section shall not apply to
14 any account from which a member is drawing a retirement allowance or to the life
15 insurance benefit available under KRS 161.655.

16 ➔Section 51. KRS 161.500 is amended to read as follows:

17 (1) At the close of each fiscal year, the retirement system shall add service credit to the
18 account of each member who made contributions to his or her account during the
19 year. Members shall be entitled to a full year of service credit if their total paid days
20 were not less than one hundred eighty (180) days of a one hundred eighty-five (185)
21 day contract for a regular school or fiscal year. In the event **an individual who**
22 **became** a member **prior to January 1, 2019,** is paid for less than one hundred
23 eighty (180) days, the member may purchase credit according to administrative
24 regulations established by the board of trustees. In no case shall more than one (1)
25 year of service be credited for all service performed in one (1) fiscal year. Members
26 who complete their employment contract prior to the close of a fiscal year and elect
27 to retire prior to the close of a fiscal year shall have their service credit reduced by

1 eight percent (8%) for each calendar month that the retirement becomes effective
2 prior to July 1.

3 (2) Members who are employed and paid for less than the number of days required in
4 their normal employment year shall be entitled to pro rata service credit for the
5 fractional service. Such credit shall be based upon the number of days employed
6 and the number of days in the member's annual employment agreement or normal
7 employment year.

8 (3) Service credit may not exceed the ratio between the school or fiscal year and the
9 number of months or fraction of a month the member is employed during that year.

10 (4) No service credit shall be granted in the Teachers' Retirement System for service
11 that has been or will be used in qualifying for annuity benefit payments from
12 another retirement system financed wholly or in part by public funds.

13 ➔Section 52. KRS 161.507 is amended to read as follows:

14 (1) An active contributing member of the Teachers' Retirement System may receive
15 service credit for active service rendered in the uniformed services of the Armed
16 Forces of the United States, including the commissioned corps of the Public Health
17 Service, subject to the provisions of the Uniformed Services Employment and
18 Reemployment Rights Act of 1994, the provisions of this section as applicable,
19 and ~~the~~ administrative regulations promulgated by the board of trustees. Military
20 service includes service in the uniformed services that occurs before the
21 employment of a member in a position covered by the retirement system or where a
22 member leaves covered employment without giving advance written or verbal
23 notice of performing duty in the uniformed services. Service in the uniformed
24 services also includes uniformed service that occurs after employment in a position
25 covered by the retirement system where the member has given advance written or
26 verbal notice of performing duty in the uniformed services and the member returns
27 directly from uniformed services to covered employment. Military service may be

1 credited only if discharge was honorable or was not terminated upon the occurrence
2 of any of the events listed in 38 U.S.C. sec. 4304. Service shall be considered as
3 Kentucky teaching service, except that service may not be used for meeting the
4 service requirements set forth in KRS 161.600(1)(a) or 161.661(1) unless the
5 service occurred after the member gave written or verbal notice of performing duty
6 in the uniformed services and the member returned directly from uniformed services
7 to covered employment. A maximum of six (6) years of military service may be
8 credited, but in no case a greater number of years than the actual years of
9 contributing service in Kentucky.

10 (2) No credit shall be granted for military service which has been or will be used in
11 qualifying for annuity benefit payments from another retirement system financed
12 wholly or in part by public funds.

13 (3) A member having twenty (20) years or more of active duty in the military service,
14 and who is qualified for regular federal retirement benefits based on this military
15 service, may not receive credit for any military service in the Teachers' Retirement
16 System. This subsection shall apply to service presented for credit on July 1, 1975,
17 and after this date.

18 (4) (a) *An individual who became* a member *prior to January 1, 2019, who desires*
19 *to receive*~~receiving~~ retirement credit for active duty in the armed services of
20 the United States prior to employment in a position covered by the retirement
21 system or where the member leaves covered employment without giving
22 advance written or verbal notice of performing duty in the uniformed services
23 shall pay to the retirement system the full actuarial cost of the service credit
24 purchased as provided under KRS 161.220(22). These contributions shall not
25 be picked up, as described in KRS 161.540(2). In purchasing retirement credit
26 for active duty in the armed services, the latest years of service shall be
27 considered first in allowing credit toward retirement. The board of trustees

1 shall adopt a table of actuarial factors to be used in calculating the amount of
2 contribution required for crediting this service.

3 (b) If military service occurred after the member gave written or verbal notice of
4 performing duty in the uniformed services and the member returns directly
5 from uniformed services to covered employment, the member shall contribute
6 the regular member contribution required by KRS 161.540. The member may
7 make the payment of delayed contributions in a lump sum payment or in
8 installments not to exceed five (5) years beginning with the member's date of
9 reemployment. Interest at the rate of eight percent (8%) per annum shall be
10 charged for delayed contributions beginning with the member's date of
11 reemployment until paid. Members participating in the hybrid cash balance
12 plan as provided by Section 43 of this Act who make the regular member
13 contribution required by this paragraph, shall receive employer credits for
14 the period of service purchased.

15 (5) An active contributing member of the Teachers' Retirement System who became a
16 member of the system prior to January 1, 2019, may receive service credit for
17 service in the military reserves of the United States or the National Guard. The
18 member may purchase one (1) month of service for each six (6) months of service
19 in the reserves or the National Guard. Notwithstanding any other statute, regulation,
20 or policy to the contrary, the system shall provide a member, upon request, the
21 estimated actuarial cost of the National Guard or military reserves service purchase
22 based upon the information available at the time of the request. The member shall
23 be entitled to enter into a contract with the system at the time of the request to
24 purchase the National Guard or military reserve service by paying to the system the
25 estimated actuarial cost, either by installments or in lump sum. The member shall
26 pay the full actuarial cost of this service in the military reserves or the National
27 Guard as provided in KRS 161.220(22). Service in the military reserves or the

1 National Guard shall be treated as service earned prior to participation in the system
2 and shall not be used for meeting the service requirements set forth in KRS
3 161.600(1)(a) or 161.661(1). The payment shall not be picked up by the employer,
4 as described in KRS 161.540(2).

5 ➔Section 53. KRS 161.515 is amended to read as follows:

6 (1) For the purposes of this section, "out-of-state service" shall mean service in any
7 state in a comparable position on a full-time basis, which would be covered if in
8 Kentucky.

9 (2) (a) An active contributing member who has been a contributing member of the
10 retirement system for at least one (1) full scholastic year subsequent to the
11 latest out-of-state service, may present for credit service rendered out of state,
12 not to exceed ten (10) years actually taught as a certified or licensed teacher.
13 All members who elect to purchase this service shall pay to the retirement
14 system the full actuarial cost as provided under KRS 161.220(22). For each
15 year of which the retirement system shall accept payment, one (1) year of
16 service credit shall be given. For members who purchased this service under
17 the cost formula as it existed under this subsection on June 30, 2005, this
18 credit may not be used to meet the service requirements of KRS 161.525,
19 161.600, or 161.661, except as provided in subsection (2)(c) of this section.
20 No credit shall be granted for service which has been or will be used in
21 qualifying for annuity benefit payments from another retirement system
22 financed wholly or in part by public funds.

23 (b) A member of the retirement system having teaching service in the elementary
24 or secondary schools operated by the United States overseas or in this country,
25 or in a public college or university in Kentucky, not included in the Teachers'
26 Retirement System of the State of Kentucky, may present this service for
27 credit in the retirement system on the same basis as provided above for out-of-

1 state service credit; however, no service may be presented which shall be used
2 as a basis for retirement benefits in any program supported wholly or in part
3 by a public institution or governmental agency. This service when added to
4 service credited under subsection (2)(a) of this section shall not exceed a total
5 of ten (10) years' service credit.

6 (c) A member having service referred to in subsection (2)(a) or (2)(b) of this
7 section who purchased this service under the cost formula as it existed under
8 those subsections on June 30, 2005, may elect to use this service for meeting
9 the requirements of KRS 161.600(1)(c) by making an additional contribution
10 to the state accumulation fund equal to a member contribution rate of eight
11 percent (8%) for each year so used. These payments shall not be picked up as
12 described in KRS 161.540(2). The salary base to be used in determining this
13 additional contribution shall be the final average salary which is used in
14 calculating the member's regular retirement annuity.

15 (3) Members entering the Teachers' Retirement System for the first time, July 1, 1976,
16 and after this date, shall not receive credit for service defined in subsections (2)(a)
17 or (2)(b) of this section in excess of one (1) year of credit for each two (2) years of
18 Kentucky service in a covered position or ten (10) years, whichever is the lesser
19 number.

20 (4) A member, having completed service as a volunteer in the Kentucky Peace Corps
21 created by KRS 154.1-720, may purchase service credit for the time served in the
22 corps on the same basis as provided in this section for the purchase of out-of-state
23 service credit. A member, having completed service as a federal Peace Corps
24 volunteer, may purchase up to two (2) years of service credit for time served in the
25 Peace Corps on the same basis as provided in this section for the purchase of out-of-
26 state service credit.

27 (5) Service purchased under this section by members who at the time of purchase are

1 employed by employers other than those described in KRS 161.220(4)(b) or (n)
2 shall be credited, as described in KRS 161.620(1)(a) and (b), with a retirement
3 factor of two and one-half percent (2.5%) for each year of service that was
4 originally performed on or after July 1, 1983, and two percent (2.0%) for each year
5 of service performed before July 1, 1983. Service purchased under this section by
6 members who at the time of purchase are employed by employers described in KRS
7 161.220(4)(b) or (n) shall be credited, as described in KRS 161.620(1)(a), with a
8 retirement factor of two percent (2.0%) for each year of service, regardless of when
9 the service was performed.

10 **(6) Effective January 1, 2019, this section does not apply to individuals who become**
11 **members on or after January 1, 2019.**

12 ➔Section 54. KRS 161.520 is amended to read as follows:

13 Upon the death of an active contributing member or upon the death of a member retired
14 for disability, except as provided in KRS 161.661(6), the survivors of the deceased
15 member in the following named order, may elect to receive a survivor's benefit payable as
16 follows:

17 (1) Where there is a surviving widow or widower who is named as the primary
18 beneficiary of the member's retirement account, the benefit shall be:

19 (a) One hundred eighty dollars (\$180) per month with no restriction on other
20 income;

21 (b) Two hundred forty dollars (\$240) per month when the surviving widow or
22 widower's total income from all sources does not exceed six thousand six
23 hundred dollars (\$6,600) per year or five hundred fifty dollars (\$550) per
24 month; or

25 (c) If the deceased member has a minimum of ten (10) years of service credit with
26 the Teachers' Retirement System, the surviving widow or widower may apply
27 for an annuity actuarially equivalent to the annuity that would have been paid

1 to the deceased member when eligibility conditions were met. Eligibility for
2 payments would begin at the time the age of the deceased member would have
3 met the requirements of KRS 161.600(1) or subsection (6) of Section 43 of
4 this Act, as applicable. In exercising this right, the surviving widow or
5 widower shall be entitled to receive an annuity for life, except as provided in
6 subsection (6) of this section. This subsection applies to surviving spouses of
7 members who die on or after July 1, 1978. A surviving widow or widower of
8 a member who dies after July 1, 1978, shall be eligible for benefit payments
9 provided under paragraphs (a) and (b) of this subsection until they begin
10 receiving payments under this provision;

11 (2) (a) Where there are surviving unmarried children under age eighteen (18) or
12 under age nineteen (19) if a full-time student in high school, the benefit shall
13 be two hundred dollars (\$200) per month in the case of one (1) child, three
14 hundred forty dollars (\$340) per month in the case of two (2) children, four
15 hundred dollars (\$400) per month in the case of three (3) children, and four
16 hundred forty dollars (\$440) per month in the case of four (4) or more
17 children. Benefits under this subsection shall apply in addition to benefits
18 which may be payable under subsections (1) and (3) of this section.

19 (b) Notwithstanding any provision of law to the contrary, the surviving spouse
20 may elect to receive a lump-sum refund of the member's accumulated account
21 balance in lieu of the survivorship benefits payable under this subsection and
22 subsection (1) of this section only if the surviving spouse is designated as the
23 primary beneficiary and:

- 24 1. Is a biological or adoptive parent of all children eligible for a benefit
25 under this subsection and has not had his or her parental rights
26 terminated; or
- 27 2. Has been appointed as legal guardian of all of the children eligible under

1 paragraph (a) of this subsection.

2 (c) To elect a lump-sum refund of the member's accumulated account balance
3 under paragraph (b) of this subsection, the surviving spouse who is designated
4 as the primary beneficiary must sign a waiver on forms prescribed by the
5 retirement system of his or her rights and the member's children's rights to the
6 survivorship benefits payable under this subsection and subsection (1) of this
7 section. The surviving spouse shall not waive the survivorship benefits
8 available under this subsection or subsections (1) and (6) of this section if any
9 of the member's children have attained age eighteen (18) or older unless all of
10 those children consent in writing on forms prescribed by the retirement system
11 to waive their survivorship benefits available under this subsection;

12 (3) (a) Where the survivor is a child age eighteen (18) or older whose mental or
13 physical condition is sufficient to cause his dependency on the deceased
14 member at the time of the member's death, the benefit shall be two hundred
15 dollars (\$200) per month, payable for the life of the child or until the time as
16 the mental or physical condition creating the dependency no longer exists or
17 the child marries. The mental or physical condition of the adult child shall be
18 revealed by a competent examination by a licensed physician and shall be
19 approved by a majority of a medical review committee as defined in KRS
20 161.661(14). Benefits under this subsection shall apply in addition to benefits
21 which may be payable under subsections (1) and (2) of this section.

22 (b) Notwithstanding any provision of law to the contrary, the surviving spouse
23 shall not elect to receive a lump-sum refund of the member's accumulated
24 account balance in lieu of the survivorship benefits payable under this
25 subsection and subsection (1) of this section unless:

- 26 1. The surviving spouse is designated as the primary beneficiary;
- 27 2. The surviving spouse has been appointed by the court as guardian,

1 conservator, or other fiduciary with sufficient general or specific
2 authority to waive the survivorship benefits available under this
3 subsection for any child or children age eighteen (18) or older who have
4 been adjudicated incompetent to make decisions on their own behalf by
5 a court of law; and

6 3. Any child or children age eighteen (18) or older who are mentally
7 competent to make decisions on their own behalf as attested to by two
8 (2) physicians' statements consent in writing on forms prescribed by the
9 retirement system to waive their survivorship benefits available under
10 this subsection.

11 (c) If eligible to elect a lump-sum refund of the member's accumulated account
12 balance, the surviving spouse shall sign a waiver on forms prescribed by the
13 retirement system of his or her rights and the member's children's rights to the
14 survivorship benefits payable under this subsection and subsections (1) and
15 (2) of this section;

16 (4) Where the sole eligible survivors are dependent parents aged sixty-five (65) or over,
17 the benefit shall be two hundred dollars (\$200) per month for one (1) parent or two
18 hundred ninety dollars (\$290) per month for two (2) parents. Dependency of a
19 parent shall be established as of the date of the death of the member;

20 (5) Where the sole eligible survivor is a dependent brother or sister, the benefit shall be
21 one hundred sixty five dollars (\$165) per month. In order to qualify the brother or
22 sister must have been a resident of the deceased member's household for at least one
23 (1) full year prior to the member's death or must have been receiving care in a
24 hospital, nursing home, or other institution at the member's expense for same
25 period;

26 (6) The benefit to a child as defined in subsection (2) of this section shall terminate
27 upon the attainment of age eighteen (18) or upon reaching age nineteen (19), if a

1 full-time student in high school, or upon marriage, except that benefits shall
2 continue until the attainment of age twenty-three (23) for an unmarried child who is
3 a full-time student in a recognized educational program beyond the high school
4 level. The benefit to a widow, widower, dependent parent, or dependent brother or
5 sister or dependent child age eighteen (18) or older shall terminate upon marriage,
6 or upon termination of the condition creating the dependency;

7 (7) The board of trustees shall be the sole judge of eligibility or dependency of any
8 beneficiary, and may require formal application or information relating to eligibility
9 or dependency, including proof of annual income satisfactory to the board. The
10 board of trustees may subpoena records and individuals whenever it deems this
11 action necessary;

12 (8) No payment of benefits shall be made unless the board of trustees authorizes the
13 payment. The board shall promulgate administrative regulations for the
14 administration of the provisions in this section and in every case the decision of the
15 board of trustees shall be final as to eligibility, dependency, or disability, and the
16 amount of benefits payable;

17 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)
18 of this section, or in the event that the surviving spouse elects not to receive
19 survivorship benefits on his or her own behalf or on behalf of any of the member's
20 children as permitted under subsections (2) and (3) of this section, the board of
21 trustees shall pay to the estate or the designated beneficiaries of the deceased
22 member a refund of his accumulated account balance~~[contributions]~~ as provided in
23 KRS 161.470(7). If the benefits paid or payable under subsections (1) to (5) of this
24 section and KRS 161.661 shall amount to a sum less than the member's
25 accumulated account balance~~[contributions]~~ at the time of death, the board of
26 trustees shall pay to the estate or designated beneficiaries of the deceased member
27 the balance of the accumulated account balance~~[contributions]~~;

- 1 (10) Any person who is receiving benefits and becomes disqualified from receiving
2 those benefits under this section shall immediately notify the Teachers' Retirement
3 System of this disqualification in writing and shall return all benefits paid after the
4 date of disqualification. Failure to comply with these provisions shall create an
5 indebtedness of that person to the Teachers' Retirement System. Interest at the rate
6 of eight percent (8%) per annum shall be charged if the debt is not repaid within
7 sixty (60) days after the date of disqualification. Failure to repay this debt creates a
8 lien in favor of the Teachers' Retirement System upon all property of the person
9 who improperly receives benefits and does not repay those benefits; and
- 10 (11) Benefits under subsections (2) and (3) of this section shall apply to a child who is a
11 legally adopted survivor at the time of the death of the member. This provision shall
12 be retroactive to include a child who was born after January 1, 1990, and is a legally
13 adopted survivor of a member whose death occurred prior to July 15, 2008.

14 ➔Section 55. KRS 161.522 is amended to read as follows:

15 Upon the death of a member retired for disability who had a minimum of twenty-seven
16 (27) years of service at the time of death, except as provided in KRS 161.661(6), the
17 spouse, if named as the primary beneficiary of the member's account, shall be entitled to
18 elect, in lieu of a refund of the member's account, an annuity actuarially equivalent to the
19 annuity that would have been paid to the deceased member had retirement for service
20 been effective on the day immediately preceding the member's death. This option shall be
21 available only during the entitlement period described under KRS 161.661(3) and (4)
22 prior to the recalculation of the member's disability allowance under KRS 161.661(5). In
23 selecting this right, the spouse shall be limited to selecting an option providing a straight
24 life annuity with refundable balance or a term certain option. There shall be a monthly
25 minimum allowance of three hundred dollars (\$300) as the basic straight life annuity.
26 This section applies to surviving spouses of members who were receiving benefit
27 payments under KRS 161.520 as of June 30, 1988, and to surviving spouses of members

1 who die on or after July 1, 1984, except that the member shall have been retired for
2 disability with a minimum of thirty (30) years of service if either of these two (2)
3 conditions were met prior to July 1, 1990. **This section does not apply to individuals who**
4 **become members on or after January 1, 2019.**

5 ➔Section 56. KRS 161.525 is amended to read as follows:

6 (1) Upon death of a member in active contributing status at the time of death, who was
7 eligible to retire by reason of service, the spouse, if named as the primary
8 beneficiary of the member's retirement account, or in the absence of an eligible
9 spouse a legal dependent of the member, if named as the primary beneficiary, shall
10 be entitled to elect, in lieu of a refund of the member's **accumulated** account
11 **balance** or benefits provided in KRS 161.520, an annuity actuarially equivalent at
12 the attained age of the beneficiary to the annuity that would have been paid to the
13 deceased member had retirement been effective on the day immediately preceding
14 the member's death. Under the provisions of KRS 61.680, benefits shall be
15 processed as if the member retired for service. In exercising this right the spouse or
16 legal dependent shall be limited to selecting an option providing either a straight life
17 annuity with refundable balance or a term certain option. A spouse may receive the
18 annuity provided by this section at the same time as children are qualifying for
19 survivors' benefits under the provisions of KRS 161.520; however, a legal
20 dependent, other than a spouse, may not receive these payments if children have
21 qualified for benefits under that section.

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

24 (3) Upon death of a member in active contributing status at the time of his death, who
25 had a minimum of twenty-seven (27) years of service, the spouse, if named as the
26 primary beneficiary of the member's account shall be entitled to a monthly
27 minimum allowance of three hundred dollars (\$300) as the basic straight life

1 annuity. This provision applies to surviving spouses of members who were
 2 receiving benefit payments under KRS 161.520 as of June 30, 1986, and to
 3 surviving spouses of members who die on or after July 1, 1986. **This subsection**
 4 **does not apply to individuals who become members on or after January 1, 2019.**

5 →Section 57. KRS 161.540 is amended to read as follows:

6 (1) (a) Effective **January 1, 2019**~~[July 1, 1988]~~, each individual who **is a**
 7 **contributing nonuniversity**~~[first becomes a] member~~[before July 1, 2008]~~,~~
 8 shall contribute to the retirement system **twelve and eight hundred fifty-five**
 9 **thousandths percent (12.855%)**~~[nine and eight hundred fifty five thousandths~~
 10 ~~percent (9.855%)] of annual compensation, **of which:**~~

11 **1. Nine and one hundred five thousandths percent (9.105%) of annual**
 12 **compensation shall be used to fund pension benefits; and**

13 **2. Three and three-quarters percent (3.75%) of annual compensation**
 14 **shall be used to fund retiree health benefits**~~[, except that university~~
 15 ~~employees who participate in the Kentucky Teachers' Retirement System~~
 16 ~~shall contribute eight and three hundred seventy five thousandths~~
 17 ~~percent (8.375%) of annual compensation].~~

18 (b) **Effective January 1, 2019, each individual who is a contributing university**
 19 **member, shall contribute to the retirement system ten and four-tenths**
 20 **percent (10.4%) of annual compensation, of which:**

21 **1. Seven and six hundred twenty-five thousandths percent (7.625%) of**
 22 **annual compensation shall be used to fund pension benefits; and**

23 **2. Two and seven hundred seventy-five thousandths percent (2.775%) of**
 24 **annual compensation shall be used to fund retiree health benefits.**~~[~~

25 ~~Each individual who first becomes a member on or after July 1, 2008,~~
 26 ~~shall contribute to the retirement system ten and eight hundred fifty five~~
 27 ~~thousandths percent (10.855%) of annual compensation, except that~~

1 ~~university employees who participate in the Kentucky Teachers'~~
2 ~~Retirement System shall contribute nine and three hundred seventy five~~
3 ~~thousandths percent (9.375%) of annual compensation.]~~

4 (c) *Notwithstanding the provisions of paragraph (a) or (b) of this subsection,*
5 *the board shall increase the employee contribution specified by paragraph*
6 *(a)2. or (b)2. of this subsection if the reported funding level for the retiree*
7 *health fund administered by the Teachers' Retirement System:*

- 8 *1. Falls below twenty-five percent (25%) funded in any future actuarial*
9 *valuation occurring after July 1, 2018;*
- 10 *2. Falls for three (3) consecutive actuarial valuations; or*
- 11 *3. The percentage change in the funding level over two (2) consecutive*
12 *actuarial valuations falls more than ten percent (10%).*

13 *The board shall increase the employee contribution by no more than one*
14 *percent (1%) of compensation annually. For purposes of this paragraph,*
15 *"funding level" means the actuarial value of assets divided by the*
16 *actuarially accrued liability expressed as a percentage that is determined*
17 *and reported by the system's actuary in the system's actuarial valuation.]{-}*

18 ~~Effective July 1, 2010, members shall, in addition to those contributions~~
19 ~~required under paragraphs (a) and (b) of this subsection, make a contribution~~
20 ~~to the medical insurance fund established under KRS 161.420(5) according to~~
21 ~~the following schedule:~~

- 22 a. ~~For each individual who first became a member of the retirement~~
23 ~~system before July 1, 2008, a total amount of annual compensation~~
24 ~~equal to and effective on:~~
- 25 ~~July 1, 2010.....Twenty five hundredths percent (.25%)~~
- 26 ~~July 1, 2011.....One half percent (0.50%)~~
- 27 ~~July 1, 2012.....One percent (1.0%)~~

1 ~~July 1, 2013.....One and one half percent (1.5%)~~
2 ~~July 1, 2014.....Two and twenty five hundredths percent (2.25%)~~
3 ~~July 1, 2015,~~
4 ~~and thereafter.....Three percent (3.0%) for a total of three and~~
5 ~~seventy five hundredths percent (3.75%)~~
6 ~~when added to the contributions required~~
7 ~~under KRS 161.420(5)(a); or~~
8 ~~b. For each individual who first becomes a member of the retirement~~
9 ~~system on or after July 1, 2008, a total amount of annual~~
10 ~~compensation equal to and effective on:~~
11 ~~July 1, 2013.....One half percent (0.50%)~~
12 ~~July 1, 2014.....One and twenty five hundredths percent (1.25%)~~
13 ~~July 1, 2015,~~
14 ~~and thereafter.....Two percent (2.0%) for a total of three and~~
15 ~~seventy five hundredths percent (3.75%)~~
16 ~~when added to the contributions required~~
17 ~~under KRS 161.420(5)(a)~~
18 ~~2. Notwithstanding subparagraph 1. of this paragraph, members employed~~
19 ~~by any employer identified in KRS 161.220(4)(b) or (n) shall contribute,~~
20 ~~as a percentage of their total annual compensation, the actuarial~~
21 ~~equivalent of the percentage contributed by members under~~
22 ~~subparagraph 1. of this paragraph, not to exceed the percentages~~
23 ~~established under the schedules set forth in subparagraph 1. of this~~
24 ~~paragraph. The actuarial equivalent to be contributed under this~~
25 ~~subsection shall be determined by the retirement system's actuary. These~~
26 ~~contributions shall be in lieu of those contributions required under~~
27 ~~subparagraph 1. of this paragraph.~~

1 ~~3.—~~]

2 **(d)** When the medical insurance fund established under KRS 161.420(5) achieves
 3 a sufficient prefunded status as determined by the retirement system's actuary,
 4 the board of trustees shall recommend to the General Assembly that the
 5 contributions required under **paragraph** ~~[subparagraphs]~~ **(a)2., (b)2., or (c) of**
 6 **this subsection** ~~[1. and 2. of this paragraph]~~ shall, in an actuarially accountable
 7 manner, be either decreased, suspended, or eliminated.

8 ~~(e)~~~~(d)~~ Payments authorized by statute that are made to retiring members, who
 9 became members of the system before July 1, 2008, for not more than sixty
 10 (60) days of unused accrued annual leave shall be considered as part of the
 11 member's annual compensation, and shall be used only for the member's final
 12 year of active service. The contribution of members shall not exceed these
 13 applicable percentages on annual compensation. When a member retires, if it
 14 is determined that he has made contributions on a salary in excess of the
 15 amount to be included for the purpose of calculating his final average salary,
 16 any excess contribution shall be refunded to him in a lump sum at the time of
 17 the payment of his first retirement allowance. In the event a member is
 18 awarded a court-ordered back salary payment the employer shall deduct and
 19 remit the member contribution on the salary payment, plus interest to be paid
 20 by the employer, to the retirement system unless otherwise specified by the
 21 court order.

22 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for
 23 the purpose of compliance with Section 414(h) of the United States Internal
 24 Revenue Code, pick up the member contributions required by this section for all
 25 compensation earned after August 1, 1982, and the contributions so picked up shall
 26 be treated as employer contributions in determining tax treatment under the United
 27 States Internal Revenue Code and KRS 141.010(10). The picked-up member

1 contribution shall satisfy all obligations to the retirement system satisfied prior to
2 August 1, 1982, by the member contribution, and the picked-up member
3 contribution shall be in lieu of a member contribution. Each employer shall pay
4 these picked-up member contributions from the same source of funds which is used
5 to pay earnings to the member. The member shall have no option to receive the
6 contributed amounts directly instead of having them paid by the employer to the
7 system. Member contributions picked-up after August 1, 1982, shall be treated for
8 all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent
9 as member contributions made prior to August 1, 1982.

10 ➔Section 58. KRS 161.545 is amended to read as follows:

11 (1) (a) Members may make contributions and receive service credit for substitute,
12 part-time, or any service other than regular full-time teaching as provided in
13 the administrative regulations of the board of trustees if contributions were not
14 otherwise made as a result of the service. **This paragraph does not apply to**
15 **members who retired on or after January 1, 2019, and are reemployed on or**
16 **after January 1, 2019.**

17 (b) Members placed on leave of absence during a period of full-time employment
18 as defined in KRS 161.220(21) may make contributions and receive service
19 credit for this leave only if contributions are made by the end of the fiscal year
20 next succeeding the year in which the leave was effective as provided in
21 administrative regulations promulgated by the board of trustees. Contributions
22 permitted after August 1, 1982, shall not be picked-up pursuant to KRS
23 161.540(2).

24 (2) Active contributing members of the Teachers' Retirement System, or former
25 members who are currently participating in a state-administered retirement system,
26 who were granted leaves of absence during a period of full-time employment as
27 defined in KRS 161.220(21) since July 1, 1964, for reasons of health as defined

1 under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs. 2601 et seq.,
 2 child rearing, or to improve their educational qualifications, and did not purchase
 3 the leave of absence as provided in subsection (1) of this section may obtain credit
 4 for the leave of absence as provided under the administrative regulations of the
 5 board of trustees and under the following conditions:

6 (a) The leave of absence shall be verified by a copy of the board of education
 7 minutes which granted the leave of absence or by other documentation that
 8 was generated contemporaneously with the leave that is determined by the
 9 retirement system to reasonably establish that a leave of absence was granted;
 10 and

11 (b) The member shall contribute the required percentage based on the salary
 12 received for the year immediately preceding the leave of absence plus interest
 13 at the rate of eight percent (8%) compounded annually from the beginning of
 14 the school year following the year of the leave of absence, and by depositing
 15 in the state accumulation fund an amount equal to this total.

16 (c) The member shall receive credit for no more than two (2) years under the
 17 provisions of this subsection.

18 (3) Contributions permitted under this section after August 1, 1982, shall not be picked-
 19 up pursuant to KRS 161.540(2).

20 (4) Notwithstanding any other provisions of this section to the contrary, purchase of
 21 service credit under subsection (2) of this section:

22 (a) For individuals who become members on or after July 1, 2008, ***but prior to***
 23 ***January 1, 2019***, shall be purchasable only at the full actuarial cost; ***and***

24 ***(b) Shall not apply to individuals who become members on or after January 1,***
 25 ***2019.***

26 ➔Section 59. KRS 161.5465 is amended to read as follows:

27 On or after August 1, 1998, a member of the Teachers' Retirement System in active

1 contributing status who has a minimum of twenty (20) years of service credit may
2 purchase up to a maximum of five (5) years of service credit that is not otherwise
3 purchasable under any of the provisions of KRS 161.220 to 161.716 and that meets the
4 definition of nonqualified service as provided in Section 1526 of the Federal Taxpayer
5 Relief Act of 1997. The member shall pay the full actuarial cost of the service credit as
6 provided in KRS 161.220(22). The payment shall not be picked up by the employer as
7 described in KRS 161.540(2), and the member's payment shall be credited to the
8 member's contribution account and shall be considered accumulated contributions of the
9 member. Payment by the member may be by lump sum or by installment payments as
10 provided in KRS 161.597. Notwithstanding any other statute to the contrary, the
11 Kentucky Teachers' Retirement System shall recognize nonqualified service credit
12 purchased with another retirement system only to the extent that the member had an
13 equivalent number of full months of active employment in the position covered by the
14 other retirement system during the period that the nonqualified service was purchased.
15 This section shall not apply to:

16 **(1)** Individuals who become members on or after July 1, 2008, **but prior to January 1,**
17 **2019,** except that a teacher of a local school board may purchase up to ten (10)
18 months of service under this section if the teacher is retiring and has completed the
19 prior school year with at least twenty-six (26) years and two (2) months of service
20 but less than twenty-seven (27) years of service; **and**

21 **(2)** **Individuals who become members on or after January 1, 2019.**

22 ➔Section 60. KRS 161.547 is amended to read as follows:

23 **An individual who became** a member of the retirement system **prior to January 1, 2019,**
24 **who has**~~having~~ service as a Kentucky legislator which is not credited by any retirement
25 system administered by the Commonwealth of Kentucky may present such service, not to
26 exceed four (4) years, for credit in the retirement system by paying the full actuarial cost
27 of the service as determined by the system actuary. The member may purchase all or part

1 of his service as a legislator, but no less than one (1) year of service. The entire payment
2 shall be placed in the teachers' saving fund.

3 →Section 61. KRS 161.548 is amended to read as follows:

4 *An individual who became* a member of the Teachers' Retirement System *prior to*
5 *January 1, 2019,* who is in an active contributing status with the system, and who was
6 formerly employed in a regional community service program for mental health and
7 individuals with an intellectual disability, organized and operated under the provisions of
8 KRS 210.370 to 210.480, which does not participate in a state-administered retirement
9 system, may obtain credit for the period of his service in the regional community program
10 for mental health and individuals with an intellectual disability by paying to the Teachers'
11 Retirement System the full actuarial cost of the service credit purchased, as provided in
12 KRS 161.220(22). The service credit purchased may not be used for meeting the service
13 requirements set forth in KRS 161.600(1)(a) or 161.661(1). The payment shall not be
14 picked up, as described in KRS 161.540(2), and the entire payment shall be placed in the
15 teachers' savings fund.

16 →Section 62. KRS 161.549 is amended to read as follows:

17 *An individual who became* a member of the Teachers' Retirement System *prior to*
18 *January 1, 2019,* who is in an active contributing status with the system, and who was
19 formerly employed by a Federal Head Start agency, operated under 42 U.S.C. secs. 9831
20 et seq., which does not participate in a state-administered retirement system, may obtain
21 credit for the period of the member's service in the Head Start program by purchasing this
22 service credit under the same conditions that out-of-state service credit may be purchased
23 under KRS 161.515. The service credit purchased may not be used for meeting the
24 service requirements set forth in KRS 161.600(1)(a) or 161.661(1). Payment for the
25 service credit purchased may be made in installments in lieu of a lump-sum payment. The
26 payment shall not be picked up, as described in KRS 161.540(2), and the entire payment
27 shall be placed in the teachers' savings fund.

1 ➔ Section 63. KRS 161.550 is amended to read as follows:

2 (1) (a) ~~[Beginning with July 1,]~~**Effective July 1, 2020, and for each fiscal year**
 3 **occurring thereafter,** each employer, except as provided under KRS 161.555,
 4 shall contribute annually to the ~~[Kentucky]~~Teachers' Retirement System a
 5 **base permanent employer contribution**~~[amount]~~ equal to:

6 **1. Thirteen and one hundred five thousandths percent (13.105%) of the**
 7 **total annual compensation of nonuniversity members it employs, of**
 8 **which:**

9 **a. Twelve and three hundred fifty-five thousandths percent**
 10 **(12.355%) of the total annual compensation shall be used to**
 11 **fund pension and life insurance benefits;**~~[that contributed by~~
 12 ~~members of the retirement system it employs less the amount~~
 13 ~~contributed by employees under KRS 161.540(1)(c), plus an~~
 14 ~~additional three and one fourths percent (3.25%) of the total of~~
 15 ~~salaries of members of the retirement system it employs to~~
 16 ~~discharge the system's unfunded obligations with interest assumed~~
 17 ~~by the state]~~ and

18 **b. Three-quarters of a percent (0.75%) of annual compensation**
 19 **shall be used** to provide funding to the medical insurance fund as
 20 provided under KRS 161.420(5). If the board of trustees
 21 establishes a trust fund under 26 U.S.C. sec. 115, the board may
 22 deposit the employer contribution **provided in this**
 23 **subparagraph**~~[dedicated to retiree health]~~ in that trust fund~~[-];~~ **and**

24 **2. Thirteen and sixty-five hundredths percent (13.65%) of the total**
 25 **annual compensation of university members of the retirement system**
 26 **it employs, of which:**

27 **a. Ten and eight hundred seventy-five thousandths percent**

1 (10.875%) of the total annual compensation shall be used to
2 fund pension and life insurance benefits; and

3 b. Two and seven hundred seventy-five thousandths percent
4 (2.775%) of annual compensation shall be used to provide
5 funding to the medical insurance fund as provided under
6 subsection (5) of Section 47 of this Act. If the board of trustees
7 establishes a trust fund under 26 U.S.C. sec. 115, the board may
8 deposit the employer contribution provided in this subparagraph
9 in that trust fund.

10 (b) Effective July 1, 2020, and for each year thereafter, each employer shall pay
11 the additional contributions needed to fund the Teachers' Retirement
12 System pension fund and life insurance fund on an actuarially sound basis
13 as determined by the system's actuarial valuation completed in accordance
14 with Section 46 of this Act and as specified by this section. The amount
15 payable under the provisions of this paragraph shall:

16 1. Be in addition to the amounts provided under paragraph (a)1.a. and
17 (a)2.a. of this subsection;

18 2. Not include the cost or funding of benefits established by KRS
19 161.553; and

20 3. Shall be prorated to each employer based upon the individual
21 employer's average percentage of the total compensation reported by
22 all employers in the system in fiscal years 2014-2015, 2015-2016, and
23 2016-2017, except that the amount shall be paid by state appropriation
24 only for those employers who cover memberships specified by
25 subsection (4)(a) of Section 45 of this Act.

26 (c) The contributions payable under paragraphs (a)1.a., (a)2.a., and (b) of this
27 subsection by employers and the state shall be equal to the sum of the

1 "normal cost" contribution and the "actuarially accrued liability
2 contribution," except that the minimum contribution to fund pension and
3 life insurance benefits shall not be less than the combined employer
4 contribution to fund pension and life insurance benefits specified by
5 paragraph (a) of this subsection and subsection (3) of this section.

6 (d) For purposes of this subsection, the normal cost contribution shall be
7 computed as a percentage of payroll and shall be an annual amount that is
8 sufficient when combined with employee contributions to fund pension and
9 life insurance benefits earned during the year, including costs for members
10 participating in the hybrid cash balance plan.

11 (e) For purposes of this subsection, the actuarially accrued liability
12 contribution shall be an annual amount that is sufficient to amortize the
13 total unfunded actuarially accrued liability over a closed period of thirty
14 (30) years using the level-dollar amortization method. This method shall be
15 used beginning with the 2018 actuarial valuation. The amortization period
16 shall be reset to a new thirty (30) year closed period beginning with the 2018
17 actuarial valuation.

18 (f) Effective with the 2018 actuarial valuation which determines the employer
19 rates payable on or after July 1, 2020, the employer contributions computed
20 under this section shall be determined using:

- 21 1. The entry age normal cost funding method;
- 22 2. An asset smoothing method that smooths gains and losses over a five
23 (5) year period; and
- 24 3. Other funding methods and assumptions established by the board in
25 accordance with Section 46 of this Act.

26 (2) In addition to the required contributions in subsection (1) of this section, the state
27 shall contribute annually to the Kentucky Teachers' Retirement System a percentage

1 of the total salaries of the state-funded and federally funded members it employs to
 2 pay the cost of health insurance coverage for retirees who are not eligible for
 3 Medicare and who retire on or after July 1, 2010, less the amounts that are
 4 otherwise required to be paid by the retirees under KRS 161.675. The Kentucky
 5 Teachers' Retirement System may also request an additional amount necessary to
 6 ensure payment of medical insurance costs through fiscal year 2015-2016 which
 7 shall not be subject to the limitations of paragraph (c) of this subsection. The board
 8 shall deposit funds in the medical insurance fund unless the board of trustees has
 9 established a trust fund under 26 U.S.C. sec. 115 for this purpose. In this case, the
 10 board may deposit the employer contribution in that trust fund. This contribution
 11 shall be known as the state medical insurance fund stabilization contribution. The
 12 percentage to be contributed by the state under this subsection:

- 13 (a) Shall be determined by the retirement system's actuary for each biennial
 14 budget period;
- 15 (b) May be suspended or adjusted by the General Assembly if in its judgment the
 16 welfare of the Commonwealth so demands; and
- 17 (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible for
 18 Medicare who retire on or after July 1, 2010, or the amount contributed by
 19 employers under subsection (3) of this section.

20 (3) ~~[Effective July 1, 2010,]~~**Effective January 1, 2019,** all **employers who employ**
 21 **nonuniversity members**~~[local boards of education, agencies, and organizations~~
 22 ~~identified in KRS 161.220(4), with the exception of those institutions identified~~
 23 ~~under paragraphs (b) and (n) of KRS 161.220(4),]~~ shall make a contribution for
 24 each payroll on behalf of their active employees who participate in the ~~[Kentucky]~~
 25 Teachers' Retirement System in an amount equal to:

26 **(a) Three percent (3%)**~~[the percentage]~~ of payroll of those active employees. **The**
 27 **contribution specified by this paragraph that is paid on or after January 1,**

1 2019, shall be used to fund retiree health benefits; and
 2 (b) Two percent (2%) of payroll for those members who participate in the
 3 hybrid cash balance plan as provided by Section 43 of this Act. The amount
 4 of funding provided by this paragraph shall be used to offset any additional
 5 costs paid under subsection (1)(b) of this section.~~], according to the schedule~~

6 as follows:

7	July 1, 2010.....	Twenty five hundredths percent (.25%)
8	July 1, 2011.....	One half percent (.50%)
9	July 1, 2012.....	One percent (1.0%)
10	July 1, 2013.....	One and one half percent (1.5%)
11	July 1, 2014.....	Two and twenty five hundredths percent (2.25%)
12	July 1, 2015, and thereafter.....	Three percent (3.0%)

13 ~~(4) [Institutions identified under KRS 161.220(4)(b) and (n) shall make a contribution~~
 14 ~~for each payroll on behalf of their active employees who participate in the Kentucky~~
 15 ~~Teachers' Retirement System of an amount equal to a percentage of these~~
 16 ~~employees' payroll that is actuarially equivalent to the percentage contributed by~~
 17 ~~local boards of education, agencies, and organizations identified under subsection~~
 18 ~~(3) of this section, not to exceed the percentages established under the schedule set~~
 19 ~~forth in subsection (3) of this section. The actuarial equivalent to be contributed~~
 20 ~~under this subsection shall be determined by the Kentucky Teachers' Retirement~~
 21 ~~System's actuary.~~

22 ~~(5) When the medical insurance fund established under KRS 161.420(5) achieves a~~
 23 ~~sufficient prefunded status as determined by the Kentucky Teachers' Retirement~~
 24 ~~System's actuary, the board of trustees shall recommend to the General Assembly~~
 25 ~~that the contributions required under subsections (3) and (4) of this section shall, in~~
 26 ~~an actuarially accountable manner, be either decreased, suspended, or eliminated.~~

27 ~~(6) Each employer shall remit the required employer contributions to the retirement~~

1 ~~system under the terms and conditions specified for member contributions under~~
2 ~~KRS 161.560. The state shall provide annual appropriations based upon estimated~~
3 ~~funds needed to meet the requirements of KRS 161.155; 161.168; 161.507(4);~~
4 ~~161.515; 161.545; 161.553; 161.605; 161.612; and 161.620(1), (3), (5), (6), and (7).~~

5 ¶In the event an annual appropriation **for the amounts specified by subsection**
6 **(1)(a)1. of this section** is less than the amount of these requirements, the state shall
7 make up the deficit in the next biennium budget appropriation to the retirement
8 system. Employer contributions to the retirement system are for the exclusive
9 purpose of providing benefits to members and annuitants and these contributions
10 shall be considered deferred compensation to the members.

11 ➔Section 64. KRS 161.568 is amended to read as follows:

- 12 (1) Eligibility to participate in the optional retirement plan shall be determined by the
13 board of regents of each of the state public postsecondary education institutions
14 identified in KRS 161.220(4)(b). The employees of these institutions of higher
15 education who are initially employed on or after the implementation date of the
16 optional retirement plan may make an election to participate in the optional
17 retirement plan within thirty (30) days after their employment date. This election
18 shall be irrevocable except as otherwise provided in this subsection. No member of
19 the Kentucky Teachers' Retirement System who terminates employment and is
20 subsequently reemployed by the same or another public postsecondary education
21 institution which participates in the Kentucky Teachers' Retirement System may be
22 eligible to elect to participate in the optional retirement plan unless the date of
23 reemployment is at least six (6) months after the date of termination. All elections
24 made under this subsection shall be in writing and shall be filed with the
25 appropriate officer of the employer institution. Persons who originally elected to
26 participate in the optional retirement plan may later change their elections only as
27 follows:

- 1 (a) Any person otherwise eligible for membership in the Kentucky Teachers'
2 Retirement System may irrevocably elect one (1) time during his or her
3 lifetime to change his or her election and to prospectively participate in the
4 Kentucky Teachers' Retirement System. This election to change from the
5 optional retirement plan to Kentucky Teachers' Retirement System shall be
6 effective beginning on the first day of the first month immediately following
7 the date that written application for the election is received in the retirement
8 system's office on forms prescribed by the system. Any person exercising this
9 election shall not be entitled to purchase as service credit in the Kentucky
10 Teachers' Retirement System any prior service with his or her postsecondary
11 education institution employer;
- 12 (b) Any person otherwise eligible for membership in the Kentucky Teachers'
13 Retirement System who previously elected to participate in the optional
14 retirement plan may irrevocably elect one (1) time within his or her first six
15 (6) years and six (6) months of continuous service in any one (1) or more of
16 the institutions identified in KRS 161.220(4)(b), to change his or her election
17 and to prospectively participate in the Kentucky Teachers' Retirement System
18 and also become eligible to purchase as service credit his or her prior service
19 with his or her postsecondary education employer. This election to change
20 from the optional retirement plan to the Kentucky Teachers' Retirement
21 System shall be effective beginning on the first day of the first month
22 immediately following the date that written application for the election is
23 received in the retirement system's office on forms prescribed by the
24 retirement system. Persons electing to change from the optional retirement
25 plan to the Kentucky Teachers' Retirement System may purchase service
26 credit only for their prior years of service for a postsecondary education
27 institution identified in KRS 161.220(4)(b) during which they participated in

1 the optional retirement plan. The election to purchase prior service as service
2 credit shall be received in the retirement system's office on forms prescribed
3 by the retirement system within the six (6) year and six (6) month period
4 provided to make the election to begin participation in the Kentucky Teachers'
5 Retirement System. The cost of purchasing this service shall be calculated by
6 adding both the employer and member contributions that would have been
7 paid to the Kentucky Teachers' Retirement System had the individual
8 purchasing this service participated in the Kentucky Teachers' Retirement
9 System instead of the optional retirement plan, less the amount contributed to
10 the Kentucky Teachers' Retirement System by the postsecondary education
11 institution as provided by KRS 161.569(5), or KRS 161.569(5)(a)2. as it
12 existed on June 30, 2007. Interest at Kentucky Teachers' Retirement System's
13 actuarially assumed rate shall be paid on these net contributions by the person
14 electing to change to the Kentucky Teachers' Retirement System from the
15 optional retirement plan. These payments shall not be picked up as described
16 in KRS 161.540(2). Persons who elect to change from the optional retirement
17 plan to the Kentucky Teachers' Retirement System may elect to purchase as
18 service credit, beginning with the most recent years, any portion of their prior
19 years of service during which time they participated in the optional retirement
20 plan, or none of those years. Members may purchase service credit for prior
21 years of service by rolling over funds from their optional retirement plan
22 account as provided under KRS 161.5461, or by rolling over or transferring
23 other plan funds as permitted by the rules set forth in the Internal Revenue
24 Code, or by making an after-tax lump-sum cash payment. **This paragraph**
25 **does not apply to individuals who become members on or after January 1,**
26 **2019;**

27 (c) Effective July 1, 2008, persons otherwise eligible for membership in the

1 Kentucky Teachers' Retirement System may irrevocably elect one (1) time to
2 change their election and to prospectively participate in the Kentucky
3 Teachers' Retirement System and purchase service credit for their prior years
4 of service during which they participated in the optional retirement plan. This
5 election shall be filed in writing with the Kentucky Teachers' Retirement
6 System no later than December 31, 2008. Persons who change their election
7 prior to July 1, 2008, to prospectively participate in the Kentucky Teachers'
8 Retirement System may purchase service credit for their prior years of service
9 during which they participated in the optional retirement plan. The purchase
10 of prior years of service under this paragraph shall be subject to the same
11 conditions and purchase costs as described in paragraph (b) of this subsection,
12 except that the election to purchase service credit shall be on file with the
13 Kentucky Teachers' Retirement System no later than December 31, 2008. **This**
14 **paragraph does not apply to individuals who become members on or after**
15 **January 1, 2019**; and

16 (d) Persons electing to change to the Kentucky Teachers' Retirement System
17 under paragraphs (a), (b), and (c) of this subsection shall be eligible to
18 participate, based upon their age and allowable service credit, in the disability,
19 survivorship, and medical insurance programs under the conditions and in the
20 degree as they exist on the date that they file their election with the retirement
21 system, but shall be subject to any changes to those programs from that date
22 forward, including any changes that may affect their eligibility for or degree of
23 participation in those programs. Prior service purchased as service credit as
24 permitted under paragraphs (b) and (c) of this subsection shall not be
25 considered for meeting eligibility requirements or determining the extent of
26 participation in these programs. Persons electing to change to the Kentucky
27 Teachers' Retirement System shall not be eligible for the survivorship or

1 disability programs based upon medical conditions that existed prior to the
2 filing of their elections.

3 (2) Elections of eligible employees hired on or after the implementation date of the
4 optional retirement plan at their employer institution shall be effective on the date
5 of their employment. If an eligible employee hired subsequent to the
6 implementation date at the employer institution fails to make the election provided
7 for in this section, the employee shall become a member of the regular retirement
8 plan of the Kentucky Teachers' Retirement System.

9 ➔Section 65. KRS 161.580 is amended to read as follows:

10 (1) The board of trustees shall provide for the maintenance of an individual account for
11 each member showing the amount of the member's accumulated account
12 balance~~[contribution and interest accumulations]~~. Such individual accounts shall be
13 identified in the records of the system by name, date of birth, and Social Security
14 number. It shall collect and keep in convenient form such data as is necessary for
15 the preparation of the required mortality and service tables and for the compilation
16 of such other information as is required for the actuarial valuation of the assets and
17 liabilities of the various funds of the retirement system.

18 (2) The board shall prepare and furnish to all active contributing members a summary
19 plan description, written in a manner calculated to be understood by the average
20 member or annuitant, and sufficiently accurate and comprehensive to reasonably
21 apprise them of their rights and obligations under the Teachers' Retirement System.
22 The board may furnish the summary plan description by posting it on the retirement
23 system's Web site.

24 (3) The summary plan description shall include:

25 (a) The name of the retirement system, the name and address of the executive
26 secretary, and the name, address, and title of each member of the board of
27 trustees;

- 1 (b) The name and address of the person designated for the service of legal
2 process;
- 3 (c) The system's requirements for participation and benefits;
- 4 (d) A description of retirement formulas for normal, early, and disability
5 retirement, and survivor benefits;
- 6 (e) A description of the requirements for vesting of pension benefits;
- 7 (f) A list of circumstances which would result in disqualification, ineligibility, or
8 denial or loss of benefits;
- 9 (g) The sources of financing retirement benefits, and statutory requirements for
10 funding;
- 11 (h) A statement after each actuarial valuation as to whether funding requirements
12 are being met; and
- 13 (i) The procedures to be followed in presenting claims for benefits under the
14 plan, and the remedies available under the plan for the redress of claims which
15 are denied in whole or in part.
- 16 (4) The board may publish the summary plan description in the form of a
17 comprehensive pamphlet or booklet, or in the form of periodic newsletters which
18 shall incorporate all the information required in the summary plan description
19 within a period of two (2) years. Any changes in statutory requirements or
20 administrative practices which alter the provisions of the plan as described in the
21 summary plan description shall be summarized as required in subsection (2) of this
22 section and furnished to active contributing members in the form of a supplement to
23 a comprehensive booklet, or reported in the periodic newsletter.
- 24 (5) The board shall provide to annuitants so much of the summary plan description as
25 they need to understand changes in benefits which apply to them.
- 26 ➔Section 66. KRS 161.585 is amended to read as follows:
- 27 (1) Each member's or annuitant's account shall be administered in a confidential

1 manner, and specific data regarding a member or annuitant shall not be released for
2 publication, except that:

3 (a) The member or annuitant may authorize the release of his or her account
4 information;

5 (b) The board of trustees may release member or annuitant account information to
6 the employer or to other state and federal agencies as it deems necessary or in
7 response to a lawful subpoena or order issued by a court of law; or

8 (c) 1. Upon request by any person, the system shall release the following
9 information from the accounts of any member or annuitant of the
10 Kentucky Teachers' Retirement System, if the member or annuitant is a
11 current or former officeholder in the Kentucky General Assembly:

12 a. The first and last name of the member or annuitant;

13 b. The status of the member or annuitant, including but not limited to
14 whether he or she is a contributing member, a member who is not
15 contributing but has not retired, a retiree receiving a monthly
16 retirement allowance, or a retiree who has returned to work
17 following retirement with an agency participating in the system;

18 c. If the individual is an annuitant, the monthly retirement allowance
19 that he or she was receiving at the end of the most recently
20 completed fiscal year;

21 d. If the individual is a member who has not yet retired, the estimated
22 monthly retirement allowance that he or she is eligible to receive
23 on the first date he or she would be eligible for an unreduced
24 retirement allowance, using his or her service credit, accumulated
25 account balance, and final average salary at the end of the most
26 recently completed fiscal year; and

27 e. The current or last participating employer of the member or

1 annuitant, if applicable.

2 2. No information shall be disclosed under this paragraph from an account
3 that is paying benefits to a beneficiary due to the death of a member or
4 annuitant.

5 (2) The release of information under subsection (1)(c) of this section shall not
6 constitute a violation of the Open Records Act, KRS 61.870 to 61.884.

7 (3) Medical records which are included in a member's or annuitant's file maintained by
8 the Teachers' Retirement System are confidential and shall not be released unless
9 authorized by the member or annuitant in writing or as otherwise provided by law or
10 in response to a lawful subpoena or order issued by a court of law.

11 (4) (a) When a subpoena is served upon any employee of the Kentucky Teachers'
12 Retirement System requiring the production of any data, information, or
13 records, it is sufficient if the employee of the Kentucky Teachers' Retirement
14 System charged with the responsibility of being custodian of the original, or
15 his or her designated staff, delivers within five (5) working days by certified
16 mail or by personal delivery to the person specified in the subpoena either of
17 the following:

18 1. Legible and durable copies of records certified by the employee or
19 designated staff; or

20 2. An affidavit stating the information required by the subpoena.

21 (b) The production of records or an affidavit shall be in lieu of any personal
22 testimony of any employee of the Kentucky Teachers' Retirement System
23 unless, after the production of records or an affidavit, a separate subpoena is
24 served upon the retirement system specifically directing the testimony of an
25 employee of the retirement system. When a subpoena is served on any
26 employee of the retirement system requiring the employee to give testimony
27 or produce records for any purpose, in the absence of a court order requiring

1 the testimony of or production of records by a specific employee, the system
2 may designate an employee to give testimony or produce records upon the
3 matter referred to in the subpoena. The board of trustees may promulgate an
4 administrative regulation for the recovery of reasonable travel and
5 administrative expenses for those occasions when an employee of the
6 retirement system is required to travel from his or her home or office to
7 provide testimony or records. Recoverable expenses may include the wages,
8 salary, and overtime paid to the employee by the retirement system for the
9 period of time that the employee is away from the office. The cost of these
10 expenses shall be borne by the party issuing the subpoena compelling the
11 employee's travel. The board of trustees may also promulgate an
12 administrative regulation establishing a reasonable fee for the copying,
13 compiling, and mailing of requested records.

14 (c) The certification required by this subsection shall be signed before a notary
15 public by the employee and shall include the full name of the member or
16 annuitant, the member or annuitant identification number assigned to the
17 member or annuitant by the retirement system, and a legend substantially to
18 the following effect: "The records are true and complete reproductions of the
19 original, microfiched, or electronically stored records which are housed in the
20 retirement system's office. This certification is given in lieu of the
21 undersigned's personal appearance."

22 (d) When an affidavit or copies of records are personally delivered, a receipt shall
23 be presented to the person receiving the records for his or her signature and
24 shall be immediately signed and returned to the person delivering the records.
25 When an affidavit or copies of records are sent via certified mail, the receipt
26 used by the postal authorities shall be sufficient to prove receipt of the
27 affidavit or copies of records.

- 1 (e) When the affidavit or copies of records are delivered to a party for use in
2 deposition they shall, after termination of the deposition, be delivered
3 personally or by certified mail to the clerk of the court or other body before
4 which the action or proceeding is pending.
- 5 (f) Upon completion of delivery by the retirement system of copies of records by
6 their deposit in the mail or by their personal delivery to the requesting party,
7 the retirement system shall cease to have any responsibility or liability for the
8 records and their continued maintenance in a confidential manner.
- 9 (g) Records of the Kentucky Teachers' Retirement System that are susceptible to
10 reproduction may be proved as to foundation, identity, and authenticity
11 without preliminary testimony, by use of legible and durable copies, certified
12 in accordance with the provisions of this subsection.(h) The provisions of
13 this subsection shall not be construed to prohibit the Kentucky Teachers'
14 Retirement System from asserting any exemption, exception, or relief
15 provided under the Kentucky Rules of Civil Procedure or other applicable
16 law.
- 17 (5) For purposes of this section, "records" includes retirement estimates, affidavits, and
18 other documents prepared by the Kentucky Teachers' Retirement System in
19 response to information requested in a lawful subpoena or order issued by a court of
20 law.
- 21 ➔Section 67. KRS 161.590 is amended to read as follows:
- 22 (1) At retirement the total service credited to a teacher shall consist of prior and
23 subsequent service rendered by him for which service credit has been allowed.
- 24 (2) Kentucky service, presented at the time of retirement, may not be used in
25 calculating benefits under Section 43 of this Act, KRS 161.525, 161.620, or
26 161.661, if such service has been used to increase benefits in another retirement
27 system, not including Old Age and Survivors Insurance Benefits under the Social

1 Security Administration.

2 (3) No service credit shall be added to a member's account after the effective date of
3 retirement for service.

4 ➔Section 68. KRS 161.595 is amended to read as follows:

5 (1) Upon service retirement, *an individual who becomes* a member of the Teachers'
6 Retirement System *prior to January 1, 2019*, may obtain credit for all or any part of
7 the service otherwise creditable under the Kentucky Employees Retirement System,
8 the County Employees Retirement System, or in the service of the United States
9 government for which service credit is not otherwise given, upon the payment by
10 the member of the full actuarial cost of the service credit purchased as defined in
11 KRS 161.220(22). Such payments shall not be picked up, as described in KRS
12 161.540(2).

13 (2) The amount paid under this section shall be considered as accumulated
14 contributions of the individual member.

15 (3) No person shall be allowed credit for the same period of service in more than one
16 (1) of these three (3) retirement systems.

17 ➔Section 69. KRS 161.600 is amended to read as follows:

18 (1) Effective July 1, 1988, a member of the retirement system may qualify for service
19 retirement by meeting one (1) of the following requirements:

20 (a) Attainment of age sixty (60) years and completion of five (5) years of
21 Kentucky service;

22 (b) 1. For an individual who becomes a member before July 1, 2008,
23 attainment of age fifty-five (55) years and completion of a minimum of
24 five (5) years of Kentucky service with an actuarial reduction of the
25 basic allowance of five percent (5%) for each year the member's age is
26 less than sixty (60) years or for each year the member's years of
27 Kentucky service credit is less than twenty-seven (27), whichever is the

- 1 lesser number; and
- 2 2. For an individual who becomes a member on or after July 1, 2008,
- 3 attainment of age fifty-five (55) years and completion of a minimum of
- 4 ten (10) years of Kentucky service with an actuarial reduction of the
- 5 basic retirement allowance of six percent (6%) for each year the
- 6 member's age is less than sixty (60) years or for each year the member's
- 7 years of Kentucky service credit is less than twenty-seven (27),
- 8 whichever is the lesser number;
- 9 (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state
- 10 service earned in accordance with the provisions of KRS 161.515(2) may be
- 11 used to meet this requirement; or
- 12 (d) Completion of the necessary years of service under provisions of KRS
- 13 61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS
- 14 61.680. A member retiring under this paragraph who has not attained age
- 15 fifty-five (55) shall incur an actuarial reduction of the basic allowance
- 16 determined by the system's actuary for each year the member's service credit is
- 17 less than twenty-seven (27).
- 18 (2) Any person who has been a member in Kentucky for twenty-seven (27) years or
- 19 more and who withdraws from covered employment may continue to pay into the
- 20 fund each year until the end of the fiscal year in which he reaches the age of sixty-
- 21 five (65) years, the current contribution rate based on the annual compensation
- 22 received during the member's last full year in covered employment, less any
- 23 payment received for accrued sick leave or accrued leave from an employer. The
- 24 member shall be entitled to receive a retirement allowance as provided in KRS
- 25 161.620 at any time after withdrawing from covered employment and payment of
- 26 contributions under this subsection. No member shall make contributions as
- 27 provided for in this subsection if the member is at the same time making

1 contributions to another retirement system in Kentucky supported wholly or in part
2 by public funds.

3 (3) Service credit in the Kentucky Employees Retirement System, the State Police
4 Retirement System, the Legislators' Retirement Plan, the County Employees
5 Retirement System, or the Judicial Retirement System may be used in meeting the
6 service requirements of subsection (1)(a), (b), and (c) of this section, provided the
7 service is subsequent to July 1, 1956.

8 (4) Upon death, disability, or service retirement, a member's accounts under all state
9 supported retirement systems shall be consolidated, as provided by this section and
10 by KRS 61.680, for the purpose of determining eligibility and amount of benefits,
11 which shall include medical benefits. Upon determination of benefits, each system
12 shall pay the applicable percentage of total benefits. The effective date of retirement
13 under this subsection shall be determined by each retirement system for the portion
14 of the payments that will be made.

15 (5)~~(4)~~ No retirement annuity shall be effective until written application and option
16 election forms are filed with the retirement office in accordance with administrative
17 regulations of the board of trustees. A member may withdraw his or her retirement
18 application, postpone his or her effective retirement date, or change his or her
19 retirement option if these elections are made no later than the fifteenth day of the
20 month in which the member has made application for retirement.

21 (6)~~(5)~~ The surviving spouse of an active contributing member, if named as
22 beneficiary of the member's account, may purchase retirement credit that the
23 member was eligible to purchase prior to the member's death.

24 (7) *Effective January 1, 2019, subsections (1) to (3) of this section do not apply to*
25 *individuals who become members of the Teachers' Retirement System on or after*
26 *January 1, 2019. Individuals who become members of the Teachers' Retirement*
27 *System on or after January 1, 2019, shall receive the retirement benefits*

1 *prescribed by Section 43 of this Act.*

2 ➔Section 70. KRS 161.605 is amended to read as follows:

3 Any member retired by reason of service may return to work in a position covered by the
4 Kentucky Teachers' Retirement System and continue to receive his or her retirement
5 allowance under the following conditions:

6 (1) Any member who is retired with thirty (30) or more years of service may return to
7 work in a full-time or a part-time position covered by the Kentucky Teachers'
8 Retirement System and earn up to a maximum of seventy-five percent (75%) of the
9 member's last annual compensation measured on a daily rate to be determined by
10 the board of trustees. For purposes of determining whether the salary of a member
11 returning to work is seventy-five percent (75%) or less of the member's last annual
12 compensation, all remuneration paid and benefits provided to the member, on an
13 actual dollar or fair market value basis as determined by the retirement system, shall
14 be considered. Members who were retired on or before June 30, 2002, shall be
15 entitled to return to work under the provisions of this section as if they had retired
16 with thirty (30) years of service. Nonqualified service credit purchased under the
17 provisions of KRS 161.5465 or elsewhere with any state-administered retirement
18 system shall not be used to meet the thirty (30) year requirement set forth in this
19 subsection. Out-of state teaching service provided in public schools for kindergarten
20 through grade twelve (12) may count toward the thirty (30) year requirement set
21 forth in this subsection even if it is not purchased as service credit, if the member
22 obtains from his or her out-of-state employer certification of this service on forms
23 prescribed by the retirement system;

24 (2) Any member who is retired with less than thirty (30) years of service after June 30,
25 2002, may return to work in a full-time or part-time position covered by the
26 Kentucky Teachers' Retirement System and earn up to a maximum of sixty-five
27 percent (65%) of the member's last annual compensation measured on a daily rate to

1 be determined by the board of trustees. For purposes of determining whether the
2 salary of a member returning to work is sixty-five percent (65%) or less of the
3 member's last annual compensation, all remuneration paid and benefits provided to
4 the member, on an actual dollar or fair market value basis as determined by the
5 retirement system, shall be considered;

6 (3) Reemployment of a retired member under subsection (1) or (2) of this section in a
7 full-time teaching or nonteaching position in a local school district shall be
8 permitted only if the employer certifies to the Kentucky Teachers' Retirement
9 System that there are no other qualified applicants available to fill the teaching or
10 nonteaching position. The employer may use any source considered reliable
11 including but not limited to data provided by the Education Professional Standards
12 Board and the Department of Education to determine whether other qualified
13 applicants are available to fill the teaching or nonteaching position. The Kentucky
14 Board of Education shall promulgate administrative regulations to establish
15 procedures to determine whether other qualified applicants are available to fill a
16 teaching or nonteaching position and, if not, for filling the position with a retired
17 member who will then be permitted to return to work in that position under
18 subsection (1) or (2) of this section. The administrative regulations shall assure that
19 a retired member shall not be hired in a teaching or nonteaching position by a local
20 school district until the superintendent of the school district assures the Kentucky
21 Teachers' Retirement System that every reasonable effort has been made to recruit
22 other qualified applicants for the position on an annual basis;

23 (4) Under this section, an employer may employ full-time a number of retired members
24 not to exceed three percent (3%) of the membership actively employed full-time by
25 that employer. The board of trustees may reduce this three percent (3%) cap upon
26 recommendation of the retirement system's actuary if a reduction is necessary to
27 maintain the actuarial soundness of the retirement system. The board of trustees

1 may increase the three percent (3%) cap upon a determination that an increase is
2 warranted to help address a shortage in the number of available teachers and upon
3 the determination of the retirement system's actuary that the proposed cap increase
4 allows the actuarial soundness of the retirement system to be maintained. For
5 purposes of this subsection, "full-time" means the same as defined by KRS
6 161.220(21). A local school district may exceed the quota established by this
7 subsection by making an annual written request to the Kentucky Department of
8 Education which the department may approve on a year-by-year basis if the
9 statewide quota has not been met. A district's written request to exceed its quota
10 shall be submitted no sooner than two (2) weeks after the start of the school year;

11 (5) **(a) Except as provided by subsection (10) of this section,** a member returning to
12 work in a full-time or part-time position under subsection (1) or (2) of this
13 section will contribute to an account with the retirement system that will be
14 administered independently from and with no reciprocal impact with the
15 member's original retirement account, or any other account from which the
16 member is eligible to draw a retirement allowance.

17 **(b) Except as provided by subsection (10) of this section,** a member returning to
18 work under subsection (1) or (2) of this section shall make contributions to the
19 retirement system at the rate provided under KRS 161.540. The new account
20 shall independently meet the five (5) year vesting requirement as well as all
21 other conditions set forth in KRS 161.600(1) before any retirement allowance
22 is payable from this account. The retirement allowance accruing under this
23 new account shall be calculated pursuant to KRS 161.620(1)(b). This new
24 account shall not entitle the member to a duplication of the benefits offered
25 under KRS 161.620(7) or 161.675, nor shall this new account provide the
26 benefits offered by KRS 161.520, 161.525, 161.620(3), 161.655, 161.661, or
27 161.663.

1 (c) A member returning to work under subsection (1) or (2) of this section shall
2 waive his or her medical insurance with the Kentucky Teachers' Retirement
3 System during the period of reemployment and shall receive the medical
4 insurance coverage that is generally provided by the member's active employer
5 to the other members of the retirement system that the active employer
6 employs. If medical insurance coverage is not available from the employer,
7 the Kentucky Teachers' Retirement System may provide coverage for the
8 member.

9 (d) A member returning to work under subsection (1) or (2) of this section shall
10 not be eligible to purchase service credit for any service provided after the
11 member's effective date of retirement but prior to the date that the member
12 returns to work. A member returning to work under subsection (1) or (2) of
13 this section shall not be eligible to purchase service credit that the member
14 would have otherwise been eligible to purchase prior to the member's initial
15 retirement.

16 (e) A member who returns to work under subsection (1) or (2) of this section, or
17 in the event of the death of the member, the member's estate or applicably
18 designated beneficiary, shall be entitled, within ninety (90) days of the posting
19 of the annual report submitted by the employer, to a refund of contributions as
20 permitted and limited by KRS 161.470;

21 (6) The board of trustees may annually, on July 1, adjust the current daily rate of a
22 member's last annual compensation, for each full twelve (12) month period that has
23 elapsed subsequent to the member earning his or her last annual compensation, by
24 the percentage increase in the annual average of the consumer price index for all
25 urban consumers for the calendar year preceding the adjustment as published by the
26 Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each
27 annual adjustment shall become part of the member's daily rate base. Failure to

1 comply with the salary limitations set forth in subsections (1) and (2) of this section
2 as may be adjusted by this subsection shall result in a reduction of the member's
3 retirement allowance or any other benefit to which the member would otherwise be
4 entitled on a dollar-for-dollar basis for each dollar that the member exceeds these
5 salary limitations. Notwithstanding any other provision of law to the contrary, a
6 member retiring from a local school district who returns to work for a local school
7 district under subsection (1) or (2) of this section shall be entitled, without any
8 reduction to his or her retirement allowance or any other retirement benefit, to earn
9 a minimum amount equal to one hundred seventy dollars (\$170) per day;

10 (7) (a) A retired member returning to work under subsection (1) or (2) of this section
11 shall have separated from service for a period of at least one (1) year if
12 returning to work for the same employer on a full-time basis, and at least three
13 (3) months if returning to work for a different employer on a full-time basis. A
14 retired member returning to work under subsection (1) or (2) of this section on
15 a part-time basis shall have separated from service for a period of at least three
16 (3) months before returning to work for any employer.

17 (b) As an alternative to the separation-from-service requirements in paragraph (a)
18 of this subsection, a retired member who is returning to work for the same
19 employer in a full-time position under subsections (1) and (2) of this section
20 may elect a separation-from-service of not less than two (2) months followed
21 by a forfeiture of the retired member's retirement allowance on a month-to-
22 month basis for each month that the member has separated from service for
23 less than twelve (12) full months. A retired member returning to work for the
24 same employer in a part-time position, or for a different employer in a full-
25 time position, may elect an alternative separation-from-service requirement of
26 at least two (2) months followed by a forfeiture of the member's retirement
27 allowance for one (1) month. During the period that the member forfeits his or

1 her retirement allowance and thereafter, member and employer contributions
2 shall be made to the retirement system as a result of employment in any
3 position subject to membership in the retirement system. The member shall
4 contribute to an account with the retirement system subject to the conditions
5 set forth in subsection (5) of this section. For purposes of measuring the
6 separation-from-service requirements set forth throughout this section, a
7 member's separation-from-service begins on the first day following the last
8 day of paid employment for the member prior to retirement.

9 (c) Failure to comply with the separation-from-service requirements in this
10 subsection voids a member's retirement and the member shall be required to
11 return all the retirement benefits he or she received, with interest, for the
12 period of time that the member returned to work without a sufficient
13 separation from service;

14 (8) (a) Effective July 1, 2004, local school districts may employ retired members in
15 full-time or part-time teaching or administrative positions without limitation
16 on the compensation of the retired members that is otherwise required by
17 subsections (1) and (2) of this section. Under provisions of this subsection, a
18 local school district may only employ retired members to fill critical shortage
19 positions for which there are no other qualified applicants as determined by
20 the local superintendent. The number of retired members that a local school
21 district may employ under this subsection shall be no more than two (2)
22 members per local school district or one percent (1%) of the total active
23 members employed by the local school district on a full-time basis as defined
24 under KRS 161.220(21), whichever number is greater. Retired members
25 returning to work under this subsection shall be subject to the separation-
26 from-service requirements set forth in subsection (7) of this section. Retired
27 members returning to work under this subsection shall waive their medical

1 insurance coverage with the retirement system during their period of
2 reemployment and receive medical insurance coverage that is offered to other
3 full-time members employed by the local school district. Retired members
4 returning to work under this subsection shall contribute to an account subject
5 to the conditions set forth in subsection (5) of this section. Retired members
6 returning to work under this subsection shall make contributions to the
7 retirement system at the rate provided under KRS 161.540. The employer
8 shall make contributions at the rate provided under KRS 161.550. Local
9 school districts shall make annual payments to the retirement system on the
10 compensation paid to the reemployed retirees at the rates determined by the
11 retirement system's actuary that reflect any accrued liability resulting from the
12 reemployment of these members.

13 (b) The Department of Education may employ retired members in full-time or
14 part-time teaching or nonteaching positions without the limitations on
15 compensation otherwise required by subsections (1) and (2) of this section to
16 fill critical shortage areas in the schools it operates, including the Kentucky
17 School for the Blind, the Kentucky School for the Deaf, and the Kentucky
18 Virtual High School, and to serve on audit teams. The department shall be
19 subject to the same requirements as local school districts as provided in
20 paragraph (a) of this subsection, except the Kentucky Teachers' Retirement
21 System shall determine the maximum number of employees that may be
22 employed under this paragraph;

23 (9) The return to work limitations set forth in this section shall apply to retired
24 members who are returning to work in the same position from which they retired, or
25 a position substantially similar to the one from which they retired, or a position
26 described in KRS 161.046 or any position listed in KRS 161.220(4) which requires
27 membership in the retirement system. Positions which generally require certification

1 or graduation from a four (4) year college or university as a condition of
2 employment which are created, or changed to remove the position from coverage
3 under KRS 161.220(4) are also subject to the return to work limitations set forth in
4 this section. The board of trustees shall determine whether employment in a
5 nonteaching position is subject to this subsection;

6 (10) **(a) Notwithstanding the provisions of this section, individuals who retire and**
7 **begin drawing a retirement allowance from one (1) or more of the systems**
8 **or plans administered by the Kentucky Retirement Systems, the Teachers'**
9 **Retirement System, or the Judicial Form Retirement System on or after**
10 **January 1, 2019, who are reemployed on or after January 1, 2019, with an**
11 **employer participating in the Teachers' Retirement System shall not be**
12 **eligible to contribute to or earn benefits in a second retirement account**
13 **during the period of reemployment. Employers shall be required to pay the**
14 **employer normal cost for pension benefits established by Section 63 of this**
15 **Act for any period of full-time reemployment to help pay down the**
16 **unfunded liability of the Teachers' Retirement System pension fund.**

17 **(b)** The provisions of subsections (1) to (8) of this section are not subject to KRS
18 161.714;

19 (11) Any member retired by reason of service may waive his or her annuity and return to
20 full-time employment in a position covered by the Kentucky Teachers' Retirement
21 System under the following conditions:

22 (a) The member shall receive no annuity payments while employed in a covered
23 position, shall waive his or her medical insurance coverage with the Kentucky
24 Teachers' Retirement System during the period of reemployment, and shall
25 receive the medical insurance coverage that is generally offered by the
26 member's active employer to the other members of the retirement system
27 employed by the active employer. The member's estate or, if there is a

- 1 beneficiary applicably designated by the member, then the beneficiary, shall
2 continue to be eligible for life insurance benefits as provided in KRS 161.655.
3 Service subsequent to retirement shall not be used to improve an annuity,
4 except as provided in paragraphs (b) and (c) of this subsection;
- 5 (b) Any member who waives regular annuity benefits and returns to teaching or
6 covered employment shall be entitled to make contributions on the salaries
7 received for this service and have his retirement annuity recalculated as
8 provided in the regular retirement formula in KRS 161.620(1), less any
9 applicable actuarial discount applied to the original retirement allowance due
10 to the election of a joint and last survivor option. Retirement option and
11 beneficiary designation on original retirement shall not be altered by
12 postretirement employment, and dependents and spouses of the members shall
13 not become eligible for benefits under KRS 161.520, 161.525, or 161.661
14 because of postretirement employment;
- 15 (c) When a member returns to full-time teaching or covered employment as
16 provided in subsection (b) of this section, the employer is required to withhold
17 and remit regular retirement contributions. The member must be employed
18 full-time for at least one (1) consecutive contract year to be eligible to
19 improve an annuity. The member shall be returned to the annuity rolls on July
20 1 following completion of the contract year or on the first day of the month
21 following the month of termination of service if full-time employment
22 exceeds one (1) consecutive contract year. Any discounts applied at the time
23 of the original retirement due to service or age may be reduced or eliminated
24 due to additional employment if full-time employment is for one (1)
25 consecutive contract year or longer; and
- 26 (d) A member retired by reason of service who has been employed the equivalent
27 of twenty-five (25) days or more during a school year under KRS 161.605

1 may waive the member's retirement annuity and return to regular employment
2 covered by the Kentucky Teachers' Retirement System during that school year
3 a maximum of one (1) time during any five (5) year period, beginning with
4 that school year;

5 (12) Retired members may be employed in a part-time teaching capacity by an agency
6 described in KRS 161.220(4)(b) or (n), not to exceed the equivalent of twelve (12)
7 teaching hours in any one (1) fiscal year. Retired members may be employed for a
8 period not to exceed the equivalent of one hundred (100) days in any one (1) fiscal
9 year in a part-time administrative or nonteaching capacity by an agency described in
10 KRS 161.220(4)(b) or (n) in a position that would otherwise be covered by the
11 retirement system. The return to work provisions set forth in subsections (1) to (8)
12 of this section shall not apply to retired members who return to work solely for an
13 agency described in KRS 161.220(4)(b) or (n). Calculation of the number of days
14 and teaching hours for part-time teaching, substitute teaching, or part-time
15 employment in a nonteaching capacity under this section shall not exceed the ratio
16 between a school year and the actual months of retirement for the member during
17 that school year. The board of trustees by administrative regulation may establish
18 fractional equivalents of a day of teaching service. Any member who exceeds the
19 twelve (12) hour or one hundred (100) day limitations of this subsection shall be
20 subject to having his or her retirement voided and be required to return all
21 retirement allowances and other benefits paid to the member or on the member's
22 behalf since the effective date of retirement. In lieu of voiding a member's
23 retirement, the system may reduce the member's retirement allowance or any other
24 benefit to which the member would otherwise be entitled on a dollar-for-dollar basis
25 for each dollar of compensation that the member earns in employment exceeding
26 twelve (12) hours, one hundred (100) days, or any apportionment of the two (2)
27 combined;

1 (13) When a retired member returns to employment in a part-time teaching capacity or in
2 a nonteaching capacity as provided in subsection (12) of this section, the employer
3 shall contribute annually to the retirement system on the compensation paid to the
4 retired member at rates determined by the retirement system actuary that reflect
5 accrued liability for retired members who return to work under subsection (12) of
6 this section; and

7 (14) For retired members who return to work during any one (1) fiscal year in both a
8 position described in KRS 161.220(4)(b) or (n) and in a position described under
9 another provision under KRS 161.220(4), and for retired members who return to
10 work in a position described under KRS 161.220(4)(b) or (n) in both a teaching and
11 an administrative or nonteaching capacity, the board of trustees shall adopt a
12 methodology for a pro rata apportionment of days and hours that the retired member
13 may work in each position.

14 ➔Section 71. KRS 161.612 is amended to read as follows:

15 Effective July 1, 2002, any individual occupying a position on a part-time basis that
16 requires certification or graduation from a four (4) year college or university as a
17 condition of employment and any individual providing part-time or substitute teaching
18 services that are the same or similar to those teaching services provided by certified, full-
19 time teachers shall be a member of the Kentucky Teachers' Retirement System, according
20 to the conditions and only to the extent set forth in this section, if the individual is
21 employed by one (1) of the public boards, institutions, or agencies set forth in KRS
22 161.220, excluding those public boards, institutions, and agencies described in KRS
23 161.220(4)(b) and (n). Members providing part-time and substitute services shall
24 participate in the retirement system as follows:

25 (1) Members providing part-time and substitute services shall accrue service credit as
26 provided under KRS 161.500 and be entitled to a retirement allowance upon
27 meeting the service retirement conditions of KRS 161.600 or Section 43 of this

1 *Act, as applicable.* The board of trustees shall adopt a methodology for accrediting
2 service credit to these members on a pro rata basis. The methodology adopted by
3 the board of trustees may be amended as necessary to ensure its actuarial soundness.
4 The retirement allowance for members providing part-time and substitute services
5 shall be calculated pursuant to KRS 161.620 *or Section 43 of this Act, as*
6 *applicable,* except that the provisions of KRS 161.620(3) shall not apply. Members
7 providing part-time and substitute services who meet the service retirement
8 conditions of KRS 161.600 *or Section 43 of this Act, as applicable,* may also be
9 eligible to participate as approved by the board of trustees in the medical insurance
10 program provided by the retirement system under KRS 161.675. Members
11 providing part-time and substitute services shall make contributions to the Kentucky
12 Teachers' Retirement System at the rate provided under KRS 161.540. A member
13 who provides part-time or substitute services, or in the event of the death of the
14 member, the member's estate or applicably designated beneficiary, will be entitled,
15 within ninety (90) days of the posting of the annual report submitted by the
16 member's employer, to a refund of contributions as permitted and limited by KRS
17 161.470;

18 (2) The board of trustees shall adopt eligibility conditions under which members
19 providing part-time and substitute services may participate in the benefits provided
20 under KRS 161.520, 161.655, 161.661, and 161.663. The board of trustees may
21 permit members providing part-time or substitute services to participate in other
22 benefits offered by the retirement system by promulgating administrative
23 regulations that establish eligibility conditions for participation in these benefits. All
24 eligibility conditions adopted by the board of trustees pursuant to this subsection
25 may be amended as necessary to ensure their actuarial soundness;

26 (3) In addition to the pro rata methodology adopted by the board of trustees under
27 subsection (1) of this section, members providing part-time and substitute services

1 shall be subject to all limitations and conditions regarding the accrual, retention,
2 accreditation, and use of service credit that apply to members providing full-time
3 services. In addition to the eligibility conditions set forth by the board of trustees
4 under subsection (2) of this section, members providing part-time and substitute
5 services shall be subject to all limitations and conditions regarding both the
6 eligibility to participate and the extent of participation in any benefit offered under
7 KRS 161.220 to 161.716 that apply to members providing full-time services;

8 (4) Notwithstanding any other provisions of this section to the contrary, instructional
9 assistants who provide teaching services in the local school districts on a full-time
10 basis in positions covered by the County Employees Retirement System who are
11 used as substitute teachers on an emergency basis for five (5) days or less during
12 any one (1) fiscal year shall not be considered members of the Teachers' Retirement
13 System during that period in which they are serving as substitute teachers for five
14 (5) days or less;

15 (5) The board of trustees may adopt a pro rata methodology to determine the annual
16 compensation of members providing part-time and substitute services in order to
17 determine benefits provided under KRS 161.661 and 161.663. Members providing
18 part-time and substitute services who had retirement contributions posted to their
19 accounts during the previous fiscal year and who have not had those contributions
20 refunded to them are eligible to vote for the board of trustees;

21 (6) The board of trustees of the Teachers' Retirement System shall be responsible for
22 final determination of membership eligibility and may direct employers to take
23 whatever action that may be necessary to correct any error relating to membership;{
24 ~~and~~}

25 (7) **Effective January 1, 2019, this section does not apply to any individual who**
26 **retires on or after January 1, 2019, and is reemployed on or after January 1,**
27 **2019.**

1 **(8)** The provisions of this section are not subject to KRS 161.714.

2 ➔Section 72. KRS 161.615 is amended to read as follows:

- 3 (1) The board of trustees is authorized to implement a limited defined contribution plan
4 for the sole purpose of providing retirement allowance payments for retired
5 members who have been approved by the retirement system for full-time
6 reemployment as provided in KRS 161.605.
- 7 (2) The defined contribution plan shall be administered separately from the regular
8 benefits provided for members of the retirement system, except that the
9 contributions to the plan shall be invested in the same manner as other contributions
10 to the retirement system.
- 11 (3) The provisions of this section apply only to those retired members who were
12 permitted to return to work under the critical shortage provisions of KRS
13 161.605(7) as they existed on June 30, 2002. The provisions of this section shall not
14 apply to any retired member returning to work on or after July 1, 2002.
- 15 (4) Separate member accounts shall be maintained for participants in this plan which
16 shall reflect the annual contributions made to the participant's account based on the
17 rates and interest levels specified in KRS 161.605.
- 18 (5) When the retiree's reemployment terminates, the total contributions and accrued
19 interest in the participant's account will be paid in a lump-sum payment or on an
20 actuarial straight life monthly basis to the retiree. If the member dies prior to
21 making application for a retirement allowance under this plan, the beneficiary
22 designated by the participant for this plan shall receive a refund of the funds in the
23 account. If there is a remaining balance in the account at the death of the participant
24 after retirement from this plan, it shall be paid to the beneficiary designated by the
25 participant for this benefit.
- 26 (6) Retired members shall be eligible to receive their retirement annuity when approved
27 for reemployment and participation in this plan. Service as a reemployed retiree

1 may not be used in any manner for credit under the regular retirement benefit plans
2 provided by the retirement system.

3 **(7) Notwithstanding the provisions of subsections (1) to (6) of this section, any plan**
4 **established pursuant to this section shall, effective January 1, 2019, be closed to**
5 **any future employee or employer contributions.**

6 ➔Section 73. KRS 161.620 is amended to read as follows:

7 (1) The retirement allowance, in the form of a life annuity with refundable balance, of a
8 member retiring for service shall be calculated as follows:

9 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise
10 provided by this section, the annual allowance for each year of service shall be
11 two percent (2%) of the final average salary for service performed prior to
12 July 1, 1983, and two and one-half percent (2.5%) of the final average salary
13 for service performed after July 1, 1983, for all **nonuniversity** members~~[not~~
14 ~~employed by a state college or university]~~. The annual retirement allowance
15 for each year of service performed by members of the Teachers' Retirement
16 System who are **university** members~~[under the provisions of KRS~~
17 ~~161.220(4)(b) or (n)]~~ shall be two percent (2%) of the final average salary.
18 Actuarial discounts due to age or service credit at retirement may be applied
19 as provided in this section;

20 (b) For individuals who become **nonuniversity** members of the ~~[Kentucky~~
21 ~~]Teachers' Retirement System on or after July 1, 2002, and before July 1,~~
22 ~~2008, [except those persons who become members under KRS 161.220(4)(b)~~
23 ~~or (n), and]~~who upon retirement have earned less than ten (10) full years of
24 service credit, the retirement allowance shall be two percent (2%) of the
25 member's final average salary for each year of service. For individuals who
26 become **nonuniversity** members of the ~~[Kentucky]Teachers' Retirement~~
27 ~~System on or after July 1, 2002, and before July 1, 2008, [except those~~

1 ~~persons who become members under KRS 161.220(4)(b) or (n)]~~, and who
 2 upon retirement have earned at least ten (10) full years of service credit, the
 3 annual allowance for each year of service shall be two and one-half percent
 4 (2.5%) of the member's final average salary;

- 5 (c) The board of trustees may approve for members who initially retire on or after
 6 July 1, 2004, and who become ***nonuniversity*** members before July 1, 2008~~],~~
 7 ~~except those persons who are members under KRS 161.220(4)(b) or (n)]~~, a
 8 retirement allowance of three percent (3%) of the member's final average
 9 salary for each year of service credit earned;

- 10 1. In excess of thirty (30) years, *if the member has twenty (20) or more*
 11 *years of service as of July 31, 2018; or*
 12 2. *In excess of thirty-five (35) years, if the member does not have twenty*
 13 *(20) or more years of service as of July 31, 2018, and if the member is*
 14 *at least sixty (60) years of age.*

15 This three percent (3%) factor shall be in lieu of the two and one-half percent
 16 (2.5%) factor provided for in paragraph (b) of this subsection for every year or
 17 fraction of a year of service in excess of thirty (30) years. Upon approval of
 18 this three percent (3%) retirement factor, the board of trustees may establish
 19 conditions of eligibility regarding the type of service credit that will qualify
 20 for meeting the requirements of this subsection. This subsection is optional
 21 with the board of trustees and shall not be subject to KRS 161.714;

- 22 (d) For individuals who become ***nonuniversity*** members of the ~~{Kentucky~~
 23 ~~}Teachers' Retirement System on or after July 1, 2008~~],~~ ~~except those persons~~
 24 ~~who become members under KRS 161.220(4)(b) or (n)]~~, the retirement
 25 allowance shall be:~~

- 26 1. a. One and seven-tenths percent (1.7%) of the member's final average
 27 salary for each year of service if the member has earned ten (10) or

- 1 less years of service at retirement;
- 2 b. Two percent (2%) of the member's final average salary for each
3 year of service if the member has earned greater than ten (10) but
4 no more than twenty (20) years of service at retirement;
- 5 c. Two and three-tenths percent (2.3%) of the member's final average
6 salary for each year of service if the member has earned greater
7 than twenty (20) but no more than twenty-six (26) years of service
8 at retirement; or
- 9 d. Two and one-half percent (2.5%) of the member's final average
10 salary for each year of service if the member has earned greater
11 than twenty-six (26), **except as provided by subparagraph 2. of**
12 **this paragraph** ~~but no more than thirty (30) years of service at~~
13 ~~retirement~~; and
- 14 2. Three percent (3%) of the member's final average salary for each year of
15 service earned in excess of **thirty-five (35)**~~thirty (30)~~ years of service at
16 retirement subject to the same terms and conditions as set forth in
17 paragraph (c)**2.** of this subsection;
- 18 (e) For individuals who become **university** members of the ~~Kentucky~~ Teachers'
19 Retirement System on or after July 1, 2008~~, who are members under KRS~~
20 ~~161.220(4)(b) or (n)~~, the retirement allowance shall be:
- 21 1. One and one-half percent (1.5%) of the member's final average salary for
22 each year of service if the member has earned ten (10) or less years of
23 service at retirement;
- 24 2. One and seven-tenths percent (1.7%) of the member's final average
25 salary for each year of service if the member has earned greater than ten
26 (10) but no more than twenty (20) years of service at retirement;
- 27 3. One and eighty-five hundredths percent (1.85%) of the member's final

- 1 average salary for each year of service if the member has earned greater
 2 than twenty (20) but less than twenty-seven (27) years of service at
 3 retirement; or
- 4 4. Two percent (2%) of the member's final average salary for each year of
 5 service if the member has earned twenty-seven (27) or more years of
 6 service at retirement; and
- 7 (f) The retirement allowance of a member at retirement, as measured on a life
 8 annuity, shall not exceed the member's last yearly salary or the member's final
 9 average salary, whichever is the greater amount. For purposes of this section,
 10 "yearly salary" means the compensation earned by a member during the most
 11 recent period of contributing service, either consecutive or nonconsecutive,
 12 preceding the member's effective retirement date and shall be subject to the
 13 provisions of KRS 161.220(9) and (10).
- 14 (2) (a) Effective July 1, 2019~~July 1, 2002~~, and annually on July 1 thereafter, and
 15 except as provided by paragraph (b) of this subsection, the retirement
 16 allowance of each retired member and of each beneficiary of a retirement
 17 option shall be increased in the amount of one and one-half percent (1.5%),
 18 provided the retired member had been retired for at least the full twelve (12)
 19 months immediately preceding the date that the increase is effective. If the
 20 retired member had not been retired for at least twelve (12) months
 21 immediately preceding the date that the increase is effective, then no
 22 increase shall be provided~~[In the event that the retired member had been~~
 23 ~~retired for less than the full twelve (12) months immediately preceding the~~
 24 ~~date that the increase is effective, then the increase shall be reduced on a pro~~
 25 ~~rata basis by each month that the retired member had not been retired for the~~
 26 ~~full twelve (12) months immediately preceding the effective date of the~~
 27 ~~increase].~~

1 **(b) If the Teachers' Retirement System pension fund as of the date of the**
2 **increase has a funding level of less than ninety percent (90%) as determined**
3 **by the most recently completed actuarial valuation, the retirement**
4 **allowance of each retired member and of each beneficiary of a retirement**
5 **option shall be increased in the amount of one percent (1%) in lieu of the**
6 **one and one-half percent (1.5%) increase provided by paragraph (a) of this**
7 **subsection.**

8 **(c) If any future legislative action provides for an ad hoc increase in retirement**
9 **allowances in excess of the amount provided by paragraph (a) of this**
10 **subsection, then the increase must be fully prefunded in the year the ad hoc**
11 **increase is provided.**

12 **(d) For purposes of this subsection, "funding level" means the actuarial value**
13 **of assets divided by the actuarially accrued liability expressed as a**
14 **percentage that is determined and reported by the system's actuary in the**
15 **system's actuarial valuation.**

16 (3) Any member qualifying for retirement under a life annuity with refundable balance
17 shall be entitled to receive an annual allowance amounting to not less than four
18 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty
19 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the
20 member. These minimums shall apply to the retired members receiving annuity
21 payments and to those members retiring on or subsequent to the effective dates
22 listed in this subsection, except the following:

23 (a) Individuals who become members of the Kentucky Teachers' Retirement
24 System on or after July 1, 2008; or

25 (b) Members whose retirement allowance payment is reduced below the
26 minimum allowance as a result of its division in a qualified domestic relations
27 order or any other provision permitted under KRS 161.700.

- 1 (4) The minimum retirement allowance provided in this section shall apply in the case
2 of members retired or retiring under an option other than a life annuity with
3 refundable balance in the same proportion to the benefits of the member and his
4 beneficiary or beneficiaries as provided in the duly-adopted option tables at the time
5 of the member's retirement.
- 6 (5) Effective July 1, 2008, the monthly allowance of each retired member and each
7 recipient of a retirement option of the retired member may be increased in an
8 amount not to exceed three and one-half percent (3.5%) of the monthly allowance in
9 effect the previous month, provided the retired member had been retired for at least
10 the full twelve (12) months immediately preceding the date that the increase is
11 effective. In the event that the retired member had been retired for less than the full
12 twelve (12) months immediately preceding the date that the increase is effective,
13 then the increase shall be reduced on a pro rata basis by each month that the retired
14 member had not been retired for the full twelve (12) months immediately preceding
15 the effective date of the increase. The level of increase provided for in this
16 subsection shall be determined by the funding provided in the 2008-2010 biennium
17 budget appropriation.
- 18 (6) Effective July 1, 2009, the monthly allowance of each retired member and each
19 recipient of a retirement option of the retired member may be increased in an
20 amount not to exceed seven-tenths of one percent (0.7%) of the monthly allowance
21 in effect the previous month, provided the retired member had been retired for at
22 least the full twelve (12) months immediately preceding the date that the increase is
23 effective. In the event that the retired member had been retired for less than the full
24 twelve (12) months immediately preceding the date that the increase is effective,
25 then the increase shall be reduced on a pro rata basis by each month that the retired
26 member had not been retired for the full twelve (12) months immediately preceding
27 the effective date of the increase. The level of increase provided for in this

1 subsection shall be determined by the funding provided in the 2008-2010 biennium
2 budget appropriation.

3 (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be
4 payable for the benefit of an adult child of a member retired for service when the
5 child's mental or physical condition is sufficient to cause dependency on the
6 member at the time of retirement. Eligibility for this payment shall continue for the
7 life of the child or until the time the mental or physical condition creating the
8 dependency no longer exists or the child marries. Benefits under this subsection
9 shall apply to legally adopted survivors provided the proceedings for the adoption
10 were initiated at least one (1) year prior to the death of the member. The board of
11 trustees shall be the sole judge of eligibility or dependency and may require formal
12 application or information relating thereto.

13 (8) Members of the Teachers' Retirement System shall be subject to the annuity income
14 limitations imposed by Section 415 of the Internal Revenue Service Code.

15 (9) Compensation in excess of the limitations imposed by Section 401(a)(17) of the
16 Internal Revenue Code shall not be used in determining a member's retirement
17 annuity. The limitation on compensation for eligible members shall not be less than
18 the amount which was allowed to be taken into account by the retirement system in
19 effect on July 1, 1993. For this purpose, an eligible member is an individual who
20 was a member of the retirement system before the first plan year beginning after
21 December 31, 1995.

22 **(10) Effective January 1, 2019, subsections (1) to (7) of this section do not apply to**
23 **individuals who become members of the Teachers' Retirement System on or after**
24 **January 1, 2019.**

25 ➔Section 74. KRS 161.623 is amended to read as follows:

26 (1) Effective July 1, 1982, and thereafter, a district board of education or other
27 employer of members of the Teachers' Retirement System may compensate, at the

1 time of retirement for service, an active contributing member for unused sick-leave
2 days in accordance with this section.

3 (2) Upon the member's application for service retirement, the employer shall certify the
4 retiring member's unused accumulated sick-leave balance to the board of trustees of
5 the Kentucky Teachers' Retirement System. The member's sick-leave balance,
6 expressed in days, shall be divided by one hundred eighty-five (185) days to
7 determine the amount of service credit that may be considered for addition to the
8 member's retirement account for the purpose of determining the retirement
9 allowance under KRS 161.620, subject to the limitation of subsection (9)(a) of this
10 section. Notwithstanding any statute to the contrary, sick-leave credit that is
11 accredited under this section or by one (1) of the other state-administered retirement
12 systems shall not be used for the purpose of determining whether the member is
13 eligible to receive a retirement allowance from the Kentucky Teachers' Retirement
14 System.

15 (3) The board shall compute the cost to the retirement system of the sick-leave credit
16 for each retiring member and shall bill the last employer of the retiring member for
17 such cost. The employer shall pay the cost of such service credit to the retirement
18 system within fifteen (15) days after receiving notification of the cost from the
19 board.

20 (4) Retiring members who receive service credit under this section shall not be eligible
21 to receive compensation for accrued sick leave under KRS 161.155(10) or any other
22 statutory provision.

23 (5) Employer participation is optional and the employer may opt to purchase less
24 service credit than the member is eligible to receive provided the same percentage
25 of reduction is made applicable to all retiring members of the employer during a
26 school fiscal year.

27 (6) The board of trustees shall formulate and adopt necessary rules and regulations for

1 the administration of the foregoing provisions.

2 (7) Payments to the retirement system for service credit obtained under this section or
3 for compensation credit obtained under KRS 161.155(10) shall be based on the full
4 actuarial cost as defined in KRS 161.220(22).

5 (8) For an individual who becomes a member on or after July 1, 2008, the maximum
6 amount of unused accumulated sick leave that may be considered for addition to the
7 member's retirement account for purposes of determining the retirement allowance
8 under KRS 161.620 shall not exceed three hundred (300) days or the amount
9 specified by subsection (9)(a) of this section.

10 (9) Notwithstanding any other provision of KRS 161.220 to 161.716 to the contrary:

11 (a) The maximum amount of sick leave converted to additional service credit
12 under the provisions of this section shall not exceed the service credit based
13 upon the level of sick leave accumulated on December 31, 2018, by a
14 member whose employer participates in the sick leave program authorized
15 by this section.

16 (b) On or after August 1, 2018, no employers may opt to participate in the sick
17 leave program authorized by this section.

18 ➔Section 75. KRS 161.630 is amended to read as follows:

19 (1) (a) An individual who became a member prior to January 1, 2019, upon
20 retirement, shall receive a retirement allowance in the form of a life annuity,
21 with refundable balance, as provided in KRS 161.620, unless an election is
22 made before the effective date of retirement to receive actuarially equivalent
23 benefits under options which the board of trustees approves.

24 (b) An individual who is participating in the hybrid cash balance plan as
25 provided by Section 43 of this Act may, before the effective date of
26 retirement, elect to receive his or her accumulated account balance
27 annuitized into a monthly payment under one (1) of the actuarial equivalent

1 payment options approved by the board of trustees.

2 (c) No option shall provide for a benefit with an actuarial value at the age of
3 retirement greater than that provided in KRS 161.620 or subsection (7)(a) of
4 Section 43 of this Act, as applicable. This section does not apply to disability
5 allowances as provided in KRS 161.661(1).

6 (2) The retirement option chosen by a retiree at the time of service retirement shall
7 remain in force unless the retiree became a member prior to January 1, 2019, and
8 elects to make a change under the following conditions:

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

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

18 (3) Except as otherwise provided in this section, a beneficiary designation shall not be
19 changed after the effective date of retirement except for retirees who elect the life
20 annuity with refundable balance or the predetermined years certain and life
21 thereafter option. A member may remove a beneficiary at any time, but shall not
22 designate a substitute beneficiary. If a member elects to remove a beneficiary, the
23 member's retirement allowance shall not change regardless of the retirement option
24 selected by the member, even if the removed beneficiary predeceases the member.

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

1 ➔Section 76. KRS 161.655 is amended to read as follows:

- 2 (1) Effective July 1, 2000, the Teachers' Retirement System shall *for those individuals*
3 *who became members prior to January 1, 2019:*
- 4 (a) Provide a life insurance benefit in a minimum amount of five thousand dollars
5 (\$5,000) for its members who are retired for service or disability. This life
6 insurance benefit shall be payable upon the death of a member retired for
7 service or disability to the member's estate or to a party designated by the
8 member on a form prescribed by the retirement system; and
- 9 (b) Provide a life insurance benefit in a minimum amount of two thousand dollars
10 (\$2,000) for its active contributing members. This life insurance benefit shall
11 be payable upon the death of an active contributing member to the member's
12 estate or to a party designated by the member on a form prescribed by the
13 retirement system.
- 14 (2) The member may name one (1) primary and one (1) contingent beneficiary for
15 receipt of the life insurance benefit. To the extent permitted by the Internal Revenue
16 Code, a trust may be designated as beneficiary for receipt of the life insurance
17 benefit. Members may designate as beneficiaries only presently identifiable and
18 existing individuals, or trusts where otherwise permitted, without contingency
19 instructions, on forms prescribed by the retirement system. In the event that a
20 member fails to designate a beneficiary, or all designated beneficiaries predecease
21 the member, the member's estate shall be deemed to be the beneficiary. Any
22 beneficiary designation made by the member, including the estate should the estate
23 become the beneficiary by default, shall remain in effect until changed by the
24 member on forms prescribed by the retirement system, except in the event of
25 subsequent marriage or divorce. A valid marriage license shall terminate any
26 previously designated beneficiary, even that of a trust, and establish the spouse as
27 beneficiary unless, subsequent proof of the marriage, the member or retired member

1 redesignates someone other than the new spouse as the beneficiary. A final divorce
2 decree shall terminate the beneficiary status of an ex-spouse unless, subsequent to
3 divorce, the member redesignates the former spouse as a beneficiary. A final
4 divorce decree shall not terminate the designation of a trust as beneficiary regardless
5 of who is designated as beneficiary of the trust.

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

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

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

17 ➔Section 77. KRS 161.661 is amended to read as follows:

18 (1) Any member who has completed five (5) or more years of accredited service in the
19 public schools of Kentucky after July 1, 1941, may retire for disability and be
20 granted a disability allowance if found to be eligible as provided in this section.
21 Application for disability benefits shall be made within one (1) year of the last
22 contributing service in Kentucky, and the disability must have occurred during the
23 most recent period of employment in a position covered by the Teachers' Retirement
24 System and subsequent to the completion of five (5) years of teaching service in
25 Kentucky. A disability occurring during the regular vacation immediately following
26 the last period of active service in Kentucky or during an official leave for which
27 the member is entitled to make regular contributions to the retirement system, shall

1 be considered as having occurred during a period of active service. The annual
2 disability allowance shall be equal to sixty percent (60%) of the member's final
3 average salary. **Individuals who became** members **prior to January 1, 2019, who**
4 **have**~~[with]~~ twenty-seven (27) or more years of service credit are eligible for service
5 retirement only. **Individuals who become members on or after January 1, 2019,**
6 **who have met the requirements of subsection (6)(b) of Section 43 of this Act shall**
7 **be eligible for service retirement only.**

8 (2) The provisions of KRS 161.520, 161.525, and subsections (3), (4), and (5) of this
9 section shall not apply to disability retirees whose benefits were calculated on the
10 service retirement formula nor to survivors of these members.

11 (3) Members shall earn one (1) year of entitlement to disability retirement, at sixty
12 percent (60%) of the member's final average salary, for each four (4) years of
13 service in a covered position, but any member meeting the service requirement for
14 disability retirement shall be credited with no less than five (5) years of eligibility.

15 (4) A member retired by reason of disability shall continue to earn service credit at the
16 rate of one (1) year for each year retired for disability. This service shall be credited
17 to the member's account at the expiration of entitlement as defined in subsection (3)
18 of this section, or when the member's eligibility for disability benefits is terminated
19 upon recommendation of a medical review committee, and this service shall be used
20 in calculating benefits as provided in subsection (5) of this section, but under no
21 circumstances shall this service be used to provide the member with more than
22 twenty-seven (27) years of total service credit **or the level of service credit needed**
23 **to meet the requirements of subsection (6)(b) of Section 43 of this Act, as**
24 **applicable.** The service credit shall be valued at the same level as service earned by
25 active members as provided under KRS 161.600,~~[and]~~ 161.620, **or Section 43 of**
26 **this Act, as applicable.** **Members participating in the hybrid cash balance plan as**
27 **provided by Section 43 of this Act shall also be credited with employer credits and**

1 interest credits for each year of service earned under the provisions of this
2 subsection based upon the salary in which the last employer credit was paid.
3 Payments during the entitlement period as specified by subsection (3) of this
4 section shall not reduce the accumulated account balance of a member
5 participating in the hybrid cash balance plan.

6 (5) Any member retired by reason of disability and remaining disabled at the expiration
7 of the entitlement period shall have his disability benefits recalculated using the
8 service retirement formula with service credit and any additional accumulated
9 account balance earned as set out in subsection (4) of this section. For persons
10 who became members prior to January 1, 2019, the retirement allowance shall be
11 calculated as set forth in KRS 161.620, except that those persons less than sixty
12 (60) years of age shall be considered as sixty (60) years of age. For persons who
13 become members on or after January 1, 2019, the retirement allowance or benefit
14 shall be calculated as set forth in Section 43 of this Act, except that those persons
15 less than age sixty-five (65) shall be considered as sixty-five (65) years of age.
16 Members having their disability benefits recalculated under this subsection shall not
17 be entitled to a benefit based upon an average of their three (3) highest salaries as
18 set forth in KRS 161.220(9), unless approved otherwise by the board of trustees.

19 (6) Members who have their disability retirement allowance recalculated at the
20 expiration of the entitlement period shall continue to have coverage under the post-
21 retirement medical insurance program. Restrictions on employment shall remain in
22 effect until the member attains age seventy (70) or until the member's eligibility is
23 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability
24 retirees whose retirement allowances have been recalculated at the expiration of the
25 entitlement period. Members who have their disability retirement allowance
26 recalculated at the expiration of their entitlement period shall be entitled to a
27 minimum monthly allowance of five hundred dollars (\$500) as the basic straight life

1 annuity. The minimum allowance shall be effective July 1, 1992, and shall apply to
2 those members who have had their allowance recalculated prior to that date and to
3 disability retirees who will have their benefit allowance recalculated on or after that
4 date.

5 (7) Effective July 1, 1992, members retired for disability prior to July 1, 1964, shall be
6 entitled to a minimum monthly allowance of five hundred dollars (\$500) as their
7 basic straight life annuity and their surviving spouse shall be eligible for survivor
8 benefits as provided in KRS 161.520(1)(a) and (b).

9 (8) Any member retired by reason of disability may voluntarily waive disability benefits
10 and return to teaching or any individual who became a member prior to January 1,
11 2019, who is age sixty (60) years or older, may elect to waive disability benefits and
12 retire for service on the basis of service credited to the member on the effective date
13 of the disability retirement, or any individual who becomes a member on or after
14 January 1, 2019, who is sixty-five (65) years of age or older, may elect to waive
15 disability benefits and retire for service on the basis of his or her accumulated
16 account balance and service credited to the member on the effective date of
17 disability retirement.

18 (9) In order to qualify for retirement by reason of disability a member must suffer from
19 a physical or mental condition presumed to be permanent in duration and of a nature
20 as to render the member incapable of being gainfully employed in a covered
21 position. The incapability must be revealed by a competent examination by a
22 licensed physician or physicians and must be approved by a majority of a medical
23 review committee.

24 (10) A member retired by reason of disability shall be required to undergo periodic
25 examinations at the discretion of the board of trustees to determine whether the
26 disability allowance shall be continued. When examination and recommendation of
27 a medical review committee indicate the disability no longer exists, the allowance

1 shall be discontinued.

2 (11) Eligibility for payment shall begin on the first day of the month following receipt of
3 the application in the Teachers' Retirement System office, or the first of the month
4 next following the last payment of salary or sick leave benefits by the employer,
5 whichever is the later date.

6 (12) No person who receives a disability allowance may be employed in a position that
7 entails duties or qualification requirements similar to positions subject to
8 participation in the retirement system either within or without the State of
9 Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the
10 allowance from the first date of this service. A member who applies for and is
11 approved for disability retirement on or after July 1, 2002, and whose annual
12 disability benefit is less than forty thousand dollars (\$40,000) may earn income in
13 any occupation other than covered employment only to the extent that the annual
14 income from the other employment when added to the annual disability benefit does
15 not exceed forty thousand dollars (\$40,000). For any member who exceeds this
16 limit as a result of income from other employment, the Kentucky Teachers'
17 Retirement System shall reduce the member's disability benefit on a dollar-for-
18 dollar basis for each dollar that the member's combined annual disability benefit and
19 annual income from other employment exceeds forty thousand dollars (\$40,000).
20 The board of trustees may annually increase the forty thousand dollar (\$40,000)
21 limit by the percentage increase in the annual average of the consumer price index
22 for all urban consumers for the most recent calendar year as published by the
23 Federal Bureau of Labor Statistics, not to exceed five percent (5%).

24 (13) All members who applied for disability retirement before July 1, 2002, and were
25 approved as a result of that application shall be subject to the income limitations as
26 they existed on June 30, 2002, until July 1, 2006. Effective July 1, 2006, the twenty-
27 seven thousand dollar (\$27,000) limitation shall be increased to forty thousand

1 dollars (\$40,000) and may be adjusted by the board of trustees by the consumer
2 price index in the manner described in subsection (12) of this section. The recipient
3 of a disability allowance who engages in any gainful occupation other than covered
4 employment must make a report of the duties involved, compensation received, and
5 any other pertinent information required by the board of trustees.

6 (14) The board of trustees shall designate medical review committees, each consisting of
7 three (3) licensed physicians. A medical review committee shall pass upon all
8 applications for disability retirement and upon all applicant statements, medical
9 certifications, and examinations submitted in connection with disability
10 applications. The disposition of each case shall be recommended by a medical
11 review committee in writing to the retirement system. Members of a medical review
12 committee shall follow administrative regulations regarding procedures as the board
13 of trustees may enact and shall be paid reasonable fees and expenses as authorized
14 by the board of trustees in compliance with the provisions of KRS 161.330 and
15 161.340. The retirement system may secure additional medical examinations and
16 information as it deems necessary. A member may appeal any final agency decision
17 denying his or her disability retirement application pursuant to the provisions of
18 KRS 161.250(2).

19 (15) A disability may be presumed to be permanent if the condition creating the
20 disability may be reasonably expected to continue for one (1) year or more from the
21 date of application for disability benefits.

22 (16) Any member who has voluntarily waived disability benefits or whose disability
23 benefits have been discontinued on recommendation of a medical review
24 committee, may apply for reinstatement of disability benefits. The application for
25 reinstatement must be made to the retirement system within twelve (12) months of
26 the date disability benefits terminated. If the termination of benefits were voluntary,
27 the reinstatement may be made without medical examination if application is made

1 within three (3) months of the termination date. Other applications for reinstatement
2 will be processed in the same manner as new applications for benefits.

3 (17) No person who is receiving disability benefits under this section may be employed
4 in a position which qualifies the person for membership in a retirement system
5 financed wholly or in part with public funds. Employment in a position prohibited
6 by this subsection shall result in disqualification for those disability benefits from
7 the date of employment in the prohibited position.

8 (18) Any person who is receiving benefits and becomes disqualified from receiving
9 those benefits under this section, or becomes disqualified from receiving a portion
10 of those benefits due to income from other than covered employment, shall
11 immediately notify the Teachers' Retirement System of this disqualification in
12 writing and shall return all benefits paid after the date of disqualification. Failure to
13 comply with these provisions shall create an indebtedness of that person to the
14 Teachers' Retirement System. Interest at the rate of eight percent (8%) per annum
15 shall be charged if the debt is not repaid within sixty (60) days after the date of
16 disqualification. Failure to repay this debt creates a lien in favor of the Teachers'
17 Retirement System upon all property of the person who improperly receives benefits
18 and does not repay those benefits. The Kentucky Teachers' Retirement System may,
19 in order to collect an outstanding debt, reduce or terminate any benefit that a
20 member is otherwise entitled to receive.

21 ➔Section 78. KRS 161.650 is amended to read as follows:

22 (1) In the case of death of a member who has retired by reason of service or disability,
23 any portion of the member's accumulated contributions, including member
24 contributions to the state accumulation fund and regular interest to the date of
25 retirement, that has not, and will not be paid as an allowance or benefit shall be paid
26 to the member's beneficiary in such manner as the board of trustees elects.

27 (2) The member may designate a primary beneficiary or two (2) or more cobeneficiaries

1 to receive any remaining accumulated member contributions payable under this
2 section. A contingent beneficiary may be designated in addition to the primary
3 beneficiary or the cobeneficiaries. The member may designate two (2) or more
4 contingent beneficiaries. To the extent permitted by the Internal Revenue Code, a
5 trust may be designated as beneficiary for receipt of any remaining *funds of the*
6 *member's* accumulated ~~[member]~~ contributions. Members may designate as
7 beneficiaries only presently identifiable and existing individuals, or trusts where
8 otherwise permitted, without contingency instructions, on forms prescribed by the
9 retirement system. Cobeneficiaries shall be composed of a single class of
10 individuals, or trusts where permitted, who will share in equal proportions in any
11 payment that may become available under this section. Any beneficiary designation
12 made by the member shall remain in effect until changed by the member on forms
13 prescribed by the retirement system, except in the event of subsequent divorce. A
14 final divorce decree shall terminate the beneficiary status of an ex-spouse unless,
15 subsequent to divorce, the member redesignates the former spouse as a beneficiary.
16 A final divorce decree shall not terminate the designation of a trust as beneficiary
17 regardless of who is designated as beneficiary of the trust. In the event that the
18 member fails to designate a beneficiary or all designated beneficiaries predecease
19 the member, any remaining accumulated member contributions shall be payable to
20 the member's estate.

21 ➔Section 79. KRS 161.700 is amended to read as follows:

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

- 1 (2) Notwithstanding subsection (1) of this section, retirement benefits accrued or
2 accruing to any person under this retirement system on or after January 1, 1998,
3 shall be subject to the tax imposed by KRS 141.020, to the extent provided in KRS
4 141.010 and 141.0215.
- 5 (3) Retirement allowance, disability allowance, accumulated *account*
6 *balance*~~[contributions]~~, or any other benefit under the retirement system shall not be
7 classified as marital property pursuant to KRS 403.190(1), except to the extent
8 permitted under KRS 403.190(4). Retirement allowance, disability allowance,
9 accumulated contributions, or any other benefit under the retirement system shall
10 not be considered as an economic circumstance during the division of marital
11 property in an action for dissolution of marriage pursuant to KRS 403.190(1)(d),
12 except to the extent permitted under KRS 403.190(4).
- 13 (4) Qualified domestic relations orders issued by a court or administrative agency shall
14 be honored by the retirement system if:
- 15 (a) The benefits payable pursuant to the order meet the requirements of a
16 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The
17 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)
18 in administering qualified domestic relations orders;
- 19 (b) The order meets the requirements established by the retirement system and by
20 subsections (4) to (12) of this section. The board of trustees of the retirement
21 system shall establish the requirements, procedures, and forms necessary for
22 the administration of qualified domestic relations order by promulgation of
23 administrative regulations in accordance with KRS Chapter 13A; and
- 24 (c) The order is on the form established by the retirement system pursuant to the
25 retirement system's authority provided under paragraph (b) of this subsection.
- 26 (5) A qualified domestic relations order shall not:
- 27 (a) Require the retirement system to take any action not authorized under state or

- 1 federal law;
- 2 (b) Require the retirement system to provide any benefit, allowance, or other
3 payment not authorized under state or federal law;
- 4 (c) Grant or be construed to grant the alternate payee any separate right, title, or
5 interest in or to any retirement benefit other than to receive payments from the
6 participant's account in accordance with the administrative regulations
7 promulgated by the system and as provided by subsections (4) to (12) of this
8 section; or
- 9 (d) Grant any separate interest to any person other than the participant.
- 10 (6) Any qualified domestic relations order submitted to the retirement system shall
11 specify the dollar amount or percentage amount of the participant's benefit to be
12 paid to the alternate payee. In calculating the amount to be paid to the alternate
13 payee, the court or administrative agency that is responsible for issuing the order
14 shall follow the requirements set forth in the administrative regulations promulgated
15 by the board of trustees. Notwithstanding any other statute to the contrary, the board
16 shall not be required to honor a qualified domestic relations order that does not
17 follow the requirements set forth in the administrative regulations promulgated by
18 the board of trustees.
- 19 (7) If the qualified domestic relations order meets the requirements established by the
20 system and by subsections (4) to (12) of this section, payments to the alternate
21 payee shall be distributed under the following conditions:
- 22 (a) If the participant is retired and is receiving a monthly retirement
23 allowance~~benefit~~, the month following the date the retirement system
24 receives a qualified domestic relations order that complies with the
25 administrative regulations promulgated by the retirement system and
26 subsections (4) to (12) of this section; or
- 27 (b) If the participant is not retired, the month of the participant's effective

1 retirement date in which the first retirement allowance is payable to the
2 participant or the month in which the participant receives a refund of his or
3 her accumulated account balance~~[contributions]~~ as provided by KRS
4 161.470(6).

- 5 (8) An alternate payee's benefits and rights under a qualified domestic relations order
6 shall terminate upon the earlier of:
- 7 (a) The death of the participant;
 - 8 (b) The death of the alternate payee; or
 - 9 (c) The termination of benefits to the participant under any provision of KRS
10 161.220 to 161.716.
- 11 (9) An alternate payee shall not receive a monthly payment under a qualified domestic
12 relations order if the participant is not receiving a monthly retirement allowance.
- 13 (10) The cost of living adjustment provided to the participant pursuant to KRS 161.620
14 shall be divided between the participant and alternate payee in a qualified domestic
15 relations order as follows:
- 16 (a) If the order specifies the alternate payee is to receive a percentage of the
17 participant's benefit, then the cost of living adjustment shall be divided
18 between the participant and the alternate payee based upon the percentage of
19 the total benefit each is receiving upon the participant's retirement or upon the
20 date the order is approved by the retirement system, whichever is later; or
 - 21 (b) If the order specifies that the alternate payee is to receive a set dollar amount
22 of the participant's benefit, then the order shall specify that:
 - 23 1. The cost of living adjustment shall be divided between the participant
24 and the alternate payee based upon the percentage of the total benefit
25 each is receiving upon the participant's retirement or upon the date the
26 order is approved by the retirement system, whichever is later; or
 - 27 2. The alternate payee shall receive no cost of living adjustment.

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

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

- 14 (a) Solely by the participant;
15 (b) Solely by the alternate payee; or
16 (c) Equally shared by the participant and alternate payee.

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

23 ➔Section 80. KRS 161.714 is amended to read as follows:

24 **(1) For persons who became members in the Teachers' Retirement System prior to**
25 **January 1, 2019,** it is hereby declared that in consideration of the contributions by
26 members and in further consideration of benefits received by the state from the
27 member's employment, KRS 161.220 to 161.710 shall constitute ~~[, except as~~

1 provided in ~~KRS 6.696,~~ an inviolable contract of the Commonwealth, and the
2 benefits provided herein shall ~~not be subject to~~ not be subject to
3 reduction or impairment by alteration, amendment, or repeal, **except:**

4 **(a) As provided in KRS 6.696; and**

5 **(b) The General Assembly reserves the right to amend, reduce, or suspend any**
6 **legislative changes to the provisions of KRS 161.220 to 161.716 that become**
7 **effective on or after July 1, 2018.**

8 **(2) (a) For persons who become members in the Teachers' Retirement System on**
9 **or after January 1, 2019, the General Assembly reserves the right to amend,**
10 **suspend, or reduce the benefits and rights provided under KRS 161.220 to**
11 **161.716 if, in its judgment, the welfare of the Commonwealth so demands,**
12 **except that the amount of benefits the member has accrued at the time of**
13 **amendment, suspension, or reduction shall not be affected.**

14 **(b) For purposes of this subsection, the amount of benefits the member has**
15 **accrued at the time of any amendment, suspension, or reduction shall be**
16 **limited to the accumulated account balance the member has accrued at the**
17 **time of amendment, suspension, or reduction.**

18 **(c) The provisions of this subsection shall not be construed to limit the General**
19 **Assembly's authority to change any other benefit or right specified by KRS**
20 **161.220 to 161.716, except the benefits specified by paragraph (b) of this**
21 **subsection for members who begin participating in the Teachers'**
22 **Retirement System on or after January 1, 2019.**

23 **(3) The provisions of this section shall not be construed to limit the General**
24 **Assembly's authority to amend, reduce, or suspend the benefits and rights of**
25 **members of the Teachers' Retirement System as provided by KRS 161.220 to**
26 **161.716 that the General Assembly had the authority to amend, reduce, or**
27 **suspend, prior to July 1, 2018.**

1 ➔Section 81. KRS 7A.250 is amended to read as follows:

2 The Public Pension Oversight Board:

- 3 (1) Shall, from time to time, conduct an impartial review of all the laws governing the
4 state-administered retirement systems and recommend any changes it may find
5 desirable with respect to benefits and administration, funding of benefits,
6 investments of funds, and the improvement of language, structure, and organization
7 of the statutes;
- 8 (2) ~~May~~~~Shall~~, once every five (5) years, review the benefits provided to employees
9 who begin participating in the systems administered by Kentucky Retirement
10 Systems on or after January 1, 2014, and the Teachers' Retirement System on or
11 after January 1, 2019, and recommend any changes to the provisions affecting
12 these employees that are necessary to maintain the actuarial soundness of the
13 systems;
- 14 (3) Shall review semiannually the investment programs of the state-administered
15 retirement systems, including a review of asset allocation targets and ranges, risk
16 factors, asset class benchmarks, total return objectives, relative volatility,
17 performance evaluation guidelines, investment policies, and securities litigation
18 policies and recoveries from fraud or other corporate malfeasance. The board may
19 establish an advisory committee, as provided by KRS 7A.260, which may include
20 investment professionals to assist in complying with the provisions of this
21 subsection;
- 22 (4) May review any benefits, bylaws, policies, or charters established by the state-
23 administered retirement systems;
- 24 (5) Shall, at the request of the Speaker of the House of Representatives or the President
25 of the Senate, evaluate proposed changes to laws affecting the state-administered
26 retirement systems and report to the Speaker or the President on the probable costs,
27 actuarial implications, and desirability as a matter of public policy;

- 1 (6) May review all new or amended administrative regulations of the state-administered
 2 retirement systems and provide comments to the Administrative Regulation Review
 3 Subcommittee established by KRS 13A.020;
- 4 (7) Shall research issues related to the state-administered retirement systems as directed
 5 by the Legislative Research Commission;
- 6 (8) Shall at least once every five (5) years have an actuarial audit performed for the
 7 state-administered retirement systems to evaluate the reliability of each system's
 8 actuarial assumptions and methods. The actuarial audit shall be performed by an
 9 actuary retained by the Public Pension Oversight Board;
- 10 (9) ~~May~~~~Shall~~ prior to each budget biennium **occurring on or after July 1, 2020**, have
 11 an actuarial review of the funding requests and needs submitted by the state-
 12 administered retirement systems. The review shall be performed by an actuary
 13 retained by the Public Pension Oversight Board; and
- 14 (10) Shall publish an annual report covering the board's evaluation and recommendations
 15 with respect to the operations of the state-administered retirement systems. The
 16 report shall be submitted to the Legislative Research Commission no later than
 17 December 31 of each year and shall include at a minimum any legislative
 18 recommendations made by the board, a summary of the financial and actuarial
 19 condition of the state-administered retirement systems, and an analysis of the
 20 adequacy of the current levels of funding.

21 ➔SECTION 82. A NEW SECTION OF KRS 18A.230 TO 18A.275 IS
 22 CREATED TO READ AS FOLLOWS:

23 **(1) No trustee or employee of the board or authority shall:**

24 **(a) Have any interest, direct or indirect, in the gains or profits of any**
 25 **investment or any other legal, business, or financial transaction made by**
 26 **the board or authority, except that any such trustee or employee may be a**
 27 **member, employee, or beneficiary of the plans administered by the board or**

- 1 authority;
- 2 (b) Directly or indirectly, for himself or herself or as an agent, use the assets of
- 3 the plans administered by the board or authority, except to make current
- 4 and necessary payments authorized by the board or authority;
- 5 (c) Become an endorser or surety or in any manner an obligor for moneys
- 6 loaned by or borrowed from the board or authority;
- 7 (d) Have a contract or agreement with the board or authority, individually or
- 8 through a business owned by the trustee or the employee;
- 9 (e) Use his or her official position with the board or authority to obtain a
- 10 financial gain or benefit or advantage for himself or herself or a family
- 11 member;
- 12 (f) Use confidential information acquired during his or her tenure with the
- 13 board or authority to further his or her own economic interests or that of
- 14 another person; or
- 15 (g) Hold outside employment with, or accept compensation from, any person or
- 16 business with which he or she has involvement as part of his or her official
- 17 position with the board or authority. The provisions of this paragraph shall
- 18 not prohibit a trustee from serving as an employee of an agency
- 19 participating in the plans.
- 20 (2) No trustee or employee of the board or authority, who has served as a trustee or
- 21 employee of the board or authority on or after July 1, 2017, shall have any
- 22 interest, direct or indirect, in the gains or profits of any investment or any other
- 23 legal, business, or financial transaction made by the board or authority for a
- 24 period of five (5) years following termination of his or her position, except that
- 25 any such trustee or employee may be a member, employee, or beneficiary of the
- 26 plans administered by the board or authority.
- 27 (3) (a) No person who is serving as a member of the General Assembly or is a

1 public servant as defined by subsection (9) of Section 83 of this Act shall
 2 have any interest, direct or indirect, in the gains or profits of any investment
 3 or any other legal, business, or financial transaction made by the board or
 4 authority, except that any such trustee or public servant may be a member,
 5 employee, or beneficiary of the plans administered by the board or
 6 authority.

7 (b) No person who was serving as a member of the General Assembly on or
 8 after July 1, 2017, or was serving as a public servant as defined by
 9 subsection (9) of Section 83 of this Act on or after July 1, 2017, shall have
 10 any interest, direct or indirect, in the gains or profits of any investment or
 11 any other legal, business, or financial transaction made by the board or
 12 authority for a period of five (5) years following termination of his or her
 13 position, except that any such member or public servant may be a member,
 14 employee, or beneficiary of the plans administered by the board or
 15 authority.

16 ➔Section 83. KRS 11A.010 is amended to read as follows:

17 As used in this chapter, unless the context otherwise requires:

- 18 (1) "Business" means any corporation, limited liability company, partnership, limited
 19 partnership, sole proprietorship, firm, enterprise, franchise, association,
 20 organization, self-employed individual, holding company, joint stock company,
 21 receivership, trust, or any legal entity through which business is conducted, whether
 22 or not for profit;
- 23 (2) "Commission" means the Executive Branch Ethics Commission;
- 24 (3) "Compensation" means any money, thing of value, or economic benefit conferred
 25 on, or received by, any person in return for services rendered, or to be rendered, by
 26 himself or another;
- 27 (4) "Family" means spouse and children, as well as a person who is related to a public

1 servant as any of the following, whether by blood or adoption: parent, brother,
2 sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-
3 in-law, son-in-law, daughter-in-law, stepfather, stepmother, stepson, stepdaughter,
4 stepbrother, stepsister, half brother, half sister;

5 (5) "Gift" means a payment, loan, subscription, advance, deposit of money, services, or
6 anything of value, unless consideration of equal or greater value is received; "gift"
7 does not include gifts from family members, campaign contributions, the waiver of
8 a registration fee for a presenter at a conference or training described in KRS
9 45A.097(5), or door prizes available to the public;

10 (6) "Income" means any money or thing of value received or to be received as a claim
11 on future services, whether in the form of a fee, salary, expense allowance,
12 forbearance, forgiveness, interest, dividend, royalty, rent, capital gain, or any other
13 form of compensation or any combination thereof;

14 (7) "Officer" means all major management personnel in the executive branch of state
15 government, including the secretary of the cabinet, the Governor's chief executive
16 officers, cabinet secretaries, deputy cabinet secretaries, general counsels,
17 commissioners, deputy commissioners, executive directors, principal assistants,
18 division directors, members and full-time chief administrative officers of the Parole
19 Board, Kentucky Claims Commission, Kentucky Retirement Systems board of
20 trustees, Kentucky Teachers' Retirement System board of trustees, *the Kentucky*
21 *Public Employees Deferred Compensation Authority board of trustees*, Public
22 Service Commission, Worker's Compensation Board and its administrative law
23 judges, the Kentucky Occupational Safety and Health Review Commission, the
24 Kentucky Board of Education, the Council on Postsecondary Education, and any
25 person who holds a personal service contract to perform on a full-time basis for a
26 period of time not less than six (6) months a function of any position listed in this
27 subsection;

- 1 (8) "Official duty" means any responsibility imposed on a public servant by virtue of
2 his or her position in the state service;
- 3 (9) "Public servant" means:
- 4 (a) The Governor;
- 5 (b) The Lieutenant Governor;
- 6 (c) The Secretary of State;
- 7 (d) The Attorney General;
- 8 (e) The Treasurer;
- 9 (f) The Commissioner of Agriculture;
- 10 (g) The Auditor of Public Accounts; and
- 11 (h) All employees in the executive branch including officers as defined in
12 subsection (7) of this section and merit employees;
- 13 (10) "Agency" means every state office, cabinet, department, board, commission, public
14 corporation, or authority in the executive branch of state government. A public
15 servant is employed by the agency by which his or her appointing authority is
16 employed, unless his or her agency is attached to the appointing authority's agency
17 for administrative purposes only, or unless the agency's characteristics are of a
18 separate independent nature distinct from the appointing authority and it is
19 considered an agency on its own, such as an independent department;
- 20 (11) "Lobbyist" means any person employed as a legislative agent as defined in KRS
21 6.611(23) or any person employed as an executive agency lobbyist as defined in
22 KRS 11A.201(8);
- 23 (12) "Lobbyist's principal" means the entity in whose behalf the lobbyist promotes,
24 opposes, or acts;
- 25 (13) "Candidate" means those persons who have officially filed candidacy papers or who
26 have been nominated by their political party pursuant to KRS 118.105, 118.115,
27 118.325, or 118.760 for any of the offices enumerated in subsections (9)(a) to (g) of

1 this section;

2 (14) "Does business with" or "doing business with" means contracting, entering into an
3 agreement, leasing, or otherwise exchanging services or goods with a state agency
4 in return for payment by the state, including accepting a grant, but not including
5 accepting a state entitlement fund disbursement;

6 (15) "Public agency" means any governmental entity;

7 (16) "Appointing authority" means the agency head or any person whom he or she has
8 authorized by law to act on behalf of the agency with respect to employee
9 appointments;

10 (17) "Represent" means to attend an agency proceeding, write a letter, or communicate
11 with an employee of an agency on behalf of someone else;

12 (18) "Directly involved" means to work on personally or to supervise someone who
13 works on personally;

14 (19) "Sporting event" means any professional or amateur sport, athletic game, contest,
15 event, or race involving machines, persons, or animals, for which admission tickets
16 are offered for sale and that is viewed by the public; and

17 (20) "Person" means an individual, proprietorship, firm, partnership, limited partnership,
18 joint venture, joint stock company, syndicate, business or statutory trust, donative
19 trust, estate, company, corporation, limited liability company, association, club,
20 committee, organization, or group of persons acting in concert.

21 ➔Section 84. KRS 18A.245 is amended to read as follows:

22 (1) The authority shall be administered by a board of trustees composed of seven (7)
23 members, who shall be as follows:

24 (a) Secretary, Finance and Administration Cabinet, ex officio;

25 (b) Secretary of personnel, ex officio;

26 (c) The state controller, ex officio; and

27 (d) Four (4) at-large members appointed by the Governor, *who do not have a*

- 1 *conflict of interest as provided by Section 82 of this Act*, one (1) of whom
2 shall have at least five (5) years of investment or banking experience and one
3 (1) of whom shall be a representative of a nonstate government employer.
- 4 (2) The members of the board appointed by the Governor shall serve for a period of
5 four (4) years and the ex officio members of the board shall serve only for the
6 period of their term of office. Each ex officio member may designate a proxy by
7 written notice to the authority prior to call of order of each meeting, and the proxy
8 shall be entitled to participate as a full voting member.
- 9 (3) Any vacancy which may occur shall be filled in the same manner provided for the
10 selection of the particular member for a full term. Vacancies shall be filled for the
11 unexpired term only.
- 12 (4) Membership on the board of trustees shall not be incompatible with any other office
13 unless a constitutional incompatibility exists, and no member shall be subject to
14 removal from office, except upon conviction of a felony, or of a misdemeanor
15 involving moral turpitude.
- 16 (5) Board members who do not otherwise receive a salary or compensation from the
17 State Treasury shall receive a per diem of one hundred dollars (\$100) for each day
18 they are in session or on official duty, and they shall be reimbursed for their actual
19 and necessary expenses in accordance with state administrative regulations and
20 standards applicable to state employees.
- 21 (6) The board shall meet at least once in each quarter of the year, and may meet in
22 special session upon the call of the chairman. It shall elect a chairman and a vice
23 chairman. A majority of the members shall constitute a quorum, and all actions
24 taken by the board shall be by affirmative vote of a majority of the members
25 present.
- 26 (7) The authority shall be attached to the Personnel Cabinet for administrative purposes
27 only. The board may take but is not limited to the following actions:

- 1 (a) Appoint such employees as it deems necessary and fix the compensation for
2 all employees of the board, subject to the approval of the secretary. The
3 authority shall be headed by an executive director who shall be appointed by
4 the board of directors of the authority without the limitations imposed by KRS
5 12.040 and KRS Chapter 18A. The executive director of the authority and
6 employees appointed by the board shall serve at its will and pleasure. All
7 other staff of the authority shall be employed under KRS 18A.005 to 18A.200;
- 8 (b) Require such employees as it thinks proper to execute bonds for the faithful
9 performance of their duties;
- 10 (c) Establish a system of accounting;
- 11 (d) Contract for such services as may be necessary for the operation or
12 administration of deferred compensation plans authorized in KRS 18A.230 to
13 18A.275, including annual audits;
- 14 (e) Do all things, take all actions, and adopt plans for participation consistent with
15 federal law and with the provisions of KRS 18A.230 to 18A.275, including
16 but not limited to:
- 17 1. Amending the board's plan for the Kentucky Public Employees 401(k)
18 Deferred Compensation Plan or the Kentucky Employees 457 Deferred
19 Compensation Plan, or both such plans, to adopt, maintain, and
20 terminate a deemed IRA program under Internal Revenue Code Section
21 408;
 - 22 2. Amending the board's plan for the Kentucky Public Employees 401(k)
23 Deferred Compensation Plan to adopt, maintain, and terminate a
24 qualified Roth contribution program under Internal Revenue Code
25 Section 402A; ~~and~~
 - 26 3. Adopting, maintaining, and terminating an Internal Revenue Code
27 Section 403(b) plan for qualified employees; and

1 **4. Upon the request of the Kentucky Retirement Systems board of**
 2 **trustees, establishing an investment program for the 401(a) defined**
 3 **contribution plan as provided by Section 12 of this Act; and**

4 (f) Contract with persons or companies duly licensed by the state of Kentucky
 5 and applicable federal regulatory agencies, at the cost of the trust fund, to
 6 provide investment advice to participants in the plans, with respect to their
 7 selection of permitted investments in the plans.

8 (8) The Attorney General, or an assistant designated by him, may act as legal adviser
 9 and attorney for the board. The board may also appoint legal counsel in accordance
 10 with KRS Chapter 12.

11 (9) The board shall prepare an annual financial report showing all receipts,
 12 disbursements, assets, and liabilities and shall submit a copy to the Governor and
 13 the Legislative Research Commission. All board meetings and records shall be open
 14 for inspection by the public.

15 ➔Section 85. KRS 61.598 is amended to read as follows:

16 (1) For purposes of this section, "bona fide promotion or career advancement":

17 (a) Means a professional advancement in substantially the same line of work held
 18 by the employee in the four (4) years immediately prior to the final five (5)
 19 fiscal years preceding retirement or a change in employment position based on
 20 the training, skills, education, or expertise of the employee that imposes a
 21 significant change in job duties and responsibilities to clearly justify the
 22 increased compensation to the member; and

23 (b) Does not include any circumstance where an elected official participating in
 24 the Kentucky Employees Retirement System or the County Employees
 25 Retirement System takes a position of employment with a different employer
 26 participating in any of the state-administered retirement systems.

27 (2) (a) For employees retiring from the Kentucky Employees Retirement System, the

1 County Employees Retirement System, or the State Police Retirement System
2 on or after January 1, 2018, the systems shall, for each of the retiring
3 employee's last five (5) fiscal years of employment, identify any fiscal year in
4 which the creditable compensation increased at a rate of ten percent (10%) or
5 more annually over the immediately preceding fiscal year's creditable
6 compensation. The employee's creditable compensation in the fiscal year
7 immediately prior to the employee's last five (5) fiscal years of employment
8 shall be utilized to compare the initial fiscal year in the five (5) fiscal year
9 period.

10 (b) Except as limited or excluded by subsections (3) and (4) of this section, any
11 amount of increase in creditable compensation for a fiscal year identified
12 under paragraph (a) of this subsection that exceeds ten percent (10%) more
13 than the employee's creditable compensation from the immediately preceding
14 fiscal year shall not be included in the creditable compensation used to
15 calculate the retiring employee's monthly retirement allowance. If the
16 creditable compensation for a specific fiscal year identified under paragraph
17 (a) of this subsection as exceeding the ten percent (10%) increase limitation is
18 not used to calculate the retiring employee's monthly retirement allowance,
19 then no reduction in creditable compensation shall occur for that fiscal year.

20 (c) If the creditable compensation of the retiring employee is reduced as provided
21 by paragraph (b) of this subsection, the retirement systems:

- 22 1. Shall refund the employee contributions and interest attributable to the
23 reduction in creditable compensation; and
- 24 2. Shall not refund the employer contributions paid but shall utilize those
25 funds to pay down the unfunded liability of the pension fund in which
26 the retiring employee participated.

27 (3) In order to ensure the prospective application of the limitations on increases in

1 creditable compensation contained in subsection (2) of this section, only the
2 creditable compensation earned by the retiring employee on or after July 1, 2017,
3 shall be subject to reduction under subsection (2) of this section. Creditable
4 compensation earned by the retiring employee prior to July 1, 2017, shall not be
5 subject to reduction under subsection (2) of this section.

6 (4) Subsection (2) of this section shall not apply to:

7 (a) A bona fide promotion or career advancement as defined by subsection (1) of
8 this section;

9 (b) A lump-sum payment for compensatory time paid to an employee upon
10 termination of employment;

11 (c) A lump-sum payment made pursuant to an alternate sick leave program under
12 KRS 78.616(5) that is paid to an employee upon termination of employment;

13 (d) Increases in creditable compensation in a fiscal year over the immediately
14 preceding fiscal year, where in the immediately preceding fiscal year the
15 employer reported the employee as being on leave without pay for any reason,
16 including but not limited to sick leave without pay, maternity leave, leave
17 authorized under the Family Medical Leave Act, and any period of time where
18 the employee received workers' compensation benefit payments that were not
19 reported to the plan as creditable compensation;

20 (e) Increases in creditable compensation directly attributable to an employee's
21 receipt of compensation for overtime hours worked while serving as a
22 participating employee under any state or federal grant, grant pass-through, or
23 similar program that requires overtime as a condition or necessity of the
24 employer's receipt of the grant; and

25 (f) Increases in creditable compensation directly attributable to an employee's
26 receipt of compensation for overtime performed during a state of emergency
27 declared by the President of the United States or the Governor of the

1 Commonwealth of Kentucky.

2 (5) (a) For employees retiring on or after January 1, 2014, but prior to July 1, 2017,
3 the last participating employer shall be required to pay for any additional
4 actuarial costs resulting from annual increases in an employee's creditable
5 compensation greater than ten percent (10%) over the employee's last five (5)
6 fiscal years of employment that are not the direct result of a bona fide
7 promotion or career advancement. The cost shall be determined by the
8 retirement systems.

9 (b) Lump-sum payments for compensatory time paid to an employee upon
10 termination of employment shall be exempt from this subsection.

11 (c) Kentucky Retirement Systems shall be required to answer inquiries from
12 participating employers regarding this subsection. Upon request of the
13 employer prior to the employee's change of position or hiring, the systems
14 shall make a determination that is binding to the systems as to whether or not
15 a change of position or hiring constitutes a bona fide promotion or career
16 advancement.

17 (d) For any additional actuarial costs charged to the employer under this
18 subsection, the systems shall allow the employer to pay the costs without
19 interest over a period of one (1) year from the date of receipt of the employer's
20 final invoice.

21 (6) The Kentucky Retirement Systems shall determine whether increases in creditable
22 compensation during the last five (5) fiscal years of employment prior to retirement
23 constitute a bona fide promotion or career advancement and may promulgate
24 administrative regulations in accordance with KRS Chapter 13A to administer this
25 section. All state-administered retirement systems shall cooperate to implement this
26 section.

27 (7) Any employer who disagrees with a determination made by the system in

1 accordance with this section regarding whether an increase in compensation
2 constitutes a bona fide promotion or career advancement for purposes of subsection
3 (5) of this section may request a hearing and appeal the decision in accordance with
4 KRS 61.645(16).

5 (8) For the fiscal year beginning July 1, 2017, and subsequent years, the Kentucky
6 Retirement Systems shall provide a means for employers to separately report the
7 specific exceptions provided in subsection (4) of this section within the reporting
8 system utilized by the employers for making employer reports under KRS 16.645,
9 61.675, and 78.545. The Kentucky Retirement Systems shall continually provide
10 communication, instructions, training, and educational opportunities for employers
11 regarding how to appropriately report exemptions established by subsection (4) of
12 this section.

13 (9) This section shall not apply to employees participating in the hybrid cash balance
14 plan as provided by KRS 16.583 and 61.597 *or to service in the 401(a) money*
15 *purchase plan as provided by Section 12 of this Act.*

16 ➔Section 86. Pursuant to the Public Pension Oversight Board's authority under
17 KRS 7A.260, the board shall establish an advisory committee to study the benefits and
18 drawbacks of separating the County Employees Retirement System from the Kentucky
19 Retirement Systems or restructuring the administration of the systems administered by the
20 Kentucky Retirement Systems. The advisory committee shall submit recommendations to
21 the Public Pension Oversight Board no later than December 1, 2019. Notwithstanding the
22 provisions of this section, the Legislative Research Commission shall have the authority
23 to alternatively assign the issues identified herein to an interim joint committee or
24 subcommittee thereof and to designate a study completion date.

25 ➔Section 87. The Kentucky Retirement Systems and Teachers' Retirement
26 System shall provide an update on the development of the system, including any issues as
27 it relates to state or federal law, to the Public Pension Oversight Board no later than

1 August 1, 2018.

2 ➔Section 88. Notwithstanding KRS 16.500 to 16.652, 61.510 to 61.705, 78.510
3 to 78.852, 161.220 to 161.716, or any provision of Sections 1 to 85 of this Act to the
4 contrary, in the month following the effective date of this section, a surviving spouse who
5 was married to the deceased member at the time of death but who was ineligible for
6 monthly benefits payable to the surviving spouse under KRS 16.601 as codified prior to
7 the effective date of this section, shall receive the monthly benefit payable to the
8 surviving spouse in Section 24 of this Act, if the member's death occurred on or after
9 January 1, 2017.

10 ➔Section 89. If any section, any subsection, or any provision of this Act is found
11 by a court of competent jurisdiction in a final, unappealable order to be invalid or
12 unconstitutional, the decision of the courts shall not affect or impair any of the remaining
13 sections, subsections, or provisions of this Act.