

1 AN ACT relating to retirement costs for Kentucky Retirement Systems employers,
2 declaring an emergency, and making an appropriation therefor.

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

4 ➔Section 1. KRS 61.565 is repealed, reenacted, and amended to read as follows:

5 (1) (a) Each employer participating in the State Police Retirement System as
6 provided for in KRS 16.505 to 16.652, the County Employees Retirement
7 System as provided for in KRS 78.510 to 78.852, and the Kentucky
8 Employees Retirement System as provided for in KRS 61.510 to 61.705 shall,
9 **except as provided by subsection (5) of this section,** contribute annually to the
10 respective retirement system an amount determined by the actuarial valuation
11 completed in accordance with KRS 61.670 and as specified by this section.
12 Employer contributions for each respective retirement system shall be equal to
13 the sum of the "normal cost contribution" and the "actuarially accrued liability
14 contribution."

15 (b) For purposes of this section, the normal cost contribution shall be computed as
16 a percentage of pay and shall be an annual amount that is sufficient when
17 combined with employee contributions to fund benefits earned during the year
18 in the respective system~~[or plan, including costs for those members who elect~~
19 ~~to participate in the 401(a) money purchase plan]~~. The amount shall be:

20 **1.** Paid as a percentage of creditable compensation reported for each
21 employee participating in the system~~[or plan]~~ and accruing benefits;

22 **and**

23 **2. The same percentage of pay for all employees who are participating in**
24 **the same retirement system, except that separate percentage rates shall**
25 **be developed in each system for those employers whose employees are**
26 **participating in hazardous duty retirement coverage as provided by**
27 **KRS 61.592.**

1 (c) For purposes of this section, the actuarially accrued liability contribution for
 2 all employers, except for nonhazardous employers in the Kentucky
 3 Employees Retirement System, shall be:

4 1. Computed by amortizing~~[an annual dollar amount that is sufficient to~~
 5 ~~amortize]~~ the total unfunded actuarially accrued liability of each system
 6 over a closed period of thirty (30) years beginning with the 2013
 7 actuarial valuation using the level percentage of payroll~~[level dollar]~~
 8 amortization method;

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

12 3. The same percentage of pay for all employees who are participating in
 13 the same retirement system, except that separate percentage rates shall
 14 be developed in each system for those employers whose employees are
 15 participating in hazardous duty retirement coverage as provided by
 16 KRS 61.592.

17 (d) 1. For purposes of this section, the actuarially accrued liability
 18 contribution for nonhazardous employers in the Kentucky Employees
 19 Retirement System on or after July 1, 2020:

20 a. Shall be an annual dollar amount that is sufficient to amortize
 21 the total unfunded actuarially accrued liability of the system over
 22 a closed period of twenty-seven (27) years beginning with the
 23 2019 actuarial valuation using the level percentage of payroll
 24 amortization method;

25 b. Shall be prorated to each individual nonhazardous employer in
 26 the Kentucky Employees Retirement System by multiplying the
 27 annual dollar amount of the actuarially accrued liability

1 contribution for the system as determined by subdivision a. of
2 this subparagraph by the individual employer's percentage of the
3 system's total actuarially accrued liability as of the June 30,
4 2019, actuarial valuation which shall be determined solely by the
5 system's consulting actuary. The individual employer's
6 percentage of the system's total actuarially accrued liability as of
7 the June 30, 2019, actuarial valuation shall be used to determine
8 the individual employer's prorated dollar amount of the system's
9 actuarially accrued liability contribution in all future fiscal years
10 of the amortization period, except that the employer's percentage
11 shall be adjusted to reflect any employer who voluntarily or
12 involuntarily ceases participation as provided by KRS 61.522 and
13 except as provided by subparagraph 4. of this paragraph. For
14 purposes of this subdivision, all executive branch departments,
15 program cabinets and their respective departments, and
16 administrative bodies enumerated in KRS 12.020, and any other
17 executive branch agencies administratively attached to a
18 department, program cabinet, or administrative body
19 enumerated in KRS 12.020 shall be considered a single
20 individual employer and only one (1) value shall be computed for
21 these employers. For purposes of this subdivision, all employers
22 of the legislative branch, including the Legislative Research
23 Commission and the General Assembly that covers legislators
24 and staff who participate in the Kentucky Employees Retirement
25 System, shall be considered a single individual employer and
26 only one (1) value shall be computed for these employers. For
27 purposes of this subdivision, all employers of the judicial branch,

1 including the Administrative Office of the Courts, the Judicial
2 Form Retirement System, and all master commissioners, shall be
3 considered a single individual employer and only one (1) value
4 shall be computed for these employers;

5 c. Shall be payable by an individual employer in equal monthly
6 dollar installments during the fiscal year in accordance with the
7 reporting requirements specified by KRS 61.675 so that the
8 individual employer pays its full prorated dollar amount of the
9 actuarially accrued liability contribution as determined by
10 subdivision b. of this subparagraph; and

11 d. Notwithstanding subdivision b. of this subparagraph for those
12 individual participating employers who are local and district
13 health departments governed by KRS Chapter 212, community
14 mental health centers, and employers whose employees are not
15 subject to KRS 18A.005 to 18A.200, who received or were eligible
16 to receive a distribution of general fund appropriations in the
17 2018-2020 biennial executive branch budget to assist in paying
18 retirement costs under 2018 Ky. Acts ch. 169, Part I, G., 4., (5);
19 2018 Ky. Acts ch. 169, Part I, G., 5., (2); or 2018 Ky. Acts ch.
20 169, Part I, G., 9., (2), shall not, once the initial dollar amounts
21 are established by the 2019 valuation, be adjusted in terms of
22 dollars paid by the individual employer, except that adjustments
23 shall be made by the system upon completion of an actuarial
24 investigation as provided by KRS 61.670, so long as at least four
25 (4) years have passed since the last adjustment to the actuarially
26 accrued liability contribution for these employers.

27 2. Individual employers, solely for purposes of collecting employer

1 contributions from various fund sources during the fiscal year, may
2 convert the actuarially accrued liability contribution established by
3 this paragraph to a percentage of pay and may adjust the percent of
4 pay during the fiscal year in order to pay the required dollar value of
5 actuarially accrued liability contribution required by this paragraph.
6 No provision of this subparagraph shall be construed to reduce an
7 individual employer's actuarially accrued liability contribution as
8 otherwise provided by this paragraph.

9 3. The provisions of this paragraph shall not apply to those employers
10 who cease participation as provided by KRS 61.522.~~[This method shall~~
11 ~~be used beginning with the 2019 actuarial valuation, and employer costs~~
12 ~~for the actuarially accrued liability contribution shall be prorated to each~~
13 ~~employer as provided by paragraph (f) of this subsection.]~~

14 4. In the event an individual Kentucky Employees Retirement System
15 nonhazardous employer who is required to pay an actuarially accrued
16 liability contribution as provided by this paragraph and as calculated
17 from the 2019 actuarial valuation, merges with another employer or
18 entity, forms a new or separate employer or entity, or splits or
19 separates operations into multiple employers or entities, the system
20 shall, except for those employers or entities who pay the costs to cease
21 participation as provided by KRS 61.522, have full authority to assign
22 a portion or all of the total actuarially accrued liability contribution to
23 the merged, new, split, or separate employers or entities, regardless of
24 whether or not the merged, new, split, or separate employers or entities
25 participate in the system. In the case of an independent district board
26 of health who ceases to operate or who has a county or counties who
27 withdraw from the independent district board of health, the systems

1 shall assign the total actuarially accrued liability contribution in
 2 accordance with subsection (3) of Section 3 of this Act. The system
 3 shall establish by administrative regulations the process of assigning
 4 actuarially accrued liability contributions as authorized by this
 5 subparagraph.

6 ~~(e)~~~~(d)~~ The employer contributions computed under this section shall be
 7 determined using:

- 8 1. The entry age normal cost funding method;
- 9 2. An asset smoothing method that smooths investment gains and losses
 10 over a five (5) year period; and
- 11 3. Other funding methods and assumptions established by the board in
 12 accordance with KRS 61.670.

13 ~~(f)~~~~(e)~~ Effective with the 2019 actuarial valuation, the amortization period for
 14 the Kentucky Employees Retirement System as it relates solely to
 15 nonhazardous employers~~[, the County Employees Retirement System, and~~
 16 ~~the State Police Retirement System]~~ shall be reset to a new twenty-seven
 17 (27)~~[thirty (30)]~~ year closed period for purposes of calculating the actuarially
 18 accrued liability contribution for nonhazardous employers in the Kentucky
 19 Employees Retirement System as prescribed by paragraph (d) of this
 20 subsection.

21 ~~{(f) The dollar value of the actuarially accrued liability contribution specified by~~
 22 ~~paragraph (c) of this subsection payable by each individual system employer~~
 23 ~~based upon the 2019 actuarial valuation shall be prorated based upon the~~
 24 ~~individual employer's average percentage of the total creditable compensation~~
 25 ~~reported by all employers in the specific system in fiscal years 2014-2015,~~
 26 ~~2015-2016, and 2016-2017, except that the amount shall:~~

- 27 1. ~~Not apply to any employer who ceases participation and pays the full~~

- 1 actuarial cost of ceasing participation as provided by KRS 61.522;
- 2 ~~2. Be adjusted for each remaining employer of a system to reflect any~~
- 3 ~~employer who ceases participation and who pays the full actuarial cost~~
- 4 ~~of ceasing participation as provided by KRS 61.522; and~~
- 5 ~~3. Be a single amount for all executive branch departments, program~~
- 6 ~~cabinets and their respective departments and administrative bodies~~
- 7 ~~enumerated in KRS 12.020, and any other executive branch agencies~~
- 8 ~~administratively attached to a department, program cabinet, or~~
- 9 ~~administrative body enumerated in KRS 12.020.]~~
- 10 (2) (a) Normal cost contribution rates and the actuarially accrued liability
- 11 contribution shall be determined by the board on the basis of the annual
- 12 actuarial valuation last preceding the July 1 of a new biennium.
- 13 (b) *Except as limited by subsection (1)(d)1.d. of this section as it relates to the*
- 14 *Kentucky Employees Retirement System,* the board may amend contribution
- 15 rates as of July 1 of the second year of a biennium, if it is determined on the
- 16 basis of a subsequent actuarial valuation that amended contribution rates are
- 17 necessary to satisfy the requirements of this section.†
- 18 ~~(c) Effective for employer contribution rates payable on or after July 1, 2014,~~
- 19 ~~through June 30, 2020, the board shall not have the authority to amend~~
- 20 ~~contribution rates as of July 1 of the second year of the biennium for the~~
- 21 ~~Kentucky Employees Retirement System and the State Police Retirement~~
- 22 ~~System.]~~
- 23 (3) The system shall advise each employer prior to ~~[the beginning of each biennium, or~~
- 24 ~~prior to]~~July 1 ~~[of the second year of a biennium for employers participating in the~~
- 25 ~~County Employees Retirement System,]~~ of any change in the employer contribution
- 26 rate. Based on the employer contribution rate, each employer shall include in the
- 27 budget sufficient funds to pay the employer contributions as determined by the

1 board under this section.

2 (4) **All employers, including** the General Assembly, shall pay the full actuarially
 3 required **contributions**~~[contribution rate]~~, as prescribed by this section, to the
 4 Kentucky Employees Retirement System and the State Police Retirement System in
 5 fiscal years occurring on or after **July 1, 2020**~~[July 1, 2014]~~.

6 (5) Notwithstanding any other provision of KRS Chapter 61 or 78 to the contrary, the
 7 employer contribution established by the board for the County Employees
 8 Retirement System that are payable on or after July 1, 2018, and until June 30,
 9 2028, for the pension and health insurance funds, including the normal cost
 10 contribution and the actuarially accrued liability contribution for each fund, shall
 11 not increase by more than twelve percent (12%) in terms of projected dollars paid
 12 by participating employers over the prior fiscal year as determined by the system's
 13 consulting actuary.

14 ➔Section 2. KRS 61.510 is amended to read as follows:

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

16 (1) "System" means the Kentucky Employees Retirement System created by KRS
 17 61.510 to 61.705;

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

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

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

26 (4) "Examiner" means the medical examiners as provided in KRS 61.665;

27 (5) "Employee" means the members, officers, and employees of the General Assembly

1 and every regular full-time, appointed or elective officer or employee of a
2 participating department, including the Department of Military Affairs. The term
3 does not include persons engaged as independent contractors, seasonal, emergency,
4 temporary, interim, and part-time workers. In case of any doubt, the board shall
5 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;

6 (6) "Employer" means a department or any authority of a department having the power
7 to appoint or select an employee in the department, including the Senate and the
8 House of Representatives, or any other entity, the employees of which are eligible
9 for membership in the system pursuant to KRS 61.525;

10 (7) "State" means the Commonwealth of Kentucky;

11 (8) "Member" means any employee who is included in the membership of the system or
12 any former employee whose membership has not been terminated under KRS
13 61.535;

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

16 (10) "Current service" means the number of years and months of employment as an
17 employee, on and after July 1, 1956, except that for members, officers, and
18 employees of the General Assembly this date shall be January 1, 1960, for which
19 creditable compensation is paid and employee contributions deducted, except as
20 otherwise provided, and each member, officer, and employee of the General
21 Assembly shall be credited with a month of current service for each month he
22 serves in the position;

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, 1956, for which
25 creditable compensation was paid; except that for members, officers, and employees
26 of the General Assembly, this date shall be January 1, 1960. An employee shall be
27 credited with one (1) month of prior service only in those months he received

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

6 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
7 from the compensation of a member and credited to his individual account in the
8 members' account, including employee contributions picked up after August 1,
9 1982, pursuant to KRS 61.560(4), together with interest credited, or investment
10 returns earned as provided by KRS 61.5956, on such amounts and any other
11 amounts the member shall have contributed thereto, including interest credited
12 thereon or investment returns earned as provided by KRS 61.5956. "Accumulated
13 contributions" shall not include employee contributions that are deposited into
14 accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established
15 in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

16 (13) "Creditable compensation":

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

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. Uniform, equipment, or any other expense allowances paid on or after
4 January 1, 2019, living allowances, expense reimbursements, lump-sum
5 payments for accrued vacation leave, and other items determined by the
6 board;
- 7 2. For employees who begin participating on or after September 1, 2008,
8 lump-sum payments for compensatory time;
- 9 3. For employees participating in a nonhazardous position who began
10 participating prior to September 1, 2008, and who retire after July 1,
11 2023, lump-sum payments for compensatory time upon termination of
12 employment;
- 13 4. For employees who begin participating on or after August 1, 2016,
14 nominal fees paid for services as a volunteer; and
- 15 5. Any salary or wages paid to an employee for services as a Kentucky
16 State Police school resource officer as defined by KRS 158.441;

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

- 18 (a) For a member who begins participating before September 1, 2008, who is
19 employed in a nonhazardous position, the creditable compensation of the
20 member during the five (5) fiscal years he was paid at the highest average
21 monthly rate divided by the number of months of service credit during that
22 five (5) year period multiplied by twelve (12). The five (5) years may be
23 fractional and need not be consecutive, except that for members retiring on or
24 after January 1, 2019, the five (5) fiscal years shall be complete fiscal years. If
25 the number of months of service credit during the five (5) year period is less
26 than forty-eight (48) for members retiring prior to January 1, 2019, one (1) or
27 more additional fiscal years shall be used. If a member retiring on or after

1 January 1, 2019, does not have five (5) complete fiscal years that each contain
2 twelve (12) months of service credit, then one (1) or more additional fiscal
3 years, which may contain less than twelve (12) months of service credit, shall
4 be added until the number of months in the final compensation calculation is
5 at least sixty (60) months;

6 (b) For a member who is employed in a nonhazardous position, whose effective
7 retirement date is between August 1, 2001, and January 1, 2009, and whose
8 total service credit is at least twenty-seven (27) years and whose age and years
9 of service total at least seventy-five (75), final compensation means the
10 creditable compensation of the member during the three (3) fiscal years the
11 member was paid at the highest average monthly rate divided by the number
12 of months of service credit during that three (3) years period multiplied by
13 twelve (12). The three (3) years may be fractional and need not be
14 consecutive. If the number of months of service credit during the three (3)
15 year period is less than twenty-four (24), one (1) or more additional fiscal
16 years shall be used. Notwithstanding the provision of KRS 61.565, the
17 funding for this paragraph shall be provided from existing funds of the
18 retirement allowance;

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

- 1 (d) For a member who begins participating on or after September 1, 2008, but
2 prior to January 1, 2014, who is employed in a nonhazardous position, the
3 creditable compensation of the member during the five (5) complete fiscal
4 years immediately preceding retirement divided by five (5). Each fiscal year
5 used to determine final compensation must contain twelve (12) months of
6 service credit. If the member does not have five (5) complete fiscal years that
7 each contain twelve (12) months of service credit, then one (1) or more
8 additional fiscal years, which may contain less than twelve (12) months of
9 service credit, shall be added until the number of months in the final
10 compensation calculation is at least sixty (60) months; or
- 11 (e) For a member who begins participating on or after September 1, 2008, but
12 prior to January 1, 2014, who is employed in a hazardous position as provided
13 in KRS 61.592, or for a member who begins participating prior to September
14 1, 2008, who is employed in a hazardous position as provided in KRS 61.592,
15 who retires on or after January 1, 2019, the creditable compensation of the
16 member during the three (3) complete fiscal years he was paid at the highest
17 average monthly rate divided by three (3). Each fiscal year used to determine
18 final compensation must contain twelve (12) months of service credit. If the
19 member does not have three (3) complete fiscal years that each contain twelve
20 (12) months of service credit, then one (1) or more additional fiscal years,
21 which may contain less than twelve (12) months of service credit, shall be
22 added until the number of months in the final compensation calculation is at
23 least thirty-six (36) months;
- 24 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
25 calculated during the twelve (12) month period immediately preceding the
26 member's effective retirement date, including employee contributions picked up
27 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the

1 system by the employer and the following equivalents shall be used to convert the
2 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
3 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
4 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
5 one (1) year;

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

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

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

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

22 (20) "Officers and employees of the General Assembly" means the occupants of those
23 positions enumerated in KRS 6.150. The term shall also apply to assistants who
24 were employed by the General Assembly for at least one (1) regular legislative
25 session prior to July 13, 2004, who elect to participate in the retirement system, and
26 who serve for at least six (6) regular legislative sessions. Assistants hired after July
27 13, 2004, shall be designated as interim employees;

- 1 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean
2 all positions that average one hundred (100) or more hours per month determined by
3 using the number of months actually worked within a calendar or fiscal year,
4 including all positions except:
- 5 (a) Seasonal positions, which although temporary in duration, are positions which
6 coincide in duration with a particular season or seasons of the year and which
7 may recur regularly from year to year, the period of time shall not exceed nine
8 (9) months;
 - 9 (b) Emergency positions which are positions which do not exceed thirty (30)
10 working days and are nonrenewable;
 - 11 (c) Temporary positions which are positions of employment with a participating
12 department for a period of time not to exceed nine (9) months and are
13 nonrenewable;
 - 14 (d) Part-time positions which are positions which may be permanent in duration,
15 but which require less than a calendar or fiscal year average of one hundred
16 (100) hours of work per month, determined by using the number of months
17 actually worked within a calendar or fiscal year, in the performance of duty;
18 and
 - 19 (e) Interim positions which are positions established for a one-time or recurring
20 need not to exceed nine (9) months;
- 21 (22) "Delayed contribution payment" means an amount paid by an employee for
22 purchase of current service. The amount shall be determined using the same formula
23 in KRS 61.5525, and the payment shall not be picked up by the employer. A
24 delayed contribution payment shall be deposited to the member's account and
25 considered as accumulated contributions of the individual member. In determining
26 payments under this subsection, the formula found in this subsection shall prevail
27 over the one found in KRS 212.434;

- 1 (23) "Parted employer" means a department, portion of a department, board, or agency,
2 such as Outwood Hospital and School, which previously participated in the system,
3 but due to lease or other contractual arrangement is now operated by a publicly held
4 corporation or other similar organization, and therefore is no longer participating in
5 the system. The term "parted employer" shall not include a department, board, or
6 agency that ceased participation in the system pursuant to KRS 61.522;
- 7 (24) "Retired member" means any former member receiving a retirement allowance or
8 any former member who has filed the necessary documents for retirement benefits
9 and is no longer contributing to the retirement system;
- 10 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
11 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
12 pay. The rate shall be certified by the employer;
- 13 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
14 the member in accordance with KRS 61.542 or 61.705 to receive any available
15 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
16 does not mean an estate, trust, or trustee;
- 17 (27) "Recipient" means the retired member or the person or persons designated as
18 beneficiary by the member and drawing a retirement allowance as a result of the
19 member's death or a dependent child drawing a retirement allowance. An alternate
20 payee of a qualified domestic relations order shall not be considered a recipient,
21 except for purposes of KRS 61.623;
- 22 (28) "Level percentage of payroll~~[dollar]~~ amortization method" means a method of
23 determining the annual amortization payment on the unfunded actuarial accrued
24 liability as expressed as a percentage of payroll~~[that is set as an equal dollar~~
25 ~~amount]~~ over a set period of years but that may be converted to a dollar value for
26 purposes of subsection (1)(d) of Section 1 of this Act~~[the remaining amortization~~
27 ~~period as of the actuarial valuation date]~~. Under this method, the percentage of

- 1 **payroll shall be projected to remain constant for all years remaining in the set**
2 **period and the** unfunded actuarially accrued liability shall be projected to be fully
3 amortized at the conclusion of the ~~set~~[amortization] period;
- 4 (29) "Increment" means twelve (12) months of service credit which are purchased. The
5 twelve (12) months need not be consecutive. The final increment may be less than
6 twelve (12) months;
- 7 (30) "Person" means a natural person;
- 8 (31) "Retirement office" means the Kentucky Retirement Systems office building in
9 Frankfort;
- 10 (32) "Last day of paid employment" means the last date employer and employee
11 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
12 78.615 to the retirement office in order for the employee to receive current service
13 credit for the month. Last day of paid employment does not mean a date the
14 employee receives payment for accrued leave, whether by lump sum or otherwise, if
15 that date occurs twenty-four (24) or more months after previous contributions;
- 16 (33) "Objective medical evidence" means reports of examinations or treatments; medical
17 signs which are anatomical, physiological, or psychological abnormalities that can
18 be observed; psychiatric signs which are medically demonstrable phenomena
19 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
20 or contact with reality; or laboratory findings which are anatomical, physiological,
21 or psychological phenomena that can be shown by medically acceptable laboratory
22 diagnostic techniques, including but not limited to chemical tests,
23 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 24 (34) "Participating" means an employee is currently earning service credit in the system
25 as provided in KRS 61.543;
- 26 (35) "Month" means a calendar month;
- 27 (36) "Membership date" means:

- 1 (a) The date upon which the member began participating in the system as
2 provided in KRS 61.543; or
- 3 (b) For a member electing to participate in the system pursuant to KRS
4 196.167(4) who has not previously participated in the system or the Kentucky
5 Teachers' Retirement System, the date the member began participating in a
6 defined contribution plan that meets the requirements of 26 U.S.C. sec.
7 403(b);
- 8 (37) "Participant" means a member, as defined by subsection (8) of this section, or a
9 retired member, as defined by subsection (24) of this section;
- 10 (38) "Qualified domestic relations order" means any judgment, decree, or order,
11 including approval of a property settlement agreement, that:
- 12 (a) Is issued by a court or administrative agency; and
- 13 (b) Relates to the provision of child support, alimony payments, or marital
14 property rights to an alternate payee;
- 15 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
16 participant, who is designated to be paid retirement benefits in a qualified domestic
17 relations order;
- 18 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
19 member's account and interest credited on such amounts as provided by KRS
20 16.583 and 61.597;
- 21 (41) "Accumulated account balance" means:
- 22 (a) For members who began participating in the system prior to January 1, 2014,
23 the member's accumulated contributions;
- 24 (b) For members who began participating in the system on or after January 1,
25 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
26 the combined sum of the member's accumulated contributions and the
27 member's accumulated employer credit; or

- 1 (c) For nonhazardous members who are participating in the 401(a) money
2 purchase plan as provided by KRS 61.5956, the combined sum of the
3 member's accumulated contribution and the member's accumulated employer
4 contribution in the 401(a) money purchase plan;
- 5 (42) "Volunteer" means an individual who:
- 6 (a) Freely and without pressure or coercion performs hours of service for an
7 employer participating in one (1) of the systems administered by Kentucky
8 Retirement Systems without receipt of compensation for services rendered,
9 except for reimbursement of actual expenses, payment of a nominal fee to
10 offset the costs of performing the voluntary services, or both; and
- 11 (b) If a retired member, does not become an employee, leased employee, or
12 independent contractor of the employer for which he or she is performing
13 volunteer services for a period of at least twenty-four (24) months following
14 the retired member's most recent retirement date;
- 15 (43) "Nominal fee" means compensation earned for services as a volunteer that does not
16 exceed five hundred dollars (\$500) per month. Compensation earned for services as
17 a volunteer from more than one (1) participating employer during a month shall be
18 aggregated to determine whether the compensation exceeds the five hundred dollars
19 (\$500) per month maximum provided by this subsection;
- 20 (44) "Nonhazardous position" means a position that does not meet the requirements of
21 KRS 61.592 or has not been approved by the board as a hazardous position;
- 22 (45) "Accumulated employer contribution" means the employer contribution deposited
23 to the member's account and any investment returns on such amounts as provided
24 by KRS 61.5956; and
- 25 (46) "Monthly average pay" means the higher of the member's monthly final rate of pay
26 or the average monthly creditable compensation earned by the deceased member
27 during his or her last twelve (12) months of employment.

1 ➔Section 3. KRS 212.792 is amended to read as follows:

- 2 (1) The board shall establish a compensation plan for all employees of the department.
- 3 (2) The employees of the department shall be employed and governed in accordance
4 with the board's merit system. The board shall provide for the recruitment,
5 examination, appointment, promotion, transfer, lay-off, removal, discipline,
6 compensation, and welfare of the department's employees by establishing a system
7 of personnel administration based on merit principles. The systems shall include a
8 personnel board of at least five (5) members appointed by the board for two (2) year
9 terms. The personnel board shall establish rules and regulations governing the
10 administration of the personnel system. The district director of health shall function
11 as the appointing authority for personnel matters of the board. The board shall have
12 one (1) year from the implementation of KRS 212.780 to 212.794 to provide for a
13 merit system.
- 14 (3) Notwithstanding the provisions of KRS 61.510 to 61.692 and 78.510 to 78.852 all
15 regular full-time, present and future public health employees of an independent
16 district department of health shall be included within the provisions of the Kentucky
17 Retirement ~~Systems~~[System]. **In the event that an independent district board of**
18 **health ceases to operate or a county withdraws from an independent district**
19 **board of health, the counties making up the ceasing independent district board of**
20 **health, or the withdrawing county or counties, shall pay their share of actuarially**
21 **accrued liability contributions to the Kentucky Employees Retirement System as**
22 **provided by subsection (1)(d) of Section 1 of this Act based upon the county's**
23 **prorated share of costs in the independent district board of health established by**
24 **KRS 212.794(1).**
- 25 (4) When a personnel board is organized as provided in this section, all health
26 department employees shall be transferred to and continued in the service of the
27 department created under KRS 212.782. Any health department employee who is in

1 classified service at the time of the establishment of a personnel system shall be
2 continued in the classified service of the newly created department with the same
3 status held in the district department of health.

4 ➔Section 4. The Kentucky Retirement Systems board of trustees shall amend the
5 2019 actuarial valuation for the Kentucky Employees Retirement System in accordance
6 with the provisions of Section 1 of this Act and shall provide the information to the
7 Governor and General Assembly for purposes of the 2020-2022 biennial budgeting
8 process.

9 ➔Section 5. Whereas ensuring the financial health of the quasi-governmental
10 employers providing essential service to the Commonwealth of Kentucky is imperative,
11 an emergency is declared to exist, and this Act takes effect upon its passage and approval
12 by the Governor or upon its otherwise becoming law.