

1 AN ACT relating to retirement benefits for state and county employees in hazardous
2 positions.

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

4 ➔SECTION 1. A NEW SECTION OF KRS 16.505 TO 16.652 IS CREATED TO
5 READ AS FOLLOWS:

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

8 *(1) Effective January 1, 2023, a member participating in the State Police Retirement*
9 *System, in a hazardous position in the Kentucky Employees Retirement System,*
10 *or in a hazardous position in the County Employees Retirement System, who*
11 *began participating on or after January 1, 2014, but prior to January 1, 2023, in*
12 *the hybrid cash balance plan as provided by Section 4 or 6 of this Act, shall, in*
13 *lieu of the benefits of the hybrid cash balance plan that he or she would*
14 *otherwise be eligible to receive from the systems, receive the benefits and rights*
15 *provided to members in a hazardous position who began participating in the*
16 *systems immediately prior to January 1, 2014, unless the member makes an*
17 *election under subsection (3) of this section.*

18 *(2) For each member participating in a hazardous position whose rights and benefits*
19 *change as a result of subsection (1) of this section, unless the member makes an*
20 *election under subsection (3) of this section:*

21 *(a) All service accrued on or after January 1, 2014, in the State Police*
22 *Retirement System, in a hazardous position in the Kentucky Employees*
23 *Retirement System, or in a hazardous position in the County Employees*
24 *Retirement System, shall be presumed as service credit earned immediately*
25 *prior to January 1, 2014, for purposes of determining benefits under KRS*
26 *16.510 to 16.652, 61.510 to 61.705, and 78.510 to 78.852;*

27 *(b) The member's accumulated contributions shall remain in the member's*

1 account; and

2 (c) The accumulated employer credit shall be transferred to the retirement
3 allowance account as provided by KRS 16.565, 61.580, and 78.650, as
4 applicable.

5 (3) (a) A member participating in the State Police Retirement System, in a
6 hazardous position in the Kentucky Employees Retirement System, or in a
7 hazardous position in the County Employees Retirement System, who began
8 participating on or after January 1, 2014, but prior to January 1, 2023, in
9 the hybrid cash balance plan as provided by Section 4 or 6 of this Act, may
10 make a one (1) time, irrevocable election to opt out of the change to his or
11 her rights and benefits under subsection (1) of this section.

12 (b) An election under this subsection shall be:

13 1. In writing and on a form prescribed by the Kentucky Public Pensions
14 Authority;

15 2. For a member participating on or after the effective date of this Act,
16 but prior to January 1, 2023, made by January 31, 2023; and

17 3. For a member who did not participate or participated in a
18 nonhazardous position on or after the effective date of this Act, but
19 prior to January 1, 2023, who subsequently accepts a position
20 participating in the State Police Retirement System, a hazardous
21 position in the Kentucky Employees Retirement System, or a
22 hazardous position in the County Employees Retirement System, made
23 within thirty (30) days of the member's date of employment.

24 (4) This section shall not apply to:

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

27 (b) Members who prior to the effective date of this Act made an election under

1 Section 7 of this Act; or

2 (c) Any service credit earned on or after January 1, 2014, in a nonhazardous
 3 position, except that nonhazardous service in the hybrid cash balance plan
 4 of either the Kentucky Employees Retirement System or the County
 5 Employees Retirement System shall be consolidated as provided by Section
 6 18 of this Act with hazardous service credit resulting from subsection (1) of
 7 this section in order to determine eligibility and benefits.

8 ➔Section 2. KRS 16.576 is amended to read as follows:

- 9 (1) (a) Any member who begins participating before September 1, 2008, who has at
 10 least five (5) years of service credit may retire at his or her normal retirement
 11 date, or subsequent thereto, upon written notification to the system, setting
 12 forth at what date the retirement is to become effective, if the effective date
 13 shall be after his or her last day of service and subsequent to the filing of the
 14 notice at the retirement office.
- 15 (b) Any member who begins participating on or after September 1, 2008, who has
 16 at least five (5) years of service credited under KRS 16.543(1), 61.543(1), or
 17 another state-administered retirement system may retire at his or her normal
 18 retirement date, or subsequent thereto, upon written notification to the system,
 19 setting forth what date the retirement is to become effective, if the effective
 20 date shall be after his or her last day of service and subsequent to the filing of
 21 the notice at the retirement office.
- 22 (2) The member shall have the right to elect to have his or her retirement allowance
 23 payable under subsection (3), (4), or (6) of this section or any one (1) of the plans
 24 set forth in KRS 61.635.
- 25 (3) (a) Effective August 1, 1990, a member of the Kentucky State Police Retirement
 26 System may elect to receive an annual retirement allowance, payable monthly
 27 during his or her lifetime, equal to two and five-tenths percent (2.5%) of final

1 compensation for each year of service credit. Effective August 1, 1988, a
2 member of the Kentucky Employees Retirement System covered by this
3 section may elect to receive an annual retirement allowance, payable monthly
4 during his or her lifetime, equal to two and forty-nine hundredths percent
5 (2.49%) of final compensation for each year of service credit. The annual
6 retirement allowance for a member covered by this section shall not exceed
7 the maximum benefit as set forth in the Internal Revenue Code.

8 (b) A member of the State Police Retirement System or a member of the
9 Kentucky Employees Retirement System covered by this section, whose
10 participation begins on or after September 1, 2008, but prior to January 1,
11 2014, or whose participation begins on or after January 1, 2023, or whose
12 participation is presumed under Section 1 of this Act to begin immediately
13 prior to January 1, 2014, shall receive an annual retirement allowance,
14 payable monthly during his or her lifetime, equal to:

- 15 1. One and three-tenths percent (1.3%) of final compensation for each year
16 of service credit if the employee has earned ten (10) or less years of
17 service at retirement;
- 18 2. One and one-half percent (1.5%) of final compensation for each year of
19 service credit if the employee has earned greater than ten (10) but no
20 more than twenty (20) years of service at retirement;
- 21 3. Two and one-quarter percent (2.25%) of final compensation for each
22 year of service credit if the employee has earned greater than twenty (20)
23 but less than twenty-five (25) years of service at retirement; or
- 24 4. Two and one-half percent (2.5%) of final compensation for each year of
25 service credit if the employee has earned twenty-five (25) or more years
26 of service at retirement.

27 (4) The member may elect to receive a monthly retirement allowance payable for ten

1 (10) years certain, actuarially equivalent to the retirement allowance payable under
2 subsection (3) of this section. If the member should become deceased prior to the
3 expiration of ten (10) years, his or her beneficiary, unless the beneficiary is the
4 member's estate, shall receive the remaining payments monthly for the duration of
5 the ten (10) years. If the member's estate is the beneficiary, the member's estate shall
6 receive a lump-sum payment which shall be the actuarial equivalent to the
7 remaining payments. The provisions of KRS 61.702 notwithstanding, the member
8 who retired on June 17, 1978, or thereafter, and his or her spouse and eligible
9 dependents shall continue to receive the insurance benefits to which they are
10 entitled pursuant to KRS 61.702 after the expiration of ten (10) years. Effective
11 with any insurance contract procured, or self-insurance plan instituted, after July 15,
12 1990, a member who retired prior to June 17, 1978, and his or her spouse and
13 eligible dependents shall receive insurance benefits pursuant to KRS 61.702 upon
14 payment by the member or beneficiary of the entire cost of the required insurance
15 premium.

16 (5) Notwithstanding any other provisions of this section, upon written notification to
17 the system, a member shall have the option to defer his or her election to receive
18 his or her retirement allowance. The retirement allowance payable under a deferred
19 option shall be increased to reflect the deferred receipt of benefits.

20 (6) In lieu of any other benefits due under KRS 16.505 to 16.652, a member who
21 begins participating before September 1, 2008, who has attained age fifty-five (55)
22 and who has attained at least one (1) month of service credit but no more than fifty-
23 nine (59) months of service credit may elect to receive an annual retirement
24 allowance, payable monthly or less frequently as determined by the board, which
25 shall be determined by multiplying his or her accumulated contributions by two (2)
26 and converting this amount to an annual retirement allowance based on an annuity
27 rate adopted by the board which would pay the actuarial equivalent of twice his or

1 her accumulated contributions over the lifetime of the retired member.

2 (7) (a) Subsections (1) to (6) of this section shall not apply to:

3 1. Members who begin participating in the system on or after January 1,
4 2014, but prior to January 1, 2023, who make an election under
5 subsection (3) of Section 1 of this Act; or

6 2. Members who prior to the effective date of this Act made an election
7 under Section 7 of this Act.

8 (b) Members who: ~~[-]~~

9 1. Begin participating in the system on or after January 1, 2014, but prior
10 to January 1, 2023, who make an election under subsection (3) of
11 Section 1 of this Act; or

12 2. Prior to the effective date of this Act, made an election under Section 7
13 of this Act;

14 shall receive the retirement benefit calculation prescribed by KRS 16.583.

15 ➔Section 3. KRS 16.577 is amended to read as follows:

16 (1) Upon retirement at early retirement date, a member may receive an annual
17 retirement allowance payable monthly during his or her lifetime which shall be
18 determined in the same manner as for retirement at his or her normal retirement
19 date, with years of service and final compensation being determined as of the date
20 of his or her actual retirement, but the amount of the retirement allowance so
21 determined shall be reduced at an amount determined by the board's actuary to
22 reflect the earlier commencement of benefits.

23 (2) For a member who begins participating before September 1, 2008, there shall be no
24 reduction in the retirement allowance if the member has twenty (20) or more years
25 of service credit, at least fifteen (15) of which are current service.

26 (3) For a member who begins participating on or after September 1, 2008, but prior to
27 January 1, 2014, or who begins participating on or after January 1, 2023, or who

1 is presumed under Section 1 of this Act to begin participating immediately prior
 2 to January 1, 2014, there shall be no reduction in the retirement allowance if the
 3 member has twenty-five (25) or more years of service credited under KRS
 4 16.543(1), 61.543(1), or another state-administered retirement system.

5 (4) (a) Subsections (1) to (3) of this section shall not apply to:

- 6 1. Members who begin participating in the system on or after January 1,
 7 2014, but prior to January 1, 2023, who make an election under
 8 subsection (3) of Section 1 of this Act; or
 9 2. Members who prior to the effective date of this Act made an election
 10 under Section 7 of this Act.

11 (b) Members who:~~[-]~~

- 12 1. Begin participating in the system on or after January 1, 2014, but prior
 13 to January 1, 2023, who make an election under subsection (3) of
 14 Section 1 of this Act; or
 15 2. Prior to the effective date of this Act, made an election under Section 7
 16 of this Act;

17 shall receive the retirement benefit calculation prescribed by KRS 16.583.

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

- 19 (1) A member of the State Police Retirement System~~[-]~~ or a member of the Kentucky
 20 Employees Retirement System in a hazardous ~~[duty]~~ position covered by this
 21 section, whose participation begins on or after January 1, 2014, but prior to
 22 January 1, 2023, who makes an election under subsection (3) of Section 1 of this
 23 Act, or a member who prior to the effective date of this Act made an election
 24 under Section 7 of this Act~~[or a member making an election pursuant to KRS~~
 25 ~~61.5955]~~, shall receive the retirement benefits provided by this section in lieu of the
 26 retirement benefits provided under KRS 16.576 and 16.577. The retirement benefit
 27 provided by this section shall be known as the hybrid cash balance plan and shall

1 operate as another benefit tier within the State Police Retirement System and the
2 Kentucky Employees Retirement System.

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

5 (a) Contributions made by the member as provided by KRS 16.505 to 16.652 and
6 61.510 to 61.705, except for employee contributions prescribed by KRS
7 61.702(3)(b);

8 (b) An employer pay credit of seven and one-half percent (7.5%) of the creditable
9 compensation earned by the employee for each month the employee is
10 contributing to the hybrid cash balance plan provided by this section; and

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

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

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

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

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

- 26 1. Four percent (4%); plus
- 27 2. Seventy-five percent (75%) of the system's geometric average net

- 1 investment return in excess of a four percent (4%) rate of return.
- 2 (c) If the member did not contribute to the hybrid cash balance plan during the
3 fiscal year, the interest credit added to the member's account for that fiscal
4 year shall be determined by multiplying the member's accumulated account
5 balance on June 30 of the preceding fiscal year by four percent (4%).
- 6 (d) For purposes of this subsection, "system's geometric average net investment
7 return":
- 8 1. Means the annual average geometric investment return, net of
9 administrative and investment fees and expenses, over the last five (5)
10 fiscal years as of the date the interest is credited to the member's
11 account; and
- 12 2. Shall be expressed as a percentage and based upon the system in which
13 the member has an account.
- 14 (e) No employer pay credits or interest credits shall be provided to a member who
15 has taken a refund of contributions as provided by KRS 61.625 or who has
16 retired and annuitized his or her accumulated account balance as prescribed by
17 this section.
- 18 (5) (a) Upon termination of employment, a member who has less than five (5) years
19 of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who
20 elects to take a refund of his or her accumulated account balance as provided
21 by KRS 61.625, shall forfeit the accumulated employer credit, and shall only
22 receive a refund of his or her accumulated contributions.
- 23 (b) Upon termination of employment, a member who has five (5) or more years of
24 service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to
25 take a refund of his or her accumulated account balance as provided by KRS
26 61.625, shall receive a full refund of his or her accumulated account balance.
- 27 (6) A member participating in the hybrid cash balance plan provided by this section

1 may retire:

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

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

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

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

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

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

17 (8) The provisions of this section shall not apply to:

18 (a) Members who began participating in the Kentucky Employees Retirement
19 System, the County Employees Retirement System, or the State Police
20 Retirement System prior to January 1, 2014;

21 (b) Members who are presumed under Section 1 of this Act to have begun
22 participating in the State Police Retirement System, in a hazardous position
23 in the Kentucky Employees Retirement System, or in a hazardous position
24 in the County Employees Retirement System immediately prior to January
25 1, 2014, and have not made an election under subsection (3) of Section 1 of
26 this Act; or

27 (c) Members who begin participating in the State Police Retirement System, in

1 *a hazardous position in the Kentucky Employees Retirement System, or in a*
 2 *hazardous position in the County Employees Retirement System on or after*
 3 *January 1, 2023*~~], except for those members who make an election pursuant~~
 4 ~~to KRS 61.5955].~~

5 ➔ Section 5. KRS 78.5514 is amended to read as follows:

6 (1) The provisions of this section shall only apply to members of the County
 7 Employees Retirement System~~], who began participating in the system prior to~~
 8 ~~January 1, 2014,~~ who have service in a hazardous position, *except for those*
 9 *members who make an election under subsection (3) of Section 1 of this Act or*
 10 *those members who prior to the effective date of this Act made an election under*
 11 *Section 7 of this Act.*

12 (2) (a) A member who began participating prior to September 1, 2008, is eligible for
 13 a retirement allowance determined under subsection (4)(a) of this section for
 14 his or her service if:

- 15 1. The member has attained normal retirement age and has five (5) or more
 16 years of service, at least one (1) of which is current service;
- 17 2. The member has twenty (20) or more years of service, at least fifteen
 18 (15) of which are current service; or
- 19 3. The member has attained age fifty (50) and has fifteen (15) or more
 20 years of service.

21 (b) In lieu of any other benefits due under 78.510 to 78.852, a member who began
 22 participating prior to September 1, 2008, who has attained normal retirement
 23 age and who has obtained at least one (1) month of service credit but no more
 24 than fifty-nine (59) months of service may elect to receive an annual
 25 retirement allowance payable monthly or less frequently, as determined by the
 26 board, which shall be determined by multiplying his or her accumulated
 27 contributions by two (2) and converting this amount to an annual retirement

1 allowance based on an annuity rate adopted by the board which would pay the
2 actuarial equivalent of twice his or her accumulated contributions over the
3 lifetime of the retired member.

4 (3) A member who began participating on or after September 1, 2008, but prior to
5 January 1, 2014, **or who began participating on or after January 1, 2023, or who**
6 **is presumed under Section 1 of this Act to have begun participating immediately**
7 **prior to January 1, 2014,** is eligible for a retirement allowance determined under
8 subsection (4)(b) of this section for his or her service if:

9 (a) The member has attained normal retirement age and has five (5) years of
10 service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another
11 state-administered retirement system;

12 (b) The member has twenty-five (25) or more years of service credited under KRS
13 16.543(1), 61.543(1), or 78.615(1), or another state-administered retirement
14 system; or

15 (c) The member has attained age fifty (50) and has fifteen (15) years of service
16 credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another state-
17 administered retirement system.

18 (4) (a) A member of the system covered by this section who began participating prior
19 to September 1, 2008, may elect to receive an annual retirement allowance,
20 payable monthly during his or her lifetime, equal to two and five-tenths
21 percent (2.5%) of final compensation for each year of service credit.

22 (b) A member of the system covered by this section, who begins participating in
23 the system on or after September 1, 2008, but prior to January 1, 2014, **or who**
24 **begins participating on or after January 1, 2023, or who is presumed under**
25 **Section 1 of this Act to begin participating in the system immediately prior**
26 **to January 1, 2014,** shall be eligible to receive an annual retirement
27 allowance, payable monthly during his or her lifetime, equal to:

- 1 1. One and three-tenths percent (1.3%) of final compensation for each year
- 2 of service credit if the employee has earned ten (10) or less years of
- 3 service at retirement;
- 4 2. One and one-half percent (1.5%) of final compensation for each year of
- 5 service credit if the employee has earned greater than ten (10) but no
- 6 more than twenty (20) years of service at retirement;
- 7 3. Two and one-quarter percent (2.25%) of final compensation for each
- 8 year of service credit if the employee has earned greater than twenty (20)
- 9 but less than twenty-five (25) years of service at retirement; or
- 10 4. Two and one-half percent (2.5%) of final compensation for each year of
- 11 service credit if the employee has earned twenty-five (25) or more years
- 12 of service at retirement.

13 (c) The annual retirement allowance determined under this subsection shall:

- 14 1. Not be reduced for a member retiring under the provisions specified by
- 15 subsections (2)(a)1., (2)(a)2., (3)(a), and (3)(b) of this section; and
- 16 2. Be reduced for a member retiring under the provisions specified by
- 17 subsections (2)(a)3. and (3)(c) of this section by an amount determined
- 18 by the board's actuary to reflect the earlier commencement of benefits.

19 ➔Section 6. KRS 78.5516 is amended to read as follows:

- 20 (1) A member of the County Employees Retirement System in a hazardous position
- 21 covered by this section~~[,]~~ who begins participating in the system on or after January
- 22 1, 2014, **but prior to January 1, 2023, who makes an election under subsection (3)**
- 23 **of Section 1 of this Act or a member who prior to the effective date of this Act**
- 24 **made an election under Section 7 of this Act,**~~[or a member who makes an election~~
- 25 ~~pursuant to KRS 61.5955,]~~ shall receive the retirement benefits provided by this
- 26 section in lieu of the retirement benefits provided under KRS 78.5514. The
- 27 retirement benefit provided by this section shall be known as the hybrid cash

1 balance plan and shall operate as another benefit tier within the County Employees
2 Retirement System.

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

5 (a) Contributions made by the member as provided by KRS 78.510 to 78.852,
6 except for employee contributions prescribed by KRS 78.5536(3)(b);

7 (b) An employer pay credit of seven and one-half percent (7.5%) of the creditable
8 compensation earned by the employee for each month the employee is
9 contributing to the hybrid cash balance plan provided by this section; and

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

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

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

19 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
20 contributed to the hybrid cash balance plan or the Kentucky Retirement
21 Systems during the fiscal year.

22 (b) If the member contributed to the hybrid cash balance plan or the Kentucky
23 Retirement Systems during the fiscal year, the interest credit added to the
24 member's account for that fiscal year shall be determined by multiplying the
25 member's accumulated account balance on June 30 of the preceding fiscal year
26 by a percentage increase equal to:

27 1. Four percent (4%); plus

- 1 2. Seventy-five percent (75%) of the system's geometric average net
2 investment return in excess of a four percent (4%) rate of return.
- 3 (c) If the member did not contribute to the hybrid cash balance plan or the
4 Kentucky Retirement Systems during the fiscal year, the interest credit added
5 to the member's account for that fiscal year shall be determined by multiplying
6 the member's accumulated account balance on June 30 of the preceding fiscal
7 year by four percent (4%).
- 8 (d) For purposes of this subsection, "system's geometric average net investment
9 return":
- 10 1. Means the annual average geometric investment return, net of
11 administrative and investment fees and expenses, over the last five (5)
12 fiscal years as of the date the interest is credited to the member's
13 account; and
- 14 2. Shall be expressed as a percentage and based upon the system in which
15 the member has an account.
- 16 (e) No employer pay credits or interest credits shall be provided to a member who
17 has taken a refund of contributions as provided by KRS 61.625 or who has
18 retired and annuitized his or her accumulated account balance as prescribed by
19 this section.
- 20 (5) (a) Upon termination of employment, a member who has less than five (5) years
21 of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who
22 elects to take a refund of his or her accumulated account balance as provided
23 by KRS 61.625, shall forfeit the accumulated employer credit, and shall only
24 receive a refund of his or her accumulated contributions.
- 25 (b) Upon termination of employment, a member who has five (5) or more years of
26 service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to
27 take a refund of his or her accumulated account balance as provided by KRS

1 61.625, shall receive a full refund of his or her accumulated account balance.

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

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

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

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

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

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

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

19 (8) The provisions of this section shall not apply to:

20 (a) Members who began participating in the Kentucky Employees Retirement
21 System, County Employees Retirement System, or the State Police Retirement
22 System prior to January 1, 2014;

23 (b) *Members who are presumed under Section 1 of this Act to have begun*
24 *participating in the State Police Retirement System, in a hazardous position*
25 *in the Kentucky Employees Retirement System, or in a hazardous position*
26 *in the County Employees Retirement System immediately prior to January*
27 *1, 2014, and have not made an election under subsection (3) of Section 1 of*

1 *this Act; or*
 2 *(c) Members who begin participating in the State Police Retirement System, in*
 3 *a hazardous position in the Kentucky Employees Retirement System, or in a*
 4 *hazardous position in the County Employees Retirement System on or after*
 5 *January 1, 2023*~~, except as provided by KRS 61.5955].~~

6 ➔ Section 7. KRS 61.5955 is amended to read as follows:

7 *As of the effective date of this Act,* notwithstanding any provision of KRS 16.505 to
 8 16.652, 61.510 to 61.705, and 78.510 to 78.852 to the contrary:

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

- 1 (b) On the member's effective election date, the value of the member's
2 accumulated contributions, less any interest, shall be deposited into the
3 member's hybrid cash balance account as provided by KRS 16.583, 61.597,
4 78.5512, or 78.5516, as applicable, and considered part of the member's
5 accumulated account balance;
- 6 (c) On the member's effective election date, an employer pay credit as provided
7 by KRS ~~[16.583, 61.597,]~~ or 78.5512, ~~[or 78.5516,]~~ as applicable, shall be
8 added to the member's accumulated account balance for each month the
9 member contributed to the Kentucky Employees Retirement System~~[,]~~ or the
10 County Employees Retirement System~~[, or the State Police Retirement~~
11 ~~System]~~ prior to his or her effective election date; and
- 12 (d) Interest credits as provided by KRS ~~[16.583, 61.597,]~~ or 78.5512, ~~[or~~
13 ~~78.5516,]~~ as applicable, shall only be applied for periods occurring on or after
14 the member's effective election date;
- 15 (4) Before accepting an election provided by this section, the Kentucky Public Pensions
16 Authority shall provide the member with information detailing the potential results
17 of the member's election;
- 18 (5) An election made pursuant to this section shall be irrevocable;
- 19 (6) (a) A member of the Kentucky Employees Retirement System~~[,]~~ or the County
20 Employees Retirement System~~[, or the State Police Retirement System]~~ shall
21 not be eligible to make an election prescribed by this section until the
22 Kentucky Retirement Systems receives a favorable private letter ruling from
23 the Internal Revenue Service regarding this section.
- 24 (b) If the Internal Revenue Service denies the request for a private letter ruling as
25 provided by paragraph (a) of this subsection, this section shall be void.
- 26 (c) The Kentucky Public Pensions Authority may promulgate administrative
27 regulations under KRS Chapter 13A in order to carry out this section; and

- 1 (7) This section shall not apply to:
- 2 (a) Retirees who were reemployed on or after September 1, 2008, and who are not
- 3 eligible to participate in the systems during reemployment; or
- 4 (b) *Service that a member may have in the State Police Retirement System, in a*
- 5 *hazardous position in the Kentucky Employees Retirement System, or in a*
- 6 *hazardous position in the County Employees Retirement System, unless the*
- 7 *member made an election under this section prior to the effective date of*
- 8 *this Act.*

9 ➔Section 8. KRS 16.505 is amended to read as follows:

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

- 11 (1) "System" means the State Police Retirement System created by KRS 16.505 to
- 12 16.652;
- 13 (2) "Board" means the board of trustees of the Kentucky Retirement Systems;
- 14 (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its
- 15 successor;
- 16 (4) "Current service" means the number of years and completed months of employment
- 17 as an employee subsequent to July 1, 1958, for which creditable compensation was
- 18 paid by the employer and employee contributions deducted except as otherwise
- 19 provided;
- 20 (5) "Prior service" means the number of years and completed months of employment as
- 21 an employee prior to July 1, 1958, for which creditable compensation was paid to
- 22 the employee by the Commonwealth. Twelve (12) months of current service in the
- 23 system are required to validate prior service;
- 24 (6) "Service" means the total of current service and prior service;
- 25 (7) "Accumulated contributions" at any time means the sum of all amounts deducted
- 26 from the compensation of a member and credited to his or her individual account in
- 27 the member's account, including employee contributions picked up after August 1,

1 1982, pursuant to KRS 16.545(4), together with interest credited on such amounts
2 as provided in KRS 16.505 to 16.652, and any other amounts the member shall have
3 contributed, including interest credited. For members who begin participating on or
4 after September 1, 2008, "accumulated contributions" shall not include employee
5 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.
6 401(h) within the funds established in KRS 16.510 and 61.515, as prescribed by
7 KRS 61.702(3)(b);

8 (8) "Creditable compensation":

9 (a) Except as provided by paragraph (b) or (c) of this subsection, means all salary
10 and wages, including payments for compensatory time, paid to the employee
11 as a result of services performed for the employer or for time during which the
12 member is on paid leave, which are includable on the member's federal form
13 W-2 wage and tax statement under the heading "wages, tips, other
14 compensation," including employee contributions picked up after August 1,
15 1982, pursuant to KRS 16.545(4);

16 (b) Includes:

- 17 1. Lump-sum bonuses, severance pay, or employer-provided payments for
18 purchase of service credit, which shall be averaged over the employee's
19 total service with the system in which it is recorded if it is equal to or
20 greater than one thousand dollars (\$1,000);
- 21 2. Lump-sum payments for creditable compensation paid as a result of an
22 order of a court of competent jurisdiction, the Personnel Board, or the
23 Commission on Human Rights, or for any creditable compensation paid
24 in anticipation of settlement of an action before a court of competent
25 jurisdiction, the Personnel Board, or the Commission on Human Rights,
26 including notices of violations of state or federal wage and hour statutes
27 or violations of state or federal discrimination statutes, which shall be

1 credited to the fiscal year during which the wages were earned or should
2 have been paid by the employer. This subparagraph shall also include
3 lump-sum payments for reinstated wages pursuant to KRS 61.569,
4 which shall be credited to the period during which the wages were
5 earned or should have been paid by the employer;

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

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

13 (c) Excludes:

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

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

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

20 (9) "Final compensation" means:

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

- 1 (b) For a member who begins participating on or after September 1, 2008, but
2 prior to January 1, 2014, or a member who begins participating on or after
3 January 1, 2023, or a member who is presumed under Section 1 of this Act
4 to begin participating immediately prior to January 1, 2014, the creditable
5 compensation of the member during the three (3) complete fiscal years he or
6 she was paid at the highest average monthly rate divided by three (3). Each
7 fiscal year used to determine final compensation must contain twelve (12)
8 months of service credit. If the member does not have three (3) complete
9 fiscal years that each contain twelve (12) months of service credit, then one
10 (1) or more additional fiscal years, which may contain less than twelve (12)
11 months of service credit, shall be added until the number of months in the
12 final compensation calculation is at least thirty-six (36) months;
- 13 (10) "Final rate of pay" means the actual rate upon which earnings of a member were
14 calculated during the twelve (12) month period immediately preceding the
15 member's effective retirement date, including employee contributions picked up
16 after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the
17 system by the employer and the following equivalents shall be used to convert the
18 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
19 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-
20 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12)
21 months, or one (1) year;
- 22 (11) "Retired member" means any former member receiving a retirement allowance or
23 any former member who has filed the necessary documents for retirement benefits
24 and is no longer contributing to the retirement system;
- 25 (12) "Retirement allowance" means the retirement payments to which a retired member
26 is entitled;
- 27 (13) "Actuarial equivalent" means a benefit of equal value when computed upon the

- 1 basis of actuarial tables adopted by the board. In cases of disability retirement, the
2 options authorized by KRS 61.635 shall be computed by adding ten (10) years to
3 the age of the member, unless the member has chosen the Social Security
4 adjustment option as provided for in KRS 61.635(8), in which case the member's
5 actual age shall be used. For members who began participating in the system prior
6 to January 1, 2014, or who begin participating in the system on or after January
7 1, 2023, or who are presumed under Section 1 of this Act to begin participating in
8 the system immediately prior to January 1, 2014, no disability retirement option
9 shall be less than the same option computed under early retirement;
- 10 (14) "Authorized leave of absence" means any time during which a person is absent from
11 employment but retained in the status of an employee in accordance with the
12 personnel policy of the Department of Kentucky State Police;
- 13 (15) "Normal retirement date" means:
- 14 (a) For a member who begins participating before September 1, 2008, the first
15 day of the month following a member's fifty-fifth birthday, except that for
16 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,
17 1959; or
- 18 (b) For a member who begins participating on or after September 1, 2008, the
19 first day of the month following a member's sixtieth birthday;
- 20 (16) "Disability retirement date" means the first day of the month following the last day
21 of paid employment;
- 22 (17) "Dependent child" means a child in the womb and a natural or legally adopted child
23 of the member who has neither attained age eighteen (18) nor married or who is an
24 unmarried full-time student who has not attained age twenty-two (22). Solely in the
25 cases where a member dies as a direct result of an act in line of duty as defined in
26 this section, dies as a result of a duty-related injury as defined in KRS 61.621,
27 becomes totally and permanently disabled as a direct result of an act in line of duty

1 as defined in this section, or becomes disabled as a result of a duty-related injury as
2 defined in KRS 61.621 and is eligible for the benefits provided by KRS
3 61.621(5)(a), "dependent child" also means a naturally or legally adopted disabled
4 child of the member, regardless of the child's age, if the child has been determined
5 to be eligible for federal Social Security disability benefits or is being claimed as a
6 qualifying child for tax purposes due to the child's total and permanent disability;

7 (18) "Optional allowance" means an actuarially equivalent benefit elected by the member
8 in lieu of all other benefits provided by KRS 16.505 to 16.652;

9 (19) "Act in line of duty" means:

10 (a) A single act occurring or a single thing done, which, as determined by the
11 board, was required in the performance of the duties specified in KRS 16.060;

12 (b) For employees in hazardous positions under KRS 61.592, a single act
13 occurring which was required in the performance of the principal duties of the
14 position as defined by the job description; or

15 (c) For employees participating in the State Police Retirement System and for
16 employees who are in hazardous positions under KRS 61.592, a single act of
17 violence committed against the employee that is found to be related to his or
18 her job duties, whether or not it occurs at his or her job site;

19 (20) "Early retirement date" means:

20 (a) For a member who begins participating before September 1, 2008, the
21 retirement date declared by a member who is not less than fifty (50) years of
22 age and has fifteen (15) years of service; or

23 (b) For a member who begins participating on or after September 1, 2008, but
24 prior to January 1, 2014, **or a member who begins participating on or after**
25 **January 1, 2023, or a member who is presumed under Section 1 of this Act**
26 **to begin participating immediately prior to January 1, 2014,** the retirement
27 date declared by a member who is not less than fifty (50) years of age and has

- 1 fifteen (15) years of service credited under KRS 16.543(1) or 61.543(1) or
2 another state-administered retirement system;
- 3 (21) "Member" means any officer included in the membership of the system as provided
4 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 5 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS
6 16.010;
- 7 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which
8 results in an employee's total incapacity to continue as an employee in a hazardous
9 position, but the employee is not necessarily deemed to be totally and permanently
10 disabled to engage in other occupations for remuneration or profit;
- 11 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
12 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
13 pay. The rate shall be certified by the employer;
- 14 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
15 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
16 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not
17 mean an estate, trust, or trustee;
- 18 (26) "Recipient" means the retired member, the person or persons designated as
19 beneficiary by the member and drawing a retirement allowance as a result of the
20 member's death, or a dependent child drawing a retirement allowance. An alternate
21 payee of a qualified domestic relations order shall not be considered a recipient,
22 except for purposes of KRS 61.623;
- 23 (27) "Person" means a natural person;
- 24 (28) "Retirement office" means the Kentucky Public Pensions Authority office building
25 in Frankfort, unless otherwise designated by the Kentucky Public Pensions
26 Authority;
- 27 (29) "Vested" for purposes of determining eligibility for purchasing service credit under

1 KRS 61.552 means the employee has at least forty-eight (48) months of service if
2 age sixty-five (65) or older or at least sixty (60) months of service if under the age
3 of sixty-five (65). For purposes of this subsection, "service" means service in the
4 systems administered by the Kentucky Retirement Systems and County Employees
5 Retirement Systems;

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

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

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

24 (33) "Participating" means an employee is currently earning service credit in the system
25 as provided in KRS 16.543;

26 (34) "Month" means a calendar month;

27 (35) "Membership date" means the date upon which the member began participating in

1 the system as provided by KRS 16.543;

2 (36) "Participant" means a member, as defined by subsection (21) of this section, or a
3 retired member, as defined by subsection (11) of this section;

4 (37) "Qualified domestic relations order" means any judgment, decree, or order,
5 including approval of a property settlement agreement, that:

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

7 (b) Relates to the provision of child support, alimony payments, or marital
8 property rights to an alternate payee;

9 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
10 participant, who is designated to be paid retirement benefits in a qualified domestic
11 relations order;

12 (39) "Accumulated employer credit" means the employer pay credit deposited to the
13 member's account and interest credited on such amounts as provided by KRS
14 16.583;

15 (40) "Accumulated account balance" means:

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

18 (b) For members who began participating in the system on or after January 1,
19 2014, **but prior to January 1, 2023**, in the hybrid cash balance plan as
20 provided by KRS 16.583, **who make an election under subsection (3) of**
21 **Section 1 of this Act, and for those members who prior to the effective date**
22 **of this Act made an election under Section 7 of this Act**, the combined sum
23 of the member's accumulated contributions and the member's accumulated
24 employer~~pay~~ credit; and

25 (41) "Monthly average pay" means:

26 (a) In the case of a member who dies as a direct result of an act in line of duty as
27 defined in this section or who dies as a result of a duty-related injury as

1 defined in KRS 61.621, the higher of the member's monthly final rate of pay
2 or the average monthly creditable compensation earned by the deceased
3 member during his or her last twelve (12) months of employment; or
4 (b) In the case where a member becomes totally and permanently disabled as a
5 direct result of an act in line of duty as defined in this section or becomes
6 disabled as a result of a duty-related injury as defined in KRS 61.621 and is
7 eligible for the benefits provided by KRS 61.621(5)(a), the higher of the
8 member's monthly final rate of pay or the average monthly creditable
9 compensation earned by the disabled member during his or her last twelve
10 (12) months of employment prior to the date the act in line of duty or duty-
11 related injury occurred.

12 ➔Section 9. KRS 16.560 is amended to read as follows:

- 13 (1) The member account shall be the account to which:
- 14 (a) All members' contributions, or contributions picked up by the employer after
15 August 1, 1982, and interest allowances as provided in KRS 16.505 to 16.652
16 shall be credited, except as provided by KRS 61.702(2)(b); and
- 17 (b) For members who begin participating in the system on or after January 1,
18 2014, **but prior to January 1, 2023, who make an election under subsection**
19 **(3) of Section 1 of this Act, and for those members who prior to the effective**
20 **date of this Act made an election under Section 7 of this Act,** the employer
21 pay credit and interest credited on such amounts as provided by KRS 16.583
22 shall be credited.

23 Only funds from this account shall be used to return accumulated contributions or
24 accumulated account balances of a member when required by reason of any
25 provision of KRS 16.505 to 16.652. Prior to the member's retirement, death, or
26 refund in accordance with KRS 61.625, no funds shall be made available from the
27 member's account.

- 1 (2) Each member's contribution or contribution picked up by the employer shall be
2 credited to the individual account of the contributing member, except as provided
3 by KRS 61.702(2)(b).
- 4 (3) (a) Each member shall have his or her individual account credited with interest
5 on June 30 of each fiscal year.
- 6 (b) For members who begin participating before September 1, 2008, interest shall
7 be credited to their individual account at a rate determined by the board but
8 not less than two and one-half percent (2.5%) per annum on the accumulated
9 account balance of the member on June 30 of the preceding fiscal year.
- 10 (c) For members who begin participating on or after September 1, 2008, but prior
11 to January 1, 2014, or who begin participating on or after January 1, 2023,
12 or who are presumed under Section 1 of this Act to begin participating
13 immediately prior to January 1, 2014, interest shall be credited to their
14 individual account at a rate of two and one-half percent (2.5%) per annum on
15 the accumulated account balance of the member on June 30 of the preceding
16 fiscal year.
- 17 (d) For members who begin participating on or after January 1, 2014, but prior to
18 January 1, 2023, who make an election under subsection (3) of Section 1 of
19 this Act, and those members who prior to the effective date of this Act made
20 an election under Section 7 of this Act to opt in the hybrid cash balance plan,
21 interest shall be credited to their individual account in accordance with KRS
22 16.583.
- 23 (e) The amounts of interest credited to a member's account under this subsection
24 and KRS 16.583 and the employer pay credit as provided by KRS 16.583 shall
25 be transferred from the retirement allowance account.
- 26 (4) (a) Upon the retirement of a member who began participating in the system prior
27 to January 1, 2014, or a member who begins participating on or after

1 January 1, 2023, or a member who is presumed under Section 1 of this Act
2 to begin participating immediately prior to January 1, 2014, his or her
3 accumulated account balance shall be transferred from the member's account
4 to the retirement allowance account.

5 (b) Upon the retirement of a member who began participating in the system on or
6 after January 1, 2014, but prior to January 1, 2023, who makes an election
7 under subsection (3) of Section 1 of this Act, or who prior to the effective
8 date of this Act made an election under Section 7 of this Act, who elects to
9 annuitize his or her accumulated account balance as prescribed by KRS
10 16.583(7)(a) or (b), the member's accumulated account balance shall be
11 transferred to the retirement allowance account.

12 (5) Included as a part of such member's account shall be his or her accumulated
13 account balance in the Kentucky Employees Retirement System, if any, transferred
14 to this system.

15 ➔Section 10. KRS 16.578 is amended to read as follows:

16 (1) If a member dies prior to the first day of the month in which the member would
17 have received his or her first retirement allowance, the member's beneficiary shall
18 be eligible for the benefits provided by this section if the member had on file a
19 written designation of a beneficiary with the retirement office as provided by KRS
20 61.542 and the member met the following conditions at the date of his or her death:

- 21 (a) The member was eligible to retire under KRS 16.576, 16.577, or 16.583(6);
22 (b) The member was in active employment or on authorized leave of absence with
23 five (5) or more years of service credit and died prior to his or her normal
24 retirement date; or
25 (c) The member was not in active employment or on authorized leave of absence
26 with twelve (12) or more years of service credit and died prior to his or her
27 normal retirement date.

- 1 (2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
2 a single person, then the beneficiary may elect to receive:
- 3 (a) A monthly benefit payable for the life of the beneficiary that is equal to the
4 benefit that would have been paid had the member retired immediately prior
5 to his or her date of death and elected to receive benefits payable under the
6 survivorship one hundred percent (100%) option as provided in KRS
7 61.635(2);
- 8 (b) A monthly benefit payable for the life of the beneficiary under the beneficiary
9 Social Security adjustment option as provided in KRS 61.635(9) that is the
10 actuarial equivalent to the amount computed under paragraph (a) of this
11 subsection;
- 12 (c) A monthly benefit payable for a period of sixty (60) months that is the
13 actuarial equivalent to the amount computed under paragraph (a) of this
14 subsection;
- 15 (d) A monthly benefit payable for a period of one hundred twenty (120) months
16 that is the actuarial equivalent to the amount computed under paragraph (a) of
17 this subsection;
- 18 (e) If the member began participating in the system prior to January 1, 2014, or
19 *began participating on or after January 1, 2023, or is presumed under*
20 *Section 1 of this Act to have begun participating immediately prior to*
21 *January 1, 2014*, a monthly benefit payable for:
- 22 1. Sixty (60) months certain;
23 2. One hundred twenty (120) months certain;
24 3. The actuarial equivalent refund; or
25 4. The Social Security adjustment option;
- 26 that is equivalent to the benefit the member would have been entitled to
27 receive based on his or her years of service and final compensation at the date

1 of his or her death reduced by the survivorship fifty percent (50%) factor as
2 provided for in KRS 61.635(4), then reduced by fifty percent (50%), and that
3 is the actuarial equivalent to the amount computed under paragraph (a) of this
4 subsection; or

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

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

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

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

22 ➔Section 11. KRS 16.582 is amended to read as follows:

23 (1) (a) Total and permanent disability means a disability which results in the
24 member's incapacity to engage in any occupation for remuneration or profit.
25 Loss by severance of both hands at or above the wrists, or both feet at or
26 above the ankles, or one (1) hand above the wrist and one (1) foot above the
27 ankle, or the complete, irrevocable loss of the sight of both eyes shall be

1 considered as total and permanent.

2 (b) Hazardous disability means a disability which results in the member's total
3 incapacity to continue as a regular full-time officer or as an employee in a
4 hazardous position, as defined in KRS 61.592, but which does not result in the
5 member's total and permanent incapacity to engage in other occupations for
6 remuneration or profit.

7 (c) In determining whether the disability meets the requirement of this section,
8 any reasonable accommodation provided by the employer as provided in 42
9 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 shall be considered.

10 (d) If the board determines that the total and permanent disability of a member
11 receiving a retirement allowance under this section has ceased, then the board
12 shall determine if the member has a hazardous disability.

13 (2) Any person may qualify to retire on disability, subject to the following:

14 (a) The person shall have sixty (60) months of service, twelve (12) of which shall
15 be current service credited under KRS 16.543(1), 61.543(1), or 78.615(1). The
16 service requirement shall be waived if the disability is a total and permanent
17 disability or a hazardous disability and is a direct result of an act in line of
18 duty;

19 (b) For a person whose membership date is prior to August 1, 2004, the person
20 shall not be eligible for an unreduced retirement allowance;

21 (c) The person's application shall be on file in the retirement office no later than
22 twenty-four (24) months after the person's last day of paid employment, as
23 defined in KRS 16.505, as a regular full-time officer or in a regular full-time
24 hazardous position under KRS 61.592;

25 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665;
26 and

27 (e) A person's disability application based on the same claim of incapacity shall

1 be accepted and reconsidered for disability if accompanied by new objective
2 medical evidence. The application shall be on file in the retirement office no
3 later than twenty-four (24) months after the person's last day of paid
4 employment as a regular full-time officer or in a regular full-time hazardous
5 position.

6 (3) Upon the examination of the objective medical evidence by licensed physicians
7 pursuant to KRS 61.665, it shall be determined that:

8 (a) The incapacity results from bodily injury, mental illness, or disease. For
9 purposes of this section, "injury" means any physical harm or damage to the
10 human organism other than disease or mental illness;

11 (b) The incapacity is deemed to be permanent; and

12 (c) The incapacity does not result directly or indirectly from:

13 1. Injury intentionally self-inflicted while sane or insane; or

14 2. Bodily injury, mental illness, disease, or condition which pre-existed
15 membership in the system or reemployment, whichever is most recent,
16 unless:

17 a. The disability results from bodily injury, mental illness, disease, or
18 a condition which has been substantially aggravated by an injury or
19 accident arising out of or in the course of employment; or

20 b. The person has at least sixteen (16) years' current or prior service
21 for employment with employers participating in the retirement
22 systems administered by the Kentucky Retirement Systems or the
23 County Employees Retirement System.

24 For purposes of this subparagraph, "reemployment" shall not mean a
25 change of employment between employers participating in the
26 retirement systems administered by the Kentucky Retirement Systems or
27 the County Employees Retirement System with no loss of service credit.

- 1 (4) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result
2 in death or can be expected to last for a continuous period of not less
3 than twelve (12) months from the person's last day of paid employment
4 in a position as regular full-time officer or a hazardous position.
- 5 2. The determination of a permanent incapacity shall be based on the
6 medical evidence contained in the member's file and the member's
7 residual functional capacity and physical exertion requirements.
- 8 (b) The person's residual functional capacity shall be the person's capacity for
9 work activity on a regular and continuing basis. The person's physical ability
10 shall be assessed in light of the severity of the person's physical, mental, and
11 other impairments. The person's ability to walk, stand, carry, push, pull, reach,
12 handle, and other physical functions shall be considered with regard to
13 physical impairments. The person's ability to understand, remember, and carry
14 out instructions and respond appropriately to supervision, coworkers, and
15 work pressures in a work setting shall be considered with regard to mental
16 impairments. Other impairments, including skin impairments, epilepsy, visual
17 sensory impairments, postural and manipulative limitations, and
18 environmental restrictions, shall be considered in conjunction with the
19 person's physical and mental impairments to determine residual functional
20 capacity.
- 21 (c) The person's physical exertion requirements shall be determined based on the
22 following standards:
- 23 1. Sedentary work shall be work that involves lifting no more than ten (10)
24 pounds at a time and occasionally lifting or carrying articles such as
25 large files, ledgers, and small tools. Although a sedentary job primarily
26 involves sitting, occasional walking and standing may also be required
27 in the performance of duties.

- 1 2. Light work shall be work that involves lifting no more than twenty (20)
2 pounds at a time with frequent lifting or carrying of objects weighing up
3 to ten (10) pounds. A job shall be in this category if lifting is
4 infrequently required but walking and standing are frequently required,
5 or if the job primarily requires sitting with pushing and pulling of arm or
6 leg controls. If the person has the ability to perform substantially all of
7 these activities, the person shall be deemed capable of light work. A
8 person deemed capable of light work shall be deemed capable of
9 sedentary work unless the person has additional limitations such as the
10 loss of fine dexterity or inability to sit for long periods.
- 11 3. Medium work shall be work that involves lifting no more than fifty (50)
12 pounds at a time with frequent lifting or carrying of objects weighing up
13 to twenty-five (25) pounds. If the person is deemed capable of medium
14 work, the person shall be deemed capable of light and sedentary work.
- 15 4. Heavy work shall be work that involves lifting no more than one
16 hundred (100) pounds at a time with frequent lifting or carrying of
17 objects weighing up to fifty (50) pounds. If the person is deemed capable
18 of heavy work, the person shall also be deemed capable of medium,
19 light, and sedentary work.
- 20 5. Very heavy work shall be work that involves lifting objects weighing
21 more than one hundred (100) pounds at a time with frequent lifting or
22 carrying of objects weighing fifty (50) or more pounds. If the person is
23 deemed capable of very heavy work, the person shall be deemed capable
24 of heavy, medium, light, and sedentary work.
- 25 (5) (a) *For a member whose participation begins prior to August 1, 2004,* the
26 disability retirement allowance shall be determined as provided in KRS
27 16.576, except if the member's total service credit on his or her last day of

1 paid employment in a regular full-time position is less than twenty (20) years,
2 service shall be added beginning with his or her last date of paid employment
3 and continuing to his or her fifty-fifth birthday. The maximum service credit
4 added shall not exceed the total service the member had on his or her last day
5 of paid employment, and the maximum service credit for calculating his or her
6 retirement allowance, including his or her total service and service added
7 under this section, shall not exceed twenty (20) years.

8 (b) For a member whose participation begins on or after August 1, 2004, **but**
9 **prior to January 1, 2014, or whose participation begins on or after January**
10 **1, 2023, or whose participation is presumed under Section 1 of this Act to**
11 **begin immediately prior to January 1, 2014**~~but prior to January 1, 2014],~~ the
12 disability retirement allowance shall be the higher of twenty-five percent
13 (25%) of the member's monthly final rate of pay or the retirement allowance
14 determined in the same manner as for retirement at his or her normal
15 retirement date with years of service and final compensation being determined
16 as of the date of his **or her** disability.

17 (c) For a member who begins participating on or after January 1, 2014, **but prior**
18 **to January 1, 2023,** in the hybrid cash balance plan as provided by KRS
19 16.583, **or who makes an election under subsection (3) of Section 1 of this**
20 **Act, or who prior to the effective date of this Act made an election under**
21 **Section 7 of this Act,** the disability retirement allowance shall be the higher of
22 twenty-five percent (25%) of the member's monthly final rate of pay or the
23 retirement allowance determined in the same manner as for retirement at his
24 or her normal retirement date under KRS 16.583.

25 (6) If the member receives a satisfactory determination of hazardous disability pursuant
26 to KRS 61.665 and the disability is the direct result of an act in line of duty as
27 defined in KRS 16.505, the member's retirement allowance shall be calculated as

1 follows:

2 (a) For the disabled member, benefits as provided in subsection (5) of this section
3 except that the monthly retirement allowance payable shall not be less than
4 twenty-five percent (25%) of the member's monthly final rate of pay; and

5 (b) For each dependent child of the member on his or her disability retirement
6 date, who is alive at the time any particular payment is due, a monthly
7 payment equal to ten percent (10%) of the disabled member's monthly final
8 rate of pay; however, total maximum dependent children's benefit shall not
9 exceed forty percent (40%) of the member's monthly final rate of pay. The
10 payments shall be payable to each dependent child, or to a legally appointed
11 guardian or as directed by the system.

12 (7) If the member receives a satisfactory determination of total and permanent disability
13 pursuant to KRS 61.665 and the disability is the direct result of an act in line of duty
14 as defined in KRS 16.505, the member's retirement allowance shall be calculated as
15 follows:

16 (a) For the disabled member, the benefits as provided in subsection (5) of this
17 section except that the monthly retirement allowance payable shall not be less
18 than seventy-five percent (75%) of the member's monthly average pay; and

19 (b) For each dependent child of the member on his or her disability retirement
20 date, who is alive at the time any particular payment is due, a monthly
21 payment equal to ten percent (10%) of the disabled member's monthly average
22 pay, except that:

23 1. Member and dependent children payments under this subsection shall
24 not exceed one hundred percent (100%) of the member's monthly
25 average pay; and

26 2. Total maximum dependent children's benefits shall not exceed twenty-
27 five percent (25%) of the member's monthly average pay while the

1 member is living and forty percent (40%) of the member's monthly
2 average pay after the member's death. The payments shall be payable to
3 each dependent child, or to a legally appointed guardian or as directed by
4 the system, and shall be divided equally among all dependent children.

5 (8) No benefit provided in this section shall be reduced as a result of any change in the
6 extent of disability of any retired member who is age fifty-five (55) or older.

7 (9) If a regular full-time officer or hazardous position member has been approved for
8 benefits under a hazardous disability, the board shall, upon request of the member,
9 permit the member to receive the hazardous disability allowance while accruing
10 benefits in a nonhazardous position, subject to proper medical review of the
11 nonhazardous position's job description by the system's medical examiner.

12 (10) For a member of the State Police Retirement System, in lieu of the allowance
13 provided in subsection (5) to (7) of this section, the member may be retained on the
14 regular payroll and receive the compensation authorized by KRS 16.165, if he or
15 she is qualified.

16 ➔Section 12. KRS 61.510 is amended to read as follows:

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

18 (1) "System" means the Kentucky Employees Retirement System created by KRS
19 61.510 to 61.705;

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

21 (3) "Department" means any state department or board or agency participating in the
22 system in accordance with appropriate executive order, as provided in KRS 61.520.

23 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the
24 General Assembly and any other body, entity, or instrumentality designated by
25 executive order by the Governor, shall be deemed to be a department,
26 notwithstanding whether said body, entity, or instrumentality is an integral part of
27 state government;

- 1 (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- 2 (5) "Employee" means the members, officers, and employees of the General Assembly
3 and every regular full-time, appointed or elective officer or employee of a
4 participating department, including the Department of Military Affairs. The term
5 does not include persons engaged as independent contractors, seasonal, emergency,
6 temporary, interim, and part-time workers. In case of any doubt, the board shall
7 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 8 (6) "Employer" means a department or any authority of a department having the power
9 to appoint or select an employee in the department, including the Senate and the
10 House of Representatives, or any other entity, the employees of which are eligible
11 for membership in the system pursuant to KRS 61.525;
- 12 (7) "State" means the Commonwealth of Kentucky;
- 13 (8) "Member" means any employee who is included in the membership of the system or
14 any former employee whose membership has not been terminated under KRS
15 61.535;
- 16 (9) "Service" means the total of current service and prior service as defined in this
17 section;
- 18 (10) "Current service" means the number of years and months of employment as an
19 employee, on and after July 1, 1956, except that for members, officers, and
20 employees of the General Assembly this date shall be January 1, 1960, for which
21 creditable compensation is paid and employee contributions deducted, except as
22 otherwise provided, and each member, officer, and employee of the General
23 Assembly shall be credited with a month of current service for each month he
24 serves in the position;
- 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, 1956, for which
27 creditable compensation was paid; except that for members, officers, and employees

1 of the General Assembly, this date shall be January 1, 1960. An employee shall be
2 credited with one (1) month of prior service only in those months he received
3 compensation for at least one hundred (100) hours of work; provided, however, that
4 each member, officer, and employee of the General Assembly shall be credited with
5 a month of prior service for each month he served in the position prior to January 1,
6 1960. Twelve (12) months of current service in the system are required to validate
7 prior service;

8 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
9 from the compensation of a member and credited to his or her individual account in
10 the members' account, including employee contributions picked up after August 1,
11 1982, pursuant to KRS 61.560(4), together with interest credited, on such amounts
12 and any other amounts the member shall have contributed thereto, including interest
13 credited thereon. For members who begin participating on or after September 1,
14 2008, "accumulated contributions" shall not include employee contributions that are
15 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the
16 funds established in KRS 16.510 and 61.515, as prescribed by KRS 61.702(3)(b);

17 (13) "Creditable compensation":

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

1 August 1, 1982, pursuant to KRS 6.505(4) or 61.560(4);

2 (b) Includes:

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

1 employee by reason of 26 U.S.C. sec. 132(f)(4); and

2 (c) Excludes:

- 3 1. Living allowances, expense reimbursements, lump-sum payments for
4 accrued vacation leave, and other items determined by the board;
- 5 2. For employees who begin participating on or after September 1, 2008,
6 lump-sum payments for compensatory time;
- 7 3. For employees who begin participating on or after August 1, 2016,
8 nominal fees paid for services as a volunteer; and
- 9 4. Any salary or wages paid to an employee for services as a Kentucky
10 State Police school resource officer as defined by KRS 158.441;

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

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

20 (b) For a member who is employed in a nonhazardous position, whose effective
21 retirement date is between August 1, 2001, and January 1, 2009, and whose
22 total service credit is at least twenty-seven (27) years and whose age and years
23 of service total at least seventy-five (75), final compensation means the
24 creditable compensation of the member during the three (3) fiscal years the
25 member was paid at the highest average monthly rate divided by the number
26 of months of service credit during that three (3) years period multiplied by
27 twelve (12). The three (3) years may be fractional and need not be

1 consecutive. If the number of months of service credit during the three (3)
2 year period is less than twenty-four (24), one (1) or more additional fiscal
3 years shall be used. Notwithstanding the provision of KRS 61.565, the
4 funding for this paragraph shall be provided from existing funds of the
5 retirement allowance;

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

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

24 (e) For a member who begins participating on or after September 1, 2008, but
25 prior to January 1, 2014, or a member who begins participating on or after
26 January 1, 2023, or a member who is presumed under Section 1 of this Act
27 to begin participating immediately prior to January 1, 2014, who is

1 employed in a hazardous position as provided in KRS 61.592, the creditable
2 compensation of the member during the three (3) complete fiscal years he or
3 she was paid at the highest average monthly rate divided by three (3). Each
4 fiscal year used to determine final compensation must contain twelve (12)
5 months of service credit. If the member does not have three (3) complete
6 fiscal years that each contain twelve (12) months of service credit, then one
7 (1) or more additional fiscal years, which may contain less than twelve (12)
8 months of service credit, shall be added until the number of months in the
9 final compensation calculation is at least thirty-six (36) months;

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

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

21 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
22 basis of the actuarial tables that are adopted by the board. In cases of disability
23 retirement, the options authorized by KRS 61.635 shall be computed by adding ten
24 (10) years to the age of the member, unless the member has chosen the Social
25 Security adjustment option as provided for in KRS 61.635(8), in which case the
26 member's actual age shall be used. For members who began participating in the
27 system prior to January 1, 2014, or who begin participating in a hazardous

1 *position in the system on or after January 1, 2023, or who are presumed under*
2 *Section 1 of this Act to begin participating in a hazardous position in the system*
3 *immediately prior to January 1, 2014,* no disability retirement option shall be less

4 than the same option computed under early retirement;

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

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

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

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

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

25 (b) Emergency positions which are positions which do not exceed thirty (30)
26 working days and are nonrenewable;

27 (c) Temporary positions which are positions of employment with a participating

1 department for a period of time not to exceed nine (9) months and are
2 nonrenewable;

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

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

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

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

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

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

- 1 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
2 the member in accordance with KRS 61.542 or 61.705 to receive any available
3 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
4 does not mean an estate, trust, or trustee;
- 5 (27) "Recipient" means the retired member or the person or persons designated as
6 beneficiary by the member and drawing a retirement allowance as a result of the
7 member's death or a dependent child drawing a retirement allowance. An alternate
8 payee of a qualified domestic relations order shall not be considered a recipient,
9 except for purposes of KRS 61.623;
- 10 (28) "Level percentage of payroll amortization method" means a method of determining
11 the annual amortization payment on the unfunded actuarial accrued liability as
12 expressed as a percentage of payroll over a set period of years but that may be
13 converted to a dollar value for purposes of KRS 61.565(1)(d). Under this method,
14 the percentage of payroll shall be projected to remain constant for all years
15 remaining in the set period of time and the unfunded actuarially accrued liability
16 shall be projected to be fully amortized at the conclusion of the set period of years;
- 17 (29) "Increment" means twelve (12) months of service credit which are purchased. The
18 twelve (12) months need not be consecutive. The final increment may be less than
19 twelve (12) months;
- 20 (30) "Person" means a natural person;
- 21 (31) "Retirement office" means the Kentucky Public Pensions Authority's office building
22 in Frankfort, unless otherwise designated by the Kentucky Public Pensions
23 Authority;
- 24 (32) "Last day of paid employment" means the last date employer and employee
25 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
26 78.615 to the retirement office in order for the employee to receive current service
27 credit for the month. Last day of paid employment does not mean a date the

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

1 property rights to an alternate payee;

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

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

8 (41) "Accumulated account balance" means:

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

11 (b) For members who began participating in the system on or after January 1,
12 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
13 **and for those members making an election under subsection (3) of Section 1**
14 **of this Act or Section 7 of this Act,** the combined sum of the member's
15 accumulated contributions and the member's accumulated employer credit;

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

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

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

26 (43) "Nominal fee" means compensation earned for services as a volunteer that does not
27 exceed five hundred dollars (\$500) per month. Compensation earned for services as

1 a volunteer from more than one (1) participating employer during a month shall be
2 aggregated to determine whether the compensation exceeds the five hundred dollars
3 (\$500) per month maximum provided by this subsection;

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

6 (45) "Monthly average pay" means:

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

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

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

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

24 ➔Section 13. KRS 61.546 is amended to read as follows:

25 (1) Except as otherwise provided by this section, any member of the Kentucky
26 Employees Retirement System or the State Police Retirement System whose
27 retirement date is July 14, 1984, or thereafter, shall receive credit for unused sick

1 leave accrued while contributing to the retirement system from which the retirement
2 benefit is to be paid in accordance with this section.

3 (2) (a) Upon the member's notification of retirement as prescribed in KRS 16.576 or
4 61.590, the employer shall certify the retiring member's unused, accumulated
5 sick leave balance to the system.

6 (b) The member's sick leave balance, expressed in days, shall be divided by the
7 average number of working days per month in the state service and rounded to
8 the nearest number of whole months.

9 (c) Except as provided by subsections (3) and (4) of this section, the member's
10 sick leave balance, expressed in months, shall upon retirement be added to his
11 or her service credit for the purpose of determining his or her annual
12 retirement allowance under KRS 16.505 to 16.652 or 61.510 to 61.705 and for
13 the purpose of determining whether the member is eligible to receive a
14 retirement allowance under KRS 16.505 to 16.652 or 61.510 to 61.705.

15 (3) For a member who begins participating in the Kentucky Employees Retirement
16 System or the State Police Retirement System on or after September 1, 2008, or for
17 a member who begins participating in a hazardous duty position in the Kentucky
18 Employees Retirement System or in the State Police Retirement System on or
19 after January 1, 2023, or for a member who is presumed under Section 1 of this
20 Act to begin participating in a hazardous duty position in the Kentucky
21 Employees Retirement System or in the State Police Retirement System
22 immediately prior to January 1, 2014:

23 (a) The member shall receive no more than twelve (12) months of service credit
24 upon retirement for accumulated unused sick leave accrued while contributing
25 to the retirement system or systems from which the retirement benefit is to be
26 paid;

27 (b) The service credited for accumulated unused sick leave as limited by this

1 section and added to the member's service credit shall be used for purposes of
2 determining the member's annual retirement allowance under KRS 16.505 to
3 16.652 and 61.510 to 61.705; and

4 (c) The service credited for accumulated unused sick leave and added to the
5 member's service credit shall not be used to determine whether a member is
6 eligible to receive a retirement allowance under any of the provisions of KRS
7 16.505 to 16.652 and 61.510 to 61.705 or to reduce any applicable actuarial
8 reductions.

9 (4) For a member who began participating in the Kentucky Employees Retirement
10 System or the State Police Retirement System prior to September 1, 2008, who
11 retires on or after July 1, 2023, the service credited for accumulated unused sick
12 leave and added to the member's service credit shall not be used to determine
13 whether a member is eligible to receive a retirement allowance under any of the
14 provisions of KRS 16.505 to 16.652 and 61.510 to 61.705 or to reduce any
15 applicable actuarial reductions.

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

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

1 this section.

2 (7) This section shall not apply to:

3 **(a) Members *in a nonhazardous position* who begin participating in the systems**
4 **administered by Kentucky Retirement Systems on or after January 1, 2014; *or***

5 **(b) *Members making an election under subsection (3) of Section 1 of this Act***
6 ***or Section 7 of this Act.***

7 ➔Section 14. KRS 61.552 is amended to read as follows:

8 (1) Called to Active Duty Military Service. An employee of an employer participating
9 in the system who is called to active military duty in the Armed Forces of the
10 United States shall be credited in accordance with 38 U.S.C. sec. 4318 with service
11 credit, creditable compensation, and in the case of employees participating in the
12 hybrid cash balance plan, employee contributions, employer credits, and interest
13 credits, for a period of active military duty of up to six (6) years, provided:

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

16 1. After he or she began participating in the system and provided the
17 employee was on leave of absence from the employer and did not
18 withdraw his or her accumulated account balance; or

19 2. Prior to the date he or she began participating in the system and
20 terminated employment with his or her employer;

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

23 (c) His or her discharge military service was terminated in a manner other than as
24 described in 38 U.S.C. sec. 4304; and

25 (d) He or she returns to work with an employer participating in the system within
26 two (2) years after completion of the period of active military duty, or upon
27 the subsequent termination of any total disability which existed at the

1 expiration of the two (2) years after discharge.

2 For periods of active military duty that meet the requirements of this subsection, the
3 employer shall pay the employer contributions payable under KRS 61.565, 61.702,
4 78.5536, and 78.635.

5 (2) (a) Omitted Service. Any person who is entitled to service credit for employment
6 which was not reported by the employer in accordance with KRS 16.543,
7 61.543, or 78.615 may obtain credit for the service subject to the provisions of
8 this subsection.

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

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

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

21 1. Be considered service credited under KRS 16.543(1), 61.543(1), or
22 78.615(1) for purposes of determining eligibility for retirement benefits
23 under KRS 78.510 to 78.852; and

24 2. Not be credited to the member's account until the employer contributions
25 due and any interest or penalties on the delinquent employer
26 contributions for the period of omitted service are received by the
27 system.

- 1 (e) Employees who begin participating on or after January 1, 2014, in the hybrid
2 cash balance plan provided by KRS 16.583 or 61.597 or 78.5512 or 78.5516
3 shall, upon payment of the employee and employer contributions due under
4 this subsection, have their accumulated account balance increased by the
5 employee contributions, employer pay credits, and interest credits that would
6 have been credited to their member's account if the contributions had been
7 paid on time.
- 8 (f) Contributions payable by the employer under this subsection for omitted
9 service shall be considered delinquent from the date the employee should have
10 been reported and received service credit in accordance with KRS 16.543,
11 61.543, and 78.615.
- 12 (3) (a) Recontribution of a Refund. Any employee participating in one (1) of the
13 state-administered retirement systems who has been refunded his or her
14 accumulated account balance under the provisions of KRS 61.625, thereby
15 losing service credit in the system, may regain the credit by paying to the
16 system the amount or amounts refunded by the system with interest at a rate
17 determined by the board. Service purchased under this subsection on or after
18 January 1, 2014, shall not be used to determine the member's participation
19 date in the systems.
- 20 (b) Recontribution of a refund purchased under this subsection shall not be used
21 in determining a retirement allowance until the member has accrued at least
22 six (6) months of service credit in a state-administered retirement system,
23 excluding the service purchased under this subsection. If the member does not
24 accrue at least six (6) months of service credit in a state-administered
25 retirement system, excluding service purchased under this subsection, then the
26 payment plus interest as provided in KRS 16.560, 61.575, or 78.640 shall be
27 refunded upon retirement, death, or written request following termination of

1 employment. The service requirement shall be waived if the member dies or
2 becomes disabled as provided for by KRS 16.582, 61.600, 61.621, 78.5522, or
3 78.5524.

4 (4) (a) Summer Months. Any employee participating in one (1) of the state-
5 administered retirement systems who is or has been employed by a school
6 board or community action agency participating in the County Employees
7 Retirement System or a state-operated school under KRS Chapter 167 or an
8 institution of higher learning participating in the Kentucky Employees
9 Retirement System, who receives service credit for less than twelve (12)
10 months each year, may purchase the additional months of service credit
11 needed to total one (1) year of service credit, except the amount purchased for
12 any specific year shall not exceed three (3) months.

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

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

27 (d) This subsection shall not apply to members who began participating in the

1 County Employees Retirement System on or after January 1, 2014.

2 (5) Vested Service Purchases. Any employee who began participating in the County
3 Employees Retirement System, the Kentucky Employees Retirement System, or the
4 State Police Retirement System prior to January 1, 2014, or who began
5 participating in the State Police Retirement System or in a hazardous position in
6 the County Employees Retirement System or the Kentucky Employees Retirement
7 System on or after January 1, 2023, or who is presumed under Section 1 of this
8 Act to have begun participating in the State Police Retirement System or in a
9 hazardous position in the County Employees Retirement System or the Kentucky
10 Employees Retirement System immediately prior to January 1, 2014, who is
11 vested may purchase service credit for:

12 (a) Past service. "Past service" means periods of employment:

- 13 1. Between July 1, 1956, in the case of the Kentucky Employees
14 Retirement System, or July 1, 1958, in the case of the County
15 Employees Retirement System, and the effective date of participation by
16 the employer;
- 17 2. Where the employee did not participate in the system due to the
18 employee not electing to participate as provided in KRS 61.525(2) or
19 78.540(1); and
- 20 3. With a public agency that did not participate in the Kentucky Employees
21 Retirement System but would have been eligible to participate under
22 KRS 61.520 or a political subdivision that did not participate in the
23 County Employees Retirement System but would have been eligible to
24 participate under KRS 78.530, provided the public agency or political
25 subdivision has merged with or been taken over by a participating
26 employer;

27 (b) State university service, provided the university does not participate in a state-

1 administered retirement system and the university service being purchased
2 was in a nonteaching position that did not participate in a defined benefit
3 retirement program;

- 4 (c) 1. Up to ten (10) years of out-of-state service. "Out-of-state" means service
5 credited to a state or local government-administered public defined
6 benefit plan in another state that is not a defined benefit plan for
7 teachers.
- 8 2. Up to ten (10) years of out-of-state hazardous service. "Out-of-state
9 hazardous service" means service in a regular full-time position that was
10 credited to a defined benefit retirement plan administered by a state or
11 local government in another state, if the service could be certified as
12 hazardous pursuant to KRS 61.592 or 78.5520, as applicable. The
13 employee may purchase out-of-state hazardous service under this
14 subparagraph provided the employee is vested to receive benefits from
15 the State Police Retirement System or hazardous duty benefits from the
16 Kentucky Employees Retirement System or the County Employees
17 Retirement System.

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

- 21 (d) Active military duty, which means periods of active military duty in the
22 Armed Forces of the United States, provided:
- 23 1. The employee's military service was terminated in a manner other than
24 as described in 38 U.S.C. sec. 4304; and
- 25 2. The service has not been credited as free military service under
26 subsection (1) of this section;

27 (e) National Guard service. An employee may purchase one (1) month of service

- 1 for each six (6) months of service in the National Guard or the military
2 reserves of the United States. The service shall be treated as service earned
3 prior to participation in the system;
- 4 (f) Federal service. "Federal service" means service with the United States
5 government, that is not service in the Armed Forces;
- 6 (g) Seasonal, emergency, interim, probationary, or temporary employment or part-
7 time employment as provided by KRS 61.510(21) or 78.510(21) averaging
8 one hundred (100) or more hours of work per month on a calendar or fiscal
9 year basis. If the average number of hours of work is less than one hundred
10 (100) per month, the member may purchase credit for only those months he or
11 she receives creditable compensation for one hundred (100) hours of work;
- 12 (h) Part-time employment in a noncertified position at a school board prior to the
13 1990-91 school year which averaged eighty (80) or more hours of work per
14 month on a calendar or fiscal year basis. If the average number of hours of
15 work is less than eighty (80) per month, the noncertified employee of a school
16 board shall be allowed to purchase credit only for those months he or she
17 receives creditable compensation for eighty (80) hours of work;
- 18 (i) Any period of:
- 19 1. Authorized maternity leave without pay or sick leave without pay;
 - 20 2. Unpaid leave authorized under the federal Family and Medical Leave
21 Act;
 - 22 3. Approved educational leave; and
 - 23 4. Agency-approved leave to work for a work-related labor organization if
24 the agency subsequently participated in the County Employees
25 Retirement System, but only if the board receives a favorable private
26 letter ruling from the United States Internal Revenue Service or a
27 favorable opinion letter from the United States Department of Labor;

- 1 (j) Non-participating employer service, which means periods of employment with
2 the following types of agencies provided the agency does not participate in a
3 state-administered retirement system:
- 4 1. A regional community services program for mental health organized and
5 operated under the provisions of KRS 210.370 to 210.480;
 - 6 2. A community action agency created under KRS 273.405 to 273.453. The
7 service provided by this subparagraph shall be purchased in the County
8 Employees Retirement System;
 - 9 3. An area development district created pursuant to KRS 147A.050; or
 - 10 4. A business development corporation created pursuant to KRS 155.001
11 to 155.230, provided the system receives a favorable private letter ruling
12 from the United States Internal Revenue Service or a favorable opinion
13 letter from the United States Department of Labor;
- 14 (k) Urban-county government service, which means employment in an urban-
15 county government position that would qualify for hazardous duty coverage
16 under KRS 61.592 or 78.5520. The provisions of this paragraph shall only be
17 applicable to vested members participating in the State Police Retirement
18 System or in a hazardous position in the Kentucky Employees Retirement
19 System or the County Employees Retirement System;
- 20 (l) Periods of service as assistants to officers and employees of the General
21 Assembly for persons who were unable to acquire service under KRS
22 61.510(20) for service performed after January 1, 1960;
- 23 (m) Service as a volunteer in the Kentucky Peace Corps, created by KRS 154.1-
24 720; and
- 25 (n) Employment with a vocational technical school in a noncertified part-time
26 position averaging eighty (80) or more hours per month, determined by using
27 the number of months actually worked within a calendar or fiscal year. The

1 service provided by this paragraph shall be purchased in the Kentucky
2 Employees Retirement System.

3 (6) Non-qualified service. Provided the employee's participation date in the system is
4 prior to July 15, 2002, and provided the employee has total service in all state-
5 administered retirement systems of at least one hundred eighty (180) months of
6 service credit, the employee may purchase a combined maximum total of five (5)
7 years of service credit, known as non-qualified service, which is not otherwise
8 purchasable under any of the provisions of KRS 16.505 to 16.652, 61.510 to
9 61.705, or 78.510 to 78.852. The service purchased under this paragraph shall not
10 be used in determining a retirement allowance until the member has accrued at least
11 two hundred forty (240) months of service, excluding service purchased under this
12 subsection. If the member does not accrue at least two hundred forty (240) months
13 of service, excluding service purchased under this subsection, upon retirement,
14 death, or written request following termination, the payment, plus interest as
15 provided in KRS 16.560, 61.575, or 78.640, as applicable, shall be refunded.

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

17 (a) Except for subsection (6) of this section, the service must qualify as regular
18 full-time as provided by KRS 61.510 and 78.510;

19 (b) No service credit may be purchased for periods already credited to the system
20 or another public defined benefit retirement fund, including non-qualified
21 service purchased in another state-administered retirement system;

22 (c) Except as provided by paragraph (a)2.a. of subsection (9) of this section, the
23 employee payment for service purchases shall not be picked up, as described
24 in KRS 16.545(4), 61.560(4), or 78.610(4), by the employer;

25 (d) Except for service purchased under subsection (2) or (3) of this section,
26 service purchases made pursuant to this section may be purchased by the
27 entire amount of service available or by increments. Service purchases made

- 1 pursuant to subsections (2) and (3) of this section shall only be purchased by
2 the entire amount of service available; and
- 3 (e) Service purchases as provided by subsections (5)(b), (5)(d) to (f), (5)(j)1., and
4 (6) of this section may be purchased in any system in which the member has
5 service credit.
- 6 (8) (a) Employer purchase of past service. Any employer participating in the system
7 may purchase service credit, between July 1, 1956, in the case of the Kentucky
8 Employees Retirement System, or July 1, 1958, in the case of the County
9 Employees Retirement System, and the participation date of the employer, for
10 present employees of the county or department who have elected coverage
11 under KRS 61.525(2) or 78.540(1), provided the employee began participating
12 in the system prior to January 1, 2014.
- 13 (b) A Kentucky Employees Retirement System employer shall pay the cost of the
14 service credit within the fiscal year the election is made to purchase the
15 service credit. A County Employees Retirement System employer may
16 purchase the service, with interest at the rate actuarially assumed by the board,
17 over a period not to exceed ten (10) years.
- 18 (c) If an employer elects to purchase service under the provisions of this
19 subsection, any present employee who would be eligible to receive service
20 credit under the provisions of this subsection and has purchased service credit
21 under subsection (5)(a) of this section shall have his or her payment for the
22 service credit refunded with interest at the rate paid under KRS 61.575 or
23 78.640; and
- 24 (d) Any payments made by an employer under this subsection shall be deposited
25 to the retirement allowance account of the system and these funds shall not be
26 considered accumulated contributions of the individual members.
- 27 (9) (a) An employee participating in the system may purchase service credit under

1 any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to
2 78.852 for which he or she is eligible to purchase, or as otherwise required by
3 38 U.S.C. ch. 43, by:

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

1 the applicable provisions of the Internal Revenue Code and any
2 regulations and rulings issued thereunder.

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

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

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

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

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

27 5. One (1) year of installment payments shall be made for each one

- 1 thousand dollars (\$1,000) or any part thereof of the total cost, except that
2 the total period allowed for installments shall not be less than one (1)
3 year and shall not exceed five (5) years.
- 4 6. The employee shall pay the installments by payroll deduction for after-
5 tax purchase of service agreements, and the employer shall pick up
6 installments for before-tax purchase of service agreements. Upon
7 notification by the system, the employer shall report the installment
8 payments monthly continuously over each twelve (12) month period at
9 the same time as, but separate from, regular employee contributions on
10 the forms or by the computer format specified by the board.
- 11 7. The system shall determine how much of the total cost represents
12 payment for one (1) month of the service to be purchased and shall
13 credit one (1) month of service to the member's account each time this
14 amount has been paid. The first service credited shall represent the first
15 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 system, or elects to stop an after-tax installment
21 purchase of service agreement, the member, or in the case of death, the
22 beneficiary, shall have sixty (60) days to pay the remaining principal or a
23 portion of the remaining principal of the installment purchase of service
24 agreement by lump sum, subject to the restrictions of paragraph (a)1. of
25 this subsection, or by transfer of funds under paragraph (a)3. of this
26 subsection, except that payment by the member shall be filed with the
27 system prior to the member's effective retirement date. If the member or

1 beneficiary does not pay the remaining cost, the system shall refund to
2 the member or the beneficiary the payment, payments, or portion of a
3 payment that does not represent a full month of service purchased,
4 except as provided by subsection (6) of this section.

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

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

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

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

26 (10) (a) The cost of purchasing service credit under any provision of this section,
27 except as provided by subsections (1) to (3) of this section, shall be

1 determined by multiplying the higher of the employee's current rate of pay,
2 final rate of pay, or final compensation as of the end of the month in which the
3 purchase is made times the actuarial factor times the number of years of
4 service being purchased. The actuarial factor used to determine the cost of
5 purchasing service credit shall assume the earliest date the member may retire
6 without a reduction in benefits and the cost-of-living adjustments provided to
7 members upon retirement.

8 (b) Service purchased on or after August 1, 2004, under the provisions of KRS
9 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, except for service
10 purchased under subsections (1) to (3) of this section, shall not be used to
11 determine eligibility for or the amount of the monthly insurance contribution
12 under KRS 61.702 or 78.5536.

13 (c) For a member whose participation begins on or after August 1, 2004, service
14 purchased under the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or
15 78.510 to 78.852, except for service purchased under subsections (1) to (3) of
16 this section:

17 1. Shall not be used to determine eligibility for a retirement allowance
18 under disability retirement, early retirement, normal retirement, or upon
19 death of the member under any of the provisions of KRS 16.505 to
20 16.652, 61.510 to 61.705, or 78.510 to 78.852; and

21 2. Shall only be used to determine the amount of the retirement allowance
22 of a member who is eligible for a retirement allowance under disability,
23 early retirement, normal retirement, or upon death of the member under
24 any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or
25 78.510 to 78.852, based on service earned as a participating employee.

26 ➔Section 15. KRS 61.575 is amended to read as follows:

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

- 1 (a) All members' contributions, or contributions picked up by the employer after
2 August 1, 1982, and interest allowances as provided in KRS 61.510 to 61.692
3 shall be credited, except as provided by KRS 61.702(3)(b); and
- 4 (b) For members who begin participating in a nonhazardous position in the
5 system on or after January 1, 2014, and for those members who make an
6 election under subsection (3) of Section 1 of this Act or Section 7 of this
7 Act, the employer pay credit and interest credited on such amounts as
8 provided by KRS 16.583 and 61.597 shall be credited.

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

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

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

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

23 (c) For a member who begins participating on or after September 1, 2008, but
24 prior to January 1, 2014, or who begins participating in a hazardous position
25 on or after January 1, 2023, for his or her service in a hazardous position,
26 or who is presumed under Section 1 of this Act to have begun participating
27 in a hazardous position immediately prior to January 1, 2014, interest shall

1 be credited to his or her individual account at a rate of two and one-half
 2 percent (2.5%) per annum on the accumulated account balance of the member
 3 on June 30 of the preceding fiscal year.

4 (d) For a member who begins participating on or after January 1, 2014, in the
 5 hybrid cash balance plan, **and for those members making an election under**
 6 **subsection (3) of Section 1 of this Act or Section 7 of this Act,** interest shall
 7 be credited in accordance with KRS 16.583 and 61.597.

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

10 (4) (a) Upon the retirement of a member who began participating in the system prior
 11 to January 1, 2014, **or who begins participating in a hazardous position on**
 12 **or after January 1, 2023, or who is presumed under Section 1 of this Act to**
 13 **have begun participating in a hazardous position immediately prior to**
 14 **January 1, 2014,** his or her accumulated account balance shall be transferred
 15 from the members' account to the retirement allowance account.

16 (b) Upon the retirement of a member who began participating in the system on or
 17 after January 1, 2014, **and a member making an election under subsection**
 18 **(3) of Section 1 of this Act or Section 7 of this Act,** who elects to annuitize
 19 his or her accumulated account balance as prescribed by KRS 16.583(7)(a),
 20 **except as otherwise provided under Section 1 of this Act,** or 61.597(8)~~(7)~~(a)
 21 or (b), the member's accumulated account balance shall be transferred to the
 22 retirement allowance account.

23 ➔Section 16. KRS 61.597 is amended to read as follows:

24 (1) A member of the Kentucky Employees Retirement System who is participating in a
 25 nonhazardous position, whose participation in the systems begins on or after
 26 January 1, 2014, and those members making an election pursuant to KRS 61.5955,
 27 shall receive the retirement benefits provided by this section in lieu of the retirement

1 benefits provided under KRS 61.559 and 61.595. The retirement benefit provided
2 by this section shall be known as the hybrid cash balance plan and shall operate as
3 another benefit tier within the Kentucky Employees Retirement System.

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

6 (a) Contributions made by the member as provided by KRS 16.505 to 16.652 and
7 61.510 to 61.705, except for employee contributions prescribed by KRS
8 61.702(3)(b);

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

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

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

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

21 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
22 contributed to the hybrid cash balance plan or the County Employees
23 Retirement System during the fiscal year.

24 (b) If the member contributed to the hybrid cash balance plan or the County
25 Employees Retirement System during the fiscal year, the interest credit added
26 to the member's account for that fiscal year shall be determined by multiplying
27 the member's accumulated account balance on June 30 of the preceding fiscal

1 year by a percentage increase equal to:

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

5 (c) If the member did not contribute to the hybrid cash balance plan or the County
6 Employees Retirement System during the fiscal year, the interest credit added
7 to the member's account for that fiscal year shall be determined by multiplying
8 the member's accumulated account balance on June 30 of the preceding fiscal
9 year by a percentage increase equal to four percent (4%).

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

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

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

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

1 service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to
2 take a refund of his or her accumulated account balance as provided by KRS
3 61.625, 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 retire:

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

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

14 **(7) A member who has hazardous service credit presumed under Section 1 of this Act**
15 **to be service credit earned immediately prior to January 1, 2014, and**
16 **nonhazardous service credit earned on or after January 1, 2014, in the hybrid**
17 **cash balance plan or the County Employees Retirement System, who is eligible**
18 **for a reduced or unreduced benefit under Sections 2 and 3 of this Act when his or**
19 **her hazardous service credit and nonhazardous service credit are consolidated**
20 **pursuant to Section 18 of this Act, shall be eligible to retire from the hybrid cash**
21 **balance plan at the same time with a benefit amount calculated by the board's**
22 **actuary to reflect the earlier commencement of benefits. The actuarial calculation**
23 **of benefits shall not apply if the member satisfies the requirements provided in**
24 **subsection (6) of this section.**

25 ~~(8)~~[(7)] A member eligible to retire under subsection (6) of this section may elect to:

26 (a) Receive a monthly retirement allowance payable for life by having his or her
27 accumulated account balance annuitized by the retirement systems in

1 accordance with the actuarial assumptions and actuarial methods adopted by
2 the board and in effect on the member's retirement date;

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

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

7 ~~(9)~~⁽⁸⁾ The provisions of this section shall not apply to members who began
8 participating in the Kentucky Employees Retirement System prior to January 1,
9 2014, except for those members who make an election pursuant to KRS 61.5955.

10 ➔Section 17. KRS 61.615 is amended to read as follows:

11 (1) If the board's medical examiner determines that a recipient of a disability retirement
12 allowance is, prior to his or her normal retirement date, employed in a position with
13 the same or similar duties, or in a position with duties requiring greater residual
14 functional capacity and physical exertion, as the position from which he or she was
15 disabled, except where the recipient has returned to work on a trial basis not to
16 exceed nine (9) months, the system may reduce or discontinue the retirement
17 allowance. Each recipient of a disability retirement allowance who is engaged in
18 gainful employment shall notify the system of any employment; otherwise, the
19 system shall have the right to recover payments of a disability retirement allowance
20 made during the employment.

21 (2) If the board's medical examiner determines that a recipient of a disability retirement
22 allowance is, prior to his or her normal retirement date, no longer incapacitated by
23 the bodily injury, mental illness, or disease for which he or she receives a disability
24 retirement allowance, the board may reduce or discontinue the retirement
25 allowance.

26 (3) The system shall have full power and exclusive authority to reduce or discontinue a
27 disability retirement allowance and the system shall utilize the services of a medical

1 examiner as provided in KRS 61.665, in determining whether to continue, reduce,
2 or discontinue a disability retirement allowance under this section.

3 (a) The system shall select a medical examiner to evaluate the forms and medical
4 information submitted by the person. If there is objective medical evidence of
5 a mental impairment, the medical examiner may request the board's licensed
6 mental health professional to assist in determining the level of the mental
7 impairment.

8 (b) The medical examiners shall be paid a reasonable amount by the retirement
9 system for each case evaluated.

10 (c) The medical examiner shall recommend that disability retirement allowance
11 be continued, reduced, or discontinued.

12 1. If the medical examiner recommends that the disability retirement
13 allowance be continued, the system shall make retirement payments in
14 accordance with the retirement plan selected by the person.

15 2. If the medical examiner recommends that the disability retirement
16 allowance be reduced or discontinued, the system shall send notice of
17 the recommendation by United States first-class mail to the person's last
18 address on file in the retirement office.

19 a. The person shall have sixty (60) days from the day that the system
20 mailed the notice to file at the retirement office additional
21 supporting employment or medical information and certify to the
22 retirement office that the forms and additional supporting
23 employment information or medical information are ready to be
24 evaluated by the medical examiner or to appeal the
25 recommendation of the medical examiner to reduce or discontinue
26 the disability retirement allowance by filing at the retirement office
27 a request for a formal hearing.

- 1 b. If the person fails or refuses to file at the retirement office the
2 forms, the additional supporting employment information, and
3 current medical information or to appeal the recommendation of
4 the medical examiners to reduce or discontinue the disability
5 retirement allowance, his or her retirement allowance shall be
6 discontinued on the first day of the month following the expiration
7 of the period of the sixty (60) days from the day the system mailed
8 the notice of the recommendation to the person's last address on
9 file in the retirement office.
- 10 (d) The medical examiner shall make a recommendation based upon the
11 evaluation of additional supporting medical information submitted in
12 accordance with paragraph (c)2.a. of this subsection.
- 13 1. If the medical examiner recommends that the disability retirement
14 allowance be continued, the system shall make disability retirement
15 payments in accordance with the retirement plan selected by the person.
- 16 2. If the medical examiner recommends that the disability retirement
17 allowance be reduced or discontinued based upon the evaluation of
18 additional supporting medical information, the system shall send notice
19 of this recommendation by United States first-class mail to the person's
20 last address on file in the retirement office.
- 21 a. The person shall have sixty (60) days from the day that the system
22 mailed the notice of the recommendation to appeal the
23 recommendation to reduce or discontinue the disability retirement
24 allowance by filing at the retirement office a request for formal
25 hearing.
- 26 b. If the person fails or refuses to appeal the recommendation of the
27 medical examiners to reduce or discontinue the disability

1 retirement allowance, his or her retirement allowance shall be
2 discontinued on the first day of the month following the expiration
3 of the period of the sixty (60) days from the day the system mailed
4 the notice of the recommendation to the person's last address on
5 file in the retirement office.

6 (e) Any person whose disability benefits have been reduced or discontinued,
7 pursuant to paragraph (c)2. or (d)2. of this subsection, may file at the
8 retirement office a request for formal hearing to be conducted in accordance
9 with KRS Chapter 13B. The right to demand a formal hearing shall be limited
10 to a period of sixty (60) days after the person had notice, as described in
11 paragraph (c) or (d) of this subsection. The request for formal hearing shall be
12 filed with the system, at the retirement office in Frankfort. The request for
13 formal hearing shall include a short and plain statement of the reasons the
14 reduction, discontinuance, or denial of disability retirement is being contested.

15 (f) Failure of the person to request a formal hearing within the period of time
16 specified shall preclude the person from proceeding any further with
17 contesting the reduction or discontinuation of disability retirement allowance,
18 except as provided in subsection (6)(d) of this section. This paragraph shall
19 not limit the person's right to appeal to a court.

20 (g) A final order of the board shall be based on substantial evidence appearing in
21 the record as a whole and shall set forth the decision of the board and the facts
22 and law upon which the decision is based. If the board orders that the person's
23 disability retirement allowance be discontinued or reduced, the order shall
24 take effect on the first day of the month following the day the system mailed
25 the order to the person's last address on file in the retirement office. Judicial
26 review of the final board order shall not operate as a stay and the system shall
27 discontinue or reduce the person's disability retirement allowance as provided

1 in this section.

2 (h) Notwithstanding any other provisions of this section, the system may require
3 the person to submit to one (1) or more medical or psychological
4 examinations at any time. The system shall be responsible for any costs
5 associated with any examinations of the person requested by the medical
6 examiner or the system for the purpose of providing medical information
7 deemed necessary by the medical examiner or the system. Notice of the time
8 and place of the examination shall be mailed to the person or his or her legal
9 representative. If the person fails or refuses to submit to one (1) or more
10 medical examinations, his or her rights to further disability retirement
11 allowance shall cease.

12 (i) All requests for a hearing pursuant to this section shall be made in writing.

13 (4) The board may establish an appeals committee whose members shall be appointed
14 by the chair and who shall have the authority to act upon the recommendations and
15 reports of the hearing officer pursuant to this section on behalf of the board.

16 (5) Any person aggrieved by a final order of the board may seek judicial review after all
17 administrative appeals have been exhausted by filing a petition for judicial review
18 in the Franklin Circuit Court in accordance with KRS Chapter 13B.

19 (6) If a disability retirement allowance is reduced or discontinued for a person who
20 began participating in the system prior to January 1, 2014, or a person in a
21 hazardous position who began participating on or after January 1, 2023, or a
22 person who is presumed under Section 1 of this Act to have begun participating
23 in a hazardous position immediately prior to January 1, 2014, the person may
24 apply for early retirement benefits as provided under KRS 61.559, subject to the
25 following provisions:

26 (a) The person may not change his or her beneficiary or payment option, except
27 as provided by KRS 61.542(5);

- 1 (b) If the person has returned to employment with an employer participating in
2 one (1) of the systems administered by Kentucky Retirement Systems, the
3 service and creditable compensation shall be used in recomputing his or her
4 benefit, except that the person's final compensation shall not be less than the
5 final compensation last used in determining his or her retirement allowance;
- 6 (c) The benefit shall be reduced as provided by KRS 61.595(2);
- 7 (d) The person shall remain eligible for reinstatement of his or her disability
8 allowance upon reevaluation by the medical review board until his or her
9 normal retirement age. The person shall apply for reinstatement of disability
10 benefits in accordance with the provisions of this section. An application for
11 reinstatement of disability benefits shall be administered as an application
12 under KRS 61.600, and only the bodily injuries, mental illnesses, diseases, or
13 conditions for which the person was originally approved for disability benefits
14 shall be considered. Bodily injuries, mental illnesses, diseases, or conditions
15 that came into existence after the person's last day of paid employment shall
16 not be considered as a basis for reinstatement of disability benefits. Bodily
17 injuries, mental illnesses, diseases, or conditions alleged by the person as
18 being incapacitating, but which were not the basis for the award of disability
19 retirement benefits, shall not be considered. If the person establishes that the
20 disability benefits should be reinstated, the retirement system shall pay
21 disability benefits effective from the first day of the month following the
22 month in which the person applied for reinstatement of the disability benefits;
23 and
- 24 (e) Upon attaining normal retirement age, the person shall receive the higher of
25 either his or her disability retirement allowance or his or her early retirement
26 allowance.
- 27 (7) No disability retirement allowance shall be reduced or discontinued by the system

1 after the person's normal retirement date except in case of reemployment as
 2 provided for by KRS 61.637. If a disability retirement allowance has been reduced
 3 or discontinued, except if the person is reemployed as provided for by KRS 61.637,
 4 the retirement allowance shall be reinstated upon attainment of the person's normal
 5 retirement date to the retirement allowance prior to adjustment. No reinstated
 6 payment shall be less than the person is receiving upon attainment of the person's
 7 normal retirement date.

8 ➔Section 18. KRS 61.680 is amended to read as follows:

9 (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to
 10 any deduction from his or her compensation required by KRS 6.500 to 6.535,
 11 16.505 to 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions
 12 thereof. Thereafter, employee contributions shall be picked up by the employer
 13 pursuant to KRS 61.560(4).

14 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to
 15 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:

16 1. Upon death, disability, or service retirement, a member's accounts under
 17 the Legislators' Retirement Plan, State Police Retirement System,
 18 Kentucky Employees Retirement System, County Employees Retirement
 19 System, and Teachers' Retirement System, except for service prohibited
 20 by KRS 161.623(2), shall be consolidated for the purpose of determining
 21 eligibility and amount of benefits, including:

22 a. ~~those~~ Members who participate in the hybrid cash balance plan
 23 within the Kentucky Employees Retirement System, the County
 24 Employees Retirement System, and the State Police Retirement
 25 System, on or after January 1, 2014; and ~~;~~

26 b. Members who are presumed under Section 1 of this Act to begin
 27 participating in a hazardous position immediately prior to

1 *January 1, 2014, and have nonhazardous service credit in the*
 2 *hybrid cash balance plan of either the Kentucky Employees*
 3 *Retirement System or the County Employees Retirement System;*

4 and regardless of the transition of administration of the County
 5 Employees Retirement System to the County Employees Retirement
 6 System board of trustees;

7 2. Vested service credit in a retirement system, other than the Teachers'
 8 Retirement System, sponsored by a Kentucky institution of higher
 9 education and accepted by the Kentucky Employees Retirement System
 10 or the County Employees Retirement System, may be used to determine
 11 eligibility for twenty-seven (27) year retirement for an employee who
 12 begins participating before September 1, 2008, but not the amount of
 13 benefits;

14 3. The computation of benefits shall be based on the applicable formula in
 15 each system and service credit in each system, but the final
 16 compensation, excluding compensation earned under KRS 161.155(10),
 17 shall be determined as if all service were in one (1) system, *including*
 18 *for those members who are presumed under Section 1 of this Act to*
 19 *begin participating in a hazardous position immediately prior to*
 20 *January 1, 2014, and have nonhazardous service credit in the hybrid*
 21 *cash balance plan of either the Kentucky Employees Retirement*
 22 *System or the County Employees Retirement System;*

23 4. If the member has prior service in more than one (1) system
 24 administered by Kentucky Retirement Systems, he or she shall obtain at
 25 least twelve (12) months' current service in each system in which he or
 26 she has prior service in order to validate the prior service in each system
 27 for purposes of determining consolidated benefits under this subsection;

1 and

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

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

6 1. Notifies the system of his or her desire to maintain separate retirement
7 accounts in the State Police Retirement System, Kentucky Employees
8 Retirement System, or County Employees Retirement System; or

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

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

18 (3) (a) A member with service credit in the Kentucky Employees Retirement System,
19 State Police Retirement System, or the County Employees Retirement System
20 who becomes the holder of an office entitling him or her to membership in the
21 Judicial Retirement Plan or the Legislators' Retirement Plan, but who does not
22 elect within thirty (30) days after taking office in such service to participate in
23 the plan, in accordance with KRS 6.505 or 21.360, shall be deemed to have
24 elected to retain membership in the system in which he or she is a member,
25 either the Kentucky Employees Retirement System, State Police Retirement
26 System, or the County Employees Retirement System. In that event, the
27 agency employing the member shall withhold employee contributions, or

1 picked-up employee contributions after August 2, 1982, make employer
2 contributions and remit these contributions to the system in which the member
3 retained his or her membership.

4 (b) Any person entitled to membership in the Judicial Retirement Plan or the
5 Legislators' Retirement Plan, who does not elect within thirty (30) days after
6 taking office to participate in the plan, in accordance with KRS 6.505 or
7 21.360, and who at the time of taking office is not a contributing member of,
8 or does not have service credit in, any of the retirement systems mentioned in
9 this section, or the Teachers' Retirement System, shall participate in the
10 Kentucky Employees Retirement System.

11 (c) A member of one (1) of the state-administered retirement plans who ceases to
12 contribute to the plan as provided in KRS 21.360 and who is employed in a
13 nonelected position by an agency participating in the Kentucky Retirement
14 Systems or Kentucky Teachers' Retirement System shall be deemed to have
15 elected membership in the system in which the employer of the nonelected
16 position participates. A member of one (1) of the state-administered
17 retirement plans who ceases to contribute to the plan as provided in KRS
18 21.360 and who is not employed in a nonelected position by an agency
19 participating in the Kentucky Retirement Systems shall be deemed to have
20 elected membership in the Kentucky Employees Retirement System.

21 (4) (a) Prior to July 1, 1976, a person entering the service of an employer
22 participating in the Kentucky Employees Retirement System or the County
23 Employees Retirement System with service credit in the Teachers' Retirement
24 System and who desires to retain membership in the Teachers' Retirement
25 System, and who is permitted by that system to continue, shall be exempt
26 from participating in the Kentucky Employees Retirement System or the
27 County Employees Retirement System.

- 1 (b) Any person who has elected to retain membership in the Teachers' Retirement
2 System as provided in paragraph (a) of this subsection may cancel his or her
3 election and participate in the system under which his or her position would
4 normally participate, if he or she elects to cancel his or her option prior to
5 January 1, 1977.
- 6 (c) Any member of the General Assembly who upon election is a contributing
7 member of the Teachers' Retirement System and who does not elect within
8 thirty (30) days after taking office to participate in the Legislators' Retirement
9 Plan, in accordance with KRS 6.505, shall during his or her term of office
10 participate in the Kentucky Employees Retirement System unless an election
11 to retain membership in the Teachers' Retirement System is filed in writing
12 within ninety (90) days after his or her term of office begins. No contributions
13 may be made to the Teachers' Retirement System for the same period of
14 service under the Legislators' Retirement Plan or the Kentucky Employees
15 Retirement System as a member of the General Assembly, but contributions
16 made to the Teachers' Retirement System while a member of the General
17 Assembly shall be transferred to the Legislators' Retirement Plan, as provided
18 for in KRS 6.535, when the member elects to join the Legislators' Retirement
19 Plan, and service credit in the Legislators' Retirement Plan shall be granted as
20 provided for in KRS 6.505(5).
- 21 (5) Any member of the Kentucky Employees Retirement System or County Employees
22 Retirement System who is working in a position covered by one (1) of these
23 retirement systems and his or her employee contributions, service credit and
24 employer contributions made on his or her behalf are being transferred to the other
25 retirement system shall contribute to the system in which his or her employer
26 participates, or after August 1, 1982, the employer shall pick up the employee
27 contributions, and no further contributions or service credit shall be transferred to

1 the system in which he or she elected to retain membership, as subsection (2) of this
2 section eliminates the necessity of the transfers.

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

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

1 Retirement Plan, or Teachers' Retirement System and only as much of the
2 compensation earned in the Judicial Retirement Plan as is needed to satisfy the
3 final compensation requirement applicable in the respective retirement
4 systems.

5 (b) Paragraph (a) of this subsection shall be waived if the member fails to
6 simultaneously retire from all state-administered retirement systems in which
7 the member has an account or fails to retire from any other systems not
8 administered by Kentucky Retirement Systems within one (1) month of the
9 member's effective retirement date in the systems administered by the
10 Kentucky Retirement Systems.

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

15 ➔Section 19. KRS 78.510 is amended to read as follows:

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

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

- 1 determine the eligibility of the agency to participate;
- 2 (4) "School board" means any board of education participating in the system by order
3 appropriate to its governmental structure, as provided in KRS 78.530, and if the
4 board is willing to accept the agency or corporation, the board being hereby granted
5 the authority to determine the eligibility of the agency to participate;
- 6 (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- 7 (6) "Employee" means every regular full-time appointed or elective officer or employee
8 of a participating county and the coroner of a participating county, whether or not he
9 or she qualifies as a regular full-time officer. The term shall not include persons
10 engaged as independent contractors, seasonal, emergency, temporary, and part-time
11 workers. In case of any doubt, the board shall determine if a person is an employee
12 within the meaning of KRS 78.510 to 78.852;
- 13 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected
14 officials of a county, or any authority of the county having the power to appoint or
15 elect an employee to office or employment in the county;
- 16 (8) "Member" means any employee who is included in the membership of the system or
17 any former employee whose membership has not ceased under KRS 78.535;
- 18 (9) "Service" means the total of current service and prior service as defined in this
19 section;
- 20 (10) "Current service" means the number of years and months of employment as an
21 employee, on and after July 1, 1958, for which creditable compensation is paid and
22 employee contributions deducted, except as otherwise provided;
- 23 (11) "Prior service" means the number of years and completed months, expressed as a
24 fraction of a year, of employment as an employee, prior to July 1, 1958, for which
25 creditable compensation was paid. An employee shall be credited with one (1)
26 month of prior service only in those months he or she received compensation for at
27 least one hundred (100) hours of work. Twelve (12) months of current service in the

1 system shall be required to validate prior service;

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

11 (13) "Creditable compensation":

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

23 (b) Includes:

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

- 1 2. Cases where compensation includes maintenance and other perquisites,
2 but the board shall fix the value of that part of the compensation not paid
3 in money;
- 4 3. Lump-sum payments for creditable compensation paid as a result of an
5 order of a court of competent jurisdiction, the Personnel Board, or the
6 Commission on Human Rights, or for any creditable compensation paid
7 in anticipation of settlement of an action before a court of competent
8 jurisdiction, the Personnel Board, or the Commission on Human Rights,
9 including notices of violations of state or federal wage and hour statutes
10 or violations of state or federal discrimination statutes, which shall be
11 credited to the fiscal year during which the wages were earned or should
12 have been paid by the employer. This subparagraph shall also include
13 lump-sum payments for reinstated wages pursuant to KRS 61.569,
14 which shall be credited to the period during which the wages were
15 earned or should have been paid by the employer;
- 16 4. Amounts which are not includable in the member's gross income by
17 virtue of the member having taken a voluntary salary reduction provided
18 for under applicable provisions of the Internal Revenue Code; and
- 19 5. Elective amounts for qualified transportation fringes paid or made
20 available on or after January 1, 2001, for calendar years on or after
21 January 1, 2001, that are not includable in the gross income of the
22 employee by reason of 26 U.S.C. sec. 132(f)(4); and
- 23 (c) Excludes:
- 24 1. Living allowances, expense reimbursements, lump-sum payments for
25 accrued vacation leave, sick leave except as provided in KRS 78.616(5),
26 and other items determined by the board;
- 27 2. For employees who begin participating on or after September 1, 2008,

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

8 (14) "Final compensation" means:

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

- 1 (c) For a member who begins participating before September 1, 2008, who is
2 employed in a hazardous position, as provided in KRS 61.592, the creditable
3 compensation of the member during the three (3) fiscal years he or she was
4 paid at the highest average monthly rate divided by the number of months of
5 service credit during that three (3) year period multiplied by twelve (12). The
6 three (3) years may be fractional and need not be consecutive. If the number of
7 months of service credit during the three (3) year period is less than twenty-
8 four (24), one (1) or more additional fiscal years, which may contain less than
9 twelve (12) months of service credit, shall be used;
- 10 (d) For a member who begins participating on or after September 1, 2008, but
11 prior to January 1, 2014, who is employed in a nonhazardous position, the
12 creditable compensation of the member during the five (5) complete fiscal
13 years immediately preceding retirement divided by five (5). Each fiscal year
14 used to determine final compensation must contain twelve (12) months of
15 service credit. If the member does not have five (5) complete fiscal years that
16 each contain twelve (12) months of service credit, then one (1) or more
17 additional fiscal years, which may contain less than twelve (12) months of
18 service credit, shall be added until the number of months in the final
19 compensation calculation is at least sixty (60) months; or
- 20 (e) For a member who begins participating on or after September 1, 2008, but
21 prior to January 1, 2014, or a member who begins participating on or after
22 January 1, 2023, or a member who is presumed under Section 1 of this Act
23 to begin participating immediately prior to January 1, 2014, who is
24 employed in a hazardous position as provided in KRS 61.592, the creditable
25 compensation of the member during the three (3) complete fiscal years he or
26 she was paid at the highest average monthly rate divided by three (3). Each
27 fiscal year used to determine final compensation must contain twelve (12)

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

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

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

17 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
18 basis of the actuarial tables adopted by the board. In cases of disability retirement,
19 the options authorized by KRS 61.635 shall be computed by adding ten (10) years
20 to the age of the member, unless the member has chosen the Social Security
21 adjustment option as provided for in KRS 61.635(8), in which case the member's
22 actual age shall be used. For members who begin participating in the system prior to
23 January 1, 2014, or who begin participating in a hazardous position in the system
24 on or after January 1, 2023, or who are presumed under Section 1 of this Act to
25 begin participating in a hazardous position in the system immediately prior to
26 January 1, 2014, no disability retirement option shall be less than the same option
27 computed under early retirement;

- 1 (18) "Normal retirement date", unless otherwise provided in KRS 78.510 to 78.852,
2 means:
- 3 (a) For a member with service in a nonhazardous position, the sixty-fifth birthday
4 of a member;
- 5 (b) For a member with service in a hazardous position who begins participating
6 before September 1, 2008, the first day of the month following a member's
7 fifty-fifth birthday; or
- 8 (c) For a member with service in a hazardous position who begins participating
9 on or after September 1, 2008, the first day of the month following a member's
10 sixtieth birthday;
- 11 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
12 following June 30, which shall also be the plan year. The "fiscal year" shall be the
13 limitation year used to determine contribution and benefits limits as set out in 26
14 U.S.C. sec. 415;
- 15 (20) "Agency reporting official" means the person designated by the participating
16 employer who shall be responsible for forwarding all employer and employee
17 contributions and a record of the contributions to the system and for performing
18 other administrative duties pursuant to the provisions of KRS 78.510 to 78.852;
- 19 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean
20 all positions that average one hundred (100) or more hours per month, determined
21 by using the number of hours actually worked in a calendar or fiscal year, or eighty
22 (80) or more hours per month in the case of noncertified employees of school
23 boards, determined by using the number of hours actually worked in a calendar or
24 school year, unless otherwise specified, except:
- 25 (a) Seasonal positions, which although temporary in duration, are positions which
26 coincide in duration with a particular season or seasons of the year and that
27 may recur regularly from year to year, in which case the period of time shall

- 1 not exceed nine (9) months, except for employees of school boards, in which
2 case the period of time shall not exceed six (6) months;
- 3 (b) Emergency positions that are positions that do not exceed thirty (30) working
4 days and are nonrenewable;
- 5 (c) Temporary positions that are positions of employment with a participating
6 agency for a period of time not to exceed twelve (12) months and not
7 renewable;
- 8 (d) Probationary positions which are positions of employment with a participating
9 employer that do not exceed twelve (12) months and that are used uniformly
10 by the participating agency on new employees who would otherwise be
11 eligible for participation in the system. Probationary positions shall not be
12 renewable by the participating employer for the same employee, unless the
13 employee has not been employed with the participating employer for a period
14 of at least twelve (12) months; or
- 15 (e) Part-time positions that are positions that may be permanent in duration, but
16 that require less than a calendar or fiscal year average of one hundred (100)
17 hours of work per month, determined by using the number of months actually
18 worked within a calendar or fiscal year, in the performance of duty, except in
19 case of noncertified employees of school boards, the school term average shall
20 be eighty (80) hours of work per month, determined by using the number of
21 months actually worked in a calendar or school year, in the performance of
22 duty;
- 23 (22) "Alternate participation plan" means a method of participation in the system as
24 provided for by KRS 78.530(3);
- 25 (23) "Retired member" means any former member receiving a retirement allowance or
26 any former member who has on file at the retirement office the necessary
27 documents for retirement benefits and is no longer contributing to the system;

- 1 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
2 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
3 pay. The rate shall be certified by the employer;
- 4 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
5 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
6 in the event of the member's death. As used in KRS 78.5536, beneficiary shall not
7 mean an estate, trust, or trustee;
- 8 (26) "Recipient" means the retired member, the person or persons designated as
9 beneficiary by the member and drawing a retirement allowance as a result of the
10 member's death, or a dependent child drawing a retirement allowance. An alternate
11 payee of a qualified domestic relations order shall not be considered a recipient,
12 except for purposes of KRS 61.623;
- 13 (27) "Person" means a natural person;
- 14 (28) "School term or year" means the twelve (12) months from July 1 through the
15 following June 30;
- 16 (29) "Retirement office" means the Kentucky Public Pensions Authority office building
17 in Frankfort, unless otherwise designated by the Kentucky Public Pensions
18 Authority;
- 19 (30) "Vested" for purposes of determining eligibility for purchasing service credit under
20 KRS 61.552 means the employee has at least forty-eight (48) months of service if
21 age sixty-five (65) or older or at least sixty (60) months of service if under the age
22 of sixty-five (65). For purposes of this subsection, "service" means service in the
23 systems administered by the Kentucky Retirement Systems and County Employees
24 Retirement System;
- 25 (31) "Participating" means an employee is currently earning service credit in the system
26 as provided in KRS 78.615;
- 27 (32) "Month" means a calendar month;

- 1 (33) "Membership date" means the date upon which the member began participating in
2 the system as provided in KRS 78.615;
- 3 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
4 retired member, as defined by subsection (23) of this section;
- 5 (35) "Qualified domestic relations order" means any judgment, decree, or order,
6 including approval of a property settlement agreement, that:
- 7 (a) Is issued by a court or administrative agency; and
- 8 (b) Relates to the provision of child support, alimony payments, or marital
9 property rights to an alternate payee;
- 10 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
11 participant, who is designated to be paid retirement benefits in a qualified domestic
12 relations order;
- 13 (37) "Accumulated employer credit" means the employer pay credit deposited to the
14 member's account and interest credited on such amounts as provided by KRS
15 78.5512 and 78.5516;
- 16 (38) "Accumulated account balance" means:
- 17 (a) For members who began participating in the system prior to January 1, 2014,
18 the member's accumulated contributions; or
- 19 (b) For members who began participating in the system on or after January 1,
20 2014, in the hybrid cash balance plan as provided by KRS 78.5512 and
21 78.5516, **and for those making an election under subsection (3) of Section 1**
22 **of this Act or Section 7 of this Act,** the combined sum of the member's
23 accumulated contributions and the member's accumulated employer credit;
- 24 (39) "Volunteer" means an individual who:
- 25 (a) Freely and without pressure or coercion performs hours of service for an
26 employer participating in one (1) of the systems administered by Kentucky
27 Retirement Systems or the County Employees Retirement System without

1 receipt of compensation for services rendered, except for reimbursement of
2 actual expenses, payment of a nominal fee to offset the costs of performing
3 the voluntary services, or both; and

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

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

13 (41) "Nonhazardous position" means a position that does not meet the requirements of
14 KRS 78.5520 or has not been approved by the board as a hazardous position;

15 (42) "Hazardous position" means a position that meets the requirements of KRS 78.5520
16 and has been approved by the board as hazardous;

17 (43) "Level-percentage-of-payroll amortization method" means a method of determining
18 the annual amortization payment on the unfunded actuarial accrued liability as
19 expressed as a percentage of payroll over a set period of years. Under this method,
20 the percentage of payroll shall be projected to remain constant for all years
21 remaining in the set period and the unfunded actuarially accrued liability shall be
22 projected to be fully amortized at the conclusion of the set period;

23 (44) "Increment" means twelve (12) months of service credit which are purchased. The
24 twelve (12) months need not be consecutive. The final increment may be less than
25 twelve (12) months;

26 (45) "Last day of paid employment" means the last date employer and employee
27 contributions are required to be reported in accordance with KRS 16.543, 61.543, or

1 78.615 to the retirement office in order for the employee to receive current service
2 credit for the month. Last day of paid employment does not mean a date the
3 employee receives payment for accrued leave, whether by lump sum or otherwise, if
4 that date occurs twenty-four (24) or more months after previous contributions;

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

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

17 (48) "Act in line of duty" means, for purposes of members serving in a hazardous
18 position, an act occurring which was required in the performance of the principal
19 duties of the hazardous position as defined by the job description;

20 (49) "Dependent child" means a child in the womb and a natural or legally adopted child
21 of the member who has neither attained age eighteen (18) nor married or who is an
22 unmarried full-time student who has not attained age twenty-two (22). Solely in the
23 case of a member who dies as a direct result of an act in line of duty as defined in
24 this section or who dies as a result of a duty-related injury as defined in KRS
25 61.621, "dependent child" also means a naturally or legally adopted disabled child
26 of the member, regardless of the child's age, if the child has been determined to be
27 eligible for federal Social Security disability benefits or is being claimed as a

1 qualifying child for tax purposes due to the child's total and permanent disability;

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

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

7 (52) "Monthly average pay" means:

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

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

21 (53) "Authority" means the Kentucky Public Pensions Authority as provided by KRS
22 61.505; and

23 (54) "Executive director" means the executive director of the Kentucky Public Pensions
24 Authority.

25 ➔Section 20. KRS 78.545 is amended to read as follows:

26 The following matters shall be administered for the County Employees Retirement
27 System in the same manner subject to the same limitations and requirements as provided

- 1 for the Kentucky Employees Retirement System as follows:
- 2 (1) Statement of member and employer, as provided for by KRS 61.540;
 - 3 (2) Beneficiary to be designated by member, change, rights, as provided for by KRS
4 61.542;
 - 5 (3) Service credit determination, as provided for by KRS 61.545;
 - 6 (4) Retirement application procedure, effective retirement date, as provided for by KRS
7 61.590;
 - 8 (5) Refund of contributions, conditions, as provided for by KRS 61.625;
 - 9 (6) Refund of contributions, death after retirement, as provided for by KRS 61.630;
 - 10 (7) Recontribution and delayed contribution payments, purchase of service credit,
11 interest, and installment payments, as provided for by KRS 61.552;
 - 12 (8) Optional retirement plans, as provided for by KRS 61.635;
 - 13 (9) Board of trustees, conflict of interest, as provided for by KRS 61.655;
 - 14 (10) Custodian of funds, payments made, when, as provided for by KRS 61.660;
 - 15 (11) Medical examiners and hearing procedures, as provided for by KRS 61.665;
 - 16 (12) Correction of errors in records, as provided for by KRS 61.685;
 - 17 (13) Exemptions of retirement allowances, and qualified domestic relations orders, as
18 provided for by KRS 61.690;
 - 19 (14) Credit for service prior to membership date, as provided for by KRS 61.526;
 - 20 (15) Members' account, confidential, as provided for by KRS 61.661;
 - 21 (16) Consent of employees to deductions and reciprocal arrangement between systems,
22 as provided for by KRS 61.680;
 - 23 (17) Reinstated employee, contributions on creditable compensation, as provided for by
24 KRS 61.569;
 - 25 (18) Statement to be made under oath, good faith reliance, as provided for in KRS
26 61.699;
 - 27 (19) Direct deposit of recipient's retirement allowance as provided for in KRS 61.623;

- 1 (20) Death or disability from a duty-related injury as provided in KRS 61.621;
- 2 (21) Payment of small accounts upon death of member, retiree, or recipient without
3 formal administration of the estate as provided in KRS 61.703;
- 4 (22) Employer payment of increases in creditable compensation and adjustments to
5 creditable compensation during the last five (5) years of employment as provided by
6 KRS 61.598;
- 7 (23) Calculation of retirement allowance, as provided by KRS 61.599;~~and~~
- 8 (24) Benefit election for members of the Kentucky Retirement Systems as provided by
9 KRS 61.5955; and
- 10 **(25) Benefit change for members of the State Police Retirement System, members in a**
11 **hazardous position in the Kentucky Employees Retirement System, and members**
12 **in a hazardous position in the County Employees Retirement System, as provided**
13 **by Section 1 of this Act.**

14 Effective April 1, 2021, as it relates to KRS 61.590, 61.598, 61.655, 61.665, and 61.703,
15 references to "Kentucky Retirement Systems" or "systems administered by Kentucky
16 Retirement Systems" as it relates to benefit eligibility shall include the County Employees
17 Retirement System and references to "Kentucky Retirement Systems" or the "Kentucky
18 Retirement Systems board of trustees" as it relates to administrative decisions, duties,
19 requirements, or conflict of interest provisions shall for purposes of the County
20 Employees Retirement System mean the County Employees Retirement System or
21 County Employees Retirement System board of trustees, as applicable.

22 ➔Section 21. KRS 78.5512 is amended to read as follows:

- 23 (1) A member of the County Employees Retirement System who is participating in a
24 nonhazardous position and who began participating in the system on or after
25 January 1, 2014, or a member who makes an election pursuant to KRS 61.5955,
26 shall receive the retirement benefits provided by this section in lieu of the retirement
27 benefits provided under KRS 78.5510. The retirement benefit provided by this

1 section shall be known as the hybrid cash balance plan and shall operate as another
2 benefit tier within the County Employees Retirement System.

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

5 (a) Contributions made by the member as provided by KRS 78.510 to 78.852,
6 except for employee contributions prescribed by KRS 78.5536(3)(b);

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

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

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

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

19 (4) (a) On June 30 of each fiscal year, the system shall determine if the member
20 contributed to the hybrid cash balance plan or the Kentucky Retirement
21 Systems during the fiscal year.

22 (b) If the member contributed to the hybrid cash balance plan or the Kentucky
23 Retirement Systems during the fiscal year, the interest credit added to the
24 member's account for that fiscal year shall be determined by multiplying the
25 member's accumulated account balance on June 30 of the preceding fiscal year
26 by a percentage increase equal to:

27 1. Four percent (4%); plus

- 1 2. Seventy-five percent (75%) of the system's geometric average net
2 investment return in excess of a four percent (4%) rate of return.
- 3 (c) If the member did not contribute to the hybrid cash balance plan or the
4 Kentucky Retirement Systems during the fiscal year, the interest credit added
5 to the member's account for that fiscal year shall be determined by multiplying
6 the member's accumulated account balance on June 30 of the preceding fiscal
7 year by four percent (4%).
- 8 (d) For purposes of this subsection, "system's geometric average net investment
9 return":
- 10 1. Means the annual average geometric investment return, net of
11 administrative and investment fees and expenses, over the last five (5)
12 fiscal years as of the date the interest is credited to the member's
13 account; and
- 14 2. Shall be expressed as a percentage and based upon the system in which
15 the member has an account.
- 16 (e) No employer pay credits or interest credits shall be provided to a member who
17 has taken a refund of contributions as provided by KRS 61.625 or who has
18 retired and annuitized his or her accumulated account balance as prescribed by
19 this section.
- 20 (5) (a) Upon termination of employment, a member who has less than five (5) years
21 of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who
22 elects to take a refund of his or her accumulated account balance as provided
23 by KRS 61.625, shall forfeit the accumulated employer credit, and shall only
24 receive a refund of his or her accumulated contributions.
- 25 (b) Upon termination of employment, a member who has five (5) or more years of
26 service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to
27 take a refund of his or her accumulated account balance as provided by KRS

1 61.625, shall receive a full refund of his or her accumulated account balance.

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

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

12 **(7) A member who has hazardous service credit presumed under Section 1 of this Act**
13 **to be service credit earned immediately prior to January 1, 2014, and**
14 **nonhazardous service credit earned on or after January 1, 2014, in the hybrid**
15 **cash balance plan or the Kentucky Employees Retirement System, who is eligible**
16 **for a reduced or unreduced benefit under Sections 2 and 3 of this Act when his or**
17 **her hazardous service credit and nonhazardous service credit are consolidated**
18 **pursuant to Section 18 of this Act, shall be eligible to retire from the hybrid cash**
19 **balance plan at the same time with a benefit amount calculated by the board's**
20 **actuary to reflect the earlier commencement of benefits. The actuarial calculation**
21 **of benefits shall not apply if the member satisfies the requirements provided in**
22 **subsection (6) of this section.**

23 ~~(8)~~[(7)] A member eligible to retire under subsection (6) of this section may elect to:

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

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

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

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

9 ➔Section 22. KRS 78.5528 is amended to read as follows:

10 (1) If the Authority's medical examiner determines that a recipient of a disability
11 retirement allowance is, prior to his or her normal retirement date, employed in a
12 position with the same or similar duties, or in a position with duties requiring
13 greater residual functional capacity and physical exertion, as the position from
14 which he or she was disabled, except where the recipient has returned to work on a
15 trial basis not to exceed nine (9) months, the system may reduce or discontinue the
16 retirement allowance. Each recipient of a disability retirement allowance who is
17 engaged in gainful employment shall notify the Authority of any employment;
18 otherwise, the system shall have the right to recover payments of a disability
19 retirement allowance made during the employment.

20 (2) If the Authority's medical examiner determines that a recipient of a disability
21 retirement allowance is, prior to his or her normal retirement date, no longer
22 incapacitated by the bodily injury, mental illness, or disease for which he or she
23 receives a disability retirement allowance, the system may reduce or discontinue the
24 retirement allowance.

25 (3) The system shall have full power and authority to reduce or discontinue a disability
26 retirement allowance and the Authority shall utilize the services of a medical
27 examiner as provided in KRS 61.665, in determining whether to continue, reduce,

1 or discontinue a disability retirement allowance under this section.

2 (a) The Authority shall select a medical examiner to evaluate the forms and
3 medical information submitted by the person. If there is objective medical
4 evidence of a mental impairment, the medical examiner may request the
5 Authority's licensed mental health professional to assist in determining the
6 level of the mental impairment.

7 (b) The medical examiners shall be paid a reasonable amount by the retirement
8 system for each case evaluated.

9 (c) The medical examiner shall recommend that the disability retirement
10 allowance be continued, reduced, or discontinued.

11 1. If the medical examiner recommends that the disability retirement
12 allowance be continued, the system shall make retirement payments in
13 accordance with the retirement plan selected by the person.

14 2. If the medical examiner recommends that the disability retirement
15 allowance be reduced or discontinued, the Authority shall send notice of
16 the recommendation by United States first-class mail to the person's last
17 address on file in the retirement office.

18 a. The person shall have sixty (60) days from the day that the
19 Authority mailed the notice to file at the retirement office
20 additional supporting employment or medical information and
21 certify to the Authority that the forms and additional supporting
22 employment information or medical information are ready to be
23 evaluated by the medical examiner or to appeal the
24 recommendation of the medical examiner to reduce or discontinue
25 the disability retirement allowance by filing at the retirement office
26 a request for a formal hearing.

27 b. If the person fails or refuses to file at the retirement office the

1 forms, the additional supporting employment information, and
2 current medical information or to appeal the recommendation of
3 the medical examiners to reduce or discontinue the disability
4 retirement allowance, his or her retirement allowance shall be
5 discontinued on the first day of the month following the expiration
6 of the period of the sixty (60) days from the day the Authority
7 mailed the notice of the recommendation to the person's last
8 address on file in the retirement office.

9 (d) The medical examiner shall make a recommendation based upon the
10 evaluation of additional supporting medical information submitted in
11 accordance with paragraph (c)2.a. of this subsection.

12 1. If the medical examiner recommends that the disability retirement
13 allowance be continued, the system shall make disability retirement
14 payments in accordance with the retirement plan selected by the person.

15 2. If the medical examiner recommends that the disability retirement
16 allowance be reduced or discontinued based upon the evaluation of
17 additional supporting medical information, the Authority shall send
18 notice of this recommendation by United States first-class mail to the
19 person's last address on file in the retirement office.

20 a. The person shall have sixty (60) days from the day that the
21 Authority mailed the notice of the recommendation to appeal the
22 recommendation to reduce or discontinue the disability retirement
23 allowance by filing at the retirement office a request for formal
24 hearing.

25 b. If the person fails or refuses to appeal the recommendation of the
26 medical examiners to reduce or discontinue the disability
27 retirement allowance, his or her retirement allowance shall be

1 discontinued on the first day of the month following the expiration
2 of the period of the sixty (60) days from the day the Authority
3 mailed the notice of the recommendation to the person's last
4 address on file in the retirement office.

5 (e) Any person whose disability benefits have been reduced or discontinued,
6 pursuant to paragraph (c)2. or (d)2. of this subsection, may file at the
7 retirement office a request for formal hearing to be conducted in accordance
8 with KRS Chapter 13B. The right to demand a formal hearing shall be limited
9 to a period of sixty (60) days after the person had notice, as described in
10 paragraph (c) or (d) of this subsection. The request for formal hearing shall be
11 filed with the Authority, at the retirement office in Frankfort. The request for
12 formal hearing shall include a short and plain statement of the reasons the
13 reduction, discontinuance, or denial of disability retirement is being contested.

14 (f) Failure of the person to request a formal hearing within the period of time
15 specified shall preclude the person from proceeding any further with
16 contesting the reduction or discontinuation of disability retirement allowance,
17 except as provided in subsection (6)(d) of this section. This paragraph shall
18 not limit the person's right to appeal to a court.

19 (g) A final order of the board shall be based on substantial evidence appearing in
20 the record as a whole and shall set forth the decision of the board and the facts
21 and law upon which the decision is based. If the board orders that the person's
22 disability retirement allowance be discontinued or reduced, the order shall
23 take effect on the first day of the month following the day the Authority
24 mailed the order to the person's last address on file in the retirement office.
25 Judicial review of the final board order shall not operate as a stay and the
26 system shall discontinue or reduce the person's disability retirement allowance
27 as provided in this section.

1 (h) Notwithstanding any other provisions of this section, the Authority may
2 require the person to submit to one (1) or more medical or psychological
3 examinations at any time. The system shall be responsible for any costs
4 associated with any examinations of the person requested by the medical
5 examiner or the system for the purpose of providing medical information
6 deemed necessary by the medical examiner or the system. Notice of the time
7 and place of the examination shall be mailed to the person or his or her legal
8 representative. If the person fails or refuses to submit to one (1) or more
9 medical examinations, his or her rights to further disability retirement
10 allowance shall cease.

11 (i) All requests for a hearing pursuant to this section shall be made in writing.

12 (4) The board may establish an appeals committee whose members shall be appointed
13 by the chair and who shall have the authority to act upon the recommendations and
14 reports of the hearing officer pursuant to this section on behalf of the board. The
15 board may also establish a joint appeals committee with the Kentucky Retirement
16 Systems.

17 (5) Any person aggrieved by a final order of the board may seek judicial review after all
18 administrative appeals have been exhausted by filing a petition for judicial review
19 in the Franklin Circuit Court in accordance with KRS Chapter 13B.

20 (6) If a disability retirement allowance is reduced or discontinued for a person who
21 began participating prior to January 1, 2014, or a person in a hazardous position
22 who began participating on or after January 1, 2023, or a person who is
23 presumed under Section 1 of this Act to have begun participating in a hazardous
24 position immediately prior to January 1, 2014, the person may apply for early
25 retirement benefits as provided under KRS 78.5510 or 78.5514, as applicable,
26 subject to the following provisions:

27 (a) The person may not change his or her beneficiary or payment option;

- 1 (b) If the person has returned to employment with an employer participating in the
2 County Employees Retirement System or the Kentucky Retirement Systems,
3 the service and creditable compensation shall be used in recomputing his or
4 her benefit, except that the person's final compensation shall not be less than
5 the final compensation last used in determining his or her retirement
6 allowance;
- 7 (c) The benefit shall be reduced as provided by KRS 78.5510(4) or 78.5514(4);
- 8 (d) The person shall remain eligible for reinstatement of his or her disability
9 allowance upon reevaluation by the medical examiners until his or her normal
10 retirement age. The person shall apply for reinstatement of disability benefits
11 in accordance with the provisions of this section. An application for
12 reinstatement of disability benefits shall be administered as an application
13 under KRS 78.5524 or 78.5526, as applicable, and only the bodily injuries,
14 mental illnesses, diseases, or conditions for which the person was originally
15 approved for disability benefits shall be considered. Bodily injuries, mental
16 illnesses, diseases, or conditions that came into existence after the person's last
17 day of paid employment shall not be considered as a basis for reinstatement of
18 disability benefits. Bodily injuries, mental illnesses, diseases, or conditions
19 alleged by the person as being incapacitating, but which were not the basis for
20 the award of disability retirement benefits, shall not be considered. If the
21 person establishes that the disability benefits should be reinstated, the system
22 shall pay disability benefits effective from the first day of the month following
23 the month in which the person applied for reinstatement of the disability
24 benefits; and
- 25 (e) Upon attaining normal retirement age, the person shall receive the higher of
26 either his or her disability retirement allowance or his or her early retirement
27 allowance.

1 (7) No disability retirement allowance shall be reduced or discontinued by the system
2 after the person's normal retirement date except in case of reemployment as
3 provided for by KRS 78.5540. If a disability retirement allowance has been reduced
4 or discontinued, except if the person is reemployed as provided for by KRS
5 78.5540, the retirement allowance shall be reinstated upon attainment of the
6 person's normal retirement date to the retirement allowance prior to adjustment. No
7 reinstated payment shall be less than the person is receiving upon attainment of the
8 person's normal retirement date.

9 →Section 23. KRS 78.5524 is amended to read as follows:

10 The disability retirement provisions contained in this section shall apply to a person
11 whose last date of paid employment was in a hazardous position.

12 (1) (a) For purposes of this section:

13 1. "Total and permanent disability" means a disability which results in the
14 member's incapacity to engage in any occupation for remuneration or
15 profit. Loss by severance of both hands at or above the wrists, or both
16 feet at or above the ankles, or one (1) hand above the wrist and one (1)
17 foot above the ankle, or the complete, irrevocable loss of the sight of
18 both eyes shall be considered as total and permanent; and

19 2. "Hazardous disability" means a disability which results in an employee's
20 total incapacity to continue as an employee in a hazardous position, but
21 the employee is not necessarily deemed to be totally and permanently
22 disabled to engage in other occupations for remuneration or profit.

23 (b) In determining whether the disability meets the requirement of this section,
24 any reasonable accommodation provided by the employer as provided in 42
25 U.S.C. sec. 12111(9) and 29 C.F.R. pt. 1630 shall be considered.

26 (c) If the board determines that the total and permanent disability of a member
27 receiving a retirement allowance under this section has ceased, then the board

1 shall determine if the member has a hazardous disability as defined by KRS
2 78.510.

3 (2) Any person may qualify to retire on disability, subject to the following:

4 (a) The person shall have sixty (60) months of service, twelve (12) of which shall
5 be current service credited under KRS 16.543(1), 61.543(1), or 78.615(1). The
6 service requirement shall be waived if the disability is a total and permanent
7 disability or a hazardous disability and is a direct result of an act in line of
8 duty;

9 (b) For a person whose membership date is prior to August 1, 2004, the person
10 shall not be eligible for an unreduced retirement allowance;

11 (c) The person's application shall be on file in the retirement office no later than
12 twenty-four (24) months after the person's last day of paid employment, as
13 defined in KRS 78.510, in a regular full-time position that has been approved
14 as a hazardous position in accordance with KRS 78.5520;

15 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665;
16 and

17 (e) A person's disability application based on the same claim of incapacity shall
18 be accepted and reconsidered for disability if accompanied by new objective
19 medical evidence. The application shall be on file in the retirement office no
20 later than twenty-four (24) months after the person's last day of paid
21 employment in a regular full-time hazardous position.

22 (3) Upon the examination of the objective medical evidence by licensed physicians
23 pursuant to KRS 61.665, it shall be determined that:

24 (a) The incapacity results from bodily injury, mental illness, or disease. For
25 purposes of this section, "injury" means any physical harm or damage to the
26 human organism other than disease or mental illness;

27 (b) The incapacity is deemed to be permanent; and

- 1 (c) The incapacity does not result directly or indirectly from:
- 2 1. Injury intentionally self-inflicted while sane or insane; or
- 3 2. Bodily injury, mental illness, disease, or condition which pre-existed
- 4 membership in the system or reemployment, whichever is most recent,
- 5 unless:
- 6 a. The disability results from bodily injury, mental illness, disease, or
- 7 a condition which has been substantially aggravated by an injury or
- 8 accident arising out of or in the course of employment; or
- 9 b. The person has at least sixteen (16) years' current or prior service
- 10 for employment with employers participating in the County
- 11 Employees Retirement System or the Kentucky Retirement
- 12 Systems.

13 For purposes of this subparagraph, "reemployment" shall not mean a

14 change of employment between employers participating in the County

15 Employees Retirement System or the Kentucky Retirement Systems

16 with no loss of service credit.

- 17 (4) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result
- 18 in death or can be expected to last for a continuous period of not less
- 19 than twelve (12) months from the person's last day of paid employment
- 20 in a hazardous position.
- 21 2. The determination of a permanent incapacity shall be based on the
- 22 medical evidence contained in the member's file and the member's
- 23 residual functional capacity and physical exertion requirements.
- 24 (b) The person's residual functional capacity shall be the person's capacity for
- 25 work activity on a regular and continuing basis. The person's physical ability
- 26 shall be assessed in light of the severity of the person's physical, mental, and
- 27 other impairments. The person's ability to walk, stand, carry, push, pull, reach,

1 handle, and other physical functions shall be considered with regard to
2 physical impairments. The person's ability to understand, remember, and carry
3 out instructions and respond appropriately to supervision, coworkers, and
4 work pressures in a work setting shall be considered with regard to mental
5 impairments. Other impairments, including skin impairments, epilepsy, visual
6 sensory impairments, postural and manipulative limitations, and
7 environmental restrictions, shall be considered in conjunction with the
8 person's physical and mental impairments to determine residual functional
9 capacity.

10 (c) The person's physical exertion requirements shall be determined based on the
11 following standards:

- 12 1. Sedentary work shall be work that involves lifting no more than ten (10)
13 pounds at a time and occasionally lifting or carrying articles such as
14 large files, ledgers, and small tools. Although a sedentary job primarily
15 involves sitting, occasional walking and standing may also be required
16 in the performance of duties.
- 17 2. Light work shall be work that involves lifting no more than twenty (20)
18 pounds at a time with frequent lifting or carrying of objects weighing up
19 to ten (10) pounds. A job shall be in this category if lifting is
20 infrequently required but walking and standing are frequently required,
21 or if the job primarily requires sitting with pushing and pulling of arm or
22 leg controls. If the person has the ability to perform substantially all of
23 these activities, the person shall be deemed capable of light work. A
24 person deemed capable of light work shall be deemed capable of
25 sedentary work unless the person has additional limitations such as the
26 loss of fine dexterity or inability to sit for long periods.
- 27 3. Medium work shall be work that involves lifting no more than fifty (50)

1 pounds at a time with frequent lifting or carrying of objects weighing up
2 to twenty-five (25) pounds. If the person is deemed capable of medium
3 work, the person shall be deemed capable of light and sedentary work.

4 4. Heavy work shall be work that involves lifting no more than one
5 hundred (100) pounds at a time with frequent lifting or carrying of
6 objects weighing up to fifty (50) pounds. If the person is deemed capable
7 of heavy work, the person shall also be deemed capable of medium,
8 light, and sedentary work.

9 5. Very heavy work shall be work that involves lifting objects weighing
10 more than one hundred (100) pounds at a time with frequent lifting or
11 carrying of objects weighing fifty (50) or more pounds. If the person is
12 deemed capable of very heavy work, the person shall be deemed capable
13 of heavy, medium, light, and sedentary work.

14 (5) Upon disability retirement, an employee may receive a disability retirement
15 allowance payable during his or her lifetime which shall be:

16 (a) For a member who began participating in the system prior to August 1, 2004,
17 an annual retirement allowance payable monthly and determined in the same
18 manner as for retirement at his or her normal retirement date with years of
19 service and final compensation being determined as of the date of his or her
20 disability, except that service shall be added beginning with his or her last date
21 of paid employment and continuing to his or her fifty-fifth birthday. The
22 maximum service credit added shall not exceed the total service the member
23 had on his or her last day of paid employment, and the maximum service
24 credit for calculating his or her retirement allowance, including his or her total
25 service and service added under this section, shall not exceed twenty (20)
26 years;

27 (b) For a member who begins participating on or after August 1, 2004, but prior

- 1 to January 1, 2014, or who begins participating in a hazardous position on
2 or after January 1, 2023, or who is presumed under Section 1 of this Act to
3 begin participating in a hazardous position immediately prior to January 1,
4 2014, the higher of twenty-five percent (25%) of the member's monthly final
5 rate of pay or the retirement allowance determined in the same manner as for
6 retirement at his or her normal retirement date with years of service and final
7 compensation being determined as of the date of his or her disability; or
- 8 (c) For a member who begins participating on or after January 1, 2014, but prior
9 to January 1, 2023, in the hybrid cash balance plan as provided by KRS
10 78.5516, and for those members making an election under subsection (3) of
11 Section 1 of this Act or Section 7 of this Act, the disability retirement
12 allowance shall be the higher of twenty-five percent (25%) of the member's
13 monthly final rate of pay or the retirement allowance determined in the same
14 manner as for retirement at his or her normal retirement date under KRS
15 78.5516.
- 16 (6) If the member receives a satisfactory determination of total and permanent disability
17 or hazardous disability pursuant to KRS 61.665 and the disability is the direct result
18 of an act in line of duty, the member's retirement allowance shall be calculated as
19 follows:
- 20 (a) For the disabled member, benefits as provided in subsection (5) of this section
21 except that the monthly retirement allowance payable shall not be less than
22 twenty-five percent (25%) of the member's monthly final rate of pay; and
- 23 (b) For each dependent child of the member on his or her disability retirement
24 date, who is alive at the time any particular payment is due, a monthly
25 payment equal to ten percent (10%) of the disabled member's monthly final
26 rate of pay; however, total maximum dependent children's benefit shall not
27 exceed forty percent (40%) of the member's monthly final rate of pay. The

1 payments shall be payable to each dependent child, or to a legally appointed
2 guardian or as directed by the system.

3 (7) No benefit provided in this section shall be reduced as a result of any change in the
4 extent of disability of any retired member who is normal retirement age or older.

5 (8) If a regular full-time member in a hazardous position has been approved for benefits
6 under a hazardous disability, the board shall, upon request of the member, permit
7 the member to receive the hazardous disability allowance while accruing benefits in
8 a nonhazardous position, subject to proper medical review of the nonhazardous
9 position's job description by the Authority's medical examiner.

10 ➔Section 24. KRS 78.616 is amended to read as follows:

11 (1) Any employer participating in the County Employees Retirement System which has
12 formally adopted a sick-leave program that is universally administered to its
13 employees may purchase service credit with the retirement system for up to six (6)
14 months of unused sick leave for each retiring employee.

15 (2) Participation under this section shall be at the option of each participating employer.
16 The election to participate shall be made by the governing authority of the
17 participating employer and shall be certified in writing to the system on forms
18 prescribed by the board. The certification shall provide for equal treatment of all
19 employees participating under this section.

20 (3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590,
21 the employer shall certify the retiring employee's unused, accumulated sick-
22 leave balance to the system. The member's sick-leave balance, expressed in
23 days, shall be divided by the average number of working days per month in
24 county service and rounded to the nearest number of whole months. A
25 maximum of six (6) months of the member's sick-leave balance, expressed in
26 months, shall be added to his or her service credit for the purpose of
27 determining his annual retirement allowance under KRS 78.510 to 78.852 and

1 for the purpose of determining whether the member is eligible to receive a
2 retirement allowance under KRS 78.510 to 78.852, except as provided by
3 paragraph (d) of this subsection. Accumulated sick-leave in excess of six (6)
4 months shall be added to the member's service credit if the member or
5 employer pays to the retirement system the value of the additional service
6 credit based on the formula adopted by the board, subject to the restrictions
7 provided by paragraph (d) of this subsection.

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

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

16 (d) For a member who begins participating in the retirement system on or after
17 September 1, 2008, but prior to January 1, 2014, or who begins participating
18 in a hazardous position on or after January 1, 2023, or who is presumed
19 under Section 1 of this Act to begin participating in a hazardous position
20 immediately prior to January 1, 2014, whose employer has established a
21 sick-leave program under subsections (1) to (4) and (6) of this section:

- 22 1. The member shall receive no more than twelve (12) months of service
23 credit upon retirement for accumulated unused sick leave accrued while
24 contributing to the retirement system from which the retirement benefit
25 is to be paid;
- 26 2. The service added to the member's service credit shall be used for
27 purposes of determining the member's annual retirement allowance

1 under KRS 78.510 to 78.852;

2 3. The service added to the member's service credit shall not be used to
3 determine whether a member is eligible to receive a retirement
4 allowance under KRS 78.510 to 78.852; and

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

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

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

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

23 (c) The number of sick-leave days for which the employee is compensated shall
24 be divided by the average number of working days per month in county
25 service and rounded to the nearest number of whole months. This number of
26 months shall be added to the employee's total service credit and to the number
27 of months used to determine creditable compensation, pursuant to KRS

1 78.510, but no more than sixty (60) months shall be used to determine final
 2 compensation. For an employee who begins participating on or after
 3 September 1, 2008, but prior to January 1, 2014, *or who begins participating*
 4 *in a hazardous position on or after January 1, 2023, or who is presumed*
 5 *under Section 1 of this Act to begin participating in a hazardous position*
 6 *immediately prior to January 1, 2014,* the number of months added to the
 7 employee's total service credit under this paragraph shall not exceed twelve
 8 (12) months, and the additional service shall not be used to determine whether
 9 a member is eligible to receive a retirement allowance under KRS 78.510 to
 10 78.852.

11 (6) Any city of the first class that has two (2) or more sick-leave programs for its
 12 employees may purchase service credit with the retirement system for up to six (6)
 13 months of unused sick leave for each retiring employee who participates in the sick-
 14 leave program administered to a majority of the eligible employees of the city. An
 15 employee participating in a sick-leave program administered to a minority of the
 16 eligible employees shall become eligible for the purchase of service credit under
 17 this subsection when the employee commences participating in the sick-leave
 18 program that is administered to a majority of the eligible employees of the city.

19 (7) The provisions of this section shall not apply to:

20 *(a) Employees in a nonhazardous position* who begin participating in the system
 21 on or after January 1, 2014;~~;~~ *or*

22 *(b) Employees making an election under subsection (3) of Section 1 of this Act*
 23 *or Section 7 of this Act;*

24 and no service credit shall be provided for accumulated sick leave balances of those
 25 employees *described in paragraphs (a) and (b) of this subsection* ~~who begin~~
 26 ~~participating in the system on or after January 1, 2014.~~

27 ➔Section 25. KRS 78.640 is amended to read as follows:

- 1 (1) The members' account shall be the account to which:
- 2 (a) All members' contributions, or contributions picked up by the employer after
- 3 August 1, 1982, and interest allowances as provided in KRS 78.510 to 78.852
- 4 shall be credited, except as provided by KRS 78.5536(3)(b); and
- 5 (b) For members who begin participating *in a nonhazardous position* in the
- 6 system on or after January 1, 2014, *and for those members making an*
- 7 *election under subsection (3) of Section 1 of this Act or Section 7 of this*
- 8 *Act*, the employer pay credit and interest credited on such amounts as
- 9 provided by KRS 78.5512 and 78.5516 shall be credited.

10 Only funds from this account shall be used to return the accumulated contributions

11 or accumulated account balances of a member when required to be returned to him

12 or her by reason of any provision of KRS 78.510 to 78.852. Prior to the member's

13 retirement, death, or refund in accordance with KRS 61.625, no funds shall be made

14 available from the member account.

15 (2) Each member's contribution or contribution picked up by the employer shall be

16 credited to the individual account of the contributing member, except as provided

17 by KRS 78.5536(3)(b).

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

19 June 30 of each year.

20 (b) For a member who begins participating before September 1, 2008, interest

21 shall be credited to his or her individual account at a rate determined by the

22 board but not less than two percent (2%) per annum on the accumulated

23 account balance of the member on June 30 of the preceding fiscal year.

24 (c) For a member who begins participating on or after September 1, 2008, but

25 prior to January 1, 2014, *or who begins participating in a hazardous position*

26 *on or after January 1, 2023, for his or her service in a hazardous position,*

27 *or who is presumed under Section 1 of this Act to begin participating in a*

- 1 **hazardous position immediately prior to January 1, 2014,** interest shall be
2 credited to his or her individual account at a rate of two and one-half percent
3 (2.5%) per annum on the accumulated contributions of the member on June 30
4 of the preceding fiscal year.
- 5 (d) For a member who begins participating **in a nonhazardous position** on or
6 after January 1, 2014, in the hybrid cash balance plan, **and for those members**
7 **making an election under subsection (3) of Section 1 of this Act or Section 7**
8 **of this Act,** interest shall be credited in accordance with KRS 16.583 and
9 61.597.
- 10 (e) The amounts of interest credited to a member's account under this subsection
11 shall be transferred from the retirement allowance account.
- 12 (4) (a) Upon the retirement of a member who began participating in the system prior
13 to January 1, 2014, **or who began participating in a hazardous position on or**
14 **after January 1, 2023, or who is presumed under Section 1 of this Act to**
15 **have begun participating in a hazardous position immediately prior to**
16 **January 1, 2014,** his or her accumulated account balance shall be transferred
17 from the members' account to the retirement allowance account.
- 18 (b) Upon the retirement of a member who began participating **in a nonhazardous**
19 **position** in the system on or after January 1, 2014, **or a member making an**
20 **election under subsection (3) of Section 1 of this Act or Section 7 of this**
21 **Act,** who elects to annuitize his or her accumulated account balance as
22 prescribed by KRS 78.5512(8)~~(7)~~(a) or (b) or 78.5516(7)(a) or (b), the
23 member's accumulated account balance shall be transferred to the retirement
24 allowance account.