

1 AN ACT repealing pension provisions enacted by the 2018 General Assembly that  
2 were declared unconstitutional and void by the Kentucky Supreme Court.

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

4 ➔Section 1. KRS 6.505 is repealed, reenacted, and amended to read as follows:

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

1 (5%) thereof, as a voluntarily elected contribution by the member towards the  
2 funding of the Legislators' Retirement Plan.

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

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

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

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

1 paragraph.

2 3. The provisions of this paragraph shall not be construed to limit the  
3 General Assembly's authority to amend, reduce, or suspend the benefits  
4 and rights of members of the Legislators' Retirement Plan as provided by  
5 KRS 6.500 to 6.577 that the General Assembly had the authority to  
6 amend, reduce, or suspend, prior to July 1, 2013.

7 (c) An election once made under this section either to participate or not to  
8 participate in the Legislators' Retirement Plan, shall be considered to apply to  
9 all future service as a legislator~~[except as provided by KRS 21.374 or~~  
10 ~~21.385(3)]~~, whether in the same or a different office as a legislator, and  
11 whether or not it is in successive terms.

12 (d) Notwithstanding the provisions of this subsection:

13 1. A legislator who becomes a member of the Legislators' Retirement Plan  
14 on or after September 1, 2008, but prior to January 1, 2014, shall make  
15 monthly contributions to the Legislators' Retirement Plan in an amount  
16 equal to six percent (6%) of his monthly creditable compensation, as  
17 defined in KRS 61.510(13);

18 2. A legislator who becomes a member of the Legislators' Retirement Plan  
19 on or after January 1, 2014, shall make monthly contributions to the  
20 Legislators' Retirement Plan in an amount equal to six percent (6%) of  
21 his or her monthly creditable compensation, as defined in KRS  
22 61.510(13), of which:

23 a. Five percent (5%) of his or her monthly creditable compensation,  
24 as defined in KRS 61.510(13), shall be used to provide funding for  
25 benefits provided under KRS 21.402; and

26 b. One percent (1%) of his or her monthly creditable compensation,  
27 as defined in KRS 61.510(13), shall be used exclusively to help

1 fund retiree health benefits as provided by KRS 6.577 and shall not  
2 be refunded to the member if the member withdraws his or her  
3 accumulated account balance as provided by KRS 21.460. The  
4 amounts deducted under this subdivision shall be credited to an  
5 account established pursuant to 26 U.S.C. sec. 401(h), within the  
6 fund established by KRS 6.530.

7 (2) A legislator entitled to elect membership in the retirement system who failed to  
8 elect membership within thirty (30) days after taking office may elect membership  
9 not later than August 31, 2005. An election, upon being made pursuant to this  
10 section, shall operate to create an inviolable contract between the member entitled  
11 to elect membership under this subsection and the Commonwealth, guaranteeing to  
12 and vesting in the member the rights and benefits provided for under the terms and  
13 conditions of KRS 6.500 to 6.577~~], except that the General Assembly reserves the~~  
14 ~~right to amend, reduce, or suspend any legislative changes to the provisions of KRS~~  
15 ~~6.500 to 6.577 that become effective on or after July 1, 2018].~~

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

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

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

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

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

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

1           ➔Section 2. KRS 6.518 is repealed, reenacted, and amended to read as follows:

2       (1) For purposes of this section, "bona fide promotion or career advancement":

3           (a) Means a professional advancement in substantially the same line of work held  
4                 by the member in the four (4) years immediately prior to the final five (5)  
5                 annual years preceding retirement or a change in employment position based  
6                 on the training, skills, education, or expertise of the member that imposes a  
7                 significant change in job duties and responsibilities to clearly justify the  
8                 increased compensation to the member; and

9           (b) Does not include any circumstance in which a legislator participating in the  
10                Legislators' Retirement Plan takes a position of employment with an employer  
11                participating in any of the other state-administered retirement systems.

12       (2) (a) For members retiring on or after January 1, 2018, the plan shall, for each of  
13                the retiring member's last five (5) annual years of service in the General  
14                Assembly or with any employer participating in any of the state-administered  
15                retirement systems, identify any annual year in which the creditable  
16                compensation used to calculate benefits in the Legislators' Retirement Plan  
17                increased at a rate of ten percent (10%) or more annually over the immediately  
18                preceding annual year's creditable compensation.

19           (b) Except as limited or excluded by subsections (3) and (4) of this section, any  
20                amount of increase in creditable compensation for an annual year identified  
21                under paragraph (a) of this subsection that exceeds ten percent (10%) more  
22                than the member's creditable compensation from the immediately preceding  
23                annual year shall not be included in the creditable compensation used to  
24                calculate the member's monthly pension benefits. If the creditable  
25                compensation for a specific annual year identified under paragraph (a) of this  
26                subsection as exceeding the ten percent (10%) increase limitation is not used  
27                to calculate the retiring member's monthly pension benefits, then no reduction

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

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

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

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

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

24 (6) This section shall not apply to:

25 (a) ~~employees participating in the hybrid cash balance plan[plans] as provided~~  
26 ~~by KRS 21.402[or 61.597]; or~~

27 (b) ~~Service earned in the 401(a) money purchase plan as provided by KRS~~



1           ~~61.5956].~~

2           ➔Section 3. KRS 6.520 is repealed, reenacted, and amended to read as follows:

3       (1) A member of the Legislators' Retirement Plan who retires on or after his normal  
4       retirement date shall receive a service retirement allowance, payable monthly during  
5       his lifetime, in an amount per month equal to three and fifty one-hundredths percent  
6       (3.50%) of his final compensation multiplied by the number of years of his service,  
7       but in no event to exceed one hundred percent (100%) of final compensation. For  
8       this purpose, "final compensation" means the average monthly creditable  
9       compensation as determined in KRS 61.510(13) of the member for services as a  
10      legislator for the three (3) years during which the member had the highest creditable  
11      legislative compensation.

12     (2) A member shall have rights, with respect to retirement before reaching normal  
13      retirement date in the Legislators' Retirement Plan, identical in terms with those  
14      rights provided in KRS 21.400(2) and (3) in the Judicial Retirement Plan for  
15      members of that plan, except that the reduction in a legislators' service retirement  
16      allowance for early retirement shall be at the rate of five percent (5%) of the  
17      allowance for each year that retirement precedes the normal retirement date.

18     (3) Subsections (1) and (2) of this section to the contrary notwithstanding, each  
19      legislator in office on July 1, 1982, that is a member of the Legislators' Retirement  
20      Plan, who retires on or after his normal retirement date, shall receive a service  
21      retirement allowance, payable monthly, on a formula equal to that of a justice or  
22      judge of the Court of Justice with an equivalent service entrance date, but in no  
23      event less than that specified in subsection (1) of this section, of his final  
24      compensation multiplied by the number of years of his service, but in no event to  
25      exceed one hundred percent (100%) of his final compensation. For this purpose,  
26      "final compensation" means the average monthly creditable compensation as  
27      determined in KRS 61.510(13) of the three (3) years during which the member had

1 the highest creditable legislative compensation.

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

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

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

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

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

21 ➔Section 4. KRS 6.525 is repealed, reenacted, and amended to read as follows:

22 The Legislators' Retirement Plan shall be governed by KRS 21.560 and by provisions  
 23 identical in terms with those provided in KRS 21.345(1), 21.345(3) to (6), 21.357,  
 24 21.360(1), 21.370 to 21.410, 21.374, 21.420, 21.425, 21.450, 21.460, 21.470, 21.480,  
 25 21.525, 21.540, and 61.552 for the Judicial Retirement Plan, except that:

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

27 (2) (a) A member of the Legislators' Retirement Plan may combine his service credit

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

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

24 ~~[2. The consolidation of accounts as provided by this paragraph shall not~~  
25 ~~apply to accounts in the State Police Retirement System, the Kentucky~~  
26 ~~Employees Retirement System, the County Employees Retirement~~  
27 ~~System, and the Teachers' Retirement System, from which the member~~

1           ~~is receiving a retirement benefit.~~

2           ~~3.—~~For purposes of this paragraph, "retirement" means the month in which  
3           the member elects to begin receiving benefits or benefits become  
4           payable due to the member's death.

5           (c) A member who has an account in the Legislators' Retirement Plan and the  
6           Judicial Retirement Plan may combine his service in both plans for purposes  
7           of determining:

8           1. Eligibility and the amount of benefits; and

9           2. Final compensation, provided the member began participating in the  
10          Legislators' Retirement Plan prior to January 1, 2014~~, and except that~~  
11          ~~any salary earned in the Judicial Retirement Plan on or after January 1,~~  
12          ~~2019, shall not be used to determine final compensation in the~~  
13          ~~Legislators' Retirement Plan].~~

14          (d) A member who began participating in the Legislators' Retirement Plan prior to  
15          January 1, 2014, may retire at the completion of twenty-seven (27) or more  
16          years of combined service credit, so long as at least fifteen (15) years of such  
17          credit were earned after January 1, 1960, and there shall be no reduction in the  
18          retirement allowance because of retirement before the age of sixty-five (65).

19          (e) For the purposes of this section, any reference in the KRS sections listed  
20          above to the Judicial Retirement Plan shall also be read as a reference to the  
21          Legislators' Retirement Plan, and any reference to the Legislators' Retirement  
22          Plan shall also be read as a reference to the Judicial Retirement Plan.

23          (3) Any other statute to the contrary notwithstanding, a member of any state-  
24          administered retirement system who has ceased to qualify for membership but  
25          subsequently returns to a qualified status, shall, for the purposes of determining the  
26          date of entry into the state-administered retirement system for the subsequent period  
27          or periods of service, be deemed to have never left the retirement system.

1           ➔Section 5. KRS 21.360 is repealed, reenacted, and amended to read as follows:

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

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

12 (2) A judge or justice entitled to elect membership in the retirement system who failed  
13 to elect membership within thirty (30) days after taking office in 1980 or who  
14 elected membership in the Kentucky Employees Retirement System may elect  
15 membership not later than August 31, 2005. An election, upon being made pursuant  
16 to this section, shall operate to create an inviolable contract between the member  
17 entitled to elect membership under this subsection and the Commonwealth,  
18 guaranteeing to and vesting in the member the rights and benefits provided for  
19 under the terms and conditions of KRS 21.350 to 21.510~~, except that the General~~  
20 ~~Assembly reserves the right to amend, reduce, or suspend any legislative changes to~~  
21 ~~the provisions of KRS 21.345 to 21.580 that become effective on or after July 1,~~  
22 ~~2018].~~

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

1           which he then has or which he subsequently regains while being an active  
2           member of the Judicial Retirement Plan, shall be transferred to and counted as  
3           service credit in the Judicial Retirement Plan, and shall no longer constitute  
4           credit in the Kentucky Employees Retirement System, except for the purpose  
5           of validating any other credit in that system, if the member pays the  
6           difference, if any, between the amount transferred from the Kentucky  
7           Employees Retirement System and the actuarial value of the transferred  
8           service.

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

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

26          (4) Membership and benefit rights for judges and justices (other than Judges of the  
27          District Court), and for the commissioners and administrative director, who took

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

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

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

25 (7) An election once made under this section, either to participate or not to participate  
26 in the Judicial Retirement Plan, shall be considered to apply, to all future service in  
27 any office covered by the plan~~], except as provided by KRS 21.374 and 21.385(3)]~~,



1           whether such service is in the same or a different office, and whether or not it is  
2           continuous.

3           ➔Section 6. KRS 21.372 is repealed, reenacted, and amended to read as follows:

4           (1) For purposes of this section:

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

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

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

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

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

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

1 determining the member's monthly pension benefit under KRS 21.400.

2 (c) If the member's final compensation is reduced for the purposes of determining  
3 the member's pension benefit under KRS 21.400 as provided by paragraph (b)  
4 of this subsection, the retirement system shall, notwithstanding KRS 21.460  
5 and as applicable, refund the member contributions attributable to the  
6 reduction in creditable compensation.

7 (3) In order to ensure the prospective application of the potential reduction in pension  
8 benefits as provided in subsection (2) of this section, only the compensation earned  
9 by the retiring member on or after July 1, 2017, shall be subject to reduction under  
10 subsection (2) of this section. Compensation earned by the retiring member prior to  
11 July 1, 2017, shall not be subject to reduction under subsection (2) of this section.

12 (4) Subsections (2) and (3) of this section shall not apply to increases that are the direct  
13 result of a bona fide promotion or career advancement or to compensation used in  
14 accordance with KRS 61.680(7) in which the member does not have sixty (60)  
15 months of service in the Judicial Retirement Plan.

16 (5) The **Judicial Form Retirement System** board of trustees shall determine whether  
17 increases in compensation during the final sixty (60) months preceding retirement  
18 constitute a bona fide promotion or career advancement and may promulgate  
19 administrative regulations in accordance with KRS Chapter 13A to administer this  
20 section. All state-administered retirement systems shall cooperate to implement this  
21 section.

22 (6) This section shall not apply to:

23 ~~(a) employees participating in the hybrid cash balance **plan**[plans] as provided~~  
24 ~~by KRS 21.402[or 61.597; or~~

25 ~~(b) Service earned in the 401(a) money purchase plan as provided by KRS~~  
26 ~~61.5956].~~

27 ➔Section 7. KRS 21.374 is repealed, reenacted, and amended to read as follows:

1 Notwithstanding KRS 6.500 to 6.577 and 21.345 to 21.580:

- 2 (1) Subject to the provisions of this section, any member who began participating in the  
3 Legislators' Retirement Plan or the Judicial Retirement Plan prior to January 1,  
4 2014, may in lieu of the benefits he or she is currently eligible to receive under  
5 the plans, elect to receive the benefits and rights provided to members who began  
6 participating in the Legislators' Retirement Plan or the Judicial Retirement Plan  
7 on or after January 1, 2014, including participating in the hybrid cash balance  
8 plan created pursuant to KRS 21.402;~~[July 1, 2019, may on or after July 1, 2019,~~  
9 ~~but prior to January 1, 2021, elect to cease participating in the Legislators'~~  
10 ~~Retirement Plan or the Judicial Retirement Plan and participate prospectively in the~~  
11 ~~Kentucky Employees Retirement System as a nonhazardous employee for any~~  
12 ~~future service as a legislator, judge, or justice and be provided the following~~  
13 ~~benefits in lieu of the benefits provided by KRS 6.500 to 6.577 and 21.345 to~~  
14 ~~21.580:~~
- 15 ~~(a) Participation in the 401(a) money purchase plan provided by KRS 61.5956.~~  
16 ~~Members making an election shall not accrue service credit in the Kentucky~~  
17 ~~Employees Retirement System for purposes of determining retirement benefits~~  
18 ~~under KRS 61.510(14), 61.595, or 61.597; and~~
- 19 ~~(b) Any other benefits the person would be eligible for in the Kentucky~~  
20 ~~Employees Retirement System based upon the election provided by this~~  
21 ~~section or his or her membership date in the state-administered retirement~~  
22 ~~systems;]~~
- 23 (2) The election provided by this section shall be made in writing and on a form  
24 prescribed by the Judicial Form Retirement System board;
- 25 (3) For each member who makes an election provided by this section:  
26 (a) Any service credit the member has accrued prior to January 1, 2014, shall  
27 be considered as service credit earned on or after January 1, 2014, for

1 purposes of determining benefits under KRS 6.500 to 6.577 and 21.345 to  
 2 21.580;

3 (b) On the member's effective election date, the value of the member's  
 4 accumulated contributions, less any interest, shall be deposited into the  
 5 member's hybrid cash balance account as provided by KRS 21.402 and  
 6 considered part of the member's accumulated account balance;

7 (c) On the member's effective election date, an employer pay credit as provided  
 8 by KRS 21.402 shall be added to the member's accumulated account  
 9 balance for each month the member contributed to the Legislators'  
 10 Retirement Plan or the Judicial Retirement Plan prior to his or her effective  
 11 election date; and

12 (d) Interest credits as provided by KRS 21.402 shall only be applied for periods  
 13 occurring on or after the member's effective election date~~[For each member~~  
 14 ~~who makes an election provided by this section, any service credit, final~~  
 15 ~~compensation, or other benefits the member has accrued prior to the member's~~  
 16 ~~effective election date, in the Judicial Retirement Plan or Legislators'~~  
 17 ~~Retirement Plan, shall remain, but the member shall not accrue any additional~~  
 18 ~~service, final compensation, or any other benefits in the Judicial Retirement~~  
 19 ~~Plan or the Legislators' Retirement Plan on or after the effective election date];~~

20 (4) Before accepting an election provided by this section, the Judicial Form Retirement  
 21 System board shall provide the member with information detailing the potential  
 22 results of the member's election;

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

24 (6) (a) A member of the Legislators' Retirement Plan or the Judicial Retirement Plan  
 25 shall not be eligible to make an election prescribed by this section until the  
 26 Judicial Form Retirement System receives a favorable private letter ruling  
 27 from the Internal Revenue Service regarding this section.

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

3 (c) The Judicial Form Retirement System may promulgate administrative  
4 regulations under KRS Chapter 13A in order to carry out this section.

5 ➔Section 8. KRS 21.385 is repealed, reenacted, and amended to read as follows:

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

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

1 time of his ultimate retirement, shall be considered to be the surviving spouse with  
 2 respect to both the additional and the initial benefits.

3 ~~[(3) Notwithstanding any other provision of KRS 6.500 to 6.577 or 21.345 to 21.580 to  
 4 the contrary, an individual who retires and begins drawing a retirement allowance  
 5 from one (1) or more of the systems or plans administered by the Kentucky  
 6 Retirement Systems, the Teachers' Retirement System, or the Judicial Form  
 7 Retirement System on or after January 1, 2019, shall not be eligible to earn benefits  
 8 in the Legislators' Retirement Plan or Judicial Retirement Plan for service as a  
 9 judge, justice, or legislator that occurs on or after January 1, 2019.]~~

10 ➔Section 9. KRS 21.402 is repealed, reenacted, and amended to read as follows:

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

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

21 (a) Contributions made by the member as provided by KRS 6.500 to 6.577 and  
 22 21.345 to 21.580, except for employee contributions prescribed by KRS  
 23 6.505(1)(d)2.b. and 21.360(1)(a)3.b.;

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

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

1 as provided by this section.

2 (3) (a) Member contributions and employer pay credits as provided by subsection  
3 (2)(a) and (b) of this section shall be credited to the member's account  
4 monthly as contributions are reported and posted to the plan.

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

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

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

16 **1. Four percent (4%); plus**

17 **2. Seventy-five percent (75%)**~~[ eighty-five percent (85%) ]~~ of the plan's  
18 geometric average net investment return~~[,]~~ **in excess of a four percent**  
19 **(4%) rate of return**~~[but in no case shall be less than zero percent (0%)].~~

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

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

27 1. Means the annual average geometric investment return, net of

- 1 administrative and investment fees and expenses, over the last five (5)  
2 fiscal years as of the date the interest is credited to the member's  
3 account; and
- 4 2. Shall be expressed as a percentage and based upon the plan in which the  
5 member has an account.
- 6 (5) (a) Upon termination of employment, a member who has less than five (5) years  
7 of service credited under the Legislators' Retirement Plan or the Judicial  
8 Retirement Plan, who elects to take a refund of his or her accumulated account  
9 balance as provided by KRS 21.460, shall forfeit the accumulated employer  
10 credit, and shall only receive a refund of his or her accumulated contributions.
- 11 (b) Upon termination of employment, a member who has five (5) or more years of  
12 service credited under the Legislators' Retirement Plan or the Judicial  
13 Retirement Plan, who elects to take a refund of his or her accumulated account  
14 balance as provided by KRS 21.460, shall receive a full refund of his or her  
15 accumulated account balance.
- 16 (6) A member participating in the hybrid cash balance plan provided by this section  
17 may retire:
- 18 (a) Upon reaching normal retirement age, provided he or she has earned five (5)  
19 or more years of service credited under the Legislators' Retirement Plan or the  
20 Judicial Retirement Plan, or another state-administered retirement system; or
- 21 (b) If the member is at least age fifty-seven (57) and has an age and years of  
22 service total of at least eighty-seven (87) years. The years of service used to  
23 determine eligibility for retirement under this paragraph shall only include  
24 years of service credited under the Legislators' Retirement Plan or the Judicial  
25 Retirement Plan, or another state-administered retirement system.
- 26 (7) A member eligible to retire under subsection (6) of this section may elect to:
- 27 (a) Receive a monthly retirement allowance payable for life by having his or her



1 accumulated account balance annuitized by the retirement plan in accordance  
2 with the actuarial assumptions and actuarial methods adopted by the board  
3 and in effect on the member's retirement date;

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

7 (c) Take a refund of his or her accumulated account balance as provided by KRS  
8 21.460.

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

14 (9) The provisions of this section shall not apply to members who began participating  
15 in the Legislators' Retirement Plan or the Judicial Retirement Plan prior to January  
16 1, 2014, **except for those members making an election pursuant to KRS 21.374.**

17 ➔Section 10. KRS 21.460 is repealed, reenacted, and amended to read as follows:

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

25 (b) A member who begins participating in the Judicial Retirement Plan on or after  
26 January 1, 2014, may, if the member ceases to hold an office qualifying him or  
27 her for membership in the plan established by KRS 21.345 to 21.580, elect to

1 take a refund of his or her accumulated account balance subject to the  
2 limitations provided by KRS 21.402.

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

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

21 ~~[(b) Members or persons participating in the 401(a) money purchase plan as  
22 provided by KRS 61.5956 shall not be eligible to purchase service under the  
23 provisions of this section.]~~

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

1 unless he has previously repaid his refunded contributions in accordance with  
2 subsection (3) of this section or unless within thirty (30) days after again assuming  
3 office he repays to the plan the amount that was refunded to him with interest at six  
4 percent (6%) per annum. Service purchased under this subsection on or after  
5 January 1, 2014, shall not be used to determine the member's participation date in  
6 the Judicial Retirement Plan.~~Members or persons participating in the 401(a)~~  
7 ~~money purchase plan as provided by KRS 61.5956 shall not be eligible to purchase~~  
8 ~~service under the provisions of this section.~~

9 (5) If the taking of a refund of contributions by a member of the Kentucky Judicial  
10 Retirement Plan, when first entitled thereto, would subject the member to a federal  
11 excise tax, by reason of the refund's being made before the member has reached an  
12 age designated by the federal taxing act, and the member has elected, pursuant to  
13 subsection (2) of this section, to defer taking a refund, so much of the contributions  
14 as would have been subject to the excise tax shall accrue interest at the rate of six  
15 percent (6%) per annum, from the date the member first could have taken a refund  
16 until the date the refund is taken or the date as of which the federal excise tax no  
17 longer would apply to a refund, whichever is sooner, the interest to be paid by the  
18 plan at the time of the refund. The provisions of this subsection shall not apply to  
19 members who begin participating in the Judicial Retirement Plan on or after January  
20 1, 2014.

21 ➔Section 11. KRS 21.480 is repealed, reenacted, and amended to read as follows:

22 (1) For members who begin participating in the Judicial Retirement Plan prior to  
23 January 1, 2014, it is hereby declared that in consideration of the contributions by  
24 the members, and in further consideration of benefits received by the state through  
25 the inducement of qualified and experienced judges and commissioners to continue  
26 in service, KRS 21.350 to 21.510, except as provided in KRS 6.696, shall constitute  
27 an inviolable contract of the Commonwealth, and the rights and benefits provided

1       therein shall, except as provided in KRS 6.696, not be subject to reduction or  
2       impairment by alteration, amendment or repeal~~], except:~~

3       ~~(a) As provided in KRS 6.696; and~~

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

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

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

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

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

26       ➔Section 12. KRS 16.505 is repealed, reenacted, and amended to read as follows:

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

- 1 (1) "System" means the State Police Retirement System created by KRS 16.505 to  
2 16.652;
- 3 (2) "Board" means the board of trustees of the Kentucky Retirement Systems;
- 4 (3) "Employer" or "State Police" means the Department of Kentucky State Police, or its  
5 successor;
- 6 (4) "Current service" means the number of years and completed months of employment  
7 as an employee subsequent to July 1, 1958, for which creditable compensation was  
8 paid by the employer and employee contributions deducted except as otherwise  
9 provided;
- 10 (5) "Prior service" means the number of years and completed months of employment as  
11 an employee prior to July 1, 1958, for which creditable compensation was paid to  
12 the employee by the Commonwealth. Twelve (12) months of current service in the  
13 system are required to validate prior service;
- 14 (6) "Service" means the total of current service and prior service;
- 15 (7) "Accumulated contributions" at any time means the sum of all amounts deducted  
16 from the compensation of a member and credited to his individual account in the  
17 member's account, including employee contributions picked up after August 1,  
18 1982, pursuant to KRS 16.545(4), together with interest credited on such amounts  
19 as provided in KRS 16.505 to 16.652, and any other amounts the member shall have  
20 contributed, including interest credited. For members who begin participating on or  
21 after September 1, 2008, "accumulated contributions" shall not include employee  
22 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.  
23 401(h) within the funds established in KRS 16.510, 61.515, and 78.520, as  
24 prescribed by KRS 61.702(2)(b);
- 25 (8) "Creditable compensation":
- 26 (a) ~~Except as provided by paragraph (b) or (c) of this subsection,~~ Means all  
27 salary and wages, including payments for compensatory time, paid to the

1 employee as a result of services performed for the employer or for time during  
2 which the member is on paid leave, which are includable on the member's  
3 federal form W-2 wage and tax statement under the heading "wages, tips,  
4 other compensation," including employee contributions picked up after  
5 August 1, 1982, pursuant to KRS 16.545(4);

6 (b) Includes:

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

1 January 1, 2001, that are not includable in the gross income of the  
2 employee by reason of 26 U.S.C. sec. 132(f)(4); and

3 (c) Excludes:

- 4 1. ~~[Uniform, equipment, or any other expense allowances paid on or after~~  
5 ~~January 1, 2019,]~~ Living allowances, expense reimbursements, lump-  
6 sum payments for accrued vacation leave, and other items determined by  
7 the board;
- 8 2. For employees who begin participating on or after September 1, 2008,  
9 lump-sum payments for compensatory time; and
- 10 3. Any salary or wages paid to an employee for services as a Kentucky  
11 State Police school resource officer as defined by KRS 158.441;

12 (9) "Final compensation" means:

- 13 (a) For a member who begins participating before~~[prior to]~~ September 1, 2008,  
14 ~~[who retires prior to January 1, 2019,]~~ the creditable compensation of a  
15 member during the three (3) fiscal years he was paid at the highest average  
16 monthly rate divided by the number of months of service credit during the  
17 three (3) year period, multiplied by twelve (12); the three (3) years may be  
18 fractional and need not be consecutive. If the number of months of service  
19 credit during the three (3) year period is less than twenty-four (24), one (1) or  
20 more additional fiscal years shall be used; or
- 21 (b) For a member who begins participating on or after September 1, 2008, but  
22 prior to January 1, 2014, ~~[or for a member who begins participating prior to~~  
23 ~~September 1, 2008, who retires on or after January 1, 2019,]~~ the creditable  
24 compensation of the member during the three (3) complete fiscal years he or  
25 she was paid at the highest average monthly rate divided by three (3). Each  
26 fiscal year used to determine final compensation must contain twelve (12)  
27 months of service credit. If the member does not have three (3) complete

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

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

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

17 (12) "Retirement allowance" means the retirement payments to which a retired member  
18 is entitled;

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

27 (14) "Authorized leave of absence" means any time during which a person is absent from



1 employment but retained in the status of an employee in accordance with the  
2 personnel policy of the Department of Kentucky State Police;

3 (15) "Normal retirement date" means:

4 (a) For a member who begins participating before September 1, 2008, the first  
5 day of the month following a member's fifty-fifth birthday, except that for  
6 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,  
7 1959; or

8 (b) For a member who begins participating on or after September 1, 2008, the  
9 first day of the month following a member's sixtieth birthday;

10 (16) "Disability retirement date" means the first day of the month following the last day  
11 of paid employment;

12 (17) "Dependent child" means a child in the womb and a natural or legally adopted child  
13 of the member who has neither attained age eighteen (18) nor married or who is an  
14 unmarried full-time student who has not attained age twenty-two (22) . Solely in the  
15 case of a member who dies as a direct result of an act in line of duty as defined in  
16 this section or who dies as a result of a duty-related injury as defined in KRS  
17 61.621, "dependent child" also means a naturally or legally adopted disabled child  
18 of the member, regardless of the child's age, if the child has been determined to be  
19 eligible for federal Social Security disability benefits or is being claimed as a  
20 qualifying child for tax purposes due to the child's total and permanent disability;

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

23 (19) "Act in line of duty" means an act occurring or a thing done, which, as determined  
24 by the board, was required in the performance of the duties specified in KRS  
25 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of  
26 duty" shall mean an act occurring which was required in the performance of the  
27 principal duties of the position as defined by the job description;

- 1 (20) "Early retirement date" means:
- 2 (a) For a member who begins participating before September 1, 2008, the
- 3 retirement date declared by a member who is not less than fifty (50) years of
- 4 age and has fifteen (15) years of service; or
- 5 (b) For a member who begins participating on or after September 1, 2008, but
- 6 prior to January 1, 2014, the retirement date declared by a member who is not
- 7 less than fifty (50) years of age and has fifteen (15) years of service credited
- 8 under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-administered
- 9 retirement system;
- 10 (21) "Member" means any officer included in the membership of the system as provided
- 11 under KRS 16.520 whose membership has not been terminated under KRS 61.535;
- 12 (22) "Regular full-time officers" means the occupants of positions as set forth in KRS
- 13 16.010;
- 14 (23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which
- 15 results in an employee's total incapacity to continue as an employee in a hazardous
- 16 position, but the employee is not necessarily deemed to be totally and permanently
- 17 disabled to engage in other occupations for remuneration or profit;
- 18 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
- 19 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
- 20 pay. The rate shall be certified by the employer;
- 21 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
- 22 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
- 23 in the event of the member's death. As used in KRS 61.702, "beneficiary" does not
- 24 mean an estate, trust, or trustee;
- 25 (26) "Recipient" means the retired member, the person or persons designated as
- 26 beneficiary by the member and drawing a retirement allowance as a result of the
- 27 member's death, or a dependent child drawing a retirement allowance. An alternate

- 1 payee of a qualified domestic relations order shall not be considered a recipient,  
2 except for purposes of KRS 61.623;
- 3 (27) "Person" means a natural person;
- 4 (28) "Retirement office" means the Kentucky Retirement Systems office building in  
5 Frankfort;
- 6 (29) "Delayed contribution payment" means an amount paid by an employee for  
7 purchase of current service. The amount shall be determined using the same formula  
8 in KRS 61.5525, and the payment shall not be picked up by the employer. A  
9 delayed contribution payment shall be deposited to the member's account and  
10 considered as accumulated contributions of the individual member;
- 11 (30) "Last day of paid employment" means the last date employer and employee  
12 contributions are required to be reported in accordance with KRS 16.543, 61.543, or  
13 78.615 to the retirement office in order for the employee to receive current service  
14 credit for the month. Last day of paid employment does not mean a date the  
15 employee receives payment for accrued leave, whether by lump sum or otherwise, if  
16 that date occurs twenty-four (24) or more months after previous contributions;
- 17 (31) "Objective medical evidence" means reports of examinations or treatments; medical  
18 signs which are anatomical, physiological, or psychological abnormalities that can  
19 be observed; psychiatric signs which are medically demonstrable phenomena  
20 indicating specific abnormalities of behavior, affect, thought, memory, orientation,  
21 or contact with reality; or laboratory findings which are anatomical, physiological,  
22 or psychological phenomena that can be shown by medically acceptable laboratory  
23 diagnostic techniques, including but not limited to chemical tests,  
24 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 25 (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
26 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
27 limitation year used to determine contribution and benefit limits established by 26

- 1 U.S.C. sec. 415;
- 2 (33) "Participating" means an employee is currently earning service credit in the system  
3 as provided in KRS 16.543;
- 4 (34) "Month" means a calendar month;
- 5 (35) "Membership date" means the date upon which the member began participating in  
6 the system as provided by KRS 16.543;
- 7 (36) "Participant" means a member, as defined by subsection (21) of this section, or a  
8 retired member, as defined by subsection (11) of this section;
- 9 (37) "Qualified domestic relations order" means any judgment, decree, or order,  
10 including approval of a property settlement agreement, that:
- 11 (a) Is issued by a court or administrative agency; and
- 12 (b) Relates to the provision of child support, alimony payments, or marital  
13 property rights to an alternate payee;
- 14 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
15 participant, who is designated to be paid retirement benefits in a qualified domestic  
16 relations order;
- 17 (39) "Accumulated employer credit" means the employer pay credit deposited to the  
18 member's account and interest credited on such amounts as provided by KRS  
19 16.583;
- 20 (40) "Accumulated account balance" means:
- 21 (a) For members who began participating in the system prior to January 1, 2014,  
22 the member's accumulated contributions; or
- 23 (b) For members who began participating in the system on or after January 1,  
24 2014, in the hybrid cash balance plan as provided by KRS 16.583, the  
25 combined sum of the member's accumulated contributions and the member's  
26 accumulated employer pay credit; and
- 27 (41) "Monthly average pay" means the higher of the member's monthly final rate of pay

1 or the average monthly creditable compensation earned by the deceased member  
2 during his or her last twelve (12) months of employment.

3 ➔Section 13. KRS 61.510 is repealed, reenacted, and amended to read as follows:

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

- 5 (1) "System" means the Kentucky Employees Retirement System created by KRS  
6 61.510 to 61.705;
- 7 (2) "Board" means the board of trustees of the system as provided in KRS 61.645;
- 8 (3) "Department" means any state department or board or agency participating in the  
9 system in accordance with appropriate executive order, as provided in KRS 61.520.  
10 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the  
11 General Assembly and any other body, entity, or instrumentality designated by  
12 executive order by the Governor, shall be deemed to be a department,  
13 notwithstanding whether said body, entity, or instrumentality is an integral part of  
14 state government;
- 15 (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- 16 (5) "Employee" means the members, officers, and employees of the General Assembly  
17 and every regular full-time, appointed or elective officer or employee of a  
18 participating department, including the Department of Military Affairs. The term  
19 does not include persons engaged as independent contractors, seasonal, emergency,  
20 temporary, interim, and part-time workers. In case of any doubt, the board shall  
21 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 22 (6) "Employer" means a department or any authority of a department having the power  
23 to appoint or select an employee in the department, including the Senate and the  
24 House of Representatives, or any other entity, the employees of which are eligible  
25 for membership in the system pursuant to KRS 61.525;
- 26 (7) "State" means the Commonwealth of Kentucky;
- 27 (8) "Member" means any employee who is included in the membership of the system or

1 any former employee whose membership has not been terminated under KRS  
2 61.535;

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

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

12 (11) "Prior service" means the number of years and completed months, expressed as a  
13 fraction of a year, of employment as an employee, prior to July 1, 1956, for which  
14 creditable compensation was paid; except that for members, officers, and employees  
15 of the General Assembly, this date shall be January 1, 1960. An employee shall be  
16 credited with one (1) month of prior service only in those months he received  
17 compensation for at least one hundred (100) hours of work; provided, however, that  
18 each member, officer, and employee of the General Assembly shall be credited with  
19 a month of prior service for each month he served in the position prior to January 1,  
20 1960. Twelve (12) months of current service in the system are required to validate  
21 prior service;

22 (12) "Accumulated contributions" at any time means the sum of all amounts deducted  
23 from the compensation of a member and credited to his individual account in the  
24 members' account, including employee contributions picked up after August 1,  
25 1982, pursuant to KRS 61.560(4), together with interest credited~~[, or investment~~  
26 ~~returns earned as provided by KRS 61.5956,]~~ on such amounts and any other  
27 amounts the member shall have contributed thereto, including interest credited

1       thereon ~~or investment returns earned as provided by KRS 61.5956~~. **For members**  
2       **who begin participating on or after September 1, 2008,** "accumulated  
3       contributions" shall not include employee contributions that are deposited into  
4       accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established  
5       in KRS 16.510, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

6       (13) "Creditable compensation":

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

19      (b) Includes:

- 20      1. Lump-sum bonuses, severance pay, or employer-provided payments for  
21      purchase of service credit, which shall be averaged over the employee's  
22      total service with the system in which it is recorded if it is equal to or  
23      greater than one thousand dollars (\$1,000);
- 24      2. Cases where compensation includes maintenance and other perquisites,  
25      but the board shall fix the value of that part of the compensation not paid  
26      in money;
- 27      3. Lump-sum payments for creditable compensation paid as a result of an

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

- 12 4. Amounts which are not includable in the member's gross income by  
13 virtue of the member having taken a voluntary salary reduction provided  
14 for under applicable provisions of the Internal Revenue Code; and
- 15 5. Elective amounts for qualified transportation fringes paid or made  
16 available on or after January 1, 2001, for calendar years on or after  
17 January 1, 2001, that are not includable in the gross income of the  
18 employee by reason of 26 U.S.C. sec. 132(f)(4); and

19 (c) Excludes:

- 20 1. ~~Uniform, equipment, or any other expense allowances paid on or after~~  
21 ~~January 1, 2019,~~ Living allowances, expense reimbursements, lump-  
22 sum payments for accrued vacation leave, and other items determined by  
23 the board;
- 24 2. For employees who begin participating on or after September 1, 2008,  
25 lump-sum payments for compensatory time;
- 26 3. ~~For employees participating in a nonhazardous position who began~~  
27 ~~participating prior to September 1, 2008, and who retire after July 1,~~



1                   ~~2023, lump sum payments for compensatory time upon termination of~~  
2                   ~~employment;~~

3                   ~~4.—~~For employees who begin participating on or after August 1, 2016,  
4                   nominal fees paid for services as a volunteer; and

5                   ~~4.15.~~Any salary or wages paid to an employee for services as a Kentucky  
6                   State Police school resource officer as defined by KRS 158.441;

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

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

23                  (b) For a member who is employed in a nonhazardous position, whose effective  
24                  retirement date is between August 1, 2001, and January 1, 2009, and whose  
25                  total service credit is at least twenty-seven (27) years and whose age and years  
26                  of service total at least seventy-five (75), final compensation means the  
27                  creditable compensation of the member during the three (3) fiscal years the

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

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

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

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

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

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

25 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the  
26 basis of the actuarial tables that are adopted by the board. In cases of disability  
27 retirement, the options authorized by KRS 61.635 shall be computed by adding ten

- 1 (10) years to the age of the member, unless the member has chosen the Social  
2 Security adjustment option as provided for in KRS 61.635(8), in which case the  
3 member's actual age shall be used. For members who began participating in the  
4 system prior to January 1, 2014, no disability retirement option shall be less than the  
5 same option computed under early retirement;
- 6 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless  
7 otherwise provided in KRS 61.510 to 61.705;
- 8 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
9 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
10 limitation year used to determine contribution and benefit limits as established by  
11 26 U.S.C. sec. 415;
- 12 (20) "Officers and employees of the General Assembly" means the occupants of those  
13 positions enumerated in KRS 6.150. The term shall also apply to assistants who  
14 were employed by the General Assembly for at least one (1) regular legislative  
15 session prior to July 13, 2004, who elect to participate in the retirement system, and  
16 who serve for at least six (6) regular legislative sessions. Assistants hired after July  
17 13, 2004, shall be designated as interim employees;
- 18 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean  
19 all positions that average one hundred (100) or more hours per month determined by  
20 using the number of months actually worked within a calendar or fiscal year,  
21 including all positions except:
- 22 (a) Seasonal positions, which although temporary in duration, are positions which  
23 coincide in duration with a particular season or seasons of the year and which  
24 may recur regularly from year to year, the period of time shall not exceed nine  
25 (9) months;
- 26 (b) Emergency positions which are positions which do not exceed thirty (30)  
27 working days and are nonrenewable;

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

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

1 contributions are required to be reported in accordance with KRS 16.543, 61.543, or  
2 78.615 to the retirement office in order for the employee to receive current service  
3 credit for the month. Last day of paid employment does not mean a date the  
4 employee receives payment for accrued leave, whether by lump sum or otherwise, if  
5 that date occurs twenty-four (24) or more months after previous contributions;

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

14 (34) "Participating" means an employee is currently earning service credit in the system  
15 as provided in KRS 61.543;

16 (35) "Month" means a calendar month;

17 (36) "Membership date" means:

18 (a) The date upon which the member began participating in the system as  
19 provided in KRS 61.543; or

20 (b) For a member electing to participate in the system pursuant to KRS  
21 196.167(4) who has not previously participated in the system or the Kentucky  
22 Teachers' Retirement System, the date the member began participating in a  
23 defined contribution plan that meets the requirements of 26 U.S.C. sec.  
24 403(b);

25 (37) "Participant" means a member, as defined by subsection (8) of this section, or a  
26 retired member, as defined by subsection (24) of this section;

27 (38) "Qualified domestic relations order" means any judgment, decree, or order,

1 including approval of a property settlement agreement, that:

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

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

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

8 (40) "Accumulated employer credit" mean the employer pay credit deposited to the  
9 member's account and interest credited on such amounts as provided by KRS  
10 16.583 and 61.597;

11 (41) "Accumulated account balance" means:

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

14 (b) For members who began participating in the system on or after January 1,  
15 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,  
16 the combined sum of the member's accumulated contributions and the  
17 member's accumulated employer credit; ~~or~~

18 ~~(c) For nonhazardous members who are participating in the 401(a) money~~  
19 ~~purchase plan as provided by KRS 61.5956, the combined sum of the~~  
20 ~~member's accumulated contribution and the member's accumulated employer~~  
21 ~~contribution in the 401(a) money purchase plan;]~~

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

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



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

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

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

12 ~~(45) ["Accumulated employer contribution" means the employer contribution deposited~~  
 13 ~~to the member's account and any investment returns on such amounts as provided~~  
 14 ~~by KRS 61.5956; and~~

15 ~~(46) ["Monthly average pay" means the higher of the member's monthly final rate of pay~~  
 16 ~~or the average monthly creditable compensation earned by the deceased member~~  
 17 ~~during his or her last twelve (12) months of employment.~~

18 ➔Section 14. KRS 78.510 is repealed, reenacted, and amended to read as follows:

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

20 (1) "System" means the County Employees Retirement System;

21 (2) "Board" means the board of trustees of the system as provided in KRS 78.780;

22 (3) "County" means any county, or nonprofit organization created and governed by a  
 23 county, counties, or elected county officers, sheriff and his employees, county clerk  
 24 and his employees, circuit clerk and his deputies, former circuit clerks or former  
 25 circuit clerk deputies, or political subdivision or instrumentality, including school  
 26 boards, charter county government, or urban-county government participating in the  
 27 system by order appropriate to its governmental structure, as provided in KRS

- 1 78.530, and if the board is willing to accept the agency, organization, or  
2 corporation, the board being hereby granted the authority to determine the eligibility  
3 of the agency to participate;
- 4 (4) "School board" means any board of education participating in the system by order  
5 appropriate to its governmental structure, as provided in KRS 78.530, and if the  
6 board is willing to accept the agency or corporation, the board being hereby granted  
7 the authority to determine the eligibility of the agency to participate;
- 8 (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- 9 (6) "Employee" means every regular full-time appointed or elective officer or employee  
10 of a participating county and the coroner of a participating county, whether or not he  
11 qualifies as a regular full-time officer. The term shall not include persons engaged  
12 as independent contractors, seasonal, emergency, temporary, and part-time workers.  
13 In case of any doubt, the board shall determine if a person is an employee within the  
14 meaning of KRS 78.510 to 78.852;
- 15 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected  
16 officials of a county, or any authority of the county having the power to appoint or  
17 elect an employee to office or employment in the county;
- 18 (8) "Member" means any employee who is included in the membership of the system or  
19 any former employee whose membership has not been terminated under KRS  
20 61.535;
- 21 (9) "Service" means the total of current service and prior service as defined in this  
22 section;
- 23 (10) "Current service" means the number of years and months of employment as an  
24 employee, on and after July 1, 1958, for which creditable compensation is paid and  
25 employee contributions deducted, except as otherwise provided;
- 26 (11) "Prior service" means the number of years and completed months, expressed as a  
27 fraction of a year, of employment as an employee, prior to July 1, 1958, for which

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

5       (12) "Accumulated contributions" means the sum of all amounts deducted from the  
6       compensation of a member and credited to his individual account in the members'  
7       account, including employee contributions picked up after August 1, 1982, pursuant  
8       to KRS 78.610(4), together with interest credited~~[, or investment returns earned as~~  
9       ~~provided by KRS 61.5956,]~~ on the amounts, and any other amounts the member  
10      shall have contributed thereto, including interest credited thereon~~[ or investment~~  
11      ~~returns earned as provided by KRS 61.5956].~~ **For members who begin**  
12      **participating on or after September 1, 2008,** "accumulated contributions" shall not  
13      include employee contributions that are deposited into accounts established  
14      pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510,  
15      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  
18      salary, wages, and fees, including payments for compensatory time, paid to the  
19      employee as a result of services performed for the employer or for time during  
20      which the member is on paid leave, which are includable on the member's  
21      federal form W-2 wage and tax statement under the heading "wages, tips,  
22      other compensation", including employee contributions picked up after  
23      August 1, 1982, pursuant to KRS 78.610(4);

24      (b) Includes:

25          1. Lump-sum bonuses, severance pay, or employer-provided payments for  
26          purchase of service credit, which shall be averaged over the employee's  
27          service with the system in which it is recorded if it is equal to or greater

- 1 than one thousand dollars (\$1,000);
- 2 2. Cases where compensation includes maintenance and other perquisites,
- 3 but the board shall fix the value of that part of the compensation not paid
- 4 in money;
- 5 3. Lump-sum payments for creditable compensation paid as a result of an
- 6 order of a court of competent jurisdiction, the Personnel Board, or the
- 7 Commission on Human Rights, or for any creditable compensation paid
- 8 in anticipation of settlement of an action before a court of competent
- 9 jurisdiction, the Personnel Board, or the Commission on Human Rights,
- 10 including notices of violations of state or federal wage and hour statutes
- 11 or violations of state or federal discrimination statutes, which shall be
- 12 credited to the fiscal year during which the wages were earned or should
- 13 have been paid by the employer. This subparagraph shall also include
- 14 lump-sum payments for reinstated wages pursuant to KRS 61.569,
- 15 which shall be credited to the period during which the wages were
- 16 earned or should have been paid by the employer;
- 17 4. Amounts which are not includable in the member's gross income by
- 18 virtue of the member having taken a voluntary salary reduction provided
- 19 for under applicable provisions of the Internal Revenue Code; and
- 20 5. Elective amounts for qualified transportation fringes paid or made
- 21 available on or after January 1, 2001, for calendar years on or after
- 22 January 1, 2001, that are not includable in the gross income of the
- 23 employee by reason of 26 U.S.C. sec. 132(f)(4); and
- 24 (c) Excludes:
- 25 1. ~~Uniform, equipment, or any other expense allowances paid on or after~~
- 26 ~~January 1, 2019, ]~~Living allowances, expense reimbursements, lump-
- 27 sum payments for accrued vacation leave, sick leave except as provided

- 1 in KRS 78.616(5), and other items determined by the board;
- 2 2. For employees who begin participating on or after September 1, 2008,
- 3 lump-sum payments for compensatory time;
- 4 3. Training incentive payments for city officers paid as set out in KRS
- 5 64.5277 to 64.5279;
- 6 4. For employees who begin participating on or after August 1, 2016,
- 7 nominal fees paid for services as a volunteer; and
- 8 5. ~~For employees who are employed in a nonhazardous position, who~~
- 9 ~~began participating prior to September 1, 2008, and who retire after July~~
- 10 ~~1, 2023, lump-sum payments for compensatory time upon termination of~~
- 11 ~~employment; and~~
- 12 6. ~~Any salary or wages paid to an employee for services as a Kentucky~~
- 13 ~~State Police school resource officer as defined by KRS 158.441;~~

14 (14) "Final compensation" means:

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

1           ~~be added until the number of months in the final compensation calculation is~~  
2           ~~at least sixty (60) months];~~

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

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

26          (d) For a member who begins participating on or after September 1, 2008, but  
27          prior to January 1, 2014, who is employed in a nonhazardous position, the

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

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

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

- 1 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half  
2 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve  
3 (12) months, one (1) year;
- 4 (16) "Retirement allowance" means the retirement payments to which a member is  
5 entitled;
- 6 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the  
7 basis of the actuarial tables adopted by the board. In cases of disability retirement,  
8 the options authorized by KRS 61.635 shall be computed by adding ten (10) years  
9 to the age of the member, unless the member has chosen the Social Security  
10 adjustment option as provided for in KRS 61.635(8), in which case the member's  
11 actual age shall be used. For members who begin participating in the system prior to  
12 January 1, 2014, no disability retirement option shall be less than the same option  
13 computed under early retirement;
- 14 (18) "Normal retirement date" means the sixty-fifth birthday of a member unless  
15 otherwise provided in KRS 78.510 to 78.852;
- 16 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the  
17 following June 30, which shall also be the plan year. The "fiscal year" shall be the  
18 limitation year used to determine contribution and benefits limits as set out in 26  
19 U.S.C. sec. 415;
- 20 (20) "Agency reporting official" means the person designated by the participating agency  
21 who shall be responsible for forwarding all employer and employee contributions  
22 and a record of the contributions to the system and for performing other  
23 administrative duties pursuant to the provisions of KRS 78.510 to 78.852;
- 24 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean  
25 all positions that average one hundred (100) or more hours per month, determined  
26 by using the number of hours actually worked in a calendar or fiscal year, or eighty  
27 (80) or more hours per month in the case of noncertified employees of school



1 boards, determined by using the number of hours actually worked in a calendar or  
2 school year, unless otherwise specified, except:

- 3 (a) Seasonal positions, which although temporary in duration, are positions which  
4 coincide in duration with a particular season or seasons of the year and that  
5 may recur regularly from year to year, in which case the period of time shall  
6 not exceed nine (9) months, except for employees of school boards, in which  
7 case the period of time shall not exceed six (6) months;
- 8 (b) Emergency positions that are positions that do not exceed thirty (30) working  
9 days and are nonrenewable;
- 10 (c) Temporary positions that are positions of employment with a participating  
11 agency for a period of time not to exceed twelve (12) months and not  
12 renewable;
- 13 (d) Probationary positions which are positions of employment with a participating  
14 employer that do not exceed twelve (12) months and that are used uniformly  
15 by the participating agency on new employees who would otherwise be  
16 eligible for participation in the system. Probationary positions shall not be  
17 renewable by the participating employer for the same employee, unless the  
18 employee has not been employed with the participating employer for a period  
19 of at least twelve (12) months; or
- 20 (e) Part-time positions that are positions that may be permanent in duration, but  
21 that require less than a calendar or fiscal year average of one hundred (100)  
22 hours of work per month, determined by using the number of months actually  
23 worked within a calendar or fiscal year, in the performance of duty, except in  
24 case of noncertified employees of school boards, the school term average shall  
25 be eighty (80) hours of work per month, determined by using the number of  
26 months actually worked in a calendar or school year, in the performance of  
27 duty;

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

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

1 the combined sum of the member's accumulated contributions and the  
2 member's accumulated employer credit; ~~or~~

3 ~~(c) For nonhazardous members who are participating in the 401(a) money~~  
4 ~~purchase plan as provided by KRS 61.5956, the combined sum of the~~  
5 ~~member's accumulated contributions and the member's accumulated employer~~  
6 ~~contributions in the 401(a) money purchase plan;]~~

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

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

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

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

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

24 ~~(42) ["Accumulated employer contribution" means the employer contribution deposited~~  
25 ~~to the member's account and any investment returns on such amounts as provided~~  
26 ~~by KRS 61.5956; and~~

27 ~~(43) ]~~"Monthly average pay" means the higher of the member's monthly final rate of pay

1 or the average monthly creditable compensation earned by the deceased member  
2 during his or her last twelve (12) months of employment.

3 ➔Section 15. KRS 61.546 is repealed, reenacted, and amended to read as follows:

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

9 (2) (a) Upon the member's notification of retirement as prescribed in KRS 16.576 or  
10 61.590, the employer shall certify the retiring member's unused, accumulated  
11 sick leave balance to the system.

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

15 (c) ~~Except as provided by subsections (3) and (4) of this section,~~ The member's  
16 sick leave balance, expressed in months, shall upon retirement be added to his  
17 service credit for the purpose of determining his annual retirement allowance  
18 under KRS 16.505 to 16.652 or 61.510 to 61.705 and for the purpose of  
19 determining whether the member is eligible to receive a retirement allowance  
20 under KRS 16.505 to 16.652 or 61.510 to 61.705, **except as provided by**  
21 **subsection (3) of this section. Accumulated sick leave in excess of six (6)**  
22 **months shall be added to the member's service credit, and the last**  
23 **participating Kentucky Employees Retirement Systems employer shall pay**  
24 **to the retirement system the value of the additional service credit based on**  
25 **the formula adopted by the board, except as provided by subsection (3) of**  
26 **this section. All of a state policeman's sick leave balance, expressed in**  
27 **months, except as provided by subsection (3) of this section, shall be added**

1                   *to his service credit for the purposes of determining his annual retirement*  
 2                   *allowance and whether the member is eligible to receive a retirement*  
 3                   *allowance under KRS 16.505 to 16.652.*

4 (3) For a member who begins participating in the Kentucky Employees Retirement  
 5 System or the State Police Retirement System on or after September 1, 2008:

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

10 (b) The service credited for accumulated unused sick leave ~~as limited by this~~  
 11 ~~section~~ and added to the member's service credit shall be used for purposes of  
 12 determining the member's annual retirement allowance under KRS 16.505 to  
 13 16.652 and 61.510 to 61.705; ~~and~~

14 (c) The service credited for accumulated unused sick leave and added to the  
 15 member's service credit shall not be used to determine whether a member is  
 16 eligible to receive a retirement allowance under any of the provisions of KRS  
 17 16.505 to 16.652 and 61.510 to 61.705 ~~or to reduce any applicable actuarial~~  
 18 ~~reductions~~; *and*

19 *(d) Except as provided by subsection (4) of this section, the value of any*  
 20 *accumulated unused sick leave in excess of six (6) months that is added to*  
 21 *the member's service credit in the Kentucky Employees Retirement System*  
 22 *shall be paid to the retirement system by the last participating Kentucky*  
 23 *Employees Retirement System employer based upon the formula adopted by*  
 24 *the board.*

25 ~~(4) For a member who began participating in the Kentucky Employees Retirement~~  
 26 ~~System or the State Police Retirement System prior to September 1, 2008, who~~  
 27 ~~retires on or after July 1, 2023, the service credited for accumulated unused sick~~

1       ~~leave and added to the member's service credit shall not be used to determine~~  
2       ~~whether a member is eligible to receive a retirement allowance under any of the~~  
3       ~~provisions of KRS 16.505 to 16.652 and 61.510 to 61.705 or to reduce any~~  
4       ~~applicable actuarial reductions.~~

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

11      ~~(5)~~~~(6)~~ The provisions of this section shall not apply to a participating agency whose  
12      employees are not employed by the Commonwealth until the agency certifies to the  
13      system that a sick leave program has been formally adopted and is universally  
14      administered within the agency~~, except that any agency participating in the~~  
15      ~~Kentucky Employees Retirement System who has not adopted a sick leave program~~  
16      ~~prior to August 1, 2018, shall not be eligible to adopt a sick leave program under~~  
17      ~~this section.~~

18      ~~(6)~~~~(7)~~ This section shall not apply to members who begin participating in the  
19      systems administered by Kentucky Retirement Systems on or after January 1, 2014.

20      ➔Section 16. KRS 78.616 is repealed, reenacted, and amended to read as follows:

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

25      (2) Participation under this section shall be at the option of each participating employer.  
26      The election to participate shall be made by the governing authority of the  
27      participating employer and shall be certified in writing to the system on forms

1 prescribed by the board. The certification shall provide for equal treatment of all  
2 employees participating under this section. ~~Any employer in the County Employees  
3 Retirement System who has not elected to participate in a sick leave program  
4 established by this section prior to August 1, 2018, shall not be eligible to elect to  
5 participate in a sick leave program established by this section.~~

6 (3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590,  
7 the employer shall certify the retiring employee's unused, accumulated sick-  
8 leave balance to the system. The member's sick-leave balance, expressed in  
9 days, shall be divided by the average number of working days per month in  
10 county service and rounded to the nearest number of whole months. A  
11 maximum of six (6) months of the member's sick-leave balance, expressed in  
12 months, shall be added to his service credit for the purpose of determining his  
13 annual retirement allowance under KRS 78.510 to 78.852 and for the purpose  
14 of determining whether the member is eligible to receive a retirement  
15 allowance under KRS 78.510 to 78.852, except as provided by  
16 paragraph ~~paragraphs~~ (d) ~~and (e)~~ of this subsection. Accumulated sick-  
17 leave in excess of six (6) months shall be added to the member's service credit  
18 if the member or employer pays to the retirement system the value of the  
19 additional service credit based on the formula adopted by the board, subject to  
20 the restrictions provided by paragraph (d) of this subsection.

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

27 (c) Once the employer elects to pay all or fifty percent (50%) of the cost on behalf



1 of its employees, it shall continue to pay the same portion of the cost.

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

- 6 1. The member shall receive no more than twelve (12) months of service  
7 credit upon retirement for accumulated unused sick leave accrued while  
8 contributing to the retirement system from which the retirement benefit  
9 is to be paid;
- 10 2. The service added to the member's service credit shall be used for  
11 purposes of determining the member's annual retirement allowance  
12 under KRS 78.510 to 78.852;
- 13 3. The service added to the member's service credit shall not be used to  
14 determine whether a member is eligible to receive a retirement  
15 allowance under KRS 78.510 to 78.852~~[or to reduce any applicable~~  
16 ~~actuarial reductions]~~; and
- 17 4. The cost of the service provided by this paragraph shall be paid by the  
18 employer.

19 ~~[(e) For members who began participating in the retirement system prior to~~  
20 ~~September 1, 2008, who retire on or after July 1, 2023, any service added for~~  
21 ~~accumulated sick leave to the member's service credit shall not be used to~~  
22 ~~determine whether a member is eligible to receive a retirement allowance~~  
23 ~~under KRS 78.510 to 78.852 or to reduce any applicable actuarial reductions.]~~

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

27 (5) (a) As an alternative to subsections (1), (3), (4), and (6) of this section, any

1 agency participating in the County Employees Retirement System which has  
2 formally adopted a sick-leave program that is universally administered to its  
3 employees, or administered to a majority of eligible employees in accordance  
4 with subsection (6) of this section, shall, at the time of termination, or as  
5 authorized by KRS 161.155 in the case of school boards, compensate the  
6 employee for unused sick-leave days the employee has accumulated which it  
7 is the uniform policy of the agency to allow.

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

13 (c) The number of sick-leave days for which the employee is compensated shall  
14 be divided by the average number of working days per month in county  
15 service and rounded to the nearest number of whole months. This number of  
16 months shall be added to the employee's total service credit and to the number  
17 of months used to determine creditable compensation, pursuant to KRS  
18 78.510, but no more than sixty (60) months shall be used to determine final  
19 compensation. For an employee who begins participating on or after  
20 September 1, 2008, but prior to January 1, 2014, the number of months added  
21 to the employee's total service credit under this paragraph shall not exceed  
22 twelve (12) months, and the additional service shall not be used to determine  
23 whether a member is eligible to receive a retirement allowance under KRS  
24 78.510 to 78.852~~[or to reduce any applicable actuarial reductions]~~.

25 ~~[(d) For members who began participating in the retirement system prior to~~  
26 ~~September 1, 2008, who retire on or after July 1, 2023, any service added for~~  
27 ~~accumulated sick leave to the member's service credit shall not be used to~~

1 ~~determine whether a member is eligible to receive a retirement allowance~~  
 2 ~~under KRS 78.510 to 78.852 or to reduce any applicable actuarial reductions.]~~

3 (6) Any city of the first class that has two (2) or more sick-leave programs for its  
 4 employees may purchase service credit with the retirement system for up to six (6)  
 5 months of unused sick leave for each retiring employee who participates in the sick-  
 6 leave program administered to a majority of the eligible employees of the city. An  
 7 employee participating in a sick-leave program administered to a minority of the  
 8 eligible employees shall become eligible for the purchase of service credit under  
 9 this subsection when the employee commences participating in the sick-leave  
 10 program that is administered to a majority of the eligible employees of the city.

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

15 ➔Section 17. KRS 61.565 is repealed, reenacted, and amended to read as follows:

16 (1) (a) Each employer participating in the State Police Retirement System as  
 17 provided for in KRS 16.505 to 16.652, the County Employees Retirement  
 18 System as provided for in KRS 78.510 to 78.852, and the Kentucky  
 19 Employees Retirement System as provided for in KRS 61.510 to 61.705 shall  
 20 contribute annually to the respective retirement system an amount ~~determined~~  
 21 ~~by the actuarial valuation completed in accordance with KRS 61.670 and as~~  
 22 ~~specified by this section. Employer contributions for each respective~~  
 23 ~~retirement system shall be~~ equal to the **percent, as computed under**  
 24 **subsection (2) of this section, of the creditable compensation of its**  
 25 **employees to be known as**~~sum of~~ the "normal cost contribution" and **an**  
 26 **additional amount to be known as** the "actuarially accrued liability  
 27 contribution~~]~~" **which shall be computed by amortizing the total unfunded**

1 actuarially accrued liability over a period of thirty (30) years using the level  
 2 percentage-of-payroll amortization method.[(b) For purposes of this

3 section, the normal cost contribution shall be computed as a percentage of pay  
 4 and shall be an annual amount that is sufficient when combined with  
 5 employee contributions to fund benefits earned during the year in the  
 6 respective system or plan, including costs for those members who elect to  
 7 participate in the 401(a) money purchase plan. The amount shall be paid as a  
 8 percentage of creditable compensation reported for each employee  
 9 participating in the system or plan and accruing benefits.

10 (c) For purposes of this section, the actuarially accrued liability contribution shall  
 11 be an annual dollar amount that is sufficient to amortize the total unfunded  
 12 actuarially accrued liability of each system over a closed period of thirty (30)  
 13 years using the level dollar amortization method. This method shall be used  
 14 beginning with the 2007[2019] actuarial valuation. The initial thirty (30) year  
 15 amortization period shall begin with the 2007 actuarial valuation, except as  
 16 provided by paragraph (b) of this section.[- and employer costs for the  
 17 actuarially accrued liability contribution shall be prorated to each employer as  
 18 provided by paragraph (f) of this subsection.

19 (d) The employer contributions computed under this section shall be determined  
 20 using:

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

26 (e) ~~[(b)~~ Effective with the 2013[2019] actuarial valuation, the amortization  
 27 period for the Kentucky Employees Retirement System, the County

1 Employees Retirement System, and the State Police Retirement System shall  
 2 be reset to a new thirty (30) year~~[-closed]~~ period for purposes of calculating  
 3 the actuarially accrued liability contribution prescribed by this subsection.

4 **(c) Any significant increase in the actuarially accrued liability due to benefit**  
 5 **improvements after the 2007 valuation shall be amortized using the level-**  
 6 **percentage-of-payroll amortization method over a separate thirty (30) year**  
 7 **period commencing in the year of the actuarial valuation in which the**  
 8 **benefit improvements are first reflected.**

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

- 15 1. ~~Not apply to any employer who ceases participation and pays the full~~  
 16 ~~actuarial cost of ceasing participation as provided by KRS 61.522;~~
- 17 2. ~~Be adjusted for each remaining employer of a system to reflect any~~  
 18 ~~employer who ceases participation and who pays the full actuarial cost~~  
 19 ~~of ceasing participation as provided by KRS 61.522; and~~
- 20 3. ~~Be a single amount for all executive branch departments, program~~  
 21 ~~cabinets and their respective departments and administrative bodies~~  
 22 ~~enumerated in KRS 12.020, and any other executive branch agencies~~  
 23 ~~administratively attached to a department, program cabinet, or~~  
 24 ~~administrative body enumerated in KRS 12.020.]~~

25 **(2) The normal cost contribution rate shall be determined by the entry age normal**  
 26 **cost funding method. The actuarially accrued liability shall be determined by**  
 27 **actuarial method consistent with the methods prescribed for determining the**

1       normal cost contribution rate. Normal cost contributions and the actuarially  
2       accrued liability contribution shall be determined on actuarial bases adopted by  
3       the board.

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

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

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

16      ~~(4)~~~~(3)~~ The system shall advise each employer prior to the beginning of each  
17      biennium, or prior to July 1 of the second year of a biennium for employers  
18      participating in the County Employees Retirement System, of any change in the  
19      employer contribution rate. Based on the employer contribution rate, each employer  
20      shall include in the budget sufficient funds to pay the employer contributions as  
21      determined by the board under this section.

22      ~~(5)~~~~(4)~~ The General Assembly shall pay the full actuarially required contribution rate,  
23      as prescribed by this section, to the Kentucky Employees Retirement System and  
24      the State Police Retirement System in fiscal years occurring on or after July 1, 2014.

25      ~~(6)~~~~(5)~~ Notwithstanding any other provision of KRS Chapter 61 or 78 to the contrary,  
26      the employer contribution established by the board for the County Employees  
27      Retirement System that are payable on or after July 1, 2018, and until June 30,

1 2028, for the pension and health insurance funds, including the normal cost  
2 contribution and the actuarially accrued liability contribution for each fund, shall  
3 not increase by more than twelve percent (12%) in terms of projected dollars paid  
4 by participating employers over the prior fiscal year as determined by the system's  
5 consulting actuary.

6 ➔Section 18. KRS 61.597 is repealed, reenacted, and amended to read as follows:

7 (1) A member of the Kentucky Employees Retirement System or County Employees  
8 Retirement System who is participating in a nonhazardous position, whose  
9 participation in the systems begins on or after January 1, 2014, or a member~~[except~~  
10 ~~for those members]~~ making an election pursuant to KRS 61.5955~~[or 61.5956]~~, shall  
11 receive the retirement benefits provided by this section in lieu of the retirement  
12 benefits provided under KRS 61.559 and 61.595. The retirement benefit provided  
13 by this section shall be known as the hybrid cash balance plan and shall operate as  
14 another benefit tier within the Kentucky Employees Retirement System and the  
15 County Employees Retirement System.

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

18 (a) Contributions made by the member as provided by KRS 16.505 to 16.652,  
19 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions  
20 prescribed by KRS 61.702(2)(b);

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

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

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

1 monthly as contributions are reported and posted to the system in accordance  
2 with KRS 61.675 and 78.625.

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

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

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

14 **1. Four percent (4%); plus**

15 **2. Seventy-five percent (75%)** ~~eighty five percent (85%)~~ of the system's  
16 geometric average net investment return, **in excess of a four percent**  
17 **(4%) rate of return** ~~but in no case shall be less than zero percent (0%)~~.

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

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

25 1. Means the annual average geometric investment return, net of  
26 administrative and investment fees and expenses, over the last **five**  
27 **(5)** ~~ten (10)~~ fiscal years as of the date the interest is credited to the



- 1 member's account; and
- 2 2. Shall be expressed as a percentage and based upon the system in which
- 3 the member has an account.
- 4 (e) No employer pay credits or interest credits shall be provided to a member who
- 5 has taken a refund of contributions as provided by KRS 61.625 or who has
- 6 retired and annuitized his or her accumulated account balance as prescribed by
- 7 this section.
- 8 (5) (a) Upon termination of employment, a member who has less than five (5) years
- 9 of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who
- 10 elects to take a refund of his or her accumulated account balance as provided
- 11 by KRS 61.625, shall forfeit the accumulated employer credit, and shall only
- 12 receive a refund of his or her accumulated contributions.
- 13 (b) Upon termination of employment, a member who has five (5) or more years of
- 14 service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to
- 15 take a refund of his or her accumulated account balance as provided by KRS
- 16 61.625, shall receive a full refund of his or her accumulated account balance.
- 17 (6) A member participating in the hybrid cash balance plan provided by this section
- 18 may retire:
- 19 (a) At his or her normal retirement date, provided he or she has earned five (5) or
- 20 more years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or
- 21 another state-administered retirement system; or
- 22 (b) If the member is at least age fifty-seven (57) and has an age and years of
- 23 service total of at least eighty-seven (87) years. The years of service used to
- 24 determine eligibility for retirement under this paragraph shall only include
- 25 years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or
- 26 another state-administered retirement system.
- 27 (7) A member eligible to retire under subsection (6) of this section may elect to:

- 1 (a) Receive a monthly retirement allowance payable for life by having his or her  
 2 accumulated account balance annuitized by the retirement systems in  
 3 accordance with the actuarial assumptions and actuarial methods adopted by  
 4 the board and in effect on the member's retirement date;
- 5 (b) Receive the actuarial equivalent of his or her retirement allowance calculated  
 6 under paragraph (a) of this subsection payable under one (1) of the options set  
 7 forth in KRS 61.635, except for the option provided by KRS 61.635(11); or
- 8 (c) Take a refund of his or her account balance as provided by KRS 61.625.
- 9 (8) The provisions of this section shall not apply to members who began participating  
 10 in the Kentucky Employees Retirement System or the County Employees  
 11 Retirement System prior to January 1, 2014, *except for those members making an*  
 12 *election pursuant to Section 35 of this Act.*

13 ➔Section 19. KRS 61.575 is repealed, reenacted, and amended to read as follows:

- 14 (1) The members' account shall be the account to which:
- 15 (a) All members' contributions, or contributions picked up by the employer after  
 16 August 1, 1982, and interest allowances~~[or investment returns]~~ as provided in  
 17 KRS 61.510 to 61.692 shall be credited, except as provided by KRS  
 18 61.702(2)(b); *and*
- 19 (b) For members who begin participating in the system on or after January 1,  
 20 2014,~~[who are participating in the hybrid cash balance plan,]~~ the employer  
 21 pay credit and interest credited on such amounts as provided by KRS 16.583  
 22 and 61.597 shall be credited~~]; and~~
- 23 ~~(c) For members who elect to participate in the 401(a) money purchase plan as~~  
 24 ~~provided by KRS 21.374, 61.5955, or 61.5956, the employer contribution and~~  
 25 ~~investment return on such amounts as provided by KRS 61.5956].~~

26 Only funds from this account shall be used to return the accumulated contributions  
 27 or accumulated account balances of a member when required by reason of any

1 provision of KRS 61.510 to 61.705. Prior to the member's retirement, death, or  
2 refund in accordance with KRS 61.625, no funds shall be made available from the  
3 member account.

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

7 (3) ~~[Except for the portion of the member's account balance in the 401(a) money  
8 purchase plan as provided by KRS 61.5956:]~~

9 (a) Each member shall have his individual account credited with interest on June  
10 30 of each fiscal year.

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

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

19 (d) For a member who begins participating on or after January 1, 2014, in the  
20 hybrid cash balance plan, interest shall be credited in accordance with KRS  
21 16.583 and 61.597.

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

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

27 (b) Upon the retirement of a member who began participating in the system on or

1 after January 1, 2014, ~~[or who elects to participate in the 401(a) money~~  
 2 ~~purchase plan,]~~ who elects to annuitize his or her accumulated account  
 3 balance ~~[in the hybrid cash balance plan or 401(a) money purchase plan ]~~ as  
 4 prescribed by KRS 16.583(7)(a) or (b) ~~[, 61.5956(6)(a) or (b),]~~ or 61.597(7)(a)  
 5 or (b), the member's accumulated account balance shall be transferred to the  
 6 retirement allowance account.

7 ➔Section 20. KRS 78.640 is repealed, reenacted, and amended to read as follows:

- 8 (1) The members' account shall be the account to which:
- 9 (a) All members' contributions, or contributions picked up by the employer after  
 10 August 1, 1982, and interest allowances ~~[or investment returns]~~ as provided in  
 11 KRS 78.510 to 78.852 shall be credited, except as provided by KRS  
 12 61.702(2)(b); ***and***
- 13 (b) For members who begin participating in the system on or after January 1,  
 14 2014, ~~[who are participating in the hybrid cash balance plan, ]~~ the employer  
 15 pay credit and interest credited on such amounts as provided by KRS 16.583  
 16 and 61.597 shall be credited ~~]; and~~
- 17 ~~(c) For members who elect to participate in the 401(a) money purchase plan~~  
 18 ~~provided by KRS 21.374, 61.5955, or 61.5956, the employer contribution and~~  
 19 ~~investment return on such amounts as provided by KRS 61.5956].~~

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

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

- 1 (3) ~~Except for the portion of the member's account balance in the 401(a) money~~  
2 ~~purchase plan as provided by KRS 61.5956:~~
- 3 (a) Each member shall have his individual account credited with interest on June 30 of  
4 each year.
- 5 (b) For a member who begins participating before September 1, 2008, interest  
6 shall be credited to his individual account at a rate determined by the board  
7 but not less than two percent (2%) per annum on the accumulated account  
8 balance of the member on June 30 of the preceding fiscal year.
- 9 (c) For a member who begins participating on or after September 1, 2008, but  
10 prior to January 1, 2014, interest shall be credited to his or her individual  
11 account at a rate of two and one-half percent (2.5%) per annum on the  
12 accumulated contributions of the member on June 30 of the preceding fiscal  
13 year.
- 14 (d) For a member who begins participating on or after January 1, 2014, in the  
15 hybrid cash balance plan, interest shall be credited in accordance with KRS  
16 16.583 and 61.597.
- 17 (e) The amounts of interest credited to a member's account under this subsection  
18 shall be transferred from the retirement allowance account.
- 19 (4) (a) Upon the retirement of a member who began participating in the system prior  
20 to January 1, 2014, his accumulated account balance shall be transferred from  
21 the members' account to the retirement allowance account.
- 22 (b) Upon the retirement of a member who began participating in the system on or  
23 after January 1, 2014, ~~for who elects to participate in the 401(a) money~~  
24 ~~purchase plan, who~~ elects to annuitize his or her accumulated account  
25 balance ~~in the hybrid cash balance plan or 401(a) money purchase plan~~ as  
26 prescribed by KRS 16.583(7)(a) or (b), ~~61.5956(6)(a) or (b),~~ or 61.597(7)(a)  
27 or (b), the member's accumulated account balance shall be transferred to the

1 retirement allowance account.

2 ➔Section 21. KRS 61.580 is repealed, reenacted, and amended to read as follows:

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

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

11 ~~(2) [The employer contribution for the 401(a) money purchase plan as provided by~~  
12 ~~KRS 61.5956; and~~

13 ~~(3) ]The interest credited annually to a member's individual account as provided by~~  
14 ~~KRS 61.510 to 61.705.~~

15 ➔Section 22. KRS 78.650 is repealed, reenacted, and amended to read as follows:

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

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

24 ~~(2) [The employer contribution for the 401(a) money purchase plan as provided by~~  
25 ~~KRS 61.5956; and~~

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

1       ➔Section 23. KRS 61.552 is repealed, reenacted, and amended to read as follows:

- 2       (1) (a) Any employee participating in one (1) of the state-administered retirement  
3               systems who has been refunded his accumulated account balance under the  
4               provisions of KRS 16.645(21), 61.625, or 78.545(15), thereby losing service  
5               credit, may regain the credit by paying to the system from which he received  
6               the refund or refunds the amount or amounts refunded with interest at a rate  
7               determined by the board of the respective retirement system.
- 8       (b) Service purchased under this subsection shall not be used in determining a  
9               retirement allowance until the member has accrued at least six (6) months of  
10              service credit in a state-administered retirement system, excluding the service  
11              purchased under this subsection. If the member does not accrue at least six (6)  
12              months of service credit in a state-administered retirement system, excluding  
13              service purchased under this subsection, then the payment plus interest as  
14              provided in KRS 61.575 shall be refunded upon retirement, death, or written  
15              request following termination of employment. The service requirement shall  
16              be waived if the member dies or becomes disabled as provided for by KRS  
17              16.582, 61.600, or 61.621.
- 18       (c) Service purchased under this subsection on or after January 1, 2014, shall not  
19              be used to determine the member's participation date in the system. ~~Members~~  
20              ~~participating in the 401(a) money purchase plan as provided by KRS 61.5956~~  
21              ~~shall not be eligible to purchase service under this subsection.~~
- 22       (2) Any employee participating in one (1) of the retirement systems administered by  
23              Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
24              age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
25              (65) in the systems administered by the Kentucky Retirement Systems, and who did  
26              not elect membership in the County Employees Retirement System, as provided in  
27              KRS 78.540(2), may purchase service credit in the County Employees Retirement

1 System for the service he would have received had he elected membership.

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

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

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

23 (b) An employee participating in one (1) of the retirement systems administered  
24 by Kentucky Retirement Systems, who has at least forty-eight (48) months of  
25 service if age sixty-five (65) or at least sixty (60) months of service if under  
26 age sixty-five (65) in the systems administered by Kentucky Retirement  
27 Systems may purchase service credit for the period of his service with an area



1 development district created pursuant to KRS 147A.050 or with a business  
2 development corporation created pursuant to KRS 155.001 to 155.230 if that  
3 service was not covered by a state-administered retirement system. The  
4 employee may obtain credit for employment with a business development  
5 corporation only if the Kentucky Retirement Systems receives a favorable  
6 private letter ruling from the United States Internal Revenue Service or a  
7 favorable opinion letter from the United States Department of Labor.

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

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

23 (8) (a) Effective August 1, 1980, any county participating in the County Employees  
24 Retirement System may purchase current service, between July 1, 1958, and  
25 participation date of the county, for present employees of the county who have  
26 obtained coverage under KRS 78.540(2).

27 (b) Effective July 1, 1973, any department participating in the Kentucky

1 Employees Retirement System may purchase current service between July 1,  
2 1956, and participation date of the department, for present employees of the  
3 department who were employees on the participation date of the department  
4 and elected coverage under KRS 61.525(2).

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

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

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

24 (9) Interest paid by a member of the Kentucky Employees Retirement System, County  
25 Employees Retirement System, or State Police Retirement System under this  
26 section or other similar statutes under KRS 16.505 to 16.652, 61.510 to 61.705, or  
27 78.510 to 78.852 prior to June 19, 1976, shall be credited to the individual

1 member's account in the appropriate retirement system and considered as  
2 accumulated contributions of the member.

3 (10) Employees who served as assistants to officers and employees of the General  
4 Assembly who have at least forty-eight (48) months of service if age sixty-five (65)  
5 or at least sixty (60) months of service if under age sixty-five (65) in the systems  
6 administered by Kentucky Retirement Systems and who were unable to acquire  
7 service under KRS 61.510(20) may purchase credit for the service performed after  
8 January 1, 1960.

9 (11) (a) Effective August 1, 1988, any employee participating in one (1) of the  
10 retirement systems administered by Kentucky Retirement Systems who has at  
11 least forty-eight (48) months of service if age sixty-five (65) or at least sixty  
12 (60) months of service if under age sixty-five (65) in the systems administered  
13 by Kentucky Retirement Systems may purchase service credit for interim,  
14 seasonal, emergency, temporary, probationary, or part-time employment  
15 averaging one hundred (100) or more hours of work per month on a calendar  
16 or fiscal year basis. If the average number of hours of work is less than one  
17 hundred (100) per month, the member shall be allowed credit only for those  
18 months he receives creditable compensation for one hundred (100) or more  
19 hours of work.

20 (b) Any noncertified employee of a school board who has at least forty-eight (48)  
21 months of service if age sixty-five (65) or at least sixty (60) months of service  
22 if under age sixty-five (65) in the systems administered by Kentucky  
23 Retirement Systems may purchase service credit in the County Employees  
24 Retirement System for part-time employment prior to the 1990-91 school year  
25 which averaged eighty (80) or more hours of work per month on a calendar or  
26 fiscal year basis. If the average number of hours of work is less than eighty  
27 (80) per month, the noncertified employee of a school board shall be allowed

1 to purchase service credit only for those months he received creditable  
2 compensation for eighty (80) or more hours of work.

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

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

22 (14) (a) Any employee participating in one (1) of the retirement systems administered  
23 by Kentucky Retirement Systems may purchase service credit under any of the  
24 provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852,  
25 or as otherwise required by 38 U.S.C. ch. 43, by:

26 1. Making a lump-sum payment on a before-tax basis as provided in  
27 subparagraph 3. of this paragraph, or on an after-tax basis if the

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

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

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

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

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

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

1 of this section.

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

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

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

20 (d) Except as provided by paragraph (a)2.a. of this subsection, the cost of  
21 purchasing service shall not be picked up, as described in KRS 16.545(4),  
22 61.560(4), or 78.610(4), by the employer.

23 (e) The cost of purchasing service credit under any provision of this section,  
24 except as provided by subsections (1) and (20) of this section, shall be  
25 determined by the delayed contribution method as provided by KRS 61.5525.

26 (f) Member payments, including interest, properly received pursuant to this  
27 subsection shall be deposited to the member's account and considered as



1 accumulated contributions of the individual member.

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

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

23 (17) Any employee participating in one (1) of the retirement systems administered by  
24 Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
25 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
26 (65) in the systems administered by Kentucky Retirement Systems and who has  
27 completed service as a volunteer in the Kentucky Peace Corps, created by KRS

- 1           154.1-720, may purchase service credit for the time served in the corps.
- 2   (18) An employee participating in any retirement system administered by Kentucky  
3       Retirement Systems who has at least forty-eight (48) months of service if age sixty-  
4       five (65), or at least sixty (60) months of service if under age sixty-five (65) in the  
5       systems administered by Kentucky Retirement Systems, and who was formerly  
6       employed in a regional community services program for mental health and  
7       individuals with an intellectual disability, organized and operated under the  
8       provisions of KRS 210.370 to 210.480, which does not participate in a state-  
9       administered retirement system may purchase service credit for the period of his  
10      service in the regional community program for mental health and individuals with  
11      an intellectual disability.
- 12   (19) An employee participating in one (1) of the retirement systems administered by  
13      Kentucky Retirement Systems who has at least forty-eight (48) months of service if  
14      age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
15      (65) in the systems administered by the Kentucky Retirement Systems, who was  
16      employed by a vocational technical school in a noncertified part-time position  
17      averaging eighty (80) or more hours per month, determined by using the number of  
18      months actually worked within a calendar or fiscal year, may purchase service credit  
19      in the Kentucky Employees Retirement System.
- 20   (20) (a) Any person who is entitled to service credit for employment which was not  
21      reported in accordance with KRS 16.543, 61.543, or 78.615 may obtain credit  
22      for the service by paying the employee contributions due within six (6)  
23      months of notification by the system. No interest shall be added to the  
24      contributions. The service credit shall not be credited to the member's account  
25      until the employer contributions are received. If a retired member makes the  
26      payment within six (6) months, the retired member's retirement allowance  
27      shall be adjusted to reflect the added service after the employer contributions

1 and any interest or penalties on the delinquent employer contributions are  
2 received by the retirement system.

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

12 (c) Service purchased under this subsection by employees who begin participating  
13 on or after September 1, 2008, shall be considered service credited under KRS  
14 16.543(1), 61.543(1), or 78.615(1) for purposes of determining eligibility for  
15 retirement benefits under KRS 16.505 to 16.652, 61.510 to 61.705, and  
16 78.510 to 78.852.

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

23 (e) ~~[An employee participating in the 401(a) money purchase plan as provided by~~  
24 ~~KRS 61.5956 shall, upon payment of the employee and employer~~  
25 ~~contributions due under this subsection, have his or her accumulated account~~  
26 ~~balance increased by the employee contributions and employer contributions~~  
27 ~~that would have been credited to his or her member account if the~~

1           ~~contributions had been paid on time.~~

2           (f) Employer contributions payable under this subsection shall be considered  
3           delinquent and the employer shall be required to pay interest and any other  
4           penalties on the delinquent contributions in accordance with KRS  
5           61.675(3)(b) and 78.625(2)(a) from the date the employee should have been  
6           reported and received service credit in accordance with KRS 16.543, 61.543,  
7           and 78.615.

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

19          (22) Any employee participating in one (1) of the retirement systems administered by the  
20          Kentucky Retirement Systems prior to July 15, 2002, who has accrued at least forty-  
21          eight (48) months of service if age sixty-five (65) or at least sixty (60) months of  
22          service if under age sixty-five (65) in the systems administered by the Kentucky  
23          Retirement Systems and who has total service in all state-administered retirement  
24          systems of at least one hundred eighty (180) months of service credit may purchase  
25          a combined maximum total of five (5) years of retirement service credit which is  
26          not otherwise purchasable under any of the provisions of KRS 16.505 to 16.652,  
27          61.510 to 61.705, and 78.510 to 78.852. The purchase shall be made in any of the

1 systems administered by Kentucky Retirement Systems in which the employee is a  
2 member. The service purchased under this subsection shall not be used in  
3 determining a retirement allowance until the member has accrued at least two  
4 hundred forty (240) months of service, excluding service purchased under this  
5 subsection. If the member does not accrue at least two hundred forty (240) months  
6 of service, excluding service purchased under this subsection, upon retirement,  
7 death, or written request following termination, the payment, plus interest as  
8 provided in KRS 61.575, shall be refunded.

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

16 (24) An employee may obtain credit for regular full-time service with an agency prior to  
17 August 1, 1998, for which the employee did not receive credit due to KRS  
18 61.637(1). Service credit obtained under this subsection shall not be used in  
19 determining benefits under KRS 61.702. The employee may purchase credit for  
20 service prior to August 1, 1998, if:

21 (a) The employee retired from one (1) of the retirement systems administered by  
22 the Kentucky Retirement Systems and was reemployed prior to August 1,  
23 1998, earning less than the maximum permissible earnings under the Federal  
24 Social Security Act;

25 (b) The employee elected to participate in a second retirement account effective  
26 August 1, 1998, in accordance with KRS 61.637(7); and

27 (c) The employee has at least forty-eight (48) months of service if age sixty-five

- 1 (65), or at least sixty (60) months of service if under age sixty-five (65), in a  
2 second account in the systems administered by Kentucky Retirement Systems.
- 3 (25) An employee participating in one (1) of the retirement systems administered by the  
4 Kentucky Retirement Systems, who has at least forty-eight (48) months of service if  
5 age sixty-five (65) or at least sixty (60) months of service if under age sixty-five  
6 (65) in the systems administered by the Kentucky Retirement Systems, may obtain  
7 credit for the service in a regular full-time position otherwise creditable under the  
8 Kentucky Employees Retirement System, the County Employees Retirement  
9 System, or the State Police Retirement System for service in the United States  
10 government, other than service in the Armed Forces, for which service is not  
11 otherwise given.
- 12 (26) An employee participating in a hazardous position in one (1) of the retirement  
13 systems administered by the Kentucky Retirement Systems, who has at least forty-  
14 eight (48) months of service if age sixty-five (65) or at least sixty (60) months of  
15 service if under age sixty-five (65) in the systems administered by the Kentucky  
16 Retirement Systems, may obtain credit for service in a regular full-time position in  
17 an urban-county government that would qualify for hazardous duty coverage under  
18 KRS 61.592.
- 19 (27) Subsections (2) to (5), (7) to (13), (15) to (19), and (21) to (26) of this section shall  
20 not apply to members who begin participating in the systems administered by  
21 Kentucky Retirement Systems on or after January 1, 2014~~, or to members who~~  
22 ~~make an election as provided by KRS 21.374, 61.5955, or 61.5956].~~
- 23 (28) Service purchases made pursuant to subsections (2) to (5), (7), (10) to (13), (15) to  
24 (19), (21) to (23), (25), and (26) of this section shall be purchased by the entire  
25 amount of service available pursuant to that subsection or by increments. Service  
26 purchases made pursuant to subsections (1), (20), and (24) of this section shall be  
27 purchased by the entire amount of service available.

1           ➔Section 24. KRS 61.555 is repealed, reenacted, and amended to read as follows:

- 2       (1) (a) After August 1, 1998, any employee entering the Armed Forces of the United  
3           States after he first participates in the system, who joins the Armed Forces  
4           within three (3) months of the last day of paid employment, being on leave of  
5           absence from service and not withdrawing his accumulated account balance,  
6           shall be credited for retirement purposes with service credit and creditable  
7           compensation as provided in 38 U.S.C. sec. 4318 for his period of active  
8           military duty in the Armed Forces of the United States, not to exceed six (6)  
9           years, if:
- 10           1. The member's military service was terminated in a manner other than as  
11           described in 38 U.S.C. sec. 4304; and
  - 12           2. The member returns to work with an employer participating in one (1) of  
13           the retirement systems administered by the Kentucky Retirement  
14           Systems within two (2) years after completion of the period of active  
15           military duty, or upon the subsequent termination of any total disability  
16           which existed at the expiration of the two (2) years after discharge.
- 17       (b) A member eligible for the benefit prescribed by this subsection who  
18           participates in the hybrid cash balance plan as provided by KRS 16.583 and  
19           61.597 shall also have his or her member account credited with employee  
20           contributions, employer pay credits, and interest credits, as provided by KRS  
21           16.583 and 61.597, as though the member were employed during the  
22           member's period of active military duty described by this subsection.
- 23       (c) ~~[A member eligible for the benefit prescribed by this subsection who~~  
24           ~~participates in the 401(a) money purchase plan as provided by KRS 61.5956~~  
25           ~~shall also have his or her member account credited with employee and~~  
26           ~~employer contributions, as provided by KRS 61.5956, as though the member~~  
27           ~~were employed during the member's period of active military duty described~~

1           ~~by this subsection.~~

2           ~~(d)~~—]The employer shall remit to the retirement systems the employer  
3           contributions that would have been due under KRS 61.565 and 61.702 for  
4           periods of service credited under this subsection.

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

18       (b) A member eligible for the benefit prescribed by this subsection who  
19           participates in the hybrid cash balance plan as provided by KRS 16.583 and  
20           61.597 shall also have his or her member account credited with employee  
21           contributions, employer pay credits, and interest credits, as provided by KRS  
22           16.583 and 61.597, as though the member were employed during the  
23           member's period of active military duty described by this subsection.

24       (c) ~~[A member eligible for the benefit prescribed by this subsection who~~  
25           ~~participates in the 401(a) money purchase plan as provided by KRS 61.5956~~  
26           ~~shall also have his or her member account credited with employee and~~  
27           ~~employer contributions, as provided by KRS 61.5956, as though the member~~



1           ~~were employed during the member's period of active military duty described~~  
2           ~~by this subsection.~~

3           ~~(d)~~—]The employer shall remit to the retirement systems the employer  
4           contributions that would have been due under KRS 61.565 and 61.702 for  
5           periods of service credited under this subsection.

6           (3) Any National Guard technician involuntarily serving on active military duty during  
7           the period between January 26, 1968, and January 1, 1970, who completes his eight  
8           (8) years' service while on military duty during this period, shall have that portion of  
9           his active military duty, necessary to the completion of eight (8) years' current  
10          service, credited to his account, as current service without having to meet the  
11          reemployment criteria.

12          (4) Any employee eligible for retirement as prescribed in KRS 61.559 or any employee  
13          upon completion of five (5) years of service shall receive current service credit for a  
14          maximum of four (4) years for his period of active military duty in the Armed  
15          Forces of the United States, if his military service was terminated in a manner other  
16          than as described in 38 U.S.C. sec. 4304 and he has not been credited with the  
17          service under subsections (1) to (3) of this section if he pays thirty-five percent  
18          (35%) of the cost of the service based on the formula adopted by the board. The  
19          payment by the member shall not be picked up by the employer, as described in  
20          KRS 61.560(4), and shall be deposited to his individual member's account. The  
21          remaining sixty-five percent (65%) shall be paid by the state from funds  
22          appropriated specifically for the purpose and these payments shall be deposited to  
23          the respective retirement allowance accounts. If no funds are available in the special  
24          appropriation account, the system shall not accept employee payments until funds  
25          are available in the account.

26          (5) Any employee participating in one (1) of the retirement systems administered by  
27          Kentucky Retirement Systems eligible to purchase military service credit under

1 subsection (4) of this section shall receive current service credit for active military  
2 duty as provided under subsection (4) of this section without payment of the current  
3 employee contribution ratio if the member was taken prisoner by a hostile power at  
4 any time during active military service.

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

17 (7) Any employee participating in one (1) of the retirement systems administered by the  
18 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)  
19 months of service, at least twelve (12) of which are current service, or if younger  
20 who has sixty (60) months of service, at least twelve (12) of which are current  
21 service, shall receive one (1) month of current service for each six (6) months of  
22 service in the National Guard or the military reserves of the United States, by  
23 paying the retirement system a delayed contribution payment in accordance with the  
24 payment options and restrictions established by KRS 61.552(14). The service shall  
25 be treated as service earned prior to participation in the system and shall not be  
26 included in the member's final compensation. Service purchases made pursuant to  
27 this subsection shall be purchased by the entire amount of service available pursuant

1 to this subsection or by increments.

2 (8) For members who begin participating in the systems administered by Kentucky  
3 Retirement Systems on or after January 1, 2014, in the hybrid cash balance plan  
4 prescribed by KRS 16.583 and 61.597, ~~and for members who make an election to~~  
5 ~~participate in the 401(a) money purchase plan as provided by KRS 21.374, 61.5955,~~  
6 ~~or 61.5956,~~ the provisions of subsections (4) to (7) of this section shall not apply.

7 ➔ Section 25. KRS 61.595 is repealed, reenacted, and amended to read as follows:

8 ~~[Except as limited by KRS 61.5955 or 61.5956:]~~

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

16 (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement  
17 System who was participating in one (1) of the state-administered retirement  
18 systems as of January 1, 1998, and continues to participate through January 1,  
19 1999, shall receive an annual retirement allowance, payable monthly during  
20 his lifetime, which shall consist of an amount equal to two percent (2%) of  
21 final compensation multiplied by the number of years of service credit. Any  
22 Kentucky Employees Retirement System member whose effective date of  
23 retirement is between February 1, 1999, and January 31, 2009, and who has at  
24 least twenty (20) years of service credit in one (1) of the state-administered  
25 retirement systems and who was participating in one (1) of the state-  
26 administered retirement systems as of January 1, 1998, and continues to  
27 participate through January 1, 1999, shall receive an annual retirement

1 allowance, payable monthly during his lifetime, which shall consist of an  
2 amount equal to two and two-tenths percent (2.2%) of final compensation  
3 multiplied by the number of years of service credit. Notwithstanding the  
4 provisions of KRS 61.565, the funding for this paragraph shall be provided  
5 from existing funds of the retirement allowance account;

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

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

16 (d) For a member of the Kentucky Employees Retirement System or the County  
17 Employees Retirement System who begins participating on or after September  
18 1, 2008, the annual retirement allowance upon retirement shall be equal to:

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

22 b. One and three-tenths percent (1.3%) of final compensation for  
23 each year of service if the member has earned greater than ten (10)  
24 but no more than twenty (20) years of service at retirement;

25 c. One and one-half percent (1.5%) of final compensation for each  
26 year of service if the member has earned greater than twenty (20)  
27 but no more than twenty-six (26) years of service at retirement; or

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

1           and

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

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

13       (b) A member of the Kentucky Employees Retirement System or the County  
14          Employees Retirement System who begins participating before September 1,  
15          2008, who has twenty-seven (27) or more years of service credit, at least  
16          fifteen (15) of which are current service, may retire with no reduction in the  
17          retirement allowance. A member who begins participating before September  
18          1, 2008, who has earned vested service credit in a retirement system, other  
19          than the Teachers' Retirement System, sponsored by a Kentucky institution of  
20          higher education, the Council on Postsecondary Education, or the Higher  
21          Education Assistance Authority, may count the vested service toward attaining  
22          the necessary years of service credit as provided in KRS 61.559(2)(c) and (d)  
23          to qualify for a retirement allowance. The credit from a Kentucky institution  
24          of higher education, the Council on Postsecondary Education, or the Higher  
25          Education Assistance Authority shall not be used toward the minimum fifteen  
26          (15) years of current service required by KRS 61.559(2)(c) and (d) or to  
27          calculate his retirement allowance pursuant to this section. The provisions of

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

3           (c) A member of the Kentucky Employees Retirement System or the County  
4           Employees Retirement System who begins participating on or after September  
5           1, 2008, may retire with no reduction in benefits if the member is fifty-seven  
6           (57) years of age or older and has an age and years of service total of at least  
7           eighty-seven (87) years. The years of service used to determine eligibility for  
8           an unreduced retirement allowance under this paragraph shall only include  
9           years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or  
10          another state-administered retirement system.

11          (3) Subsections (1) and (2) of this section shall not apply to members who begin  
12          participating in the system on or after January 1, 2014. Members who begin  
13          participating in the system on or after January 1, 2014, shall receive the retirement  
14          benefits prescribed by KRS ~~61.5956 or~~ 61.597 ~~[, as applicable].~~

15          ➔Section 26. KRS 61.598 is repealed, reenacted, and amended to read as follows:

16          (1) For purposes of this section, "bona fide promotion or career advancement":

17               (a) Means a professional advancement in substantially the same line of work held  
18               by the employee in the four (4) years immediately prior to the final five (5)  
19               fiscal years preceding retirement or a change in employment position based on  
20               the training, skills, education, or expertise of the employee that imposes a  
21               significant change in job duties and responsibilities to clearly justify the  
22               increased compensation to the member; and

23               (b) Does not include any circumstance where an elected official participating in  
24               the Kentucky Employees Retirement System or the County Employees  
25               Retirement System takes a position of employment with a different employer  
26               participating in any of the state-administered retirement systems.

27          (2) (a) For employees retiring from the Kentucky Employees Retirement System, the

1 County Employees Retirement System, or the State Police Retirement System  
2 on or after January 1, 2018, the systems shall, for each of the retiring  
3 employee's last five (5) fiscal years of employment, identify any fiscal year in  
4 which the creditable compensation increased at a rate of ten percent (10%) or  
5 more annually over the immediately preceding fiscal year's creditable  
6 compensation. The employee's creditable compensation in the fiscal year  
7 immediately prior to the employee's last five (5) fiscal years of employment  
8 shall be utilized to compare the initial fiscal year in the five (5) fiscal year  
9 period.

10 (b) Except as limited or excluded by subsections (3) and (4) of this section, any  
11 amount of increase in creditable compensation for a fiscal year identified  
12 under paragraph (a) of this subsection that exceeds ten percent (10%) more  
13 than the employee's creditable compensation from the immediately preceding  
14 fiscal year shall not be included in the creditable compensation used to  
15 calculate the retiring employee's monthly retirement allowance. If the  
16 creditable compensation for a specific fiscal year identified under paragraph  
17 (a) of this subsection as exceeding the ten percent (10%) increase limitation is  
18 not used to calculate the retiring employee's monthly retirement allowance,  
19 then no reduction in creditable compensation shall occur for that fiscal year.

20 (c) If the creditable compensation of the retiring employee is reduced as provided  
21 by paragraph (b) of this subsection, the retirement systems:

- 22 1. Shall refund the employee contributions and interest attributable to the  
23 reduction in creditable compensation; and
- 24 2. Shall not refund the employer contributions paid but shall utilize those  
25 funds to pay down the unfunded liability of the pension fund in which  
26 the retiring employee participated.

27 (3) In order to ensure the prospective application of the limitations on increases in



1       creditable compensation contained in subsection (2) of this section, only the  
2       creditable compensation earned by the retiring employee on or after July 1, 2017,  
3       shall be subject to reduction under subsection (2) of this section. Creditable  
4       compensation earned by the retiring employee prior to July 1, 2017, shall not be  
5       subject to reduction under subsection (2) of this section.

6       (4) Subsection (2) of this section shall not apply to:

7       (a) A bona fide promotion or career advancement as defined by subsection (1) of  
8       this section;

9       (b) A lump-sum payment for compensatory time paid to an employee upon  
10       termination of employment;

11       (c) A lump-sum payment made pursuant to an alternate sick leave program under  
12       KRS 78.616(5) that is paid to an employee upon termination of employment;

13       (d) Increases in creditable compensation in a fiscal year over the immediately  
14       preceding fiscal year, where in the immediately preceding fiscal year the  
15       employer reported the employee as being on leave without pay for any reason,  
16       including but not limited to sick leave without pay, maternity leave, leave  
17       authorized under the Family Medical Leave Act, and any period of time where  
18       the employee received workers' compensation benefit payments that were not  
19       reported to the plan as creditable compensation;

20       (e) Increases in creditable compensation directly attributable to an employee's  
21       receipt of compensation for overtime hours worked while serving as a  
22       participating employee under any state or federal grant, grant pass-through, or  
23       similar program that requires overtime as a condition or necessity of the  
24       employer's receipt of the grant; and

25       (f) Increases in creditable compensation directly attributable to an employee's  
26       receipt of compensation for overtime performed during a state of emergency  
27       declared by the President of the United States or the Governor of the

1 Commonwealth of Kentucky.

2 (5) (a) For employees retiring on or after January 1, 2014, but prior to July 1, 2017,  
3 the last participating employer shall be required to pay for any additional  
4 actuarial costs resulting from annual increases in an employee's creditable  
5 compensation greater than ten percent (10%) over the employee's last five (5)  
6 fiscal years of employment that are not the direct result of a bona fide  
7 promotion or career advancement. The cost shall be determined by the  
8 retirement systems.

9 (b) Lump-sum payments for compensatory time paid to an employee upon  
10 termination of employment shall be exempt from this subsection.

11 (c) Kentucky Retirement Systems shall be required to answer inquiries from  
12 participating employers regarding this subsection. Upon request of the  
13 employer prior to the employee's change of position or hiring, the systems  
14 shall make a determination that is binding to the systems as to whether or not  
15 a change of position or hiring constitutes a bona fide promotion or career  
16 advancement.

17 (d) For any additional actuarial costs charged to the employer under this  
18 subsection, the systems shall allow the employer to pay the costs without  
19 interest over a period of one (1) year from the date of receipt of the employer's  
20 final invoice.

21 (6) The Kentucky Retirement Systems shall determine whether increases in creditable  
22 compensation during the last five (5) fiscal years of employment prior to retirement  
23 constitute a bona fide promotion or career advancement and may promulgate  
24 administrative regulations in accordance with KRS Chapter 13A to administer this  
25 section. All state-administered retirement systems shall cooperate to implement this  
26 section.

27 (7) Any employer who disagrees with a determination made by the system in

1 accordance with this section regarding whether an increase in compensation  
2 constitutes a bona fide promotion or career advancement for purposes of subsection  
3 (5) of this section may request a hearing and appeal the decision in accordance with  
4 KRS 61.645(16).

5 (8) For the fiscal year beginning July 1, 2017, and subsequent years, the Kentucky  
6 Retirement Systems shall provide a means for employers to separately report the  
7 specific exceptions provided in subsection (4) of this section within the reporting  
8 system utilized by the employers for making employer reports under KRS 16.645,  
9 61.675, and 78.545. The Kentucky Retirement Systems shall continually provide  
10 communication, instructions, training, and educational opportunities for employers  
11 regarding how to appropriately report exemptions established by subsection (4) of  
12 this section.

13 (9) This section shall not apply to employees participating in the hybrid cash balance  
14 plan as provided by KRS 16.583 and 61.597~~[or to service in the 401(a) money~~  
15 ~~purchase plan as provided by KRS 61.5956].~~

16 ➔Section 27. KRS 61.680 is repealed, reenacted, and amended to read as follows:

17 ~~[Except as limited by KRS 6.525, 21.374, 61.5955, or 61.5956:]~~

18 (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to  
19 any deduction from his compensation required by KRS 6.500 to 6.535, 16.505 to  
20 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions thereof.  
21 Thereafter, employee contributions shall be picked up by the employer pursuant to  
22 KRS 61.560(4).

23 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to  
24 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:

25 1. Upon death, disability, or service retirement, a member's accounts under  
26 the Legislators' Retirement Plan, State Police Retirement System,  
27 Kentucky Employees Retirement System, County Employees Retirement

- 1 System, and Teachers' Retirement System, except for service prohibited  
2 by KRS 161.623(2), shall be consolidated for the purpose of determining  
3 eligibility and amount of benefits, including those members who  
4 participate in the hybrid cash balance plan ~~for 401(a) money purchase~~  
5 ~~plans~~ within the Kentucky Employees Retirement System, the County  
6 Employees Retirement System, ***and*** the State Police Retirement System  
7 ***on or after January 1, 2014***, ~~or the Teachers' Retirement System~~;
- 8 2. Vested service credit in a retirement system, other than the Teachers'  
9 Retirement System, sponsored by a Kentucky institution of higher  
10 education and accepted by the Kentucky Employees Retirement System  
11 or the County Employees Retirement System, may be used to determine  
12 eligibility for twenty-seven (27) year retirement for an employee who  
13 begins participating before September 1, 2008, but not the amount of  
14 benefits;
- 15 3. The computation of benefits shall be based on the applicable formula in  
16 each system and service credit in each system, but the final  
17 compensation, excluding compensation earned under KRS 161.155(10),  
18 shall be determined as if all service were in one (1) system;
- 19 4. If the member has prior service in more than one (1) system  
20 administered by Kentucky Retirement Systems, he shall obtain at least  
21 twelve (12) months' current service in each system in which he has prior  
22 service in order to validate the prior service in each system for purposes  
23 of determining consolidated benefits under this subsection; and
- 24 5. Upon the determination of benefits, each system shall pay the applicable  
25 amount of benefits due the member.
- 26 (b) The provisions of paragraph (a) of this subsection shall be waived if the  
27 member:

- 1           1.   Notifies the system of his desire to maintain separate retirement  
2           accounts in the State Police Retirement System, Kentucky Employees  
3           Retirement System, or County Employees Retirement System; or
  - 4           2.   Fails to simultaneously retire from all state-administered retirement  
5           systems in which the member has an account or fails to retire from any  
6           other systems not administered by Kentucky Retirement Systems within  
7           one (1) month of the member's effective retirement date in the systems  
8           administered by Kentucky Retirement Systems.
- 9           (c)   If the member has not contributed at least one (1) year in a system in which he  
10          has prior service, his current service in the system shall be valid for purposes  
11          of determining eligibility and in computation of benefits on a consolidated  
12          basis.
- 13       (3)   (a)   A member with service credit in the Kentucky Employees Retirement System,  
14          State Police Retirement System, or the County Employees Retirement System  
15          who becomes the holder of an office entitling him to membership in the  
16          Judicial Retirement Plan or the Legislators' Retirement Plan, but who does not  
17          elect within thirty (30) days after taking office in such service to participate in  
18          the plan, in accordance with KRS 6.505 or 21.360, shall be deemed to have  
19          elected to retain membership in the system in which he is a member, either the  
20          Kentucky Employees Retirement System, State Police Retirement System, or  
21          the County Employees Retirement System. In that event, the agency  
22          employing the member shall withhold employee contributions, or picked-up  
23          employee contributions after August 2, 1982, make employer contributions  
24          and remit these contributions to the system in which the member retained his  
25          membership.
- 26       (b)   Any person entitled to membership in the Judicial Retirement Plan or the  
27          Legislators' Retirement Plan, who does not elect within thirty (30) days after

1 taking office to participate in the plan, in accordance with KRS 6.505 or  
2 21.360, and who at the time of taking office is not a contributing member of,  
3 or does not have service credit in, any of the retirement systems mentioned in  
4 this section, or the Teachers' Retirement System, shall participate in the  
5 Kentucky Employees Retirement System.

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

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

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

27 (c) Any member of the General Assembly who upon election is a contributing

1 member of the Teachers' Retirement System and who does not elect within  
2 thirty (30) days after taking office to participate in the Legislators' Retirement  
3 Plan, in accordance with KRS 6.505, shall during his term of office participate  
4 in the Kentucky Employees Retirement System unless an election to retain  
5 membership in the Teachers' Retirement System is filed in writing within  
6 ninety (90) days after his term of office begins. No contributions may be made  
7 to the Teachers' Retirement System for the same period of service under the  
8 Legislators' Retirement Plan or the Kentucky Employees Retirement System  
9 as a member of the General Assembly, but contributions made to the Teachers'  
10 Retirement System while a member of the General Assembly shall be  
11 transferred to the Legislators' Retirement Plan, as provided for in KRS 6.535,  
12 when the member elects to join the Legislators' Retirement Plan, and service  
13 credit in the Legislators' Retirement Plan shall be granted as provided for in  
14 KRS 6.505(5).

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

24 (6) Any member of the Kentucky Employees Retirement System or County Employees  
25 Retirement System who is working in more than one (1) position covered by the  
26 same retirement system, shall have his wages and contributions consolidated and his  
27 retirement account administered as a single account. If part-time positions are

1 involved, an accumulation of all hours worked within the same retirement system  
2 shall be used to determine eligibility under KRS 61.510(21).

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

24 (b) Paragraph (a) of this subsection shall be waived if the member fails to  
25 simultaneously retire from all state-administered retirement systems in which  
26 the member has an account or fails to retire from any other systems not  
27 administered by Kentucky Retirement Systems within one (1) month of the



1 member's effective retirement date in the systems administered by the  
2 Kentucky Retirement Systems.

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

7 ➔Section 28. KRS 61.705 is repealed, reenacted, and amended to read as follows:

8 (1) Upon the death of a retired member of the Kentucky Employees Retirement System,  
9 County Employees Retirement System, or State Police Retirement System who was  
10 receiving a monthly retirement allowance based on a minimum of forty-eight (48)  
11 months of service or whose retirement allowance based on a minimum of forty-  
12 eight (48) months was suspended in accordance with KRS 61.637, a death benefit  
13 of five thousand dollars (\$5,000) shall be paid. If the retired member had more than  
14 one (1) account in the Kentucky Employees Retirement System, County Employees  
15 Retirement System, or State Police Retirement System, the system shall pay only  
16 one (1) five thousand dollar (\$5,000) death benefit. Application for the death benefit  
17 made to the Kentucky Retirement Systems shall include acceptable evidence of  
18 death and of the eligibility of the applicant to act on the deceased retired member's  
19 behalf.

20 (2) The death benefit shall be paid to a beneficiary named by the retired member. Upon  
21 retirement or any time thereafter, the retired member may designate on the form  
22 prescribed by the board, death benefit designation, a person, the retired member's  
23 estate, a trust or trustee, or a licensed funeral home, as the beneficiary of the death  
24 benefit. The beneficiary for the death benefit may or may not be the same  
25 beneficiary designated in accordance with KRS 61.590(1). If the beneficiary  
26 designated under this section is a person and that person dies prior to the member,  
27 or if the beneficiary was the retired member's spouse and they were divorced on the

1 date of the retired member's death, then the retired member's estate shall become the  
 2 beneficiary, unless the retired member has filed a subsequent death benefit  
 3 designation. If a licensed funeral home is designated as beneficiary and the licensed  
 4 funeral home cannot be reasonably identified or located by Kentucky Retirement  
 5 Systems at the time of the retired member's death, then the retired member's estate  
 6 shall become the beneficiary of the death benefit.

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

10 (4) Upon the death of a retired member, the death benefit provided pursuant to this  
 11 section may be assigned by the designated beneficiary to a bank or licensed funeral  
 12 home.

13 ~~[(5) Effective January 1, 2019, this section does not apply to members who began  
 14 participating in the systems administered by Kentucky Retirement Systems on or  
 15 after January 1, 2014.]~~

16 ➔Section 29. KRS 16.652 is repealed, reenacted, and amended to read as follows:

17 (1) For members who begin participating in the State Police Retirement System prior to  
 18 January 1, 2014, it is hereby declared that in consideration of the contributions by  
 19 the member, and in further consideration of benefits received by the state from the  
 20 member's employment, KRS 16.510 to 16.645 shall, **except as provided in KRS**  
 21 **6.696 effective September 16, 1993,** constitute an inviolable contract of the  
 22 Commonwealth, and the benefits provided therein shall, **except as provided in KRS**  
 23 **6.696 effective September 16, 1993,** not be subject to reduction or impairment by  
 24 alteration, amendment or repeal~~[-except:~~

25 ~~(a) As provided in KRS 6.696; and~~

26 ~~(b) The General Assembly reserves the right to amend, reduce, or suspend any~~  
 27 ~~legislative changes to the provisions of KRS 16.505 to 16.652 that become~~

1 ~~effective on or after July 1, 2018~~].

2 (2) (a) For members who begin participating in the State Police Retirement System  
3 on or after January 1, 2014, the General Assembly reserves the right to amend,  
4 suspend, or reduce the benefits and rights provided under KRS 16.505 to  
5 16.652 if, in its judgment, the welfare of the Commonwealth so demands,  
6 except that the amount of benefits the member has accrued at the time of  
7 amendment, suspension, or reduction shall not be affected.

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

12 (c) The provisions of this subsection shall not be construed to limit the General  
13 Assembly's authority to change any other benefit or right specified by KRS  
14 16.505 to 16.652, for members who begin participating in the State Police  
15 Retirement System on or after January 1, 2014, except the benefits specified  
16 by paragraph (b) of this subsection.

17 (3) The provisions of this section shall not be construed to limit the General Assembly's  
18 authority to amend, reduce, or suspend the benefits and rights of members of the  
19 State Police Retirement System as provided by KRS 16.505 to 16.652 that the  
20 General Assembly had the authority to amend, reduce, or suspend, prior to July 1,  
21 2013.

22 ➔Section 30. KRS 61.692 is repealed, reenacted, and amended to read as follows:

23 (1) For members who begin participating in the Kentucky Employees Retirement  
24 System prior to January 1, 2014, it is hereby declared that in consideration of the  
25 contributions by the members and in further consideration of benefits received by  
26 the state from the member's employment, KRS 61.510 to 61.705 shall, **except as**  
27 **provided in KRS 6.696 effective September 16, 1993,** constitute an inviolable

1 contract of the Commonwealth, and the benefits provided therein shall, **except as**  
2 **provided in KRS 6.696 effective September 16, 1993,** not be subject to reduction or  
3 impairment by alteration, amendment, or repeal, ~~except:~~

4 ~~(a) As provided in KRS 6.696; and~~

5 ~~(b) The General Assembly reserves the right to amend, reduce, or suspend any~~  
6 ~~legislative changes to the provisions of KRS 61.510 to 61.705 that become~~  
7 ~~effective on or after July 1, 2018].~~

8 (2) (a) For members who begin participating in the Kentucky Employees Retirement  
9 System on or after January 1, 2014, the General Assembly reserves the right to  
10 amend, suspend, or reduce the benefits and rights provided under KRS 61.510  
11 to 61.705 if, in its judgment, the welfare of the Commonwealth so demands,  
12 except that the amount of benefits the member has accrued at the time of  
13 amendment, suspension, or reduction shall not be affected.

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

18 (c) The provisions of this subsection shall not be construed to limit the General  
19 Assembly's authority to change any other benefit or right specified by KRS  
20 61.510 to 61.705, except the benefits specified by paragraph (b) of this  
21 subsection, for members who begin participating in the Kentucky Employees  
22 Retirement System on or after January 1, 2014.

23 (3) The provisions of this section shall not be construed to limit the General Assembly's  
24 authority to amend, reduce, or suspend the benefits and rights of members of the  
25 Kentucky Employees Retirement System as provided by KRS 61.510 to 61.705 that  
26 the General Assembly had the authority to amend, reduce, or suspend, prior to July  
27 1, 2013.

1       ➔Section 31. KRS 78.852 is repealed, reenacted, and amended to read as follows:

2       (1) For members who begin participating in the County Employees Retirement System  
3       prior to January 1, 2014, it is hereby declared that in consideration of the  
4       contributions by the members and in further consideration of benefits received by  
5       the county from the member's employment, KRS 78.510 to 78.852 shall, **except as**  
6       **provided in KRS 6.696 effective September 16, 1993,** constitute an inviolable  
7       contract of the Commonwealth, and the benefits provided therein shall, **except as**  
8       **provided in KRS 6.696 effective September 16, 1993,** not be subject to reduction or  
9       impairment by alteration, amendment, or repeal, ~~except:~~

10       ~~(a) As provided in KRS 6.696; and~~

11       ~~(b) The General Assembly reserves the right to amend, reduce, or suspend any~~  
12       ~~legislative changes to the provisions of KRS 78.510 to 78.852 that become~~  
13       ~~effective on or after July 1, 2018].~~

14       (2) (a) For members who begin participating in the County Employees Retirement  
15       System on or after January 1, 2014, the General Assembly reserves the right to  
16       amend, suspend, or reduce the benefits and rights provided under KRS 78.510  
17       to 78.852 if, in its judgment, the welfare of the Commonwealth so demands,  
18       except that the amount of benefits the member has accrued at the time of  
19       amendment, suspension, or reduction shall not be affected.

20       (b) For purposes of this subsection, the amount of benefits the member has  
21       accrued at the time of amendment, suspension, or reduction shall be limited to  
22       the accumulated account balance the member has accrued at the time of  
23       amendment, suspension, or reduction.

24       (c) The provisions of this subsection shall not be construed to limit the General  
25       Assembly's authority to change any other benefit or right specified by KRS  
26       78.510 to 78.852, except the benefits specified by paragraph (b) of this  
27       subsection, for members who begin participating in the County Employees

1 Retirement System on or after January 1, 2014.

2 (3) The provisions of this section shall not be construed to limit the General Assembly's  
3 authority to amend, reduce, or suspend the benefits and rights of members of the  
4 County Employees Retirement System as provided by KRS 78.510 to 78.852 that  
5 the General Assembly had the authority to amend, reduce, or suspend, prior to July  
6 1, 2013.

7 ➔Section 32. KRS 61.605 is repealed, reenacted, and amended to read as follows:

8 (1) Upon disability retirement,~~[except as provided by subsection (2) of this section,]~~ an  
9 employee may receive an annual retirement allowance payable monthly during his  
10 lifetime which shall be determined in the same manner as for retirement at his  
11 normal retirement date with years of service and final compensation being  
12 determined as of the date of his disability except that service credit shall be added to  
13 the person's total service beginning with his last date of paid employment and  
14 continuing to his sixty-fifth birthday; however, the maximum service credit added  
15 shall not exceed the total service the person had upon his last day of paid  
16 employment, and the maximum combined service credit for calculating his  
17 disability retirement allowance, including total service and added service shall not  
18 exceed twenty-five (25) years. If, however, a person has accumulated twenty-five  
19 (25) or more years of total service, he shall receive added service necessary to bring  
20 his combined service credit, including total and added service, to twenty-seven (27)  
21 years.

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

1 (b) For a member who begins participating on or after January 1, 2014, in the  
 2 hybrid cash balance plan as provided by KRS 61.597~~[- or who elects to~~  
 3 ~~participate in the 401(a) money purchase plan as provided by KRS 21.374,~~  
 4 ~~61.5955, or 61.5956]~~, the disability retirement allowance shall be the higher of  
 5 twenty percent (20%) of the member's monthly final rate of pay or the  
 6 retirement allowance determined in the same manner as for retirement at his  
 7 or her normal retirement date under KRS ~~[61.5956 or ]61.597~~~~[-, as applicable]~~.

8 ➔Section 33. KRS 61.640 is repealed, reenacted, and amended to read as follows:

9 (1) If a member dies prior to the first day of the month in which the member would  
 10 have received his or her first retirement allowance, the member's beneficiary shall  
 11 be eligible for the benefits provided by this section if the member had on file a  
 12 written designation of a beneficiary with the retirement office as provided by KRS  
 13 61.542 and the member met the following conditions at the date of his or her death:

14 (a) The member was eligible to retire under KRS 61.559(2) or (3),~~[- 61.5956(5)(a)~~  
 15 ~~or (b),]~~ or 61.597(6)(a) or (b);

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

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

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

25 (a) A monthly benefit payable for the life of the beneficiary that is equal to the  
 26 benefit that would have been paid had the member retired immediately prior  
 27 to his or her date of death and elected to receive benefits payable under the

- 1 survivorship one hundred percent (100%) option as provided in KRS  
2 61.635(2);
- 3 (b) A monthly benefit payable for the life of the beneficiary under the beneficiary  
4 Social Security adjustment option as provided in KRS 61.635(9) that is the  
5 actuarial equivalent to the amount computed under paragraph (a) of this  
6 subsection;
- 7 (c) A monthly benefit payable for a period of sixty (60) months that is the  
8 actuarial equivalent to the amount computed under paragraph (a) of this  
9 subsection;
- 10 (d) A monthly benefit payable for a period of one hundred twenty (120) months  
11 that is the actuarial equivalent to the amount computed under paragraph (a) of  
12 this subsection;
- 13 (e) If the member began participating in the system prior to January 1, 2014, a  
14 monthly benefit payable for a period of one hundred twenty (120) months that  
15 is equivalent to the benefit the member would have been entitled to receive  
16 based on his or her years of service and final compensation at the date of his  
17 or her death reduced by the survivorship fifty percent (50%) factor as provided  
18 for in KRS 61.635(4), then reduced by fifty percent (50%), and that is the  
19 actuarial equivalent to the amount computed under paragraph (a) of this  
20 subsection; or
- 21 (f) The higher of a refund of the member's accumulated account balance as  
22 described in KRS 61.625(1) or one (1) time lump-sum payment which shall be  
23 the actuarial equivalent of the amount payable under paragraph (a) of this  
24 subsection for a period of sixty (60) months.
- 25 (3) If the beneficiary eligible for benefits as provided by subsection (1) of this section  
26 are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus or  
27 the trustee may elect to receive the actuarial equivalent amounts payable under



1 subsection (2)(c), (d), (e), or (f) of this section using the assumption that the  
2 beneficiary's age is the same as the member's age.

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

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

10 ➔Section 34. KRS 61.559 is repealed, reenacted, and amended to read as follows:

11 (1) In lieu of any other benefits due under KRS 61.510 to 61.705 and 78.510 to 78.852,  
12 a member who begins participating before September 1, 2008, who has attained the  
13 age of sixty-five (65) and who has obtained at least one (1) month of service credit  
14 but no more than forty-seven (47) months of service may elect to receive an annual  
15 retirement allowance payable monthly or less frequently, as determined by the  
16 board, which shall be determined by multiplying his accumulated contributions by  
17 two (2) and converting this amount to an annual retirement allowance based on an  
18 annuity rate adopted by the board which would pay the actuarial equivalent of twice  
19 his accumulated contributions over the lifetime of the retired member.

20 (2) A member who begins participating before September 1, 2008, who is sixty-five  
21 (65) years of age or older is eligible for a retirement allowance determined under  
22 KRS 61.595 provided such member has forty-eight (48) months of service, at least  
23 twelve (12) of which are current service, or a retirement allowance determined  
24 under KRS 61.595 prior to age sixty-five (65) provided:

25 (a) The member has attained age fifty-five (55) and has service of sixty (60)  
26 months at least twelve (12) of which are current service; or

27 (b) The member is a retired member of the State Police Retirement System, has

- 1           attained age fifty-five (55), and has service of forty-eight (48) months at least  
2           twelve (12) of which are current service; or
- 3           (c) The member is less than age fifty-five (55) and has twenty-five (25) or more  
4           years of service, at least fifteen (15) of which are current service; or
- 5           (d) The member has thirty (30) or more years of service at least fifteen (15) of  
6           which are current service, or the member of the Kentucky Employees  
7           Retirement System or the County Employees Retirement System has twenty-  
8           seven (27) or more years of service, at least fifteen (15) of which are current  
9           service; or
- 10          (e) The member of the Kentucky Employees Retirement System has, at least,  
11          twenty-six (26) years of service credit, at least sixteen (16) of which are  
12          current consecutive years of service as a cabinet secretary or administrative  
13          head of one (1) of the three (3) branches of government; or
- 14          (f) The member has attained age fifty-five (55) and was an employee of a parted  
15          employer at the time his employer became ineligible to continue participation  
16          in the system, and his service in the system when added to his service with the  
17          parted employer subsequent to his separation from state government equals  
18          the early retirement service eligibility requirement of the system on the date  
19          his employer became ineligible to continue participation in the system.
- 20       (3) A member who begins participating on or after September 1, 2008, but prior to  
21       January 1, 2014, is eligible for a retirement allowance determined under KRS  
22       61.595 if:
- 23           (a) The member is sixty-five (65) years of age or older and has at least five (5)  
24           years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or  
25           another state-administered retirement system;
- 26           (b) The member is fifty-seven (57) years of age or older and has an age and years  
27           of service total of at least eighty-seven (87) years. The years of service used to

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

4 (c) The member is sixty (60) years of age or older and has at least ten (10) years  
 5 of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another  
 6 state-administered retirement system.

7 (4) Subsections (1) to (3) of this section shall not apply to members who begin  
 8 participating in the system on or after January 1, 2014. Members who begin  
 9 participating in the system on or after January 1, 2014, shall receive the retirement  
 10 benefits prescribed by KRS 61.597~~[or the 401(a) money purchase plan prescribed~~  
 11 ~~by KRS 61.5956, as applicable].~~

12 ➔Section 35. KRS 61.5955 is repealed, reenacted, and amended to read as  
 13 follows:

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

15 **(1) Subject to the provisions of this section, any member who began participating in**  
 16 **the Kentucky Employees Retirement System, the County Employees Retirement**  
 17 **System, or the State Police Retirement System prior to January 1, 2014, may in**  
 18 **lieu of the benefits he or she is currently eligible to receive from the systems, elect**  
 19 **to receive the benefits and rights provided to members who began participating in**  
 20 **the systems on or after January 1, 2014, including participating in the hybrid**  
 21 **cash balance plan created pursuant to KRS 61.597 for members in nonhazardous**  
 22 **duty positions or pursuant to KRS 16.583 for members in hazardous duty**  
 23 **positions, as applicable;**

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

26 **(3) For each member who makes an election provided by this section:**

27 **(a) Any service credit the member has accrued prior to January 1, 2014, shall**

1 be considered as service credit earned on or after January 1, 2014, for  
2 purposes of determining benefits under KRS 16.505 to 16.652, 61.510 to  
3 61.705, and 78.510 to 78.852;

4 (b) On the member's effective election date, the value of the member's  
5 accumulated contributions, less any interest, shall be deposited into the  
6 member's hybrid cash balance account as provided by KRS 16.583 or  
7 61.597, as applicable, and considered part of the member's accumulated  
8 account balance;

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

15 (d) Interest credits as provided by KRS 16.583 or 61.597, as applicable, shall  
16 only be applied for periods occurring on or after the member's effective  
17 election date;

18 ~~{(1) Subject to the provisions of this section, any participating member who began~~  
19 ~~participating in a nonhazardous position in the Kentucky Employees Retirement~~  
20 ~~System or the County Employees Retirement System prior to July 1, 2019, may on~~  
21 ~~or after July 1, 2019, but prior to January 1, 2021, elect to be provided the following~~  
22 ~~benefits:~~

23 ~~(a) Participation in the 401(a) money purchase plan provided by KRS 61.5956 in~~  
24 ~~lieu of accruing any additional benefits provided by KRS 61.510(14), 61.595,~~  
25 ~~61.597, or 78.510(14); and~~

26 ~~(b) Any other benefits the person would be eligible for in the Kentucky~~  
27 ~~Employees Retirement System or County Employees Retirement System~~

- 1 based upon the election provided by this section or his or her membership date  
2 in the state administered retirement systems;
- 3 ~~(2) The election provided by this section shall be made in writing and on a form~~  
4 ~~prescribed by the Kentucky Retirement Systems board;~~
- 5 ~~(3) For each member who makes an election provided by this section, any service~~  
6 ~~credit, final compensation, or other benefits the member has accrued prior to the~~  
7 ~~effective election date, shall remain but the member shall not accrue any additional~~  
8 ~~service, final compensation, or any other benefits in a nonhazardous position in the~~  
9 ~~Kentucky Employees Retirement System or County Employees Retirement System~~  
10 ~~on or after the effective election date for purposes of determining benefits under~~  
11 ~~KRS 61.510(14), 61.595, 61.597, or 78.510(14);]~~
- 12 (4) Before accepting an election provided by this section, the Kentucky Retirement  
13 Systems board shall provide the member with information detailing the potential  
14 results of the member's election;
- 15 (5) An election made pursuant to this section shall be irrevocable;
- 16 (6) (a) A member of the Kentucky Employees Retirement System, ~~or~~ the County  
17 Employees Retirement System, or the State Police Retirement System shall  
18 not be eligible to make an election prescribed by this section until the  
19 Kentucky Retirement Systems receive a favorable private letter ruling from  
20 the Internal Revenue Service regarding this section.
- 21 (b) If the Internal Revenue Service denies the request for a private letter ruling as  
22 provided by paragraph (a) of this subsection, this section shall be void.
- 23 (c) The Kentucky Retirement Systems may promulgate administrative regulations  
24 under KRS Chapter 13A in order to carry out this section; and
- 25 (7) This section shall not apply to retirees who were reemployed on or after September  
26 1, 2008, and who are not eligible to participate in the systems during reemployment.
- 27 ➔Section 36. KRS 61.655 is repealed, reenacted, and amended to read as follows:

1 ~~[(1)]~~ No trustee or employee of the Kentucky Retirement Systems board shall:

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

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

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

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

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

15 (6)~~[(f)]~~ Use confidential information acquired during his or her tenure with the  
16 retirement system to further his or her own economic interests or that of another  
17 person; or

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

23 ~~[(2) No trustee or employee of the board of trustees, who has served as a trustee or~~  
24 ~~employee of the board on or after July 1, 2017, shall have any interest, direct or~~  
25 ~~indirect, in the gains or profits of any investment or any other legal, business, or~~  
26 ~~financial transaction made by the board of trustees for a period of five (5) years~~  
27 ~~following termination of his or her position, except that any such trustee or~~

1 ~~employee may be a member, employee, or beneficiary of the systems administered~~  
2 ~~by Kentucky Retirement Systems.~~

3 ~~(3) (a) No person who is serving as a member of the General Assembly or is a public~~  
4 ~~servant as defined by KRS 11A.010(9) shall have any interest, direct or~~  
5 ~~indirect, in the gains or profits of any investment or any other legal, business,~~  
6 ~~or financial transaction made by the board of trustees, except that any such~~  
7 ~~member or public servant may be a member, employee, or beneficiary of the~~  
8 ~~systems administered by Kentucky Retirement Systems.~~

9 ~~(b) No person who was serving as a member of the General Assembly on or after~~  
10 ~~July 1, 2017, or was serving as a public servant as defined by KRS~~  
11 ~~11A.010(9) on or after July 1, 2017, shall have any interest, direct or indirect,~~  
12 ~~in the gains or profits of any investment or any other legal, business, or~~  
13 ~~financial transaction made by the board of trustees for a period of five (5)~~  
14 ~~years following termination of his or her position, except that any such~~  
15 ~~member or public servant may be a member, employee, or beneficiary of the~~  
16 ~~systems administered by Kentucky Retirement Systems.]~~

17 ➔Section 37. KRS 16.583 is repealed, reenacted, and amended to read as follows:

18 (1) A member of the State Police Retirement System, a member of the Kentucky  
19 Employees Retirement System in a hazardous duty position covered by this section,  
20 or a member of the County Employees Retirement System in a hazardous duty  
21 position covered by this section, whose participation begins on or after January 1,  
22 2014, **or a member making an election pursuant to Section 35 of this Act,** shall  
23 receive the retirement benefits provided by this section in lieu of the retirement  
24 benefits provided under KRS 16.576 and 16.577. The retirement benefit provided  
25 by this section shall be known as the hybrid cash balance plan and shall operate as  
26 another benefit tier within the State Police Retirement System, the Kentucky  
27 Employees Retirement System, and the County Employees Retirement System.

- 1 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the  
2 member's accumulated account balance, which shall include:
- 3 (a) Contributions made by the member as provided by KRS 16.505 to 16.652,  
4 61.510 to 61.705, and 78.510 to 78.852, except for employee contributions  
5 prescribed by KRS 61.702(2)(b);
- 6 (b) An employer pay credit of seven and one-half percent (7.5%) of the creditable  
7 compensation earned by the employee for each month the employee is  
8 contributing to the hybrid cash balance plan provided by this section; and
- 9 (c) Interest credits added annually to the member's accumulated account balance  
10 as provided by this section.
- 11 (3) (a) Member contributions and employer pay credits as provided by subsection  
12 (2)(a) and (b) of this section shall be credited to the member's account  
13 monthly as contributions are reported and posted to the system in accordance  
14 with KRS 61.675 and 78.625.
- 15 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be  
16 credited to the member's account annually on June 30 of each fiscal year, as  
17 determined by subsection (4) of this section.
- 18 (4) (a) On June 30 of each fiscal year, the system shall determine if the member  
19 contributed to the hybrid cash balance plan during the fiscal year.
- 20 (b) If the member contributed to the hybrid cash balance plan during the fiscal  
21 year, the interest credit added to the member's account for that fiscal year shall  
22 be determined by multiplying the member's accumulated account balance on  
23 June 30 of the preceding fiscal year by a percentage increase equal to:
- 24 1. Four percent (4%); plus  
25 2. Seventy-five percent (75%) of the system's geometric average net  
26 investment return in excess of a four percent (4%) rate of return.
- 27 (c) If the member did not contribute to the hybrid cash balance plan during the



1 fiscal year, the interest credit added to the member's account for that fiscal  
2 year shall be determined by multiplying the member's accumulated account  
3 balance on June 30 of the preceding fiscal year by four percent (4%).

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

6 1. Means the annual average geometric investment return, net of  
7 administrative and investment fees and expenses, over the last five (5)  
8 fiscal years as of the date the interest is credited to the member's  
9 account; and

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

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

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

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

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

27 (a) At his or her normal retirement date, provided he or she has earned five (5) or

1 more years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1),  
2 or another state-administered retirement system; or

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

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

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

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

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

15 (8) The provisions of this section shall not apply to members who began participating  
16 in the Kentucky Employees Retirement System, the County Employees Retirement  
17 System, or the State Police Retirement System prior to January 1, 2014, **except for**  
18 **those members making an election pursuant to Section 35 of this Act.**

19 ➔Section 38. KRS 16.645 is repealed, reenacted, and amended to read as follows:

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

23 (1) Cessation of membership, as provided for by KRS 61.535;

24 (2) Medical examiners and hearing procedures, as provided for by KRS 61.665;

25 (3) Actuarial bases, as provided for by KRS 61.670;

26 (4) Duties of the employer, as provided for by KRS 61.675;

27 (5) Exemption of benefits of the system for taxation and qualified domestic relations

- 1 orders, as provided for by KRS 61.690;
- 2 (6) Retirement allowance increase, as provided for by KRS 61.691;
- 3 (7) Calculation of retirement allowance, as provided for by KRS 61.599;
- 4 (8) Beneficiaries to be designated by member, change, rights, as provided for by KRS  
5 61.542;
- 6 (9) Year of service credit, as provided for by KRS 61.545;
- 7 (10) Refund of contributions, death after retirement, as provided by KRS 61.630;
- 8 (11) Custodian of fund, payments made, when, as provided for by KRS 61.660;
- 9 (12) Credit for service prior to membership date, as provided for by KRS 61.526;
- 10 (13) Member's account, confidential, as provided for by KRS 61.661;
- 11 (14) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- 12 (15) Correction of errors in records, as provided for by KRS 61.685;
- 13 (16) Maximum disability benefit, as provided for by KRS 61.607;
- 14 (17) Retirement application procedure, effective retirement date, as provided for by KRS  
15 61.590;
- 16 (18) Employer contributions, as provided for by KRS 61.565;
- 17 (19) Reinstatement of lost service credit, purchase of service credit, interest paid, and  
18 delayed contribution and installment payments, as provided for by KRS 61.552;
- 19 (20) Reciprocal arrangement between systems, as provided by KRS 61.680;
- 20 (21) Refund of contributions, conditions, as provided by KRS 61.625;
- 21 (22) Hospital and medical insurance plan, as provided by KRS 61.702;
- 22 (23) Death benefit, as provided by KRS 61.705;
- 23 (24) Disability retirement allowance, reduction, and discontinuance, as provided by KRS  
24 61.615;
- 25 (25) Service credit, Armed Forces, as provided by KRS 61.555;
- 26 (26) Reinstated employee, contributions on creditable compensation, as provided for by  
27 KRS 61.569;

- 1 (27) Statement to be made under oath, good faith reliance, as provided for in KRS  
 2 61.699;
- 3 (28) Retirement of persons in hazardous positions, as provided for by KRS 61.592;
- 4 (29) Direct deposit of recipient's retirement allowance as provided in KRS 61.623;
- 5 (30) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- 6 (31) Payment of small amounts upon death of member, retiree, or recipient without  
 7 formal administration of the estate as provided in KRS 61.703;
- 8 (32) Suspension of retirement payments on reemployment, reinstatement, recomputation  
 9 of allowance, waiver of provisions in certain instances, reemployment in a different  
 10 position, as provided for by KRS 61.637;
- 11 (33) Medical examination and financial review after disability retirement, staff review,  
 12 as provided in KRS 61.610; ~~and~~
- 13 (34) Employer payment of increases in creditable compensation and adjustments to  
 14 creditable compensation during the last five (5) years of employment as provided by  
 15 KRS 61.598; and
- 16 **(35) Benefit election for members of the Kentucky Retirement Systems who began**  
 17 **participating prior to January 1, 2014, as provided by Section 35 of this Act.**
- 18 ➔Section 39. KRS 78.545 is repealed, reenacted, and amended to read as follows:  
 19 The following matters shall be administered in the same manner subject to the same  
 20 limitations and requirements as provided for the Kentucky Employees Retirement System  
 21 as follows:
- 22 (1) Cessation of membership, conditions, as provided for by KRS 61.535;
- 23 (2) Statement of member and employer, as provided for by KRS 61.540;
- 24 (3) Beneficiary to be designated by member, change, rights, as provided for by KRS  
 25 61.542;
- 26 (4) Service credit determination, as provided for by KRS 61.545;
- 27 (5) Cessation of membership, loss of benefits, as provided for by KRS 61.550;

- 1 (6) Service credit, Armed Forces, as provided for by KRS 61.555;
- 2 (7) Normal and early retirement eligibility requirements, as provided for by KRS  
3 61.559;
- 4 (8) Retirement allowance increases as provided for by KRS 61.691;
- 5 (9) Retirement application procedure, effective retirement date, as provided for by KRS  
6 61.590;
- 7 (10) Disability retirement, conditions, as provided for by KRS 61.600;
- 8 (11) Disability retirement, allowance, as provided for by KRS 61.605;
- 9 (12) Medical examination after disability retirement, as provided for by KRS 61.610;
- 10 (13) Disability retirement allowance, reduction, as provided for by KRS 61.615;
- 11 (14) Determination of retirement allowance, as provided for by KRS 61.595;
- 12 (15) Refund of contributions, conditions, as provided for by KRS 61.625;
- 13 (16) Refund of contributions, death after retirement, as provided for by KRS 61.630;
- 14 (17) Optional retirement plans, as provided for by KRS 61.635;
- 15 (18) Suspension of retirement payments on reemployment, reinstatement, as provided for  
16 by KRS 61.637;
- 17 (19) Death before retirement, beneficiary's options, as provided for by KRS 61.640;
- 18 (20) Board of trustees, conflict of interest, as provided for by KRS 61.655;
- 19 (21) Custodian of funds, payments made, when, as provided for by KRS 61.660;
- 20 (22) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- 21 (23) Actuarial bases, as provided for by KRS 61.670;
- 22 (24) Employer's administrative duties, as provided for by KRS 61.675;
- 23 (25) Correction of errors in records, as provided for by KRS 61.685;
- 24 (26) Exemptions of retirement allowances, and qualified domestic relations orders, as  
25 provided for by KRS 61.690;
- 26 (27) Credit for service prior to membership date, as provided for by KRS 61.526;
- 27 (28) Creditable compensation of fee officers, as provided for by KRS 61.541;

- 1 (29) Members' account, confidential, as provided for by KRS 61.661;
- 2 (30) Retirement plan for employees determined to be in a hazardous position, as  
3 provided for by KRS 61.592;
- 4 (31) Maximum disability benefit, as provided for by KRS 61.607;
- 5 (32) Consent of employees to deductions and reciprocal arrangement between systems,  
6 as provided for by KRS 61.680;
- 7 (33) Employer contributions, as provided for by KRS 61.565;
- 8 (34) Recontribution and delayed contribution payments, purchase of service credit,  
9 interest, and installment payments, as provided for by KRS 61.552;
- 10 (35) Hospital and medical insurance plan, as provided by KRS 61.702;
- 11 (36) Death benefit, as provided by KRS 61.705;
- 12 (37) Reinstated employee, contributions on creditable compensation, as provided for by  
13 KRS 61.569;
- 14 (38) Statement to be made under oath, good faith reliance, as provided for in KRS  
15 61.699;
- 16 (39) Disability procedure for members in hazardous positions as provided for in KRS  
17 16.582;
- 18 (40) Direct deposit of recipient's retirement allowance as provided for in KRS 61.623;
- 19 (41) Death or disability from a duty-related injury as provided in KRS 61.621;
- 20 (42) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- 21 (43) Payment of small accounts upon death of member, retiree, or recipient without  
22 formal administration of the estate as provided in KRS 61.703;
- 23 (44) Hybrid cash balance plan ~~and 401(a) money purchase plan~~ provided to new  
24 members as provided by KRS ~~61.5956 and~~ 61.597;
- 25 (45) Employer payment of increases in creditable compensation and adjustments to  
26 creditable compensation during the last five (5) years of employment as provided by  
27 KRS 61.598;

- 1 (46) Calculation of retirement allowance, as provided by KRS 61.599;
- 2 (47) Voluntary and involuntary cessation of participation by a participating agency as
- 3 provided by KRS 61.522; and
- 4 (48) **Benefit election for members of the Kentucky Retirement Systems who began**
- 5 **participating prior to January 1, 2014, as provided by Section 35 of this**
- 6 **Act**~~[Benefit election for members of the Kentucky Retirement Systems who began~~
- 7 ~~participating prior to July 1, 2019, as provided by KRS 61.5955].~~

8 ➔Section 40. KRS 161.155 is repealed, reenacted, and amended to read as

9 follows:

- 10 (1) As used in this section:
- 11 (a) "Teacher" shall mean any person for whom certification is required as a basis
- 12 of employment in the common schools of the state;
- 13 (b) "Employee" shall mean any person, other than a teacher, employed in the
- 14 public schools, whether on a full or part-time basis;
- 15 (c) "Immediate family" shall mean the teacher's or employee's spouse, children
- 16 including stepchildren and foster children, grandchildren, daughters-in-law
- 17 and sons-in law, brothers and sisters, parents and spouse's parents, and
- 18 grandparents and spouse's grandparents, without reference to the location or
- 19 residence of said relative, and any other blood relative who resides in the
- 20 teacher's or employee's home;
- 21 (d) "Sick leave bank" shall mean an aggregation of sick leave days contributed by
- 22 teachers or employees for use by teachers or employees who have exhausted
- 23 all sick leave and other available paid leave days; and
- 24 (e) "Assault" shall mean an act that intentionally causes injury so significant that
- 25 the victim is determined to be, by certification of a physician or surgeon duly
- 26 qualified under KRS Chapter 342, incapable of performing the duties of his or
- 27 her job.

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

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

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

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



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

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

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

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

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

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

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

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

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

23 (8) (a) A district board of education shall establish a sick leave donation program to  
24 permit teachers or employees to voluntarily contribute sick leave to teachers  
25 or employees in the same school district who are in need of an extended  
26 absence from school. A teacher or employee who has accrued more than  
27 fifteen (15) days' sick leave may request the board of education to transfer a

1 designated amount of sick leave to another teacher or employee who is  
2 authorized to receive the sick leave donated. A teacher or employee may not  
3 request an amount of sick leave be donated that reduces his or her sick leave  
4 balance to less than fifteen (15) days.

5 (b) A teacher or employee may receive donations of sick leave if:

6 1. a. The teacher or employee or a member of his or her immediate  
7 family suffers from a medically certified illness, injury,  
8 impairment, or physical or mental condition that has caused or is  
9 likely to cause the teacher or employee to be absent for at least ten  
10 (10) days; or

11 b. The teacher or employee suffers from a catastrophic loss to his or  
12 her personal or real property, due to either a natural disaster or fire,  
13 that either has caused or will likely cause the employee to be  
14 absent for at least ten (10) consecutive working days;

15 2. The teacher's or employee's need for the absence and use of leave are  
16 certified by a licensed physician for leave requested under subparagraph  
17 1.a. of this subsection;

18 3. The teacher or employee has exhausted his or her accumulated sick  
19 leave, personal leave, and any other leave granted by the school district;  
20 and

21 4. The teacher or employee has complied with the school district's policies  
22 governing the use of sick leave.

23 (c) While a teacher or employee is on sick leave provided by this section, he or  
24 she shall be considered a school district employee, and his or her salary,  
25 wages, and other employee benefits shall not be affected.

26 (d) Any sick leave that remains unused, is not needed by a teacher or employee,  
27 and will not be needed in the future shall be returned to the teacher or

1 employee donating the sick leave.

2 (e) The board of education shall adopt policies and procedures necessary to  
3 implement the sick leave donation program.

4 (9) A teacher or employee may use up to thirty (30) days of sick leave following the  
5 birth or adoption of a child or children. Additional days may be used when the need  
6 is verified by a physician's statement.

7 (10) (a) After July 1, 1982, ~~[and except as otherwise provided by this subsection,]~~ a  
8 district board of education may compensate, at the time of retirement or upon  
9 the death of a member in active contributing status at the time of death who  
10 was eligible to retire by reason of service, an employee or a teacher, or the  
11 estate of an employee or teacher, for each unused sick leave day. The rate of  
12 compensation for each unused sick leave day shall be based on a percentage of  
13 the daily salary rate calculated from the employee's or teacher's last annual  
14 salary, not to exceed thirty percent (30%). Payment for unused sick leave  
15 days~~[, not to exceed the amount based upon the unused sick leave days~~  
16 ~~accrued as of December 31, 2018,]~~ shall be incorporated into the annual  
17 compensation of the final year of service for inclusion in the calculation of the  
18 employee's or teacher's retirement allowance only at the time of his or her  
19 initial retirement; provided that the member makes the regular retirement  
20 contribution for members on the sick leave payment. The accumulation of  
21 these days includes unused sick leave days held by the employee or teacher at  
22 the time of implementation of the program.

23 (b) For a teacher or employee who begins employment with a local school district  
24 on or after July 1, 2008, the maximum amount of unused sick leave days a  
25 district board of education may recognize in calculating the payment of  
26 compensation to the teacher or employee under this subsection shall not  
27 exceed three hundred (300) days.

1 (11) Any statute to the contrary notwithstanding, employees and teachers who  
2 transferred from the Department of Education to a school district, from a school  
3 district to the Department of Education, or from one (1) school district to another  
4 school district after July 15, 1981, shall receive credit for any unused sick leave to  
5 which the employee or teacher was entitled on the date of transfer. This credit shall  
6 be for the purposes set forth in subsection (10) of this section.

7 (12) The death benefit provided in subsection (10) of this section may be cited as the  
8 Baughn Benefit.

9 ➔Section 41. KRS 161.220 is repealed, reenacted, and amended to read as  
10 follows:

11 As used in KRS 161.220 to 161.716 and 161.990:

12 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to  
13 161.716 and 161.990 for payment of allowances to members;

14 (2) "Retirement allowance" means the amount annually payable during the course of his  
15 natural life to a member who has been retired by reason of service;

16 (3) "Disability allowance" means the amount annually payable to a member retired by  
17 reason of disability;

18 (4) "Member" means the commissioner of education, deputy commissioners, associate  
19 commissioners, and all division directors in the State Department of Education,  
20 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any  
21 full-time teacher or professional occupying a position requiring certification or  
22 graduation from a four (4) year college or university, as a condition of employment,  
23 and who is employed by public boards, institutions, or agencies as follows:

24 (a) Local boards of education;

25 (b) Eastern Kentucky University, Kentucky State University, Morehead State  
26 University, Murray State University, Western Kentucky University, and any  
27 community colleges established under the control of these universities;

- 1 (c) State-operated secondary area vocational education or area technology centers,  
2 Kentucky School for the Blind, and Kentucky School for the Deaf;
- 3 (d) The Education Professional Standards Board, other public education agencies  
4 as created by the General Assembly, and those members of the administrative  
5 staff of the Teachers' Retirement System of the State of Kentucky whom the  
6 board of trustees may designate by administrative regulation;
- 7 (e) Regional cooperative organizations formed by local boards of education or  
8 other public educational institutions listed in this subsection, for the purpose  
9 of providing educational services to the participating organizations;
- 10 (f) All full-time members of the staffs of the Kentucky Association of School  
11 Administrators, Kentucky Education Association, Kentucky Vocational  
12 Association, Kentucky High School Athletic Association, Kentucky Academic  
13 Association, and the Kentucky School Boards Association who were members  
14 of the Kentucky Teachers' Retirement System or were qualified for a position  
15 covered by the system at the time of employment by the association in the  
16 event that the board of directors of the respective association petitions to be  
17 included. The board of trustees of the Kentucky Teachers' Retirement System  
18 may designate by resolution whether part-time employees of the petitioning  
19 association are to be included~~[, except as limited by KRS 161.612]~~. The state  
20 shall make no contributions on account of these employees, either full-time or  
21 part-time. The association shall make the employer's contributions, including  
22 any contribution that is specified under KRS 161.550. The provisions of this  
23 paragraph shall be applicable to persons in the employ of the associations on  
24 or subsequent to July 1, 1972;
- 25 (g) Employees of the Council on Postsecondary Education who were employees  
26 of the Department for Adult Education and Literacy and who were members  
27 of the Kentucky Teachers' Retirement System at the time the department was

- 1 transferred to the council pursuant to Executive Order 2003-600;
- 2 (h) The Office of Career and Technical Education, except that the executive  
3 director shall not be a member;
- 4 (i) The Office of Vocational Rehabilitation;
- 5 (j) The Kentucky Educational Collaborative for State Agency Children;
- 6 (k) The Governor's Scholars Program;
- 7 (l) Any person who is retired for service from the retirement system and is  
8 reemployed by an employer identified in this subsection in a position that the  
9 board of trustees deems to be a member~~], except that any person who retires  
10 on or after January 1, 2019, shall upon reemployment after retirement not earn  
11 a second retirement account];~~
- 12 (m) Employees of the former Cabinet for Workforce Development who are  
13 transferred to the Kentucky Community and Technical College System and  
14 who occupy positions covered by the Kentucky Teachers' Retirement System  
15 shall remain in the Teachers' Retirement System. New employees occupying  
16 these positions, as well as newly created positions qualifying for Teachers'  
17 Retirement System coverage that would have previously been included in the  
18 former Cabinet for Workforce Development, shall be members of the  
19 Teachers' Retirement System;
- 20 (n) Effective January 1, 1998, employees of state community colleges who are  
21 transferred to the Kentucky Community and Technical College System shall  
22 continue to participate in federal old age, survivors, disability, and hospital  
23 insurance, and a retirement plan other than the Kentucky Teachers' Retirement  
24 System offered by Kentucky Community and Technical College System. New  
25 employees occupying positions in the Kentucky Community and Technical  
26 College System as referenced in KRS 164.5807(5) that would not have  
27 previously been included in the former Cabinet for Workforce Development,

1 shall participate in federal old age, survivors, disability, and hospital insurance  
2 and have a choice at the time of employment of participating in a retirement  
3 plan provided by the Kentucky Community and Technical College System,  
4 including participation in the Kentucky Teachers' Retirement System, on the  
5 same basis as faculty of the state universities as provided in KRS ~~161.235,~~  
6 ~~161.540~~ and 161.620;

7 (o) Employees of the Office of General Counsel, the Office of Budget and  
8 Administrative Services, and the Office of Quality and Human Resources  
9 within the Office of the Secretary of the former Cabinet for Workforce  
10 Development and the commissioners of the former Department for Adult  
11 Education and Literacy and the former Department for Technical Education  
12 who were contributing to the Kentucky Teachers' Retirement System as of  
13 July 15, 2000;

14 (p) Employees of the Kentucky Department of Education only who are graduates  
15 of a four (4) year college or university, notwithstanding a substitution clause  
16 within a job classification, and who are serving in a professional job  
17 classification as defined by the department;

18 (q) The Governor's School for Entrepreneurs Program; and

19 (r) Employees of the Office of Adult Education within the Department of  
20 Workforce Investment in the Education and Workforce Development Cabinet  
21 who were employees of the Council on Postsecondary Education, Kentucky  
22 Adult Education Program and who were members of the Kentucky Teachers'  
23 Retirement System at the time the Program was transferred to the cabinet  
24 pursuant to Executive Orders 2019-0026 and 2019-0027.

25 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,  
26 and became a member of the retirement system created by 1938 (1st Extra. Sess.)  
27 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year



1 after that date, and any teacher who was a member of a local teacher retirement  
2 system in the public elementary or secondary schools of the state on or before July  
3 1, 1940, and continued to be a member of the system until he, with the membership  
4 of the local retirement system, became a member of the state Teachers' Retirement  
5 System or who becomes a member under the provisions of KRS 161.470(4);

6 (6) "New teacher" means any member not a present teacher;

7 (7) "Prior service" means the number of years during which the member was a teacher  
8 in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior  
9 service shall be allowed or credited to any teacher;

10 (8) "Subsequent service" means the number of years during which the teacher is a  
11 member of the Teachers' Retirement System after July 1, 1941;

12 (9) "Final average salary" means the average of the five (5) highest annual salaries  
13 which the member has received for service in a covered position and on which the  
14 member has made contributions, or on which the public board, institution, or  
15 agency has picked-up member contributions pursuant to KRS 161.540(2), or the  
16 average of the five (5) years of highest salaries as defined in KRS 61.680(2)(a),  
17 which shall include picked-up member contributions. Additionally, the board of  
18 trustees may approve a final average salary based upon the average of the three (3)  
19 highest salaries for members who are at least fifty-five (55) years of age and have a  
20 minimum of twenty-seven (27) years of Kentucky service credit. However, if any of  
21 the five (5) or three (3) highest annual salaries used to calculate the final average  
22 salary was paid within the three (3) years immediately prior to the date of the  
23 member's retirement, the amount of salary to be included for each of those three (3)  
24 years for the purpose of calculating the final average salary shall be limited to the  
25 lesser of:

26 (a) The member's actual salary; or

27 (b) The member's annual salary that was used for retirement purposes during each

1 of the prior three (3) years, plus a percentage increase equal to the percentage  
2 increase received by all other members employed by the public board,  
3 institution, or agency, or for members of school districts, the highest  
4 percentage increase received by members on any one (1) rank and step of the  
5 salary schedule of the school district. The increase shall be computed on the  
6 salary that was used for retirement purposes.

7 This limitation shall not apply if the member receives an increase in salary in a  
8 percentage exceeding that received by the other members, and this increase was  
9 accompanied by a corresponding change in position or in length of employment.

10 This limitation shall also not apply to the payment to a member for accrued annual  
11 leave if the individual becomes a member before July 1, 2008, or accrued sick leave  
12 which is authorized by statute and which shall be included as part of a retiring  
13 member's annual compensation for the member's last year of active service~~as~~  
14 ~~provided by KRS 161.155];~~

15 (10) "Annual compensation" means the total salary received by a member as  
16 compensation for all services performed in employment covered by the retirement  
17 system during a fiscal year. Annual compensation shall not include payment for any  
18 benefit or salary adjustments made by the public board, institution, or agency to the  
19 member or on behalf of the member which is not available as a benefit or salary  
20 adjustment to other members employed by that public board, institution, or agency.  
21 Annual compensation shall not include the salary supplement received by a member  
22 under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996. Under no  
23 circumstances shall annual compensation include compensation that is earned by a  
24 member while on assignment to an organization or agency that is not a public board,  
25 institution, or agency listed in subsection (4) of this section. In the event that federal  
26 law requires that a member continue membership in the retirement system even  
27 though the member is on assignment to an organization or agency that is not a

1 public board, institution, or agency listed in subsection (4) of this section, the  
2 member's annual compensation for retirement purposes shall be deemed to be the  
3 annual compensation, as limited by subsection (9) of this section, last earned by the  
4 member while still employed solely by and providing services directly to a public  
5 board, institution, or agency listed in subsection (4) of this section. The board of  
6 trustees shall determine if any benefit or salary adjustment qualifies as annual  
7 compensation. For an individual who becomes a member on or after July 1, 2008,  
8 annual compensation shall not include lump-sum payments upon termination of  
9 employment for accumulated annual or compensatory leave;

10 (11) "Age of member" means the age attained on the first day of the month immediately  
11 following the birthdate of the member. This definition is limited to retirement  
12 eligibility and does not apply to tenure of members;

13 (12) "Employ," and derivatives thereof, means relationships under which an individual  
14 provides services to an employer as an employee, as an independent contractor, as  
15 an employee of a third party, or under any other arrangement as long as the services  
16 provided to the employer are provided in a position that would otherwise be covered  
17 by the Kentucky Teachers' Retirement System and as long as the services are being  
18 provided to a public board, institution, or agency listed in subsection (4) of this  
19 section;

20 (13) "Regular interest" means interest at three percent (3%) per annum, except~~[-~~  
21 ~~(a) — ]~~ for an individual who becomes a member on or after July 1, 2008,~~[- but prior to~~  
22 ~~January 1, 2019, ]~~ "regular interest" means interest at two and one-half percent  
23 (2.5%) per annum for purposes of crediting interest to the teacher savings account  
24 or any other contributions made by the employee that are refundable to the  
25 employee upon termination of employment;~~[- and~~

26 ~~(b) — For an individual who becomes a member on or after January 1, 2019, who is~~  
27 ~~participating in the hybrid cash balance plan, "regular interest" means the~~

1           ~~regular interest credited to the member's accumulated account balance as~~  
2           ~~provided by KRS 161.235;]~~

- 3 (14) "Accumulated contributions" means the contributions of a member to the teachers'  
4 savings fund, including picked-up member contributions as described in KRS  
5 161.540(2), plus accrued regular interest;
- 6 (15) "Annuitant" means a person who receives a retirement allowance or a disability  
7 allowance;
- 8 (16) "Local retirement system" means any teacher retirement or annuity system created  
9 in any public school district in Kentucky in accordance with the laws of Kentucky;
- 10 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The  
11 retirement plan year is concurrent with this fiscal year. A contract for a member  
12 employed by a local board of education may not exceed two hundred sixty-one  
13 (261) days in the fiscal year;
- 14 (18) "Public schools" means the schools and other institutions mentioned in subsection  
15 (4) of this section;
- 16 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was  
17 receiving, at the time of death of the member, at least one-half (1/2) of the support  
18 from the member for maintenance, including board, lodging, medical care, and  
19 related costs;
- 20 (20) "Active contributing member" means a member currently making contributions to  
21 the Teachers' Retirement System, who made contributions in the next preceding  
22 fiscal year, for whom picked-up member contributions are currently being made, or  
23 for whom these contributions were made in the next preceding fiscal year;
- 24 (21) "Full-time" means employment in a position that requires services on a continuing  
25 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year  
26 basis;
- 27 (22) "Full actuarial cost," when used to determine the payment that a member must pay

1 for service credit means the actuarial value of all costs associated with the  
2 enhancement of a member's benefits or eligibility for benefit enhancements,  
3 including health insurance supplement payments made by the retirement system.  
4 The actuary for the retirement system shall determine the full actuarial value costs  
5 and actuarial cost factor tables as provided in KRS 161.400;

6 (23) "Last annual compensation" means the annual compensation, as defined by  
7 subsection (10) of this section and as limited by subsection (9) of this section,  
8 earned by the member during the most recent period of contributing service, either  
9 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)  
10 full year of service credit in the Kentucky Teachers' Retirement System, and which  
11 compensation is used in calculating the member's initial retirement allowance,  
12 excluding bonuses, retirement incentives, payments for accumulated sick~~leave~~  
13 ~~authorized by KRS 161.155~~, annual, personal~~],~~ and compensatory leave, and any  
14 other lump-sum payment. For an individual who becomes a member on or after July  
15 1, 2008, payments for annual or compensatory leave shall not be included in  
16 determining the member's last annual compensation;

17 (24) "Participant" means a member, as defined by subsection (4) of this section, or an  
18 annuitant, as defined by subsection (15) of this section;

19 (25) "Qualified domestic relations order" means any judgment, decree, or order,  
20 including approval of a property settlement agreement, that:

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

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

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

27 (27) "University member" means an individual who becomes a member through

1 employment with an employer specified in subsection (4)(b) and (n) of this section;

2 and

3 (28) "Nonuniversity member" means an individual who becomes a member through  
4 employment with an employer specified under subsection (4) of this section, except  
5 for those members employed by an employer specified in subsection (4)(b) and (n)  
6 of this section-};

7 ~~(29) "Accumulated employer credit" means the employer pay credit deposited to the~~  
8 ~~member's account and regular interest credited on such amounts as provided by~~  
9 ~~KRS 161.235; and~~

10 ~~(30) "Accumulated account balance" means:~~

11 ~~(a) For members who began participating in the system prior to January 1, 2019,~~  
12 ~~the member's accumulated contributions; or~~

13 ~~(b) For members who began participating in the system on or after January 1,~~  
14 ~~2019, in the hybrid cash balance plan as provided by KRS 161.235, the~~  
15 ~~combined sum of the member's accumulated contributions and the member's~~  
16 ~~accumulated employer credit].~~

17 ➔Section 42. KRS 161.400 is repealed and reenacted to read as follows:

18 (1) (a) The board of trustees shall designate as actuary a competent person who shall  
19 be a fellow of the Conference of Consulting Actuaries or a member of the  
20 American Academy of Actuaries. He shall be the technical adviser of the  
21 board on matters regarding the operation of the funds of the system and shall  
22 perform such other duties as are required in connection therewith.

23 (b) At least once in each five (5) year period, the actuary shall make an actuarial  
24 investigation into the actuarial assumptions and funding methods used,  
25 including but not limited to mortality, investment rate of return, and service  
26 and compensation of the members and beneficiaries of the retirement system,  
27 relative to the actuarial assumptions and funding methods previously adopted

1 by the board. The actuarial investigation shall include at a minimum a  
2 summary of the changes in actuarial assumptions and funding methods  
3 recommended in the investigation and the projected impact of the  
4 recommended changes on funding levels, unfunded liabilities, and actuarially  
5 recommended contribution rates for employers over a twenty (20) year period.

6 (c) At least annually the actuary shall make an actuarial valuation of the  
7 retirement system. The valuation shall include:

- 8 1. A description of the actuarial assumptions used, and the assumptions  
9 shall be reasonably related to the experience of the system and represent  
10 the actuary's best estimate of anticipated experience;
- 11 2. A description of any funding methods utilized or required by state law in  
12 the development of the actuarial valuation results;
- 13 3. A description of any changes in actuarial assumptions and methods from  
14 the previous year's actuarial valuation;
- 15 4. The actuarially recommended contribution rate for employers for the  
16 upcoming budget periods;
- 17 5. A twenty (20) year projection of the funding levels, unfunded liabilities,  
18 and actuarially recommended contribution rates for employers based  
19 upon the actuarial assumptions, funding methods, and experience of the  
20 system as of the valuation date; and
- 21 6. A sensitivity analysis that evaluates the impact of changes in system  
22 assumptions, including but not limited to the investment return  
23 assumption, payroll growth assumption, and medical inflation rates, on  
24 employer contribution rates, funding levels, and unfunded liabilities.

25 (d) On the basis of the results of the valuations, the board of trustees shall make  
26 necessary changes in the retirement system within the provisions of law and  
27 shall establish the contributions payable by employers and the state specified

1 in KRS 161.550.

2 (e) For any change in actuarial assumptions, funding methods, retiree health  
3 insurance premiums and subsidies, or any other decisions made by the board  
4 that impact system liabilities and actuarially recommended contribution rates  
5 for employers and that are not made in conjunction with the actuarial  
6 investigation required by paragraph (b) of this subsection, an actuarial analysis  
7 shall be completed showing the projected impact of the changes on funding  
8 levels, unfunded liabilities, and actuarially recommended contribution rates  
9 for employers over a twenty (20) year period.

10 (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for  
11 all purposes shall be determined by the actuary of the retirement system and  
12 approved by the board of trustees by resolution and implemented without the  
13 necessity of an administrative regulation.

14 (3) A copy of each five (5) year actuarial investigation, actuarial analysis, and valuation  
15 required by subsection (1) of this section shall be forwarded electronically to the  
16 Legislative Research Commission no later than ten (10) days after receipt by the  
17 board, and the Legislative Research Commission shall distribute the information  
18 received to the committee staff and co-chairs of any committee that has jurisdiction  
19 over the Kentucky Teachers' Retirement System. The actuarial valuation required by  
20 subsection (1)(c) of this section shall be submitted no later than November 15  
21 following the close of the fiscal year.

22 ➔Section 43. KRS 161.420 is repealed, reenacted, and amended to read as  
23 follows:

24 All of the assets of the retirement system are for the exclusive purpose of providing  
25 benefits to members and annuitants and defraying reasonable expenses of administering  
26 the system. The board of trustees shall be the trustee of all funds of the system and shall  
27 have full power and responsibility for administering the funds. **It is hereby declared that**



1 *the restrictions and rights provided herein shall not be subject to reduction or*  
 2 *impairment by alteration, amendment, or repeal.* All the assets of the retirement system

3 shall be credited according to the purpose for which they are held to one (1) of the  
 4 following funds:

5 (1) The expense fund shall consist of the funds set aside from year to year by the board  
 6 of trustees to defray the expenses of the administration of the retirement system.  
 7 Each fiscal year an amount not greater than four percent (4%) of the dividends and  
 8 interest income earned from investments during the immediate past fiscal year shall  
 9 be set aside into the expense fund or expended for the administration of the  
 10 retirement system;

11 (2) (a) The teachers' savings fund shall consist of[~~:~~

12 ~~1.—] the contributions paid by members of the retirement system into this~~  
 13 ~~fund and regular interest assigned by the board of trustees from the~~  
 14 ~~guarantee fund[or established by KRS 161.235, as applicable; and~~

15 ~~2.— For individuals who become members of the Teachers' Retirement~~  
 16 ~~System on or after January 1, 2019, who are participating in the hybrid~~  
 17 ~~cash balance plan, the employer pay credit and regular interest to the~~  
 18 ~~hybrid cash balance plan as provided by KRS 161.235 that is assigned~~  
 19 ~~by the board of trustees from the guarantee fund].~~

20 (b) A member may not borrow any amount of his or her accumulated  
 21 *contributions to*[~~account balance in~~] the teachers' savings fund, or any regular  
 22 interest earned thereon.

23 (c) The accumulated contributions[~~or accumulated account balance~~] of a member  
 24 which are returned to him *or her* upon his *or her* withdrawal or paid to his *or*  
 25 *her* estate or designated beneficiary in the event of his *or her* death shall be  
 26 paid from the teachers' savings fund.

27 (d) Any accumulated *contributions*[~~account balance~~] in the teachers' savings fund

1           forfeited by a failure of a teacher or his or her estate to claim these  
2           contributions shall be transferred from this fund to the guarantee fund.

3           (e) ~~[For an individual who becomes a member of the Teachers' Retirement~~  
4           ~~System prior to January 1, 2019, ]~~The accumulated contributions~~[account~~  
5           ~~balance]~~ of a member in the teachers' savings fund shall be transferred from  
6           this fund to the allowance reserve fund in the event of retirement by reason of  
7           service or disability~~].~~

8           ~~(f) [For an individual who becomes a member of the Teachers' Retirement System~~  
9           ~~on or after January 1, 2019, who is participating in the hybrid cash balance~~  
10           ~~plan who elects to annuitize his or her accumulated account balance as~~  
11           ~~prescribed by KRS 161.235(7)(a) or (b), the member's accumulated account~~  
12           ~~balance shall be transferred to the allowance reserve fund];~~

13       (3) The state accumulation fund shall consist of funds ~~[paid by employers and~~  
14       ~~]appropriated by the state for the purpose of providing annuities and survivor~~  
15       benefits, including any sums appropriated for meeting unfunded liabilities, together  
16       with regular interest assigned by the board of trustees from the guarantee fund. At  
17       the time of retirement or death of a member there shall be transferred from the state  
18       accumulation fund to the allowance reserve fund an amount which together with the  
19       sum transferred from the teachers' savings fund will be sufficient to provide the  
20       member a retirement allowance and provide for benefits under KRS 161.520 and  
21       161.525~~[. There shall also be transferred from the state accumulation fund to the~~  
22       ~~teachers' savings fund, the amount needed to fund the employer credits required by~~  
23       ~~KRS 161.235];~~

24       (4) The allowance reserve fund shall be the fund from which shall be paid all retirement  
25       allowances and benefits provided under KRS 161.520 and 161.525. In addition,  
26       whenever a change in the status of a member results in an obligation on this fund,  
27       there shall be transferred to this fund from the teachers' savings fund and the state

1 accumulation fund, the amounts as may be held in those funds for the account or  
2 benefit of the member;

3 (5) (a) ~~[Effective January 1, 2019, ]~~The medical insurance fund, which is an account  
4 established according to 26 U.S.C. sec. 401(h), shall consist of amounts  
5 accumulated for the purpose of providing benefits as provided in KRS  
6 161.675, including:

- 7 1. The member contributions required by KRS 161.540(1)(a)2. and  
8 (1)(b)2.;
- 9 2. The employer contribution required by KRS 161.550(1)(a)1.b.and~~[~~  
10 (1)(a)2.b.~~], and (3)(a)]~~;
- 11 3. State appropriations as set forth in KRS 161.550(2), unless the  
12 contributions are made to a trust fund under 26 U.S.C. sec. 115  
13 established by the board for this purpose; and
- 14 4. Interest income from the investments of the fund from contributions  
15 received by the fund under subparagraphs 1. to 3. of this paragraph, and  
16 from income earned on those investments.

17 (b) All claims for benefits under KRS 161.675 shall be paid from this fund or  
18 from any trust fund under 26 U.S.C. sec. 115 as established by the board for  
19 this purpose. Any amounts deposited to the fund that are not required to meet  
20 current costs shall be maintained as a reserve in the fund for these benefits.  
21 The board shall take the necessary and appropriate steps, including  
22 promulgating administrative regulations and procedures to maintain the status  
23 of the medical insurance fund as an account subject to 26 U.S.C. sec. 401(h);

24 (6) The guarantee fund shall be maintained to facilitate the crediting of uniform interest  
25 on the amounts of the other funds, except the expense fund, to finance operating  
26 expenses directly related to investment management services, and to provide a  
27 contingent fund out of which special requirements of any of the other funds may be

1 covered. All income, interest, and dividends derived from the authorized deposits  
2 and investments shall be paid into the guarantee fund. Any funds received from  
3 gifts and bequests, which the board is hereby authorized to accept and expend  
4 without limitation in a manner either expressed by the donor or deemed to be in the  
5 best interest of the membership, shall be credited to the guarantee fund. Any funds  
6 transferred from the teachers' savings fund by reason of lack of claimant or because  
7 of a surplus in any fund and any other moneys whose disposition is not otherwise  
8 provided for, shall also be credited to the guarantee fund. The interest allowed by  
9 the board of trustees to each of the other funds shall be paid to these funds from the  
10 guarantee fund. Any deficit occurring in any fund that would not be automatically  
11 covered shall be met by the payments from the guarantee fund to that fund;

12 (7) The school employee annuity fund shall consist of those funds voluntarily  
13 contributed under the provisions of Section 403(b) of the Internal Revenue Code by  
14 a retired member of the Teachers' Retirement System with accounts that existed on  
15 or after July 1, 1996. The contributions shall not be picked up as provided in KRS  
16 161.540(2). Separate member accounts shall be maintained for each member. The  
17 board of trustees may promulgate administrative regulations pursuant to KRS  
18 Chapter 13A to manage this program;

19 (8) The supplemental retirement benefit fund shall consist of those funds contributed by  
20 the employer for the purpose of constituting a qualified government excess benefit  
21 plan as described in Section 415 of the Internal Revenue Code for accounts that  
22 existed on or after July 1, 1996. The board of trustees shall promulgate  
23 administrative regulations pursuant to KRS Chapter 13A to administer this  
24 program; and

25 (9) The life insurance benefit fund shall consist of amounts accumulated for the  
26 purpose of providing benefits provided under KRS 161.655. The board of trustees  
27 may allocate to this fund a percentage of the employer and state contributions as

1 provided under KRS 161.550. The allocation to this fund will be in an amount that  
2 the actuary determines necessary to fund the obligation of providing the benefits  
3 provided under KRS 161.655.

4 ➔Section 44. KRS 161.460 is repealed, reenacted, and amended to read as  
5 follows:

6 ~~{(1)}~~ No trustee or employee of the board of trustees shall:

7 ~~{(1)}{(a)}~~ Have any interest, direct or indirect, in the gain or profits of any investment or  
8 ~~{any other legal, business, or financial}~~ transaction made by the board~~{, except that~~  
9 ~~any such trustee or employee may be a member, employee, or beneficiary of the~~  
10 ~~plans administered by the board or authority};~~

11 ~~{(2)}{(b)}~~ Directly or indirectly for himself or as an agent for another, use any of the  
12 assets of the retirement system in any manner except to make current and necessary  
13 payments authorized by the board;

14 ~~{(3)}{(c)}~~ Become an endorser, surety, or obligor for moneys loaned to or borrowed  
15 from the board;

16 ~~{(4)}{(d)}~~ Have a contract or agreement with the retirement system, individually or  
17 through a business owned by the trustee or the employee;

18 ~~{(5)}{(e)}~~ Use his or her official position with the retirement system to obtain a financial  
19 gain or benefit or advantage for himself or herself or a family member;

20 ~~{(6)}{(f)}~~ Use confidential information acquired during his or her tenure with the  
21 retirement system to further his or her own economic interests or that of another  
22 person; or

23 ~~{(7)}{(g)}~~ Hold outside employment with, or accept compensation from, any person or  
24 business with which he or she has involvement as part of his or her official position  
25 with the retirement system. The provisions of this subsection shall not prohibit a  
26 trustee from serving as an employee of an agency participating in the Kentucky  
27 Teachers' Retirement System.

1 ~~[(2) No trustee or employee of the board of trustees, who has served as a trustee or~~  
2 ~~employee of the board on or after July 1, 2017, shall have any interest, direct or~~  
3 ~~indirect, in the gains or profits of any investment or any other legal, business, or~~  
4 ~~financial transaction made by the board of trustees for a period of five (5) years~~  
5 ~~following termination of his or her position, except that any such trustee or~~  
6 ~~employee may be a member, employee, or beneficiary of the Teachers' Retirement~~  
7 ~~System.~~

8 ~~(3) (a) No person who is serving as a member of the General Assembly or is a public~~  
9 ~~servant as defined by KRS 11A.010(9) shall have any interest, direct or~~  
10 ~~indirect, in the gains or profits of any investment or any other legal, business,~~  
11 ~~or financial transaction made by the board of trustees, except that any such~~  
12 ~~member or public servant may be a member, employee, or beneficiary of the~~  
13 ~~Teachers' Retirement System.~~

14 ~~(b) No person who was serving as a member of the General Assembly on or after~~  
15 ~~July 1, 2017, or was serving as a public servant as defined by KRS~~  
16 ~~11A.010(9) on or after July 1, 2017, shall have any interest, direct or indirect,~~  
17 ~~in the gains or profits of any investment or any other legal, business, or~~  
18 ~~financial transaction made by the board of trustees for a period of five (5)~~  
19 ~~years following termination of his or her position, except that any such~~  
20 ~~member or public servant may be a member, employee, or beneficiary of the~~  
21 ~~Teachers' Retirement System.]~~

22 ➔Section 45. KRS 161.470 is repealed, reenacted, and amended to read as  
23 follows:

24 (1) The membership of the retirement system shall consist of all new members, all  
25 present teachers, and all persons participating under the retirement system as of  
26 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.  
27 The board of trustees of the Teachers' Retirement System shall be responsible for

- 1 final determination of membership eligibility and may direct employers to take  
2 whatever action that may be necessary to correct any error relating to membership.
- 3 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service  
4 it shall be as a new member, except that any teacher who withdraws by claiming his  
5 deposits may repay the system the amount withdrawn plus interest and reestablish  
6 his service credit as provided in subsection (3) of this section.
- 7 (3) Effective July 1, 1988, and thereafter, an active contributing member of the  
8 retirement system with contributing service equal to one (1) year may regain service  
9 credit by depositing in the teachers' savings fund the amount withdrawn with  
10 interest at the rate to be set by the board of trustees, and computed from the first of  
11 the month of withdrawal and including the month of redeposit. ~~Service credit~~  
12 ~~regained pursuant to this subsection on or after January 1, 2019, shall not be used to~~  
13 ~~determine the date the individual purchasing the service became a member of the~~  
14 ~~Teachers' Retirement System.]~~
- 15 (4) Effective July 1, 1974, any active contributing member with at least two (2) years of  
16 contributing service credit who declined membership as provided in Acts 1938 (1st  
17 Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and for  
18 any subsequent service prior to date of membership, by depositing in the teachers'  
19 savings fund contributions for each year of subsequent service prior to date of  
20 membership, with interest at the rate of eight percent (8%) compounded annually to  
21 the date of deposit.
- 22 (5) Membership in the retirement system shall be terminated:
- 23 (a) By retirement for service;
- 24 (b) By death;
- 25 (c) By withdrawal of the member's accumulated contributions ~~[account balance]~~;
- 26 (d) When a member, having less than five (5) years of Kentucky service is absent  
27 from service for more than three (3) consecutive years; or

1 (e) For persons hired on or after August 1, 2000, when a member is convicted, in  
 2 any state or federal court of competent jurisdiction, of a felony related to his  
 3 employment as provided in subparagraphs 1. and 2. of this paragraph.

4 1. Notwithstanding any provision of law to the contrary, a member hired  
 5 on or after August 1, 2000, who is convicted, in any state or federal  
 6 court of competent jurisdiction, of a felony related to his employment  
 7 shall forfeit rights and benefits earned under the retirement system,  
 8 except for the return of his accumulated contributions and interest  
 9 credited on those contributions.

10 2. The payment of retirement benefits ordered forfeited shall be stayed  
 11 pending any appeal of the conviction. If the conviction is reversed on  
 12 final judgment, no retirement benefits shall be forfeited.

13 Except for paragraph (e) of this subsection, upon termination of member accounts  
 14 under this subsection, funds in the account shall be transferred to the guarantee  
 15 fund. Inactive members may apply for refunds of these funds at any time. The  
 16 terminated service shall be reinstated, if not withdrawn by the member, in the event  
 17 that the member returns to active contributing service.

18 (6) In case of withdrawal from service prior to eligibility for retirement, the board of  
 19 trustees shall on request of the member return all of his or her accumulated  
 20 contributions~~[account balance]~~, including any payments made by the member to the  
 21 state accumulation fund, but the member shall have no claim on any contributions  
 22 made by the state ~~[or employer]~~ with a view to his retirement~~[, except as provided~~  
 23 ~~by KRS 161.235,]~~ or to contributions made to the medical insurance fund. If the  
 24 member is eligible for an immediate service retirement allowance as provided in  
 25 KRS 161.600, no withdrawal and refund shall be permitted, unless the allowance  
 26 would prohibit the member from qualifying for Social Security benefits or the  
 27 member elects to withdraw part or all of his service for the purpose of obtaining



1 credit in another retirement plan. Requests for refund of contributions by the  
 2 member must be filed on forms prescribed by the Teachers' Retirement System and  
 3 the employer shall be financially responsible for all information that is certified on  
 4 the prescribed form. A member may not withdraw any part of his or her  
 5 contributions to~~accumulated account balance in~~ the retirement system except as  
 6 provided by this subsection.

7 (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to  
 8 retirement, the board of trustees shall pay to the estate of the deceased member,  
 9 unless a beneficiary was otherwise applicably designated by the deceased member,  
 10 then to the beneficiary, all of his or her accumulated contributions~~account~~  
 11 ~~balance~~, including any payments made by the member to the state accumulation  
 12 fund, but the estate or beneficiary shall have no claim on any contributions made by  
 13 the state ~~or employer~~ with a view to the retirement of the member~~, except as~~  
 14 ~~provided by KRS 161.235,~~ or to contributions made to the medical insurance fund.

15 (8) Any active contributing member of the Kentucky Employees Retirement System,  
 16 the County Employees Retirement System, the State Police Retirement System, or  
 17 the Judicial Retirement System may use service, under that retirement system for  
 18 the purpose of meeting the service requirement of subsections (3) and (4) of this  
 19 section.

20 ➔Section 46. KRS 161.480 is repealed, reenacted, and amended to read as  
 21 follows:

22 Each person, upon becoming a member of the retirement system, shall file a detailed  
 23 statement as required by the board of trustees and shall designate a primary beneficiary or  
 24 two (2) or more cobeneficiaries to receive any benefits accruing from the death of the  
 25 member. A contingent beneficiary may be designated in addition to the primary  
 26 beneficiary or cobeneficiaries. The member may name more than one (1) contingent  
 27 beneficiary. Any beneficiary designation made by the member, including the estate should

1 the estate become the beneficiary by default, shall remain in effect until changed by the  
2 member on forms prescribed by the Kentucky Teachers' Retirement System, except in the  
3 event of subsequent marriage or divorce. Subsequent marriage by the member shall void  
4 the primary beneficiary and any cobeneficiary designation, even that of a trust, and the  
5 spouse of the member at death shall be considered as the primary beneficiary, unless the  
6 member subsequent to marriage designates another beneficiary. A final divorce decree  
7 shall terminate an ex-spouse's status as either primary beneficiary, cobeneficiary, or  
8 contingent beneficiary, unless subsequent to divorce the member redesignates the former  
9 spouse as primary beneficiary, cobeneficiary, or contingent beneficiary. To the extent  
10 permitted by the Internal Revenue Code, a trust may be designated as beneficiary for  
11 receipt of a member's accumulated contributions to~~account balance in~~ the retirement  
12 system as provided under KRS 161.470(7). A final divorce decree shall not terminate the  
13 designation of a trust as beneficiary regardless of who is designated as beneficiary of the  
14 trust. In the event that a member fails to designate a beneficiary, or all designated  
15 beneficiaries predecease the member, the member's estate shall be deemed to be the  
16 beneficiary. Members may designate as beneficiaries only presently identifiable and  
17 existing individuals, or trusts where otherwise permitted, without contingency  
18 instructions, on forms prescribed by the retirement system. The provisions of this section  
19 shall be retroactive as they relate to election of beneficiaries by members still in active  
20 status on the effective date of this section. The provisions of this section shall not apply to  
21 any account from which a member is drawing a retirement allowance or to the life  
22 insurance benefit available under KRS 161.655.

23       ➔Section 47. KRS 161.500 is repealed, reenacted, and amended to read as  
24 follows:

25 (1) At the close of each fiscal year, the retirement system shall add service credit to the  
26 account of each member who made contributions to his or her account during the  
27 year. Members shall be entitled to a full year of service credit if their total paid days

1 were not less than one hundred eighty (180) days of a one hundred eighty-five (185)  
2 day contract for a regular school or fiscal year. In the event~~[an individual who~~  
3 ~~became]~~ a member~~[prior to January 1, 2019,]~~ is paid for less than one hundred  
4 eighty (180) days, the member may purchase credit according to administrative  
5 regulations established by the board of trustees. In no case shall more than one (1)  
6 year of service be credited for all service performed in one (1) fiscal year. Members  
7 who complete their employment contract prior to the close of a fiscal year and elect  
8 to retire prior to the close of a fiscal year shall have their service credit reduced by  
9 eight percent (8%) for each calendar month that the retirement becomes effective  
10 prior to July 1.

11 (2) Members who are employed and paid for less than the number of days required in  
12 their normal employment year shall be entitled to pro rata service credit for the  
13 fractional service. Such credit shall be based upon the number of days employed  
14 and the number of days in the member's annual employment agreement or normal  
15 employment year.

16 (3) Service credit may not exceed the ratio between the school or fiscal year and the  
17 number of months or fraction of a month the member is employed during that year.

18 (4) No service credit shall be granted in the Teachers' Retirement System for service  
19 that has been or will be used in qualifying for annuity benefit payments from  
20 another retirement system financed wholly or in part by public funds.

21 ➔Section 48. KRS 161.507 is repealed, reenacted, and amended to read as  
22 follows:

23 (1) An active contributing member of the Teachers' Retirement System may receive  
24 service credit for active service rendered in the uniformed services of the Armed  
25 Forces of the United States, including the commissioned corps of the Public Health  
26 Service, subject to the provisions of the Uniformed Services Employment and  
27 Reemployment Rights Act of 1994,~~[the provisions of this section as applicable,]~~

1 and the administrative regulations promulgated by the board of trustees. Military  
2 service includes service in the uniformed services that occurs before the  
3 employment of a member in a position covered by the retirement system or where a  
4 member leaves covered employment without giving advance written or verbal  
5 notice of performing duty in the uniformed services. Service in the uniformed  
6 services also includes uniformed service that occurs after employment in a position  
7 covered by the retirement system where the member has given advance written or  
8 verbal notice of performing duty in the uniformed services and the member returns  
9 directly from uniformed services to covered employment. Military service may be  
10 credited only if discharge was honorable or was not terminated upon the occurrence  
11 of any of the events listed in 38 U.S.C. sec. 4304. Service shall be considered as  
12 Kentucky teaching service, except that service may not be used for meeting the  
13 service requirements set forth in KRS 161.600(1)(a) or 161.661(1) unless the  
14 service occurred after the member gave written or verbal notice of performing duty  
15 in the uniformed services and the member returned directly from uniformed services  
16 to covered employment. A maximum of six (6) years of military service may be  
17 credited, but in no case a greater number of years than the actual years of  
18 contributing service in Kentucky.

19 (2) No credit shall be granted for military service which has been or will be used in  
20 qualifying for annuity benefit payments from another retirement system financed  
21 wholly or in part by public funds.

22 (3) A member having twenty (20) years or more of active duty in the military service,  
23 and who is qualified for regular federal retirement benefits based on this military  
24 service, may not receive credit for any military service in the Teachers' Retirement  
25 System. This subsection shall apply to service presented for credit on July 1, 1975,  
26 and after this date.

27 (4) (a) ~~[An individual who became]~~ A member ~~[prior to January 1, 2019,]~~ who

1 desires to receive retirement credit for active duty in the armed services of the  
2 United States prior to employment in a position covered by the retirement  
3 system or where the member leaves covered employment without giving  
4 advance written or verbal notice of performing duty in the uniformed services  
5 shall pay to the retirement system the full actuarial cost of the service credit  
6 purchased as provided under KRS 161.220(22). These contributions shall not  
7 be picked up, as described in KRS 161.540(2). In purchasing retirement credit  
8 for active duty in the armed services, the latest years of service shall be  
9 considered first in allowing credit toward retirement. The board of trustees  
10 shall adopt a table of actuarial factors to be used in calculating the amount of  
11 contribution required for crediting this service.

12 (b) If military service occurred after the member gave written or verbal notice of  
13 performing duty in the uniformed services and the member returns directly  
14 from uniformed services to covered employment, the member shall contribute  
15 the regular member contribution required by KRS 161.540. The member may  
16 make the payment of delayed contributions in a lump sum payment or in  
17 installments not to exceed five (5) years beginning with the member's date of  
18 reemployment. Interest at the rate of eight percent (8%) per annum shall be  
19 charged for delayed contributions beginning with the member's date of  
20 reemployment until paid.~~Members participating in the hybrid cash balance~~  
21 ~~plan as provided by KRS 161.235 who make the regular member contribution~~  
22 ~~required by this paragraph, shall receive employer credits for the period of~~  
23 ~~service purchased.]~~

24 (5) An active contributing member of the Teachers' Retirement System~~who became a~~  
25 ~~member of the system prior to January 1, 2019,]~~ may receive service credit for  
26 service in the military reserves of the United States or the National Guard. The  
27 member may purchase one (1) month of service for each six (6) months of service

1 in the reserves or the National Guard. Notwithstanding any other statute, regulation,  
2 or policy to the contrary, the system shall provide a member, upon request, the  
3 estimated actuarial cost of the National Guard or military reserves service purchase  
4 based upon the information available at the time of the request. The member shall  
5 be entitled to enter into a contract with the system at the time of the request to  
6 purchase the National Guard or military reserve service by paying to the system the  
7 estimated actuarial cost, either by installments or in lump sum. The member shall  
8 pay the full actuarial cost of this service in the military reserves or the National  
9 Guard as provided in KRS 161.220(22). Service in the military reserves or the  
10 National Guard shall be treated as service earned prior to participation in the system  
11 and shall not be used for meeting the service requirements set forth in KRS  
12 161.600(1)(a) or 161.661(1). The payment shall not be picked up by the employer,  
13 as described in KRS 161.540(2).

14 ➔Section 49. KRS 161.515 is repealed, reenacted, and amended to read as  
15 follows:

16 (1) For the purposes of this section, "out-of-state service" shall mean service in any  
17 state in a comparable position on a full-time basis, which would be covered if in  
18 Kentucky.

19 (2) (a) An active contributing member who has been a contributing member of the  
20 retirement system for at least one (1) full scholastic year subsequent to the  
21 latest out-of-state service, may present for credit service rendered out of state,  
22 not to exceed ten (10) years actually taught as a certified or licensed teacher.  
23 All members who elect to purchase this service shall pay to the retirement  
24 system the full actuarial cost as provided under KRS 161.220(22). For each  
25 year of which the retirement system shall accept payment, one (1) year of  
26 service credit shall be given. For members who purchased this service under  
27 the cost formula as it existed under this subsection on June 30, 2005, this

1 credit may not be used to meet the service requirements of KRS 161.525,  
2 161.600, or 161.661, except as provided in subsection (2)(c) of this section.  
3 No credit shall be granted for service which has been or will be used in  
4 qualifying for annuity benefit payments from another retirement system  
5 financed wholly or in part by public funds.

6 (b) A member of the retirement system having teaching service in the elementary  
7 or secondary schools operated by the United States overseas or in this country,  
8 or in a public college or university in Kentucky, not included in the Teachers'  
9 Retirement System of the State of Kentucky, may present this service for  
10 credit in the retirement system on the same basis as provided above for out-of-  
11 state service credit; however, no service may be presented which shall be used  
12 as a basis for retirement benefits in any program supported wholly or in part  
13 by a public institution or governmental agency. This service when added to  
14 service credited under subsection (2)(a) of this section shall not exceed a total  
15 of ten (10) years' service credit.

16 (c) A member having service referred to in subsection (2)(a) or (2)(b) of this  
17 section who purchased this service under the cost formula as it existed under  
18 those subsections on June 30, 2005, may elect to use this service for meeting  
19 the requirements of KRS 161.600(1)(c) by making an additional contribution  
20 to the state accumulation fund equal to a member contribution rate of eight  
21 percent (8%) for each year so used. These payments shall not be picked up as  
22 described in KRS 161.540(2). The salary base to be used in determining this  
23 additional contribution shall be the final average salary which is used in  
24 calculating the member's regular retirement annuity.

25 (3) Members entering the Teachers' Retirement System for the first time, July 1, 1976,  
26 and after this date, shall not receive credit for service defined in subsections (2)(a)  
27 or (2)(b) of this section in excess of one (1) year of credit for each two (2) years of

1 Kentucky service in a covered position or ten (10) years, whichever is the lesser  
2 number.

3 (4) A member, having completed service as a volunteer in the Kentucky Peace Corps  
4 created by KRS 154.1-720, may purchase service credit for the time served in the  
5 corps on the same basis as provided in this section for the purchase of out-of-state  
6 service credit. A member, having completed service as a federal Peace Corps  
7 volunteer, may purchase up to two (2) years of service credit for time served in the  
8 Peace Corps on the same basis as provided in this section for the purchase of out-of-  
9 state service credit.

10 (5) Service purchased under this section by members who at the time of purchase are  
11 employed by employers other than those described in KRS 161.220(4)(b) or (n)  
12 shall be credited, as described in KRS 161.620(1)(a) and (b), with a retirement  
13 factor of two and one-half percent (2.5%) for each year of service that was  
14 originally performed on or after July 1, 1983, and two percent (2.0%) for each year  
15 of service performed before July 1, 1983. Service purchased under this section by  
16 members who at the time of purchase are employed by employers described in KRS  
17 161.220(4)(b) or (n) shall be credited, as described in KRS 161.620(1)(a), with a  
18 retirement factor of two percent (2.0%) for each year of service, regardless of when  
19 the service was performed.

20 ~~[(6) Effective January 1, 2019, this section does not apply to individuals who become~~  
21 ~~members on or after January 1, 2019.]~~

22 ➔Section 50. KRS 161.520 is repealed, reenacted, and amended to read as  
23 follows:

24 Upon the death of an active contributing member or upon the death of a member retired  
25 for disability, except as provided in KRS 161.661(6), the survivors of the deceased  
26 member in the following named order, may elect to receive a survivor's benefit payable as  
27 follows:



- 1 (1) Where there is a surviving widow or widower who is named as the primary  
2 beneficiary of the member's retirement account, the benefit shall be:
- 3 (a) One hundred eighty dollars (\$180) per month with no restriction on other  
4 income;
- 5 (b) Two hundred forty dollars (\$240) per month when the surviving widow or  
6 widower's total income from all sources does not exceed six thousand six  
7 hundred dollars (\$6,600) per year or five hundred fifty dollars (\$550) per  
8 month; or
- 9 (c) If the deceased member has a minimum of ten (10) years of service credit with  
10 the Teachers' Retirement System, the surviving widow or widower may apply  
11 for an annuity actuarially equivalent to the annuity that would have been paid  
12 to the deceased member when eligibility conditions were met. Eligibility for  
13 payments would begin at the time the age of the deceased member would have  
14 met the requirements of KRS~~[161.235(6) or]~~ 161.600(1)~~[, as applicable]~~. In  
15 exercising this right, the surviving widow or widower shall be entitled to  
16 receive an annuity for life, except as provided in subsection (6) of this section.  
17 This subsection applies to surviving spouses of members who die on or after  
18 July 1, 1978. A surviving widow or widower of a member who dies after July  
19 1, 1978, shall be eligible for benefit payments provided under paragraphs (a)  
20 and (b) of this subsection until they begin receiving payments under this  
21 provision;
- 22 (2) (a) Where there are surviving unmarried children under age eighteen (18) or  
23 under age nineteen (19) if a full-time student in high school, the benefit shall  
24 be two hundred dollars (\$200) per month in the case of one (1) child, three  
25 hundred forty dollars (\$340) per month in the case of two (2) children, four  
26 hundred dollars (\$400) per month in the case of three (3) children, and four  
27 hundred forty dollars (\$440) per month in the case of four (4) or more

1 children. Benefits under this subsection shall apply in addition to benefits  
2 which may be payable under subsections (1) and (3) of this section.

3 (b) Notwithstanding any provision of law to the contrary, the surviving spouse  
4 may elect to receive a lump-sum refund of the member's ~~accumulated~~  
5 ~~account balance~~ in lieu of the survivorship benefits payable under this  
6 subsection and subsection (1) of this section only if the surviving spouse is  
7 designated as the primary beneficiary and:

- 8 1. Is a biological or adoptive parent of all children eligible for a benefit  
9 under this subsection and has not had his or her parental rights  
10 terminated; or
- 11 2. Has been appointed as legal guardian of all of the children eligible under  
12 paragraph (a) of this subsection.

13 (c) To elect a lump-sum refund of the member's ~~accumulated~~ ~~account balance~~  
14 under paragraph (b) of this subsection, the surviving spouse who is  
15 designated as the primary beneficiary must sign a waiver on forms prescribed  
16 by the retirement system of his or her rights and the member's children's rights  
17 to the survivorship benefits payable under this subsection and subsection (1)  
18 of this section. The surviving spouse shall not waive the survivorship benefits  
19 available under this subsection or subsections (1) and (6) of this section if any  
20 of the member's children have attained age eighteen (18) or older unless all of  
21 those children consent in writing on forms prescribed by the retirement system  
22 to waive their survivorship benefits available under this subsection;

23 (3) (a) Where the survivor is a child age eighteen (18) or older whose mental or  
24 physical condition is sufficient to cause his dependency on the deceased  
25 member at the time of the member's death, the benefit shall be two hundred  
26 dollars (\$200) per month, payable for the life of the child or until the time as  
27 the mental or physical condition creating the dependency no longer exists or

1 the child marries. The mental or physical condition of the adult child shall be  
2 revealed by a competent examination by a licensed physician and shall be  
3 approved by a majority of a medical review committee as defined in KRS  
4 161.661(14). Benefits under this subsection shall apply in addition to benefits  
5 which may be payable under subsections (1) and (2) of this section.

6 (b) Notwithstanding any provision of law to the contrary, the surviving spouse  
7 shall not elect to receive a lump-sum refund of the member's ~~accumulated~~  
8 account ~~balance~~ in lieu of the survivorship benefits payable under this  
9 subsection and subsection (1) of this section unless:

- 10 1. The surviving spouse is designated as the primary beneficiary;
- 11 2. The surviving spouse has been appointed by the court as guardian,  
12 conservator, or other fiduciary with sufficient general or specific  
13 authority to waive the survivorship benefits available under this  
14 subsection for any child or children age eighteen (18) or older who have  
15 been adjudicated incompetent to make decisions on their own behalf by  
16 a court of law; and
- 17 3. Any child or children age eighteen (18) or older who are mentally  
18 competent to make decisions on their own behalf as attested to by two  
19 (2) physicians' statements consent in writing on forms prescribed by the  
20 retirement system to waive their survivorship benefits available under  
21 this subsection.

22 (c) If eligible to elect a lump-sum refund of the member's ~~accumulated~~ account ~~balance~~,  
23 the surviving spouse shall sign a waiver on forms prescribed by the  
24 retirement system of his or her rights and the member's children's rights to the  
25 survivorship benefits payable under this subsection and subsections (1) and  
26 (2) of this section;

27 (4) Where the sole eligible survivors are dependent parents aged sixty-five (65) or over,

- 1 the benefit shall be two hundred dollars (\$200) per month for one (1) parent or two  
2 hundred ninety dollars (\$290) per month for two (2) parents. Dependency of a  
3 parent shall be established as of the date of the death of the member;
- 4 (5) Where the sole eligible survivor is a dependent brother or sister, the benefit shall be  
5 one hundred sixty five dollars (\$165) per month. In order to qualify the brother or  
6 sister must have been a resident of the deceased member's household for at least one  
7 (1) full year prior to the member's death or must have been receiving care in a  
8 hospital, nursing home, or other institution at the member's expense for same  
9 period;
- 10 (6) The benefit to a child as defined in subsection (2) of this section shall terminate  
11 upon the attainment of age eighteen (18) or upon reaching age nineteen (19), if a  
12 full-time student in high school, or upon marriage, except that benefits shall  
13 continue until the attainment of age twenty-three (23) for an unmarried child who is  
14 a full-time student in a recognized educational program beyond the high school  
15 level. The benefit to a widow, widower, dependent parent, or dependent brother or  
16 sister or dependent child age eighteen (18) or older shall terminate upon marriage,  
17 or upon termination of the condition creating the dependency;
- 18 (7) The board of trustees shall be the sole judge of eligibility or dependency of any  
19 beneficiary, and may require formal application or information relating to eligibility  
20 or dependency, including proof of annual income satisfactory to the board. The  
21 board of trustees may subpoena records and individuals whenever it deems this  
22 action necessary;
- 23 (8) No payment of benefits shall be made unless the board of trustees authorizes the  
24 payment. The board shall promulgate administrative regulations for the  
25 administration of the provisions in this section and in every case the decision of the  
26 board of trustees shall be final as to eligibility, dependency, or disability, and the  
27 amount of benefits payable;

- 1 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)  
2 of this section, or in the event that the surviving spouse elects not to receive  
3 survivorship benefits on his or her own behalf or on behalf of any of the member's  
4 children as permitted under subsections (2) and (3) of this section, the board of  
5 trustees shall pay to the estate or the designated beneficiaries of the deceased  
6 member a refund of his or her accumulated contributions~~[account balance]~~ as  
7 provided in KRS 161.470(7). If the benefits paid or payable under subsections (1) to  
8 (5) of this section and KRS 161.661 shall amount to a sum less than the member's  
9 accumulated contributions~~[account balance]~~ at the time of death, the board of  
10 trustees shall pay to the estate or designated beneficiaries of the deceased member  
11 the balance of the accumulated contributions~~[account balance]~~;
- 12 (10) Any person who is receiving benefits and becomes disqualified from receiving  
13 those benefits under this section shall immediately notify the Teachers' Retirement  
14 System of this disqualification in writing and shall return all benefits paid after the  
15 date of disqualification. Failure to comply with these provisions shall create an  
16 indebtedness of that person to the Teachers' Retirement System. Interest at the rate  
17 of eight percent (8%) per annum shall be charged if the debt is not repaid within  
18 sixty (60) days after the date of disqualification. Failure to repay this debt creates a  
19 lien in favor of the Teachers' Retirement System upon all property of the person  
20 who improperly receives benefits and does not repay those benefits; and
- 21 (11) Benefits under subsections (2) and (3) of this section shall apply to a child who is a  
22 legally adopted survivor at the time of the death of the member. This provision shall  
23 be retroactive to include a child who was born after January 1, 1990, and is a legally  
24 adopted survivor of a member whose death occurred prior to July 15, 2008.

25 ➔Section 51. KRS 161.522 is repealed, reenacted, and amended to read as  
26 follows:

27 Upon the death of a member retired for disability who had a minimum of twenty-seven

1 (27) years of service at the time of death, except as provided in KRS 161.661(6), the  
2 spouse, if named as the primary beneficiary of the member's account, shall be entitled to  
3 elect, in lieu of a refund of the member's account, an annuity actuarially equivalent to the  
4 annuity that would have been paid to the deceased member had retirement for service  
5 been effective on the day immediately preceding the member's death. This option shall be  
6 available only during the entitlement period described under KRS 161.661(3) and (4)  
7 prior to the recalculation of the member's disability allowance under KRS 161.661(5). In  
8 selecting this right, the spouse shall be limited to selecting an option providing a straight  
9 life annuity with refundable balance or a term certain option. There shall be a monthly  
10 minimum allowance of three hundred dollars (\$300) as the basic straight life annuity.  
11 This section applies to surviving spouses of members who were receiving benefit  
12 payments under KRS 161.520 as of June 30, 1988, and to surviving spouses of members  
13 who die on or after July 1, 1984, except that the member shall have been retired for  
14 disability with a minimum of thirty (30) years of service if either of these two (2)  
15 conditions were met prior to July 1, 1990. ~~This section does not apply to individuals who  
16 become members on or after January 1, 2019.~~

17 ➔Section 52. KRS 161.525 is repealed, reenacted, and amended to read as  
18 follows:

19 (1) Upon death of a member in active contributing status at the time of death, who was  
20 eligible to retire by reason of service, the spouse, if named as the primary  
21 beneficiary of the member's retirement account, or in the absence of an eligible  
22 spouse a legal dependent of the member, if named as the primary beneficiary, shall  
23 be entitled to elect, in lieu of a refund of the member's ~~accumulated~~ account ~~balance~~  
24 ~~balance~~ or benefits provided in KRS 161.520, an annuity actuarially equivalent at  
25 the attained age of the beneficiary to the annuity that would have been paid to the  
26 deceased member had retirement been effective on the day immediately preceding  
27 the member's death. Under the provisions of KRS 61.680, benefits shall be

1 processed as if the member retired for service. In exercising this right the spouse or  
2 legal dependent shall be limited to selecting an option providing either a straight life  
3 annuity with refundable balance or a term certain option. A spouse may receive the  
4 annuity provided by this section at the same time as children are qualifying for  
5 survivors' benefits under the provisions of KRS 161.520; however, a legal  
6 dependent, other than a spouse, may not receive these payments if children have  
7 qualified for benefits under that section.

8 (2) A spouse qualifying for an annuity under subsection (1) of this section may defer  
9 the payments in order to reduce the actuarial discounts to be applied due to age.

10 (3) Upon death of a member in active contributing status at the time of his death, who  
11 had a minimum of twenty-seven (27) years of service, the spouse, if named as the  
12 primary beneficiary of the member's account shall be entitled to a monthly  
13 minimum allowance of three hundred dollars (\$300) as the basic straight life  
14 annuity. This provision applies to surviving spouses of members who were  
15 receiving benefit payments under KRS 161.520 as of June 30, 1986, and to  
16 surviving spouses of members who die on or after July 1, 1986. ~~This subsection  
17 does not apply to individuals who become members on or after January 1, 2019.~~

18 ➔Section 53. KRS 161.540 is repealed and reenacted to read as follows:

19 (1) (a) Effective January 1, 2019, each individual who is a contributing nonuniversity  
20 member, shall contribute to the retirement system twelve and eight hundred  
21 fifty-five thousandths percent (12.855%) of annual compensation, of which:

22 1. Nine and one hundred five thousandths percent (9.105%) of annual  
23 compensation shall be used to fund pension benefits; and

24 2. Three and three-quarters percent (3.75%) of annual compensation shall  
25 be used to fund retiree health benefits.

26 (b) Effective January 1, 2019, each individual who is a contributing university  
27 member, shall contribute to the retirement system ten and four-tenths percent

1 (10.4%) of annual compensation, of which:

2 1. Seven and six hundred twenty-five thousandths percent (7.625%) of  
3 annual compensation shall be used to fund pension benefits; and

4 2. Two and seven hundred seventy-five thousandths percent (2.775%) of  
5 annual compensation shall be used to fund retiree health benefits.

6 (c) When the medical insurance fund established under KRS 161.420(5) achieves  
7 a sufficient prefunded status as determined by the retirement system's actuary,  
8 the board of trustees shall recommend to the General Assembly that the  
9 contributions required under paragraph (a)2. or (b)2. of this subsection shall,  
10 in an actuarially accountable manner, be either decreased, suspended, or  
11 eliminated.

12 (d) Payments authorized by statute that are made to retiring members, who  
13 became members of the system before July 1, 2008, for not more than sixty  
14 (60) days of unused accrued annual leave shall be considered as part of the  
15 member's annual compensation, and shall be used only for the member's final  
16 year of active service. The contribution of members shall not exceed these  
17 applicable percentages on annual compensation. When a member retires, if it  
18 is determined that he has made contributions on a salary in excess of the  
19 amount to be included for the purpose of calculating his final average salary,  
20 any excess contribution shall be refunded to him in a lump sum at the time of  
21 the payment of his first retirement allowance. In the event a member is  
22 awarded a court-ordered back salary payment the employer shall deduct and  
23 remit the member contribution on the salary payment, plus interest to be paid  
24 by the employer, to the retirement system unless otherwise specified by the  
25 court order.

26 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for  
27 the purpose of compliance with Section 414(h) of the United States Internal



1 Revenue Code, pick up the member contributions required by this section for all  
2 compensation earned after August 1, 1982, and the contributions so picked up shall  
3 be treated as employer contributions in determining tax treatment under the United  
4 States Internal Revenue Code and KRS 141.010. The picked-up member  
5 contribution shall satisfy all obligations to the retirement system satisfied prior to  
6 August 1, 1982, by the member contribution, and the picked-up member  
7 contribution shall be in lieu of a member contribution. Each employer shall pay  
8 these picked-up member contributions from the same source of funds which is used  
9 to pay earnings to the member. The member shall have no option to receive the  
10 contributed amounts directly instead of having them paid by the employer to the  
11 system. Member contributions picked-up after August 1, 1982, shall be treated for  
12 all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent  
13 as member contributions made prior to August 1, 1982.

14 ➔Section 54. KRS 161.545 is repealed, reenacted, and amended to read as  
15 follows:

16 (1) (a) Members may make contributions and receive service credit for substitute,  
17 part-time, or any service other than regular full-time teaching as provided in  
18 the administrative regulations of the board of trustees if contributions were not  
19 otherwise made as a result of the service~~[-This paragraph does not apply to~~  
20 ~~members who retired on or after January 1, 2019, and are reemployed on or~~  
21 ~~after January 1, 2019].~~

22 (b) Members placed on leave of absence during a period of full-time employment  
23 as defined in KRS 161.220(21) may make contributions and receive service  
24 credit for this leave only if contributions are made by the end of the fiscal year  
25 next succeeding the year in which the leave was effective as provided in  
26 administrative regulations promulgated by the board of trustees. Contributions  
27 permitted after August 1, 1982, shall not be picked-up pursuant to KRS

1 161.540(2).

2 (2) Active contributing members of the Teachers' Retirement System, or former  
3 members who are currently participating in a state-administered retirement system,  
4 who were granted leaves of absence during a period of full-time employment as  
5 defined in KRS 161.220(21) since July 1, 1964, for reasons of health as defined  
6 under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs. 2601 et seq.,  
7 child rearing, or to improve their educational qualifications, and did not purchase  
8 the leave of absence as provided in subsection (1) of this section may obtain credit  
9 for the leave of absence as provided under the administrative regulations of the  
10 board of trustees and under the following conditions:

11 (a) The leave of absence shall be verified by a copy of the board of education  
12 minutes which granted the leave of absence or by other documentation that  
13 was generated contemporaneously with the leave that is determined by the  
14 retirement system to reasonably establish that a leave of absence was granted;  
15 and

16 (b) The member shall contribute the required percentage based on the salary  
17 received for the year immediately preceding the leave of absence plus interest  
18 at the rate of eight percent (8%) compounded annually from the beginning of  
19 the school year following the year of the leave of absence, and by depositing  
20 in the state accumulation fund an amount equal to this total.

21 (c) The member shall receive credit for no more than two (2) years under the  
22 provisions of this subsection.

23 (3) Contributions permitted under this section after August 1, 1982, shall not be picked-  
24 up pursuant to KRS 161.540(2).

25 (4) Notwithstanding any other provisions of this section to the contrary, purchase of  
26 service credit under subsection (2) of this section:

27 ~~(a) —~~ for individuals who become members on or after July 1, 2008, ~~but prior to January~~

1        ~~1, 2019, ] shall be purchasable only at the full actuarial cost[; and~~

2        ~~(b) — Shall not apply to individuals who become members on or after January 1,~~  
 3                ~~2019.]~~

4        ➔Section 55.    KRS 161.5465 is repealed, reenacted, and amended to read as  
 5 follows:

6    On or after August 1, 1998, a member of the Teachers' Retirement System in active  
 7 contributing status who has a minimum of twenty (20) years of service credit may  
 8 purchase up to a maximum of five (5) years of service credit that is not otherwise  
 9 purchasable under any of the provisions of KRS 161.220 to 161.716 and that meets the  
 10 definition of nonqualified service as provided in Section 1526 of the Federal Taxpayer  
 11 Relief Act of 1997. The member shall pay the full actuarial cost of the service credit as  
 12 provided in KRS 161.220(22). The payment shall not be picked up by the employer as  
 13 described in KRS 161.540(2), and the member's payment shall be credited to the  
 14 member's contribution account and shall be considered accumulated contributions of the  
 15 member. Payment by the member may be by lump sum or by installment payments as  
 16 provided in KRS 161.597. Notwithstanding any other statute to the contrary, the  
 17 Kentucky Teachers' Retirement System shall recognize nonqualified service credit  
 18 purchased with another retirement system only to the extent that the member had an  
 19 equivalent number of full months of active employment in the position covered by the  
 20 other retirement system during the period that the nonqualified service was purchased.

21    This section shall not apply to[;

22    ~~(1) — ] individuals who become members on or after July 1, 2008, [ but prior to January 1,~~  
 23    ~~2019, ] except that a teacher of a local school board may purchase up to ten (10) months~~  
 24    ~~of service under this section if the teacher is retiring and has completed the prior school~~  
 25    ~~year with at least twenty-six (26) years and two (2) months of service but less than~~  
 26    ~~twenty-seven (27) years of service[; and~~

27    ~~(2) — Individuals who become members on or after January 1, 2019].~~

1           ➔Section 56.   KRS 161.547 is repealed, reenacted, and amended to read as  
2 follows:

3 ~~[An individual who became]~~A member of the retirement system ***having***~~[prior to January~~  
4 ~~1, 2019, who has]~~ service as a Kentucky legislator which is not credited by any retirement  
5 system administered by the Commonwealth of Kentucky may present such service, not to  
6 exceed four (4) years, for credit in the retirement system by paying the full actuarial cost  
7 of the service as determined by the system actuary. The member may purchase all or part  
8 of his service as a legislator, but no less than one (1) year of service. The entire payment  
9 shall be placed in the teachers' saving fund.

10           ➔Section 57.   KRS 161.548 is repealed, reenacted, and amended to read as  
11 follows:

12 ~~[An individual who became]~~A member of the Teachers' Retirement System~~[prior to~~  
13 ~~January 1, 2019,]~~ who is in an active contributing status with the system, and who was  
14 formerly employed in a regional community service program for mental health and  
15 individuals with an intellectual disability, organized and operated under the provisions of  
16 KRS 210.370 to 210.480, which does not participate in a state-administered retirement  
17 system, may obtain credit for the period of his service in the regional community program  
18 for mental health and individuals with an intellectual disability by paying to the Teachers'  
19 Retirement System the full actuarial cost of the service credit purchased, as provided in  
20 KRS 161.220(22). The service credit purchased may not be used for meeting the service  
21 requirements set forth in KRS 161.600(1)(a) or 161.661(1). The payment shall not be  
22 picked up, as described in KRS 161.540(2), and the entire payment shall be placed in the  
23 teachers' savings fund.

24           ➔Section 58.   KRS 161.549 is repealed, reenacted, and amended to read as  
25 follows:

26 ~~[An individual who became]~~A member of the Teachers' Retirement System~~[prior to~~  
27 ~~January 1, 2019,]~~ who is in an active contributing status with the system, and who was

1 formerly employed by a Federal Head Start agency, operated under 42 U.S.C. secs. 9831  
2 et seq., which does not participate in a state-administered retirement system, may obtain  
3 credit for the period of the member's service in the Head Start program by purchasing this  
4 service credit under the same conditions that out-of-state service credit may be purchased  
5 under KRS 161.515. The service credit purchased may not be used for meeting the  
6 service requirements set forth in KRS 161.600(1)(a) or 161.661(1). Payment for the  
7 service credit purchased may be made in installments in lieu of a lump-sum payment. The  
8 payment shall not be picked up, as described in KRS 161.540(2), and the entire payment  
9 shall be placed in the teachers' savings fund.

10 →Section 59. KRS 161.550 is repealed, reenacted, and amended to read as  
11 follows:

12 (1) (a) ~~[Effective July 1, 2020, and for each fiscal year occurring thereafter,]~~Each  
13 employer, except as provided under KRS 161.555, shall contribute annually to  
14 the Teachers' Retirement System a base permanent employer contribution  
15 equal to:

16 1. Thirteen and one hundred five thousandths percent (13.105%) of the  
17 total annual compensation of nonuniversity members it employs, of  
18 which:

19 a. Twelve and three hundred fifty-five thousandths percent  
20 (12.355%) of the total annual compensation shall be used to fund  
21 pension and life insurance benefits; and

22 b. Three-quarters of a percent (0.75%) of annual compensation shall  
23 be used to provide funding to the medical insurance fund as  
24 provided under KRS 161.420(5). If the board of trustees  
25 establishes a trust fund under 26 U.S.C. sec. 115, the board may  
26 deposit the employer contribution provided in this subparagraph in  
27 that trust fund; and

- 1           2. Thirteen and sixty-five hundredths percent (13.65%) of the total annual  
2           compensation of university members of the retirement system it  
3           employs, of which:
- 4           a. Ten and eight hundred seventy-five thousandths percent (10.875%)  
5           of the total annual compensation shall be used to fund pension and  
6           life insurance benefits; and
- 7           b. Two and seven hundred seventy-five thousandths percent  
8           (2.775%) of annual compensation shall be used to provide funding  
9           to the medical insurance fund as provided under KRS 161.420(5).
- 10        **(b)** If the board of trustees establishes a trust fund under 26 U.S.C. sec. 115, the  
11        board may deposit the employer contribution provided in this subparagraph in  
12        that trust fund.
- 13        ~~{(b) Effective July 1, 2020, and for each year thereafter, each employer shall pay~~  
14        ~~the additional contributions needed to fund the Teachers' Retirement System~~  
15        ~~pension fund and life insurance fund on an actuarially sound basis as~~  
16        ~~determined by the system's actuarial valuation completed in accordance with~~  
17        ~~KRS 161.400 and as specified by this section. The amount payable under the~~  
18        ~~provisions of this paragraph shall:~~
- 19        ~~1. Be in addition to the amounts provided under paragraph (a)1.a. and~~  
20        ~~(a)2.a. of this subsection;~~
- 21        ~~2. Not include the cost or funding of benefits established by KRS 161.553;~~  
22        ~~and~~
- 23        ~~3. Shall be prorated to each employer based upon the individual employer's~~  
24        ~~average percentage of the total compensation reported by all employers~~  
25        ~~in the system in fiscal years 2014-2015, 2015-2016, and 2016-2017,~~  
26        ~~except that the amount shall be paid by state appropriation only for those~~  
27        ~~employers who cover memberships specified by KRS 161.220(4)(a).~~

1       ~~(c) The contributions payable under paragraphs (a)1.a., (a)2.a., and (b) of this~~  
2           ~~subsection by employers and the state shall be equal to the sum of the "normal~~  
3           ~~cost" contribution and the "actuarially accrued liability contribution," except~~  
4           ~~that the minimum contribution to fund pension and life insurance benefits~~  
5           ~~shall not be less than the combined employer contribution to fund pension and~~  
6           ~~life insurance benefits specified by paragraph (a) of this subsection and~~  
7           ~~subsection (3) of this section.~~

8       ~~(d) For purposes of this subsection, the normal cost contribution shall be~~  
9           ~~computed as a percentage of payroll and shall be an annual amount that is~~  
10          ~~sufficient when combined with employee contributions to fund pension and~~  
11          ~~life insurance benefits earned during the year, including costs for members~~  
12          ~~participating in the hybrid cash balance plan.~~

13       ~~(e) For purposes of this subsection, the actuarially accrued liability contribution~~  
14          ~~shall be an annual amount that is sufficient to amortize the total unfunded~~  
15          ~~actuarially accrued liability over a closed period of thirty (30) years using:~~

16          ~~1. The level percentage of payroll amortization method in the 2018~~  
17             ~~actuarial valuation with a payroll growth assumption of two and six~~  
18             ~~hundred twenty five thousandths percent (2.625%);~~

19          ~~2. The level percentage of payroll amortization method in the 2019~~  
20             ~~actuarial valuation with a payroll growth assumption of one and seventy~~  
21             ~~five hundredths percent (1.75%);~~

22          ~~3. The level percentage of payroll amortization method in the 2020~~  
23             ~~actuarial valuation with a payroll growth assumption of eight hundred~~  
24             ~~seventy five thousandths percent (0.875%); and~~

25          ~~4. The level dollar amortization method in the 2021 actuarial valuation and~~  
26             ~~for each valuation occurring thereafter.~~

27       ~~— The amortization period shall be reset to a new thirty (30) year closed period~~

1           ~~beginning with the 2018 actuarial valuation.~~

2           ~~(f) Effective with the 2018 actuarial valuation, which determines the employer~~  
3           ~~rates payable on or after July 1, 2020, the employer contributions computed~~  
4           ~~under this section shall be determined using:~~

5           ~~1. The entry age normal cost funding method;~~

6           ~~2. An asset smoothing method that smooths gains and losses over a five (5)~~  
7           ~~year period; and~~

8           ~~3. Other funding methods and assumptions established by the board in~~  
9           ~~accordance with KRS 161.400.]~~

10       (2) In addition to the required contributions in subsection (1) of this section, the state  
11       shall contribute annually to the Kentucky Teachers' Retirement System a percentage  
12       of the total salaries of the state-funded and federally funded members it employs to  
13       pay the cost of health insurance coverage for retirees who are not eligible for  
14       Medicare and who retire on or after July 1, 2010, less the amounts that are  
15       otherwise required to be paid by the retirees under KRS 161.675. The Kentucky  
16       Teachers' Retirement System may also request an additional amount necessary to  
17       ensure payment of medical insurance costs through fiscal year 2015-2016 which  
18       shall not be subject to the limitations of paragraph (c) of this subsection. The board  
19       shall deposit funds in the medical insurance fund unless the board of trustees has  
20       established a trust fund under 26 U.S.C. sec. 115 for this purpose. In this case, the  
21       board may deposit the employer contribution in that trust fund. This contribution  
22       shall be known as the state medical insurance fund stabilization contribution. The  
23       percentage to be contributed by the state under this subsection:

24       (a) Shall be determined by the retirement system's actuary for each biennial  
25       budget period;

26       (b) May be suspended or adjusted by the General Assembly if in its judgment the  
27       welfare of the Commonwealth so demands; and



1 (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible for  
 2 Medicare who retire on or after July 1, 2010, or the amount contributed by  
 3 employers under subsection (3) of this section.

4 (3) ~~[Effective January 1, 2019, ]~~All employers who employ nonuniversity members  
 5 shall make a contribution for each payroll on behalf of their active employees who  
 6 participate in the Teachers' Retirement System in an amount equal to~~[-~~:

7 ~~(a) ]~~ three percent (3%) of payroll of those active employees. The contribution  
 8 specified by this subsection~~[paragraph that is paid on or after January 1,~~  
 9 ~~2019,]~~ shall be used to fund retiree health benefits~~[-~~; and

10 ~~(b) Two percent (2%) of payroll for those members who participate in the hybrid~~  
 11 ~~cash balance plan as provided by KRS 161.235. The amount of funding~~  
 12 ~~provided by this paragraph shall be used to offset any additional costs paid~~  
 13 ~~under subsection (1)(b) of this section].~~

14 (4) *When the medical insurance fund established under KRS 161.420(5) achieves a*  
 15 *sufficient prefunded status as determined by the Kentucky Teachers' Retirement*  
 16 *System's actuary, the board of trustees shall recommend to the General Assembly*  
 17 *that the contributions required under subsections (2) and (3) of this section shall,*  
 18 *in an actuarially accountable manner, be either decreased, suspended, or*  
 19 *eliminated.*

20 (5) *Each employer shall remit the required employer contributions to the retirement*  
 21 *system under the terms and conditions specified for member contributions under*  
 22 *KRS 161.560. The state shall provide annual appropriations based upon*  
 23 *estimated funds needed to meet the requirements of KRS 161.155, 161.168,*  
 24 *161.507(4), 161.515, 161.545, 161.553, 161.605, 161.612, and 161.620(1), (3), (5),*  
 25 *(6), and (7).*

26 (6) In the event an annual appropriation for the amounts specified by subsection  
 27 (1)(a)1. of this section is less than the amount of these requirements, the state shall

1 make up the deficit in the next biennium budget appropriation to the retirement  
2 system. Employer contributions to the retirement system are for the exclusive  
3 purpose of providing benefits to members and annuitants and these contributions  
4 shall be considered deferred compensation to the members.

5 ➔Section 60. KRS 161.568 is repealed, reenacted, and amended to read as  
6 follows:

7 (1) Eligibility to participate in the optional retirement plan shall be determined by the  
8 board of regents of each of the state public postsecondary education institutions  
9 identified in KRS 161.220(4)(b). The employees of these institutions of higher  
10 education who are initially employed on or after the implementation date of the  
11 optional retirement plan may make an election to participate in the optional  
12 retirement plan within thirty (30) days after their employment date. This election  
13 shall be irrevocable except as otherwise provided in this subsection. No member of  
14 the Kentucky Teachers' Retirement System who terminates employment and is  
15 subsequently reemployed by the same or another public postsecondary education  
16 institution which participates in the Kentucky Teachers' Retirement System may be  
17 eligible to elect to participate in the optional retirement plan unless the date of  
18 reemployment is at least six (6) months after the date of termination. All elections  
19 made under this subsection shall be in writing and shall be filed with the  
20 appropriate officer of the employer institution. Persons who originally elected to  
21 participate in the optional retirement plan may later change their elections only as  
22 follows:

23 (a) Any person otherwise eligible for membership in the Kentucky Teachers'  
24 Retirement System may irrevocably elect one (1) time during his or her  
25 lifetime to change his or her election and to prospectively participate in the  
26 Kentucky Teachers' Retirement System. This election to change from the  
27 optional retirement plan to Kentucky Teachers' Retirement System shall be

1 effective beginning on the first day of the first month immediately following  
2 the date that written application for the election is received in the retirement  
3 system's office on forms prescribed by the system. Any person exercising this  
4 election shall not be entitled to purchase as service credit in the Kentucky  
5 Teachers' Retirement System any prior service with his or her postsecondary  
6 education institution employer;

7 (b) Any person otherwise eligible for membership in the Kentucky Teachers'  
8 Retirement System who previously elected to participate in the optional  
9 retirement plan may irrevocably elect one (1) time within his or her first six  
10 (6) years and six (6) months of continuous service in any one (1) or more of  
11 the institutions identified in KRS 161.220(4)(b), to change his or her election  
12 and to prospectively participate in the Kentucky Teachers' Retirement System  
13 and also become eligible to purchase as service credit his or her prior service  
14 with his or her postsecondary education employer. This election to change  
15 from the optional retirement plan to the Kentucky Teachers' Retirement  
16 System shall be effective beginning on the first day of the first month  
17 immediately following the date that written application for the election is  
18 received in the retirement system's office on forms prescribed by the  
19 retirement system. Persons electing to change from the optional retirement  
20 plan to the Kentucky Teachers' Retirement System may purchase service  
21 credit only for their prior years of service for a postsecondary education  
22 institution identified in KRS 161.220(4)(b) during which they participated in  
23 the optional retirement plan. The election to purchase prior service as service  
24 credit shall be received in the retirement system's office on forms prescribed  
25 by the retirement system within the six (6) year and six (6) month period  
26 provided to make the election to begin participation in the Kentucky Teachers'  
27 Retirement System. The cost of purchasing this service shall be calculated by

1 adding both the employer and member contributions that would have been  
2 paid to the Kentucky Teachers' Retirement System had the individual  
3 purchasing this service participated in the Kentucky Teachers' Retirement  
4 System instead of the optional retirement plan, less the amount contributed to  
5 the Kentucky Teachers' Retirement System by the postsecondary education  
6 institution as provided by KRS 161.569(5), or KRS 161.569(5)(a)2. as it  
7 existed on June 30, 2007. Interest at Kentucky Teachers' Retirement System's  
8 actuarially assumed rate shall be paid on these net contributions by the person  
9 electing to change to the Kentucky Teachers' Retirement System from the  
10 optional retirement plan. These payments shall not be picked up as described  
11 in KRS 161.540(2). Persons who elect to change from the optional retirement  
12 plan to the Kentucky Teachers' Retirement System may elect to purchase as  
13 service credit, beginning with the most recent years, any portion of their prior  
14 years of service during which time they participated in the optional retirement  
15 plan, or none of those years. Members may purchase service credit for prior  
16 years of service by rolling over funds from their optional retirement plan  
17 account as provided under KRS 161.5461, or by rolling over or transferring  
18 other plan funds as permitted by the rules set forth in the Internal Revenue  
19 Code, or by making an after-tax lump-sum cash payment~~]. This paragraph~~  
20 ~~does not apply to individuals who become members on or after January 1,~~  
21 ~~2019];~~

- 22 (c) Effective July 1, 2008, persons otherwise eligible for membership in the  
23 Kentucky Teachers' Retirement System may irrevocably elect one (1) time to  
24 change their election and to prospectively participate in the Kentucky  
25 Teachers' Retirement System and purchase service credit for their prior years  
26 of service during which they participated in the optional retirement plan. This  
27 election shall be filed in writing with the Kentucky Teachers' Retirement

1 System no later than December 31, 2008. Persons who change their election  
2 prior to July 1, 2008, to prospectively participate in the Kentucky Teachers'  
3 Retirement System may purchase service credit for their prior years of service  
4 during which they participated in the optional retirement plan. The purchase  
5 of prior years of service under this paragraph shall be subject to the same  
6 conditions and purchase costs as described in paragraph (b) of this subsection,  
7 except that the election to purchase service credit shall be on file with the  
8 Kentucky Teachers' Retirement System no later than December 31, 2008[  
9 ~~This paragraph does not apply to individuals who become members on or after~~  
10 ~~January 1, 2019]~~; and

11 (d) Persons electing to change to the Kentucky Teachers' Retirement System  
12 under paragraphs (a), (b), and (c) of this subsection shall be eligible to  
13 participate, based upon their age and allowable service credit, in the disability,  
14 survivorship, and medical insurance programs under the conditions and in the  
15 degree as they exist on the date that they file their election with the retirement  
16 system, but shall be subject to any changes to those programs from that date  
17 forward, including any changes that may affect their eligibility for or degree of  
18 participation in those programs. Prior service purchased as service credit as  
19 permitted under paragraphs (b) and (c) of this subsection shall not be  
20 considered for meeting eligibility requirements or determining the extent of  
21 participation in these programs. Persons electing to change to the Kentucky  
22 Teachers' Retirement System shall not be eligible for the survivorship or  
23 disability programs based upon medical conditions that existed prior to the  
24 filing of their elections.

25 (2) Elections of eligible employees hired on or after the implementation date of the  
26 optional retirement plan at their employer institution shall be effective on the date  
27 of their employment. If an eligible employee hired subsequent to the

1 implementation date at the employer institution fails to make the election provided  
2 for in this section, the employee shall become a member of the regular retirement  
3 plan of the Kentucky Teachers' Retirement System.

4 ➔Section 61. KRS 161.580 is repealed, reenacted, and amended to read as  
5 follows:

6 (1) The board of trustees shall provide for the maintenance of an individual account for  
7 each member showing the amount of the member's accumulated  
8 contributions~~[account balance]~~. Such individual accounts shall be identified in the  
9 records of the system by name, date of birth, and Social Security number. It shall  
10 collect and keep in convenient form such data as is necessary for the preparation of  
11 the required mortality and service tables and for the compilation of such other  
12 information as is required for the actuarial valuation of the assets and liabilities of  
13 the various funds of the retirement system.

14 (2) The board shall prepare and furnish to all active contributing members a summary  
15 plan description, written in a manner calculated to be understood by the average  
16 member or annuitant, and sufficiently accurate and comprehensive to reasonably  
17 apprise them of their rights and obligations under the Teachers' Retirement System.  
18 The board may furnish the summary plan description by posting it on the retirement  
19 system's Web site.

20 (3) The summary plan description shall include:

21 (a) The name of the retirement system, the name and address of the executive  
22 secretary, and the name, address, and title of each member of the board of  
23 trustees;

24 (b) The name and address of the person designated for the service of legal  
25 process;

26 (c) The system's requirements for participation and benefits;

27 (d) A description of retirement formulas for normal, early, and disability

- 1 retirement, and survivor benefits;
- 2 (e) A description of the requirements for vesting of pension benefits;
- 3 (f) A list of circumstances which would result in disqualification, ineligibility, or  
4 denial or loss of benefits;
- 5 (g) The sources of financing retirement benefits, and statutory requirements for  
6 funding;
- 7 (h) A statement after each actuarial valuation as to whether funding requirements  
8 are being met; and
- 9 (i) The procedures to be followed in presenting claims for benefits under the  
10 plan, and the remedies available under the plan for the redress of claims which  
11 are denied in whole or in part.
- 12 (4) The board may publish the summary plan description in the form of a  
13 comprehensive pamphlet or booklet, or in the form of periodic newsletters which  
14 shall incorporate all the information required in the summary plan description  
15 within a period of two (2) years. Any changes in statutory requirements or  
16 administrative practices which alter the provisions of the plan as described in the  
17 summary plan description shall be summarized as required in subsection (2) of this  
18 section and furnished to active contributing members in the form of a supplement to  
19 a comprehensive booklet, or reported in the periodic newsletter.
- 20 (5) The board shall provide to annuitants so much of the summary plan description as  
21 they need to understand changes in benefits which apply to them.
- 22 ➔Section 62. KRS 161.585 is repealed, reenacted, and amended to read as  
23 follows:
- 24 (1) Each member's or annuitant's account shall be administered in a confidential  
25 manner, and specific data regarding a member or annuitant shall not be released for  
26 publication, except that:
- 27 (a) The member or annuitant may authorize the release of his or her account

1 information;

2 (b) The board of trustees may release member or annuitant account information to  
3 the employer or to other state and federal agencies as it deems necessary or in  
4 response to a lawful subpoena or order issued by a court of law; or

5 (c) 1. Upon request by any person, the system shall release the following  
6 information from the accounts of any member or annuitant of the  
7 Kentucky Teachers' Retirement System, if the member or annuitant is a  
8 current or former officeholder in the Kentucky General Assembly:

9 a. The first and last name of the member or annuitant;

10 b. The status of the member or annuitant, including but not limited to  
11 whether he or she is a contributing member, a member who is not  
12 contributing but has not retired, a retiree receiving a monthly  
13 retirement allowance, or a retiree who has returned to work  
14 following retirement with an agency participating in the system;

15 c. If the individual is an annuitant, the monthly retirement allowance  
16 that he or she was receiving at the end of the most recently  
17 completed fiscal year;

18 d. If the individual is a member who has not yet retired, the estimated  
19 monthly retirement allowance that he or she is eligible to receive  
20 on the first date he or she would be eligible for an unreduced  
21 retirement allowance, using his or her service credit~~[- accumulated~~  
22 ~~account balance,]~~ and final average salary at the end of the most  
23 recently completed fiscal year; and

24 e. The current or last participating employer of the member or  
25 annuitant, if applicable.

26 2. No information shall be disclosed under this paragraph from an account  
27 that is paying benefits to a beneficiary due to the death of a member or



1 annuitant.

2 (2) The release of information under subsection (1)(c) of this section shall not  
3 constitute a violation of the Open Records Act, KRS 61.870 to 61.884.

4 (3) Medical records which are included in a member's or annuitant's file maintained by  
5 the Teachers' Retirement System are confidential and shall not be released unless  
6 authorized by the member or annuitant in writing or as otherwise provided by law or  
7 in response to a lawful subpoena or order issued by a court of law.

8 (4) (a) When a subpoena is served upon any employee of the Kentucky Teachers'  
9 Retirement System requiring the production of any data, information, or  
10 records, it is sufficient if the employee of the Kentucky Teachers' Retirement  
11 System charged with the responsibility of being custodian of the original, or  
12 his or her designated staff, delivers within five (5) working days by certified  
13 mail or by personal delivery to the person specified in the subpoena either of  
14 the following:

15 1. Legible and durable copies of records certified by the employee or  
16 designated staff; or

17 2. An affidavit stating the information required by the subpoena.

18 (b) The production of records or an affidavit shall be in lieu of any personal  
19 testimony of any employee of the Kentucky Teachers' Retirement System  
20 unless, after the production of records or an affidavit, a separate subpoena is  
21 served upon the retirement system specifically directing the testimony of an  
22 employee of the retirement system. When a subpoena is served on any  
23 employee of the retirement system requiring the employee to give testimony  
24 or produce records for any purpose, in the absence of a court order requiring  
25 the testimony of or production of records by a specific employee, the system  
26 may designate an employee to give testimony or produce records upon the  
27 matter referred to in the subpoena. The board of trustees may promulgate an

1 administrative regulation for the recovery of reasonable travel and  
2 administrative expenses for those occasions when an employee of the  
3 retirement system is required to travel from his or her home or office to  
4 provide testimony or records. Recoverable expenses may include the wages,  
5 salary, and overtime paid to the employee by the retirement system for the  
6 period of time that the employee is away from the office. The cost of these  
7 expenses shall be borne by the party issuing the subpoena compelling the  
8 employee's travel. The board of trustees may also promulgate an  
9 administrative regulation establishing a reasonable fee for the copying,  
10 compiling, and mailing of requested records.

11 (c) The certification required by this subsection shall be signed before a notary  
12 public by the employee and shall include the full name of the member or  
13 annuitant, the member or annuitant identification number assigned to the  
14 member or annuitant by the retirement system, and a legend substantially to  
15 the following effect: "The records are true and complete reproductions of the  
16 original, microfiched, or electronically stored records which are housed in the  
17 retirement system's office. This certification is given in lieu of the  
18 undersigned's personal appearance."

19 (d) When an affidavit or copies of records are personally delivered, a receipt shall  
20 be presented to the person receiving the records for his or her signature and  
21 shall be immediately signed and returned to the person delivering the records.  
22 When an affidavit or copies of records are sent via certified mail, the receipt  
23 used by the postal authorities shall be sufficient to prove receipt of the  
24 affidavit or copies of records.

25 (e) When the affidavit or copies of records are delivered to a party for use in  
26 deposition they shall, after termination of the deposition, be delivered  
27 personally or by certified mail to the clerk of the court or other body before

1           which the action or proceeding is pending.

2           (f) Upon completion of delivery by the retirement system of copies of records by  
3           their deposit in the mail or by their personal delivery to the requesting party,  
4           the retirement system shall cease to have any responsibility or liability for the  
5           records and their continued maintenance in a confidential manner.

6           (g) Records of the Kentucky Teachers' Retirement System that are susceptible to  
7           reproduction may be proved as to foundation, identity, and authenticity  
8           without preliminary testimony, by use of legible and durable copies, certified  
9           in accordance with the provisions of this subsection.(h) The provisions of  
10          this subsection shall not be construed to prohibit the Kentucky Teachers'  
11          Retirement System from asserting any exemption, exception, or relief  
12          provided under the Kentucky Rules of Civil Procedure or other applicable  
13          law.

14          (5) For purposes of this section, "records" includes retirement estimates, affidavits, and  
15          other documents prepared by the Kentucky Teachers' Retirement System in  
16          response to information requested in a lawful subpoena or order issued by a court of  
17          law.

18          ➔Section 63.   KRS 161.590 is repealed, reenacted, and amended to read as  
19          follows:

20          (1) At retirement the total service credited to a teacher shall consist of prior and  
21          subsequent service rendered by him for which service credit has been allowed.

22          (2) Kentucky service, presented at the time of retirement, may not be used in  
23          calculating benefits under KRS~~[161.235,]~~ 161.525, 161.620, or 161.661, if such  
24          service has been used to increase benefits in another retirement system, not  
25          including Old Age and Survivors Insurance Benefits under the Social Security  
26          Administration.

27          (3) No service credit shall be added to a member's account after the effective date of

1 retirement for service.

2 ➔Section 64. KRS 161.595 is repealed, reenacted, and amended to read as  
3 follows:

4 (1) Upon service retirement,~~[an individual who becomes a member]~~ of the Teachers'  
5 Retirement System~~[prior to January 1, 2019,]~~ may obtain credit for all or any part  
6 of the service otherwise creditable under the Kentucky Employees Retirement  
7 System, the County Employees Retirement System, or in the service of the United  
8 States government for which service credit is not otherwise given, upon the  
9 payment by the member of the full actuarial cost of the service credit purchased as  
10 defined in KRS 161.220(22). Such payments shall not be picked up, as described in  
11 KRS 161.540(2).

12 (2) The amount paid under this section shall be considered as accumulated  
13 contributions of the individual member.

14 (3) No person shall be allowed credit for the same period of service in more than one  
15 (1) of these three (3) retirement systems.

16 ➔Section 65. KRS 161.600 is repealed, reenacted, and amended to read as  
17 follows:

18 (1) Effective July 1, 1988, a member of the retirement system may qualify for service  
19 retirement by meeting one (1) of the following requirements:

20 (a) Attainment of age sixty (60) years and completion of five (5) years of  
21 Kentucky service;

22 (b) 1. For an individual who becomes a member before July 1, 2008,  
23 attainment of age fifty-five (55) years and completion of a minimum of  
24 five (5) years of Kentucky service with an actuarial reduction of the  
25 basic allowance of five percent (5%) for each year the member's age is  
26 less than sixty (60) years or for each year the member's years of  
27 Kentucky service credit is less than twenty-seven (27), whichever is the

- 1           lesser number; and
- 2           2. For an individual who becomes a member on or after July 1, 2008,
- 3           attainment of age fifty-five (55) years and completion of a minimum of
- 4           ten (10) years of Kentucky service with an actuarial reduction of the
- 5           basic retirement allowance of six percent (6%) for each year the
- 6           member's age is less than sixty (60) years or for each year the member's
- 7           years of Kentucky service credit is less than twenty-seven (27),
- 8           whichever is the lesser number;
- 9           (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state
- 10          service earned in accordance with the provisions of KRS 161.515(2) may be
- 11          used to meet this requirement; or
- 12          (d) Completion of the necessary years of service under provisions of KRS
- 13          61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS
- 14          61.680. A member retiring under this paragraph who has not attained age
- 15          fifty-five (55) shall incur an actuarial reduction of the basic allowance
- 16          determined by the system's actuary for each year the member's service credit is
- 17          less than twenty-seven (27).
- 18         (2) Any person who has been a member in Kentucky for twenty-seven (27) years or
- 19          more and who withdraws from covered employment may continue to pay into the
- 20          fund each year until the end of the fiscal year in which he reaches the age of sixty-
- 21          five (65) years, the current contribution rate based on the annual compensation
- 22          received during the member's last full year in covered employment, less any
- 23          payment received for accrued sick leave or accrued leave from an employer. The
- 24          member shall be entitled to receive a retirement allowance as provided in KRS
- 25          161.620 at any time after withdrawing from covered employment and payment of
- 26          contributions under this subsection. No member shall make contributions as
- 27          provided for in this subsection if the member is at the same time making

1 contributions to another retirement system in Kentucky supported wholly or in part  
2 by public funds.

3 (3) Service credit in the Kentucky Employees Retirement System, the State Police  
4 Retirement System, the Legislators' Retirement Plan, the County Employees  
5 Retirement System, or the Judicial Retirement System may be used in meeting the  
6 service requirements of subsection (1)(a), (b), and (c) of this section, provided the  
7 service is subsequent to July 1, 1956.

8 (4) Upon death, disability, or service retirement, a member's accounts under all state  
9 supported retirement systems shall be consolidated, as provided by this section and  
10 by KRS 61.680, for the purpose of determining eligibility and amount of benefits,  
11 which shall include medical benefits. Upon determination of benefits, each system  
12 shall pay the applicable percentage of total benefits. The effective date of retirement  
13 under this subsection shall be determined by each retirement system for the portion  
14 of the payments that will be made.

15 (5) No retirement annuity shall be effective until written application and option election  
16 forms are filed with the retirement office in accordance with administrative  
17 regulations of the board of trustees. A member may withdraw his or her retirement  
18 application, postpone his or her effective retirement date, or change his or her  
19 retirement option if these elections are made no later than the fifteenth day of the  
20 month in which the member has made application for retirement.

21 (6) The surviving spouse of an active contributing member, if named as beneficiary of  
22 the member's account, may purchase retirement credit that the member was eligible  
23 to purchase prior to the member's death.

24 ~~{(7) Effective January 1, 2019, subsections (1) to (3) of this section do not apply to~~  
25 ~~individuals who become members of the Teachers' Retirement System on or after~~  
26 ~~January 1, 2019. Individuals who become members of the Teachers' Retirement~~  
27 ~~System on or after January 1, 2019, shall receive the retirement benefits prescribed~~

1       by ~~KRS 161.235.~~

2       ➔Section 66.   KRS 161.605 is repealed, reenacted, and amended to read as  
3 follows:

4 Any member retired by reason of service may return to work in a position covered by the  
5 Kentucky Teachers' Retirement System and continue to receive his or her retirement  
6 allowance under the following conditions:

7 (1) Any member who is retired with thirty (30) or more years of service may return to  
8 work in a full-time or a part-time position covered by the Kentucky Teachers'  
9 Retirement System and earn up to a maximum of seventy-five percent (75%) of the  
10 member's last annual compensation measured on a daily rate to be determined by  
11 the board of trustees. For purposes of determining whether the salary of a member  
12 returning to work is seventy-five percent (75%) or less of the member's last annual  
13 compensation, all remuneration paid and benefits provided to the member, on an  
14 actual dollar or fair market value basis as determined by the retirement system, shall  
15 be considered. Members who were retired on or before June 30, 2002, shall be  
16 entitled to return to work under the provisions of this section as if they had retired  
17 with thirty (30) years of service. Nonqualified service credit purchased under the  
18 provisions of KRS 161.5465 or elsewhere with any state-administered retirement  
19 system shall not be used to meet the thirty (30) year requirement set forth in this  
20 subsection. Out-of state teaching service provided in public schools for kindergarten  
21 through grade twelve (12) may count toward the thirty (30) year requirement set  
22 forth in this subsection even if it is not purchased as service credit, if the member  
23 obtains from his or her out-of-state employer certification of this service on forms  
24 prescribed by the retirement system;

25 (2) Any member who is retired with less than thirty (30) years of service after June 30,  
26 2002, may return to work in a full-time or part-time position covered by the  
27 Kentucky Teachers' Retirement System and earn up to a maximum of sixty-five

1       percent (65%) of the member's last annual compensation measured on a daily rate to  
2       be determined by the board of trustees. For purposes of determining whether the  
3       salary of a member returning to work is sixty-five percent (65%) or less of the  
4       member's last annual compensation, all remuneration paid and benefits provided to  
5       the member, on an actual dollar or fair market value basis as determined by the  
6       retirement system, shall be considered;

7       (3) Reemployment of a retired member under subsection (1) or (2) of this section in a  
8       full-time teaching or nonteaching position in a local school district shall be  
9       permitted only if the employer certifies to the Kentucky Teachers' Retirement  
10      System that there are no other qualified applicants available to fill the teaching or  
11      nonteaching position. The employer may use any source considered reliable  
12      including but not limited to data provided by the Education Professional Standards  
13      Board and the Department of Education to determine whether other qualified  
14      applicants are available to fill the teaching or nonteaching position. The Kentucky  
15      Board of Education shall promulgate administrative regulations to establish  
16      procedures to determine whether other qualified applicants are available to fill a  
17      teaching or nonteaching position and, if not, for filling the position with a retired  
18      member who will then be permitted to return to work in that position under  
19      subsection (1) or (2) of this section. The administrative regulations shall assure that  
20      a retired member shall not be hired in a teaching or nonteaching position by a local  
21      school district until the superintendent of the school district assures the Kentucky  
22      Teachers' Retirement System that every reasonable effort has been made to recruit  
23      other qualified applicants for the position on an annual basis;

24      (4) Under this section, an employer may employ full-time a number of retired members  
25      not to exceed three percent (3%) of the membership actively employed full-time by  
26      that employer. The board of trustees may reduce this three percent (3%) cap upon  
27      recommendation of the retirement system's actuary if a reduction is necessary to



1 maintain the actuarial soundness of the retirement system. The board of trustees  
2 may increase the three percent (3%) cap upon a determination that an increase is  
3 warranted to help address a shortage in the number of available teachers and upon  
4 the determination of the retirement system's actuary that the proposed cap increase  
5 allows the actuarial soundness of the retirement system to be maintained. For  
6 purposes of this subsection, "full-time" means the same as defined by KRS  
7 161.220(21). A local school district may exceed the quota established by this  
8 subsection by making an annual written request to the Kentucky Department of  
9 Education which the department may approve on a year-by-year basis if the  
10 statewide quota has not been met. A district's written request to exceed its quota  
11 shall be submitted no sooner than two (2) weeks after the start of the school year;

12 (5) (a) ~~Except as provided by subsection (10) of this section,~~ A member returning  
13 to work in a full-time or part-time position under subsection (1) or (2) of this  
14 section will contribute to an account with the retirement system that will be  
15 administered independently from and with no reciprocal impact with the  
16 member's original retirement account, or any other account from which the  
17 member is eligible to draw a retirement allowance.

18 (b) ~~Except as provided by subsection (10) of this section,~~ A member returning  
19 to work under subsection (1) or (2) of this section shall make contributions to  
20 the retirement system at the rate provided under KRS 161.540. The new  
21 account shall independently meet the five (5) year vesting requirement as well  
22 as all other conditions set forth in KRS 161.600(1) before any retirement  
23 allowance is payable from this account. The retirement allowance accruing  
24 under this new account shall be calculated pursuant to KRS 161.620(1)(b).  
25 This new account shall not entitle the member to a duplication of the benefits  
26 offered under KRS 161.620(7) or 161.675, nor shall this new account provide  
27 the benefits offered by KRS 161.520, 161.525, 161.620(3), 161.655, 161.661,

1 or 161.663.

2 (c) A member returning to work under subsection (1) or (2) of this section shall  
3 waive his or her medical insurance with the Kentucky Teachers' Retirement  
4 System during the period of reemployment and shall receive the medical  
5 insurance coverage that is generally provided by the member's active employer  
6 to the other members of the retirement system that the active employer  
7 employs. If medical insurance coverage is not available from the employer,  
8 the Kentucky Teachers' Retirement System may provide coverage for the  
9 member.

10 (d) A member returning to work under subsection (1) or (2) of this section shall  
11 not be eligible to purchase service credit for any service provided after the  
12 member's effective date of retirement but prior to the date that the member  
13 returns to work. A member returning to work under subsection (1) or (2) of  
14 this section shall not be eligible to purchase service credit that the member  
15 would have otherwise been eligible to purchase prior to the member's initial  
16 retirement.

17 (e) A member who returns to work under subsection (1) or (2) of this section, or  
18 in the event of the death of the member, the member's estate or applicably  
19 designated beneficiary, shall be entitled, within ninety (90) days of the posting  
20 of the annual report submitted by the employer, to a refund of contributions as  
21 permitted and limited by KRS 161.470;

22 (6) The board of trustees may annually, on July 1, adjust the current daily rate of a  
23 member's last annual compensation, for each full twelve (12) month period that has  
24 elapsed subsequent to the member earning his or her last annual compensation, by  
25 the percentage increase in the annual average of the consumer price index for all  
26 urban consumers for the calendar year preceding the adjustment as published by the  
27 Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each

1 annual adjustment shall become part of the member's daily rate base. Failure to  
2 comply with the salary limitations set forth in subsections (1) and (2) of this section  
3 as may be adjusted by this subsection shall result in a reduction of the member's  
4 retirement allowance or any other benefit to which the member would otherwise be  
5 entitled on a dollar-for-dollar basis for each dollar that the member exceeds these  
6 salary limitations. Notwithstanding any other provision of law to the contrary, a  
7 member retiring from a local school district who returns to work for a local school  
8 district under subsection (1) or (2) of this section shall be entitled, without any  
9 reduction to his or her retirement allowance or any other retirement benefit, to earn  
10 a minimum amount equal to one hundred seventy dollars (\$170) per day;

11 (7) (a) A retired member returning to work under subsection (1) or (2) of this section  
12 shall have separated from service for a period of at least one (1) year if  
13 returning to work for the same employer on a full-time basis, and at least three  
14 (3) months if returning to work for a different employer on a full-time basis. A  
15 retired member returning to work under subsection (1) or (2) of this section on  
16 a part-time basis shall have separated from service for a period of at least three  
17 (3) months before returning to work for any employer.

18 (b) As an alternative to the separation-from-service requirements in paragraph (a)  
19 of this subsection, a retired member who is returning to work for the same  
20 employer in a full-time position under subsections (1) and (2) of this section  
21 may elect a separation-from-service of not less than two (2) months followed  
22 by a forfeiture of the retired member's retirement allowance on a month-to-  
23 month basis for each month that the member has separated from service for  
24 less than twelve (12) full months. A retired member returning to work for the  
25 same employer in a part-time position, or for a different employer in a full-  
26 time position, may elect an alternative separation-from-service requirement of  
27 at least two (2) months followed by a forfeiture of the member's retirement

1 allowance for one (1) month. During the period that the member forfeits his or  
2 her retirement allowance and thereafter, member and employer contributions  
3 shall be made to the retirement system as a result of employment in any  
4 position subject to membership in the retirement system. The member shall  
5 contribute to an account with the retirement system subject to the conditions  
6 set forth in subsection (5) of this section. For purposes of measuring the  
7 separation-from-service requirements set forth throughout this section, a  
8 member's separation-from-service begins on the first day following the last  
9 day of paid employment for the member prior to retirement.

10 (c) Failure to comply with the separation-from-service requirements in this  
11 subsection voids a member's retirement and the member shall be required to  
12 return all the retirement benefits he or she received, with interest, for the  
13 period of time that the member returned to work without a sufficient  
14 separation from service;

15 (8) (a) Effective July 1, 2004, local school districts may employ retired members in  
16 full-time or part-time teaching or administrative positions without limitation  
17 on the compensation of the retired members that is otherwise required by  
18 subsections (1) and (2) of this section. Under provisions of this subsection, a  
19 local school district may only employ retired members to fill critical shortage  
20 positions for which there are no other qualified applicants as determined by  
21 the local superintendent. The number of retired members that a local school  
22 district may employ under this subsection shall be no more than two (2)  
23 members per local school district or one percent (1%) of the total active  
24 members employed by the local school district on a full-time basis as defined  
25 under KRS 161.220(21), whichever number is greater. Retired members  
26 returning to work under this subsection shall be subject to the separation-  
27 from-service requirements set forth in subsection (7) of this section. Retired

1 members returning to work under this subsection shall waive their medical  
2 insurance coverage with the retirement system during their period of  
3 reemployment and receive medical insurance coverage that is offered to other  
4 full-time members employed by the local school district. Retired members  
5 returning to work under this subsection shall contribute to an account subject  
6 to the conditions set forth in subsection (5) of this section. Retired members  
7 returning to work under this subsection shall make contributions to the  
8 retirement system at the rate provided under KRS 161.540. The employer  
9 shall make contributions at the rate provided under KRS 161.550. Local  
10 school districts shall make annual payments to the retirement system on the  
11 compensation paid to the reemployed retirees at the rates determined by the  
12 retirement system's actuary that reflect any accrued liability resulting from the  
13 reemployment of these members.

14 (b) The Department of Education may employ retired members in full-time or  
15 part-time teaching or nonteaching positions without the limitations on  
16 compensation otherwise required by subsections (1) and (2) of this section to  
17 fill critical shortage areas in the schools it operates, including the Kentucky  
18 School for the Blind, the Kentucky School for the Deaf, and the Kentucky  
19 Virtual High School, and to serve on audit teams. The department shall be  
20 subject to the same requirements as local school districts as provided in  
21 paragraph (a) of this subsection, except the Kentucky Teachers' Retirement  
22 System shall determine the maximum number of employees that may be  
23 employed under this paragraph;

24 (9) The return to work limitations set forth in this section shall apply to retired  
25 members who are returning to work in the same position from which they retired, or  
26 a position substantially similar to the one from which they retired, or a position  
27 described in KRS 161.046 or any position listed in KRS 161.220(4) which requires

1 membership in the retirement system. Positions which generally require certification  
2 or graduation from a four (4) year college or university as a condition of  
3 employment which are created, or changed to remove the position from coverage  
4 under KRS 161.220(4) are also subject to the return to work limitations set forth in  
5 this section. The board of trustees shall determine whether employment in a  
6 nonteaching position is subject to this subsection;

7 (10) ~~[(a) Notwithstanding the provisions of this section, individuals who retire and  
8 begin drawing a retirement allowance from one (1) or more of the systems or plans  
9 administered by the Kentucky Retirement Systems, the Teachers' Retirement  
10 System, or the Judicial Form Retirement System on or after January 1, 2019, who  
11 are reemployed on or after January 1, 2019, with an employer participating in the  
12 Teachers' Retirement System shall not be eligible to contribute to or earn benefits in  
13 a second retirement account during the period of reemployment. Employers shall be  
14 required to pay the employer normal cost for pension benefits established by KRS  
15 161.550 for any period of full-time reemployment to help pay down the unfunded  
16 liability of the Teachers' Retirement System pension fund.~~

17 ~~(b) ]~~The provisions of subsections (1) to (8) of this section are not subject to KRS  
18 161.714;

19 (11) Any member retired by reason of service may waive his or her annuity and return to  
20 full-time employment in a position covered by the Kentucky Teachers' Retirement  
21 System under the following conditions:

22 (a) The member shall receive no annuity payments while employed in a covered  
23 position, shall waive his or her medical insurance coverage with the Kentucky  
24 Teachers' Retirement System during the period of reemployment, and shall  
25 receive the medical insurance coverage that is generally offered by the  
26 member's active employer to the other members of the retirement system  
27 employed by the active employer. The member's estate or, if there is a

1 beneficiary applicably designated by the member, then the beneficiary, shall  
2 continue to be eligible for life insurance benefits as provided in KRS 161.655.  
3 Service subsequent to retirement shall not be used to improve an annuity,  
4 except as provided in paragraphs (b) and (c) of this subsection;

5 (b) Any member who waives regular annuity benefits and returns to teaching or  
6 covered employment shall be entitled to make contributions on the salaries  
7 received for this service and have his retirement annuity recalculated as  
8 provided in the regular retirement formula in KRS 161.620(1), less any  
9 applicable actuarial discount applied to the original retirement allowance due  
10 to the election of a joint and last survivor option. Retirement option and  
11 beneficiary designation on original retirement shall not be altered by  
12 postretirement employment, and dependents and spouses of the members shall  
13 not become eligible for benefits under KRS 161.520, 161.525, or 161.661  
14 because of postretirement employment;

15 (c) When a member returns to full-time teaching or covered employment as  
16 provided in subsection (b) of this section, the employer is required to withhold  
17 and remit regular retirement contributions. The member must be employed  
18 full-time for at least one (1) consecutive contract year to be eligible to  
19 improve an annuity. The member shall be returned to the annuity rolls on July  
20 1 following completion of the contract year or on the first day of the month  
21 following the month of termination of service if full-time employment  
22 exceeds one (1) consecutive contract year. Any discounts applied at the time  
23 of the original retirement due to service or age may be reduced or eliminated  
24 due to additional employment if full-time employment is for one (1)  
25 consecutive contract year or longer; and

26 (d) A member retired by reason of service who has been employed the equivalent  
27 of twenty-five (25) days or more during a school year under KRS 161.605

1           may waive the member's retirement annuity and return to regular employment  
2           covered by the Kentucky Teachers' Retirement System during that school year  
3           a maximum of one (1) time during any five (5) year period, beginning with  
4           that school year;

5 (12) Retired members may be employed in a part-time teaching capacity by an agency  
6           described in KRS 161.220(4)(b) or (n), not to exceed the equivalent of twelve (12)  
7           teaching hours in any one (1) fiscal year. Retired members may be employed for a  
8           period not to exceed the equivalent of one hundred (100) days in any one (1) fiscal  
9           year in a part-time administrative or nonteaching capacity by an agency described in  
10          KRS 161.220(4)(b) or (n) in a position that would otherwise be covered by the  
11          retirement system. The return to work provisions set forth in subsections (1) to (8)  
12          of this section shall not apply to retired members who return to work solely for an  
13          agency described in KRS 161.220(4)(b) or (n). Calculation of the number of days  
14          and teaching hours for part-time teaching, substitute teaching, or part-time  
15          employment in a nonteaching capacity under this section shall not exceed the ratio  
16          between a school year and the actual months of retirement for the member during  
17          that school year. The board of trustees by administrative regulation may establish  
18          fractional equivalents of a day of teaching service. Any member who exceeds the  
19          twelve (12) hour or one hundred (100) day limitations of this subsection shall be  
20          subject to having his or her retirement voided and be required to return all  
21          retirement allowances and other benefits paid to the member or on the member's  
22          behalf since the effective date of retirement. In lieu of voiding a member's  
23          retirement, the system may reduce the member's retirement allowance or any other  
24          benefit to which the member would otherwise be entitled on a dollar-for-dollar basis  
25          for each dollar of compensation that the member earns in employment exceeding  
26          twelve (12) hours, one hundred (100) days, or any apportionment of the two (2)  
27          combined;



1 (13) When a retired member returns to employment in a part-time teaching capacity or in  
2 a nonteaching capacity as provided in subsection (12) of this section, the employer  
3 shall contribute annually to the retirement system on the compensation paid to the  
4 retired member at rates determined by the retirement system actuary that reflect  
5 accrued liability for retired members who return to work under subsection (12) of  
6 this section; and

7 (14) For retired members who return to work during any one (1) fiscal year in both a  
8 position described in KRS 161.220(4)(b) or (n) and in a position described under  
9 another provision under KRS 161.220(4), and for retired members who return to  
10 work in a position described under KRS 161.220(4)(b) or (n) in both a teaching and  
11 an administrative or nonteaching capacity, the board of trustees shall adopt a  
12 methodology for a pro rata apportionment of days and hours that the retired member  
13 may work in each position.

14 ➔Section 67. KRS 161.612 is repealed, reenacted, and amended to read as  
15 follows:

16 Effective July 1, 2002, any individual occupying a position on a part-time basis that  
17 requires certification or graduation from a four (4) year college or university as a  
18 condition of employment and any individual providing part-time or substitute teaching  
19 services that are the same or similar to those teaching services provided by certified, full-  
20 time teachers shall be a member of the Kentucky Teachers' Retirement System, according  
21 to the conditions and only to the extent set forth in this section, if the individual is  
22 employed by one (1) of the public boards, institutions, or agencies set forth in KRS  
23 161.220, excluding those public boards, institutions, and agencies described in KRS  
24 161.220(4)(b) and (n). Members providing part-time and substitute services shall  
25 participate in the retirement system as follows:

26 (1) Members providing part-time and substitute services shall accrue service credit as  
27 provided under KRS 161.500 and be entitled to a retirement allowance upon

1 meeting the service retirement conditions of KRS ~~[161.235 or]~~ 161.600~~[, as~~  
2 ~~applicable]~~. The board of trustees shall adopt a methodology for accrediting service  
3 credit to these members on a pro rata basis. The methodology adopted by the board  
4 of trustees may be amended as necessary to ensure its actuarial soundness. The  
5 retirement allowance for members providing part-time and substitute services shall  
6 be calculated pursuant to KRS ~~[161.235 or]~~ 161.620~~[, as applicable]~~, except that the  
7 provisions of KRS 161.620(3) shall not apply. Members providing part-time and  
8 substitute services who meet the service retirement conditions of KRS ~~[161.235 or]~~  
9 ~~161.600[, as applicable,]~~ may also be eligible to participate as approved by the  
10 board of trustees in the medical insurance program provided by the retirement  
11 system under KRS 161.675. Members providing part-time and substitute services  
12 shall make contributions to the Kentucky Teachers' Retirement System at the rate  
13 provided under KRS 161.540. A member who provides part-time or substitute  
14 services, or in the event of the death of the member, the member's estate or  
15 applicably designated beneficiary, will be entitled, within ninety (90) days of the  
16 posting of the annual report submitted by the member's employer, to a refund of  
17 contributions as permitted and limited by KRS 161.470;

18 (2) The board of trustees shall adopt eligibility conditions under which members  
19 providing part-time and substitute services may participate in the benefits provided  
20 under KRS 161.520, 161.655, 161.661, and 161.663. The board of trustees may  
21 permit members providing part-time or substitute services to participate in other  
22 benefits offered by the retirement system by promulgating administrative  
23 regulations that establish eligibility conditions for participation in these benefits. All  
24 eligibility conditions adopted by the board of trustees pursuant to this subsection  
25 may be amended as necessary to ensure their actuarial soundness;

26 (3) In addition to the pro rata methodology adopted by the board of trustees under  
27 subsection (1) of this section, members providing part-time and substitute services

1 shall be subject to all limitations and conditions regarding the accrual, retention,  
 2 accreditation, and use of service credit that apply to members providing full-time  
 3 services. In addition to the eligibility conditions set forth by the board of trustees  
 4 under subsection (2) of this section, members providing part-time and substitute  
 5 services shall be subject to all limitations and conditions regarding both the  
 6 eligibility to participate and the extent of participation in any benefit offered under  
 7 KRS 161.220 to 161.716 that apply to members providing full-time services;

8 (4) Notwithstanding any other provisions of this section to the contrary, instructional  
 9 assistants who provide teaching services in the local school districts on a full-time  
 10 basis in positions covered by the County Employees Retirement System who are  
 11 used as substitute teachers on an emergency basis for five (5) days or less during  
 12 any one (1) fiscal year shall not be considered members of the Teachers' Retirement  
 13 System during that period in which they are serving as substitute teachers for five  
 14 (5) days or less;

15 (5) The board of trustees may adopt a pro rata methodology to determine the annual  
 16 compensation of members providing part-time and substitute services in order to  
 17 determine benefits provided under KRS 161.661 and 161.663. Members providing  
 18 part-time and substitute services who had retirement contributions posted to their  
 19 accounts during the previous fiscal year and who have not had those contributions  
 20 refunded to them are eligible to vote for the board of trustees;

21 (6) The board of trustees of the Teachers' Retirement System shall be responsible for  
 22 final determination of membership eligibility and may direct employers to take  
 23 whatever action that may be necessary to correct any error relating to membership;{

24 ~~(7) Effective January 1, 2019, this section does not apply to any individual who retires~~  
 25 ~~on or after January 1, 2019, and is reemployed on or after January 1, 2019;}~~ and

26 ~~(7)~~{(8)} The provisions of this section are not subject to KRS 161.714.

27 ➔Section 68. KRS 161.615 is repealed, reenacted, and amended to read as

1 follows:

- 2 (1) The board of trustees is authorized to implement a limited defined contribution plan  
3 for the sole purpose of providing retirement allowance payments for retired  
4 members who have been approved by the retirement system for full-time  
5 reemployment as provided in KRS 161.605.
- 6 (2) The defined contribution plan shall be administered separately from the regular  
7 benefits provided for members of the retirement system, except that the  
8 contributions to the plan shall be invested in the same manner as other contributions  
9 to the retirement system.
- 10 (3) The provisions of this section apply only to those retired members who were  
11 permitted to return to work under the critical shortage provisions of KRS  
12 161.605(7) as they existed on June 30, 2002. The provisions of this section shall not  
13 apply to any retired member returning to work on or after July 1, 2002.
- 14 (4) Separate member accounts shall be maintained for participants in this plan which  
15 shall reflect the annual contributions made to the participant's account based on the  
16 rates and interest levels specified in KRS 161.605.
- 17 (5) When the retiree's reemployment terminates, the total contributions and accrued  
18 interest in the participant's account will be paid in a lump-sum payment or on an  
19 actuarial straight life monthly basis to the retiree. If the member dies prior to  
20 making application for a retirement allowance under this plan, the beneficiary  
21 designated by the participant for this plan shall receive a refund of the funds in the  
22 account. If there is a remaining balance in the account at the death of the participant  
23 after retirement from this plan, it shall be paid to the beneficiary designated by the  
24 participant for this benefit.
- 25 (6) Retired members shall be eligible to receive their retirement annuity when approved  
26 for reemployment and participation in this plan. Service as a reemployed retiree  
27 may not be used in any manner for credit under the regular retirement benefit plans

1 provided by the retirement system.

2 ~~[(7) Notwithstanding the provisions of subsections (1) to (6) of this section, any plan~~  
3 ~~established pursuant to this section shall, effective January 1, 2019, be closed to any~~  
4 ~~future employee or employer contributions.]~~

5 ➔Section 69. KRS 161.620 is repealed, reenacted, and amended to read as  
6 follows:

- 7 (1) The retirement allowance, in the form of a life annuity with refundable balance, of a  
8 member retiring for service shall be calculated as follows:
- 9 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise  
10 provided by this section, the annual allowance for each year of service shall be  
11 two percent (2%) of the final average salary for service performed prior to  
12 July 1, 1983, and two and one-half percent (2.5%) of the final average salary  
13 for service performed after July 1, 1983, for all nonuniversity members. The  
14 annual retirement allowance for each year of service performed by members  
15 of the Teachers' Retirement System who are university members shall be two  
16 percent (2%) of the final average salary. Actuarial discounts due to age or  
17 service credit at retirement may be applied as provided in this section;
- 18 (b) For individuals who become nonuniversity members of the Teachers'  
19 Retirement System on or after July 1, 2002, and before July 1, 2008, who  
20 upon retirement have earned less than ten (10) full years of service credit, the  
21 retirement allowance shall be two percent (2%) of the member's final average  
22 salary for each year of service. For individuals who become nonuniversity  
23 members of the Teachers' Retirement System on or after July 1, 2002, and  
24 before July 1, 2008, and who upon retirement have earned at least ten (10) full  
25 years of service credit, the annual allowance for each year of service shall be  
26 two and one-half percent (2.5%) of the member's final average salary;
- 27 (c) The board of trustees may approve for members who initially retire on or after

1 July 1, 2004, and who become nonuniversity members before July 1, 2008, a  
2 retirement allowance of three percent (3%) of the member's final average  
3 salary for each year of service credit earned in excess of thirty (30) years.

4 This three percent (3%) factor shall be in lieu of the two and one-half percent  
5 (2.5%) factor provided for in paragraph (b) of this subsection for every year or  
6 fraction of a year of service in excess of thirty (30) years. Upon approval of  
7 this three percent (3%) retirement factor, the board of trustees may establish  
8 conditions of eligibility regarding the type of service credit that will qualify  
9 for meeting the requirements of this subsection. This subsection is optional  
10 with the board of trustees and shall not be subject to KRS 161.714;

11 (d) For individuals who become nonuniversity members of the Teachers'  
12 Retirement System on or after July 1, 2008, the retirement allowance shall be:

13 1. a. One and seven-tenths percent (1.7%) of the member's final average  
14 salary for each year of service if the member has earned ten (10) or  
15 less years of service at retirement;

16 b. Two percent (2%) of the member's final average salary for each  
17 year of service if the member has earned greater than ten (10) but  
18 no more than twenty (20) years of service at retirement;

19 c. Two and three-tenths percent (2.3%) of the member's final average  
20 salary for each year of service if the member has earned greater  
21 than twenty (20) but no more than twenty-six (26) years of service  
22 at retirement; or

23 d. Two and one-half percent (2.5%) of the member's final average  
24 salary for each year of service if the member has earned greater  
25 than twenty-six (26) but no more than thirty (30) years of service at  
26 retirement; and

27 2. Three percent (3%) of the member's final average salary for each year of

1 service earned in excess of thirty (30) years of service at retirement  
2 subject to the same terms and conditions as set forth in paragraph (c)2.  
3 of this subsection;

4 (e) For individuals who become university members of the Teachers' Retirement  
5 System on or after July 1, 2008, the retirement allowance shall be:

6 1. One and one-half percent (1.5%) of the member's final average salary for  
7 each year of service if the member has earned ten (10) or less years of  
8 service at retirement;

9 2. One and seven-tenths percent (1.7%) of the member's final average  
10 salary for each year of service if the member has earned greater than ten  
11 (10) but no more than twenty (20) years of service at retirement;

12 3. One and eighty-five hundredths percent (1.85%) of the member's final  
13 average salary for each year of service if the member has earned greater  
14 than twenty (20) but less than twenty-seven (27) years of service at  
15 retirement; or

16 4. Two percent (2%) of the member's final average salary for each year of  
17 service if the member has earned twenty-seven (27) or more years of  
18 service at retirement; and

19 (f) The retirement allowance of a member at retirement, as measured on a life  
20 annuity, shall not exceed the member's last yearly salary or the member's final  
21 average salary, whichever is the greater amount. For purposes of this section,  
22 "yearly salary" means the compensation earned by a member during the most  
23 recent period of contributing service, either consecutive or nonconsecutive,  
24 preceding the member's effective retirement date and shall be subject to the  
25 provisions of KRS 161.220(9) and (10).

26 (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance  
27 of each retired member and of each beneficiary of a retirement option shall be

1 increased in the amount of one and one-half percent (1.5%), provided the retired  
2 member had been retired for at least the full twelve (12) months immediately  
3 preceding the date that the increase is effective. In the event that the retired member  
4 had been retired for less than the full twelve (12) months immediately preceding the  
5 date that the increase is effective, then the increase shall be reduced on a pro rata  
6 basis by each month that the retired member had not been retired for the full twelve  
7 (12) months immediately preceding the effective date of the increase.

8 (3) Any member qualifying for retirement under a life annuity with refundable balance  
9 shall be entitled to receive an annual allowance amounting to not less than four  
10 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty  
11 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the  
12 member. These minimums shall apply to the retired members receiving annuity  
13 payments and to those members retiring on or subsequent to the effective dates  
14 listed in this subsection, except the following:

15 (a) Individuals who become members of the Kentucky Teachers' Retirement  
16 System on or after July 1, 2008; or

17 (b) Members whose retirement allowance payment is reduced below the  
18 minimum allowance as a result of its division in a qualified domestic relations  
19 order or any other provision permitted under KRS 161.700.

20 (4) The minimum retirement allowance provided in this section shall apply in the case  
21 of members retired or retiring under an option other than a life annuity with  
22 refundable balance in the same proportion to the benefits of the member and his  
23 beneficiary or beneficiaries as provided in the duly-adopted option tables at the time  
24 of the member's retirement.

25 (5) Effective July 1, 2008, the monthly allowance of each retired member and each  
26 recipient of a retirement option of the retired member may be increased in an  
27 amount not to exceed three and one-half percent (3.5%) of the monthly allowance in



1 effect the previous month, provided the retired member had been retired for at least  
2 the full twelve (12) months immediately preceding the date that the increase is  
3 effective. In the event that the retired member had been retired for less than the full  
4 twelve (12) months immediately preceding the date that the increase is effective,  
5 then the increase shall be reduced on a pro rata basis by each month that the retired  
6 member had not been retired for the full twelve (12) months immediately preceding  
7 the effective date of the increase. The level of increase provided for in this  
8 subsection shall be determined by the funding provided in the 2008-2010 biennium  
9 budget appropriation.

10 (6) Effective July 1, 2009, the monthly allowance of each retired member and each  
11 recipient of a retirement option of the retired member may be increased in an  
12 amount not to exceed seven-tenths of one percent (0.7%) of the monthly allowance  
13 in effect the previous month, provided the retired member had been retired for at  
14 least the full twelve (12) months immediately preceding the date that the increase is  
15 effective. In the event that the retired member had been retired for less than the full  
16 twelve (12) months immediately preceding the date that the increase is effective,  
17 then the increase shall be reduced on a pro rata basis by each month that the retired  
18 member had not been retired for the full twelve (12) months immediately preceding  
19 the effective date of the increase. The level of increase provided for in this  
20 subsection shall be determined by the funding provided in the 2008-2010 biennium  
21 budget appropriation.

22 (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be  
23 payable for the benefit of an adult child of a member retired for service when the  
24 child's mental or physical condition is sufficient to cause dependency on the  
25 member at the time of retirement. Eligibility for this payment shall continue for the  
26 life of the child or until the time the mental or physical condition creating the  
27 dependency no longer exists or the child marries. Benefits under this subsection

1 shall apply to legally adopted survivors provided the proceedings for the adoption  
2 were initiated at least one (1) year prior to the death of the member. The board of  
3 trustees shall be the sole judge of eligibility or dependency and may require formal  
4 application or information relating thereto.

5 (8) Members of the Teachers' Retirement System shall be subject to the annuity income  
6 limitations imposed by Section 415 of the Internal Revenue Service Code.

7 (9) Compensation in excess of the limitations imposed by Section 401(a)(17) of the  
8 Internal Revenue Code shall not be used in determining a member's retirement  
9 annuity. The limitation on compensation for eligible members shall not be less than  
10 the amount which was allowed to be taken into account by the retirement system in  
11 effect on July 1, 1993. For this purpose, an eligible member is an individual who  
12 was a member of the retirement system before the first plan year beginning after  
13 December 31, 1995.

14 ~~[(10) Effective January 1, 2019, subsections (1) to (7) of this section do not apply to~~  
15 ~~individuals who become members of the Teachers' Retirement System on or after~~  
16 ~~January 1, 2019.]~~

17 ➔Section 70. KRS 161.623 is repealed, reenacted, and amended to read as  
18 follows:

19 (1) Effective July 1, 1982, and thereafter, a district board of education or other  
20 employer of members of the Teachers' Retirement System may compensate, at the  
21 time of retirement for service, an active contributing member for unused sick-leave  
22 days in accordance with this section.

23 (2) Upon the member's application for service retirement, the employer shall certify the  
24 retiring member's unused accumulated sick-leave balance to the board of trustees of  
25 the Kentucky Teachers' Retirement System. The member's sick-leave balance,  
26 expressed in days, shall be divided by one hundred eighty-five (185) days to  
27 determine the amount of service credit that may be considered for addition to the

1 member's retirement account for the purpose of determining the retirement  
2 allowance under KRS 161.620~~[, subject to the limitation of subsection (9)(a) of this~~  
3 ~~section]~~. Notwithstanding any statute to the contrary, sick-leave credit that is  
4 accredited under this section or by one (1) of the other state-administered retirement  
5 systems shall not be used for the purpose of determining whether the member is  
6 eligible to receive a retirement allowance from the Kentucky Teachers' Retirement  
7 System.

8 (3) The board shall compute the cost to the retirement system of the sick-leave credit  
9 for each retiring member and shall bill the last employer of the retiring member for  
10 such cost. The employer shall pay the cost of such service credit to the retirement  
11 system within fifteen (15) days after receiving notification of the cost from the  
12 board.

13 (4) Retiring members who receive service credit under this section shall not be eligible  
14 to receive compensation for accrued sick leave under KRS 161.155(10) or any other  
15 statutory provision.

16 (5) Employer participation is optional and the employer may opt to purchase less  
17 service credit than the member is eligible to receive provided the same percentage  
18 of reduction is made applicable to all retiring members of the employer during a  
19 school fiscal year.

20 (6) The board of trustees shall formulate and adopt necessary rules and regulations for  
21 the administration of the foregoing provisions.

22 (7) Payments to the retirement system for service credit obtained under this section or  
23 for compensation credit obtained under KRS 161.155(10) shall be based on the full  
24 actuarial cost as defined in KRS 161.220(22).

25 (8) For an individual who becomes a member on or after July 1, 2008, the  
26 maximum amount of unused accumulated sick leave that may be considered  
27 for addition to the member's retirement account for purposes of determining

1 the retirement allowance under KRS 161.620 shall not exceed three hundred  
2 (300) days~~[or the amount specified by subsection (9)(a) of this section.~~

3 ~~(9) Notwithstanding any other provision of KRS 161.220 to 161.716 to the~~  
4 ~~contrary:~~

5 ~~(a) The maximum amount of sick leave converted to additional service credit~~  
6 ~~under the provisions of this section shall not exceed the service credit based~~  
7 ~~upon the level of sick leave accumulated on December 31, 2018, by a member~~  
8 ~~whose employer participates in the sick leave program authorized by this~~  
9 ~~section; and~~

10 ~~(b) On or after August 1, 2018, no employers may opt to participate in the sick~~  
11 ~~leave program authorized by this section].~~

12 ➔Section 71. KRS 161.630 is repealed, reenacted, and amended to read as  
13 follows:

14 (1) ~~[(a) An individual who became ]~~A member~~[ prior to January 1, 2019]~~, upon  
15 retirement, shall receive a retirement allowance in the form of a life annuity, with  
16 refundable balance, as provided in KRS 161.620, unless an election is made before  
17 the effective date of retirement to receive actuarially equivalent benefits under  
18 options which the board of trustees approves.

19 ~~[(b) An individual who is participating in the hybrid cash balance plan as provided~~  
20 ~~by KRS 161.235 may, before the effective date of retirement, elect to receive~~  
21 ~~his or her accumulated account balance annuitized into a monthly payment~~  
22 ~~under one (1) of the actuarial equivalent payment options approved by the~~  
23 ~~board of trustees.~~

24 ~~(e) ]~~No option shall provide for a benefit with an actuarial value at the age of  
25 retirement greater than that provided in KRS ~~[161.235(7)(a) or ]~~161.620~~[, as~~  
26 ~~applicable].~~ This section does not apply to disability allowances as provided in KRS  
27 161.661(1).

- 1 (2) The retirement option chosen by a retiree at the time of service retirement shall  
2 remain in force unless the retiree~~[ became a member prior to January 1, 2019, and]~~  
3 elects to make a change under the following conditions:
- 4 (a) A divorce, annulment, or marriage dissolution following retirement shall, at  
5 the election of the retiree, cancel any optional plan selected at retirement that  
6 provides continuing benefits to a spousal beneficiary and return the retiree to a  
7 single lifetime benefit equivalent as determined by the board; or
- 8 (b) Following marriage or remarriage, or the death of the designated beneficiary, a  
9 retiree may elect a new optional plan of payment based on the actuarial  
10 equivalent of a single lifetime benefit at the time of the election, as determined  
11 by the board. The plan shall become effective the first of the month following  
12 receipt of an application on a form approved by the board.
- 13 (3) Except as otherwise provided in this section, a beneficiary designation shall not be  
14 changed after the effective date of retirement except for retirees who elect the life  
15 annuity with refundable balance or the predetermined years certain and life  
16 thereafter option. A member may remove a beneficiary at any time, but shall not  
17 designate a substitute beneficiary. If a member elects to remove a beneficiary, the  
18 member's retirement allowance shall not change regardless of the retirement option  
19 selected by the member, even if the removed beneficiary predeceases the member.
- 20 (4) A member who experiences a qualifying event under subsection (2) of this section  
21 and who elects a new optional plan of payment shall make that election within sixty  
22 (60) days of the qualifying event.

23 ➔Section 72. KRS 161.655 is repealed, reenacted, and amended to read as  
24 follows:

- 25 (1) Effective July 1, 2000, the Teachers' Retirement System shall~~[ for those individuals~~  
26 ~~who became members prior to January 1, 2019]~~:
- 27 (a) Provide a life insurance benefit in a minimum amount of five thousand dollars

- 1 (\$5,000) for its members who are retired for service or disability. This life  
2 insurance benefit shall be payable upon the death of a member retired for  
3 service or disability to the member's estate or to a party designated by the  
4 member on a form prescribed by the retirement system; and
- 5 (b) Provide a life insurance benefit in a minimum amount of two thousand dollars  
6 (\$2,000) for its active contributing members. This life insurance benefit shall  
7 be payable upon the death of an active contributing member to the member's  
8 estate or to a party designated by the member on a form prescribed by the  
9 retirement system.
- 10 (2) The member may name one (1) primary and one (1) contingent beneficiary for  
11 receipt of the life insurance benefit. To the extent permitted by the Internal Revenue  
12 Code, a trust may be designated as beneficiary for receipt of the life insurance  
13 benefit. Members may designate as beneficiaries only presently identifiable and  
14 existing individuals, or trusts where otherwise permitted, without contingency  
15 instructions, on forms prescribed by the retirement system. In the event that a  
16 member fails to designate a beneficiary, or all designated beneficiaries predecease  
17 the member, the member's estate shall be deemed to be the beneficiary. Any  
18 beneficiary designation made by the member, including the estate should the estate  
19 become the beneficiary by default, shall remain in effect until changed by the  
20 member on forms prescribed by the retirement system, except in the event of  
21 subsequent marriage or divorce. A valid marriage license shall terminate any  
22 previously designated beneficiary, even that of a trust, and establish the spouse as  
23 beneficiary unless, subsequent proof of the marriage, the member or retired member  
24 redesignates someone other than the new spouse as the beneficiary. A final divorce  
25 decree shall terminate the beneficiary status of an ex-spouse unless, subsequent to  
26 divorce, the member redesignates the former spouse as a beneficiary. A final  
27 divorce decree shall not terminate the designation of a trust as beneficiary regardless

1 of who is designated as beneficiary of the trust.

2 (3) Application for payment of life insurance proceeds shall be made to the Teachers'  
3 Retirement System together with acceptable evidence of death and eligibility. The  
4 reciprocal provisions of KRS 61.680(2)(a) shall not apply to the coverage and  
5 payment of proceeds by the life insurance benefit under this section.

6 (4) Suit or civil action shall not be required for the collection of the proceeds of the life  
7 insurance benefit provided for by this section, but nothing in this section shall  
8 prevent the maintenance of suit or civil action against the beneficiary or legal  
9 representative receiving the proceeds of the life insurance benefit.

10 (5) Upon the death of a member of the Teachers' Retirement System, the life insurance  
11 provided pursuant to subsection (1) of this section may be assigned by the  
12 designated beneficiary to a bank or licensed funeral home.

13 ➔Section 73. KRS 161.661 is repealed, reenacted, and amended to read as  
14 follows:

15 (1) Any member who has completed five (5) or more years of accredited service in the  
16 public schools of Kentucky after July 1, 1941, may retire for disability and be  
17 granted a disability allowance if found to be eligible as provided in this section.  
18 Application for disability benefits shall be made within one (1) year of the last  
19 contributing service in Kentucky, and the disability must have occurred during the  
20 most recent period of employment in a position covered by the Teachers' Retirement  
21 System and subsequent to the completion of five (5) years of teaching service in  
22 Kentucky. A disability occurring during the regular vacation immediately following  
23 the last period of active service in Kentucky or during an official leave for which  
24 the member is entitled to make regular contributions to the retirement system, shall  
25 be considered as having occurred during a period of active service. The annual  
26 disability allowance shall be equal to sixty percent (60%) of the member's final  
27 average salary. ~~Individuals who became~~ Members ~~prior to January 1, 2019,~~ who

1 have twenty-seven (27) or more years of service credit are eligible for service  
2 retirement only. ~~Individuals who become members on or after January 1, 2019,~~  
3 ~~who have met the requirements of KRS 161.235(6)(b) shall be eligible for service~~  
4 ~~retirement only.~~

5 (2) The provisions of KRS 161.520, 161.525, and subsections (3), (4), and (5) of this  
6 section shall not apply to disability retirees whose benefits were calculated on the  
7 service retirement formula nor to survivors of these members.

8 (3) Members shall earn one (1) year of entitlement to disability retirement, at sixty  
9 percent (60%) of the member's final average salary, for each four (4) years of  
10 service in a covered position, but any member meeting the service requirement for  
11 disability retirement shall be credited with no less than five (5) years of eligibility.

12 (4) A member retired by reason of disability shall continue to earn service credit at the  
13 rate of one (1) year for each year retired for disability. This service shall be credited  
14 to the member's account at the expiration of entitlement as defined in subsection (3)  
15 of this section, or when the member's eligibility for disability benefits is terminated  
16 upon recommendation of a medical review committee, and this service shall be used  
17 in calculating benefits as provided in subsection (5) of this section, but under no  
18 circumstances shall this service be used to provide the member with more than  
19 twenty-seven (27) years of total service credit ~~or the level of service credit needed~~  
20 ~~to meet the requirements of KRS 161.235(6)(b), as applicable.~~ The service credit  
21 shall be valued at the same level as service earned by active members as provided  
22 under KRS ~~{161.235, }161.600 and, or }161.620~~, as applicable. ~~Members~~  
23 ~~participating in the hybrid cash balance plan as provided by KRS 161.235 shall also~~  
24 ~~be credited with employer credits and interest credits for each year of service earned~~  
25 ~~under the provisions of this subsection based upon the salary in which the last~~  
26 ~~employer credit was paid. Payments during the entitlement period as specified by~~  
27 ~~subsection (3) of this section shall not reduce the accumulated account balance of a~~



- 1 ~~member participating in the hybrid cash balance plan].~~
- 2 (5) Any member retired by reason of disability and remaining disabled at the expiration  
3 of the entitlement period shall have his disability benefits recalculated using the  
4 service retirement formula with service credit ~~and any additional accumulated~~  
5 ~~account balance earned~~ as set out in subsection (4) of this section. ~~For persons~~  
6 ~~who became members prior to January 1, 2019,~~ The retirement allowance shall be  
7 calculated as set forth in KRS 161.620, except that those persons less than sixty  
8 (60) years of age shall be considered as sixty (60) years of age. ~~For persons who~~  
9 ~~become members on or after January 1, 2019, the retirement allowance or benefit~~  
10 ~~shall be calculated as set forth in KRS 161.235, except that those persons less than~~  
11 ~~age sixty five (65) shall be considered as sixty five (65) years of age.]~~ Members  
12 having their disability benefits recalculated under this subsection shall not be  
13 entitled to a benefit based upon an average of their three (3) highest salaries as set  
14 forth in KRS 161.220(9), unless approved otherwise by the board of trustees.
- 15 (6) Members who have their disability retirement allowance recalculated at the  
16 expiration of the entitlement period shall continue to have coverage under the post-  
17 retirement medical insurance program. Restrictions on employment shall remain in  
18 effect until the member attains age seventy (70) or until the member's eligibility is  
19 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability  
20 retirees whose retirement allowances have been recalculated at the expiration of the  
21 entitlement period. Members who have their disability retirement allowance  
22 recalculated at the expiration of their entitlement period shall be entitled to a  
23 minimum monthly allowance of five hundred dollars (\$500) as the basic straight life  
24 annuity. The minimum allowance shall be effective July 1, 1992, and shall apply to  
25 those members who have had their allowance recalculated prior to that date and to  
26 disability retirees who will have their benefit allowance recalculated on or after that  
27 date.

- 1 (7) Effective July 1, 1992, members retired for disability prior to July 1, 1964, shall be  
2 entitled to a minimum monthly allowance of five hundred dollars (\$500) as their  
3 basic straight life annuity and their surviving spouse shall be eligible for survivor  
4 benefits as provided in KRS 161.520(1)(a) and (b).
- 5 (8) Any member retired by reason of disability may voluntarily waive disability benefits  
6 and return to teaching or any~~[ individual who became a]~~ member~~[ prior to January~~  
7 ~~1, 2019]~~, who is age sixty (60) years or older, may elect to waive disability benefits  
8 and retire for service on the basis of service credited to the member on the effective  
9 date of the disability retirement~~[, or any individual who becomes a member on or~~  
10 ~~after January 1, 2019, who is sixty five (65) years of age or older, may elect to~~  
11 ~~waive disability benefits and retire for service on the basis of his or her accumulated~~  
12 ~~account balance and service credited to the member on the effective date of~~  
13 ~~disability retirement]~~.
- 14 (9) In order to qualify for retirement by reason of disability a member must suffer from  
15 a physical or mental condition presumed to be permanent in duration and of a nature  
16 as to render the member incapable of being gainfully employed in a covered  
17 position. The incapability must be revealed by a competent examination by a  
18 licensed physician or physicians and must be approved by a majority of a medical  
19 review committee.
- 20 (10) A member retired by reason of disability shall be required to undergo periodic  
21 examinations at the discretion of the board of trustees to determine whether the  
22 disability allowance shall be continued. When examination and recommendation of  
23 a medical review committee indicate the disability no longer exists, the allowance  
24 shall be discontinued.
- 25 (11) Eligibility for payment shall begin on the first day of the month following receipt of  
26 the application in the Teachers' Retirement System office, or the first of the month  
27 next following the last payment of salary or sick leave benefits by the employer,

1           whichever is the later date.

2   (12) No person who receives a disability allowance may be employed in a position that  
3       entails duties or qualification requirements similar to positions subject to  
4       participation in the retirement system either within or without the State of  
5       Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the  
6       allowance from the first date of this service. A member who applies for and is  
7       approved for disability retirement on or after July 1, 2002, and whose annual  
8       disability benefit is less than forty thousand dollars (\$40,000) may earn income in  
9       any occupation other than covered employment only to the extent that the annual  
10      income from the other employment when added to the annual disability benefit does  
11      not exceed forty thousand dollars (\$40,000). For any member who exceeds this  
12      limit as a result of income from other employment, the Kentucky Teachers'  
13      Retirement System shall reduce the member's disability benefit on a dollar-for-  
14      dollar basis for each dollar that the member's combined annual disability benefit and  
15      annual income from other employment exceeds forty thousand dollars (\$40,000).  
16      The board of trustees may annually increase the forty thousand dollar (\$40,000)  
17      limit by the percentage increase in the annual average of the consumer price index  
18      for all urban consumers for the most recent calendar year as published by the  
19      Federal Bureau of Labor Statistics, not to exceed five percent (5%).

20   (13) All members who applied for disability retirement before July 1, 2002, and were  
21      approved as a result of that application shall be subject to the income limitations as  
22      they existed on June 30, 2002, until July 1, 2006. Effective July 1, 2006, the twenty-  
23      seven thousand dollar (\$27,000) limitation shall be increased to forty thousand  
24      dollars (\$40,000) and may be adjusted by the board of trustees by the consumer  
25      price index in the manner described in subsection (12) of this section. The recipient  
26      of a disability allowance who engages in any gainful occupation other than covered  
27      employment must make a report of the duties involved, compensation received, and

- 1           any other pertinent information required by the board of trustees.
- 2   (14) The board of trustees shall designate medical review committees, each consisting of  
3       three (3) licensed physicians. A medical review committee shall pass upon all  
4       applications for disability retirement and upon all applicant statements, medical  
5       certifications, and examinations submitted in connection with disability  
6       applications. The disposition of each case shall be recommended by a medical  
7       review committee in writing to the retirement system. Members of a medical review  
8       committee shall follow administrative regulations regarding procedures as the board  
9       of trustees may enact and shall be paid reasonable fees and expenses as authorized  
10      by the board of trustees in compliance with the provisions of KRS 161.330 and  
11      161.340. The retirement system may secure additional medical examinations and  
12      information as it deems necessary. A member may appeal any final agency decision  
13      denying his or her disability retirement application pursuant to the provisions of  
14      KRS 161.250(2).
- 15   (15) A disability may be presumed to be permanent if the condition creating the  
16      disability may be reasonably expected to continue for one (1) year or more from the  
17      date of application for disability benefits.
- 18   (16) Any member who has voluntarily waived disability benefits or whose disability  
19      benefits have been discontinued on recommendation of a medical review  
20      committee, may apply for reinstatement of disability benefits. The application for  
21      reinstatement must be made to the retirement system within twelve (12) months of  
22      the date disability benefits terminated. If the termination of benefits were voluntary,  
23      the reinstatement may be made without medical examination if application is made  
24      within three (3) months of the termination date. Other applications for reinstatement  
25      will be processed in the same manner as new applications for benefits.
- 26   (17) No person who is receiving disability benefits under this section may be employed  
27      in a position which qualifies the person for membership in a retirement system

1        financed wholly or in part with public funds. Employment in a position prohibited  
2        by this subsection shall result in disqualification for those disability benefits from  
3        the date of employment in the prohibited position.

4        (18) Any person who is receiving benefits and becomes disqualified from receiving  
5        those benefits under this section, or becomes disqualified from receiving a portion  
6        of those benefits due to income from other than covered employment, shall  
7        immediately notify the Teachers' Retirement System of this disqualification in  
8        writing and shall return all benefits paid after the date of disqualification. Failure to  
9        comply with these provisions shall create an indebtedness of that person to the  
10       Teachers' Retirement System. Interest at the rate of eight percent (8%) per annum  
11       shall be charged if the debt is not repaid within sixty (60) days after the date of  
12       disqualification. Failure to repay this debt creates a lien in favor of the Teachers'  
13       Retirement System upon all property of the person who improperly receives benefits  
14       and does not repay those benefits. The Kentucky Teachers' Retirement System may,  
15       in order to collect an outstanding debt, reduce or terminate any benefit that a  
16       member is otherwise entitled to receive.

17       ➔Section 74. KRS 161.650 is repealed and reenacted to read as follows:

18       (1) In the case of death of a member who has retired by reason of service or disability,  
19       any portion of the member's accumulated contributions, including member  
20       contributions to the state accumulation fund and regular interest to the date of  
21       retirement, that has not, and will not be paid as an allowance or benefit shall be paid  
22       to the member's beneficiary in such manner as the board of trustees elects.

23       (2) The member may designate a primary beneficiary or two (2) or more cobeneficiaries  
24       to receive any remaining accumulated member contributions payable under this  
25       section. A contingent beneficiary may be designated in addition to the primary  
26       beneficiary or the cobeneficiaries. The member may designate two (2) or more  
27       contingent beneficiaries. To the extent permitted by the Internal Revenue Code, a

1 trust may be designated as beneficiary for receipt of any remaining funds of the  
2 member's accumulated contributions. Members may designate as beneficiaries only  
3 presently identifiable and existing individuals, or trusts where otherwise permitted,  
4 without contingency instructions, on forms prescribed by the retirement system.  
5 Cobeneficiaries shall be composed of a single class of individuals, or trusts where  
6 permitted, who will share in equal proportions in any payment that may become  
7 available under this section. Any beneficiary designation made by the member shall  
8 remain in effect until changed by the member on forms prescribed by the retirement  
9 system, except in the event of subsequent divorce. A final divorce decree shall  
10 terminate the beneficiary status of an ex-spouse unless, subsequent to divorce, the  
11 member redesignates the former spouse as a beneficiary. A final divorce decree  
12 shall not terminate the designation of a trust as beneficiary regardless of who is  
13 designated as beneficiary of the trust. In the event that the member fails to designate  
14 a beneficiary or all designated beneficiaries predecease the member, any remaining  
15 accumulated member contributions shall be payable to the member's estate.

16 ➔Section 75. KRS 161.700 is repealed, reenacted, and amended to read as  
17 follows:

- 18 (1) Except as otherwise provided by this section and KRS 161.655(5), the right of a  
19 member to a retirement allowance and to the return of contributions, any benefit or  
20 right accrued or accruing to any person under KRS 161.220 to 161.716, and the  
21 money in the various funds established pursuant to KRS 161.220 to 161.716 are  
22 hereby exempt from any state or municipal tax, and shall not be subject to  
23 execution, garnishment, attachment, or other process, and shall not be assigned.
- 24 (2) Notwithstanding subsection (1) of this section, retirement benefits accrued or  
25 accruing to any person under this retirement system on or after January 1, 1998,  
26 shall be subject to the tax imposed by KRS 141.020, to the extent provided in KRS  
27 141.010 and 141.0215.

- 1 (3) Retirement allowance, disability allowance, accumulated ~~contributions~~~~account~~  
2 ~~balance~~, or any other benefit under the retirement system shall not be classified as  
3 marital property pursuant to KRS 403.190(1), except to the extent permitted under  
4 KRS 403.190(4). Retirement allowance, disability allowance, accumulated  
5 contributions, or any other benefit under the retirement system shall not be  
6 considered as an economic circumstance during the division of marital property in  
7 an action for dissolution of marriage pursuant to KRS 403.190(1)(d), except to the  
8 extent permitted under KRS 403.190(4).
- 9 (4) Qualified domestic relations orders issued by a court or administrative agency shall  
10 be honored by the retirement system if:
- 11 (a) The benefits payable pursuant to the order meet the requirements of a  
12 qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The  
13 retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p)  
14 in administering qualified domestic relations orders;
- 15 (b) The order meets the requirements established by the retirement system and by  
16 subsections (4) to (12) of this section. The board of trustees of the retirement  
17 system shall establish the requirements, procedures, and forms necessary for  
18 the administration of qualified domestic relations order by promulgation of  
19 administrative regulations in accordance with KRS Chapter 13A; and
- 20 (c) The order is on the form established by the retirement system pursuant to the  
21 retirement system's authority provided under paragraph (b) of this subsection.
- 22 (5) A qualified domestic relations order shall not:
- 23 (a) Require the retirement system to take any action not authorized under state or  
24 federal law;
- 25 (b) Require the retirement system to provide any benefit, allowance, or other  
26 payment not authorized under state or federal law;
- 27 (c) Grant or be construed to grant the alternate payee any separate right, title, or

1 interest in or to any retirement benefit other than to receive payments from the  
2 participant's account in accordance with the administrative regulations  
3 promulgated by the system and as provided by subsections (4) to (12) of this  
4 section; or

5 (d) Grant any separate interest to any person other than the participant.

6 (6) Any qualified domestic relations order submitted to the retirement system shall  
7 specify the dollar amount or percentage amount of the participant's benefit to be  
8 paid to the alternate payee. In calculating the amount to be paid to the alternate  
9 payee, the court or administrative agency that is responsible for issuing the order  
10 shall follow the requirements set forth in the administrative regulations promulgated  
11 by the board of trustees. Notwithstanding any other statute to the contrary, the board  
12 shall not be required to honor a qualified domestic relations order that does not  
13 follow the requirements set forth in the administrative regulations promulgated by  
14 the board of trustees.

15 (7) If the qualified domestic relations order meets the requirements established by the  
16 system and by subsections (4) to (12) of this section, payments to the alternate  
17 payee shall be distributed under the following conditions:

18 (a) If the participant is retired and is receiving a monthly benefit~~retirement~~  
19 ~~allowance~~, the month following the date the retirement system receives a  
20 qualified domestic relations order that complies with the administrative  
21 regulations promulgated by the retirement system and subsections (4) to (12)  
22 of this section; or

23 (b) If the participant is not retired, the month of the participant's effective  
24 retirement date in which the first retirement allowance is payable to the  
25 participant or the month in which the participant receives a refund of his or  
26 her accumulated contributions~~account balance~~ as provided by KRS  
27 161.470(6).



- 1 (8) An alternate payee's benefits and rights under a qualified domestic relations order  
2 shall terminate upon the earlier of:
- 3 (a) The death of the participant;
- 4 (b) The death of the alternate payee; or
- 5 (c) The termination of benefits to the participant under any provision of KRS  
6 161.220 to 161.716.
- 7 (9) An alternate payee shall not receive a monthly payment under a qualified domestic  
8 relations order if the participant is not receiving a monthly retirement allowance.
- 9 (10) The cost of living adjustment provided to the participant pursuant to KRS 161.620  
10 shall be divided between the participant and alternate payee in a qualified domestic  
11 relations order as follows:
- 12 (a) If the order specifies the alternate payee is to receive a percentage of the  
13 participant's benefit, then the cost of living adjustment shall be divided  
14 between the participant and the alternate payee based upon the percentage of  
15 the total benefit each is receiving upon the participant's retirement or upon the  
16 date the order is approved by the retirement system, whichever is later; or
- 17 (b) If the order specifies that the alternate payee is to receive a set dollar amount  
18 of the participant's benefit, then the order shall specify that:
- 19 1. The cost of living adjustment shall be divided between the participant  
20 and the alternate payee based upon the percentage of the total benefit  
21 each is receiving upon the participant's retirement or upon the date the  
22 order is approved by the retirement system, whichever is later; or
- 23 2. The alternate payee shall receive no cost of living adjustment.
- 24 If the order does not specify the division of the cost of living adjustment as  
25 required by this paragraph, then no cost of living adjustment shall be payable  
26 to the alternate payee. If no cost of living adjustment is provided to the  
27 alternate payee, then the participant shall receive the full cost of living

1 adjustment he or she would have received if the order had not been applied to  
2 the participant's account.

3 (11) Except in cases involving child support payments, the retirement system may charge  
4 reasonable and necessary fees and expenses to the recipient and the alternate payee  
5 of a qualified domestic relations order for the administration of the qualified  
6 domestic relations order by retirement system. All fees and expenses shall be  
7 established by the administrative regulations promulgated by the board of trustees  
8 of the retirement system. The qualified domestic relations order shall specify  
9 whether the fees and expenses provided by this subsection shall be paid:

- 10 (a) Solely by the participant;  
11 (b) Solely by the alternate payee; or  
12 (c) Equally shared by the participant and alternate payee.

13 (12) The retirement system shall honor a qualified domestic relations order issued prior  
14 to July 15, 2010, for prospective benefit payments if the order or an amended  
15 version of the order meets the requirements established by this section and the  
16 administrative regulations promulgated by the retirement system. The order shall  
17 not apply to benefit payments issued by the retirement system prior to the date the  
18 order was approved by the retirement system.

19 ➔Section 76. KRS 161.714 is repealed, reenacted, and amended to read as  
20 follows:

21 ~~[(1) For persons who became members in the Teachers' Retirement System prior to~~  
22 ~~January 1, 2019, ]~~It is hereby declared that in consideration of the contributions by  
23 members and in further consideration of benefits received by the state from the member's  
24 employment, KRS 161.220 to 161.710 shall constitute, **except as provided in KRS 6.696,**  
25 an inviolable contract of the Commonwealth, and the benefits provided herein, **except as**  
26 **provided in KRS 6.696,** shall not be subject to reduction or impairment by alteration,  
27 amendment, or repeal~~], except:~~

1       ~~(a) As provided in KRS 6.696; and~~

2       ~~(b) The General Assembly reserves the right to amend, reduce, or suspend any~~  
3           ~~legislative changes to the provisions of KRS 161.220 to 161.716 that become~~  
4           ~~effective on or after July 1, 2018.~~

5       ~~(2) (a) For persons who become members in the Teachers' Retirement System on or~~  
6           ~~after January 1, 2019, the General Assembly reserves the right to amend,~~  
7           ~~suspend, or reduce the benefits and rights provided under KRS 161.220 to~~  
8           ~~161.716 if, in its judgment, the welfare of the Commonwealth so demands,~~  
9           ~~except that the amount of benefits the member has accrued at the time of~~  
10          ~~amendment, suspension, or reduction shall not be affected.~~

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

15       ~~(c) The provisions of this subsection shall not be construed to limit the General~~  
16          ~~Assembly's authority to change any other benefit or right specified by KRS~~  
17          ~~161.220 to 161.716, except the benefits specified by paragraph (b) of this~~  
18          ~~subsection for members who begin participating in the Teachers' Retirement~~  
19          ~~System on or after January 1, 2019.~~

20       ~~(3) The provisions of this section shall not be construed to limit the General Assembly's~~  
21          ~~authority to amend, reduce, or suspend the benefits and rights of members of the~~  
22          ~~Teachers' Retirement System as provided by KRS 161.220 to 161.716 that the~~  
23          ~~General Assembly had the authority to amend, reduce, or suspend, prior to July 1,~~  
24          ~~2018].~~

25       ➔Section 77.   KRS 7A.250 is repealed, reenacted, and amended to read as  
26       follows:

27       The Public Pension Oversight Board:

- 1 (1) Shall, from time to time, conduct an impartial review of all the laws governing the  
2 state-administered retirement systems and recommend any changes it may find  
3 desirable with respect to benefits and administration, funding of benefits,  
4 investments of funds, and the improvement of language, structure, and organization  
5 of the statutes;
- 6 (2) ~~Shall~~~~May~~, once every five (5) years, review the benefits provided to employees  
7 who begin participating in the systems administered by Kentucky Retirement  
8 Systems on or after January 1, 2014, ~~and the Teachers' Retirement System on or~~  
9 ~~after January 1, 2019,~~ and recommend any changes to the provisions affecting  
10 these employees that are necessary to maintain the actuarial soundness of the  
11 systems;
- 12 (3) Shall review semiannually the investment programs of the state-administered  
13 retirement systems, including a review of asset allocation targets and ranges, risk  
14 factors, asset class benchmarks, total return objectives, relative volatility,  
15 performance evaluation guidelines, investment policies, and securities litigation  
16 policies and recoveries from fraud or other corporate malfeasance. The board may  
17 establish an advisory committee, as provided by KRS 7A.260, which may include  
18 investment professionals to assist in complying with the provisions of this  
19 subsection;
- 20 (4) May review any benefits, bylaws, policies, or charters established by the state-  
21 administered retirement systems;
- 22 (5) Shall, at the request of the Speaker of the House of Representatives or the President  
23 of the Senate, evaluate proposed changes to laws affecting the state-administered  
24 retirement systems and report to the Speaker or the President on the probable costs,  
25 actuarial implications, and desirability as a matter of public policy;
- 26 (6) May review all new or amended administrative regulations of the state-administered  
27 retirement systems and provide comments to the Administrative Regulation Review

- 1 Subcommittee established by KRS 13A.020;
- 2 (7) Shall research issues related to the state-administered retirement systems as directed  
3 by the Legislative Research Commission;
- 4 (8) Shall at least once every five (5) years have an actuarial audit performed for the  
5 state-administered retirement systems to evaluate the reliability of each system's  
6 actuarial assumptions and methods. The actuarial audit shall be performed by an  
7 actuary retained by the Public Pension Oversight Board;
- 8 (9) ~~Shall~~May prior to each budget biennium ~~[occurring on or after July 1, 2020, ]~~ have  
9 an actuarial review of the funding requests and needs submitted by the state-  
10 administered retirement systems. The review shall be performed by an actuary  
11 retained by the Public Pension Oversight Board; and
- 12 (10) Shall publish an annual report covering the board's evaluation and recommendations  
13 with respect to the operations of the state-administered retirement systems. The  
14 report shall be submitted to the Legislative Research Commission no later than  
15 December 31 of each year and shall include at a minimum any legislative  
16 recommendations made by the board, a summary of the financial and actuarial  
17 condition of the state-administered retirement systems, and an analysis of the  
18 adequacy of the current levels of funding.

19 ➔Section 78. KRS 11A.010 is amended to read as follows:

20 As used in this chapter, unless the context otherwise requires:

- 21 (1) "Business" means any corporation, limited liability company, partnership, limited  
22 partnership, sole proprietorship, firm, enterprise, franchise, association,  
23 organization, self-employed individual, holding company, joint stock company,  
24 receivership, trust, or any legal entity through which business is conducted, whether  
25 or not for profit;
- 26 (2) "Commission" means the Executive Branch Ethics Commission;
- 27 (3) "Compensation" means any money, thing of value, or economic benefit conferred

1 on, or received by, any person in return for services rendered, or to be rendered, by  
2 himself or another;

3 (4) "Family" means spouse and children, as well as a person who is related to a public  
4 servant as any of the following, whether by blood or adoption: parent, brother,  
5 sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-  
6 in-law, son-in-law, daughter-in-law, stepfather, stepmother, stepson, stepdaughter,  
7 stepbrother, stepsister, half brother, half sister;

8 (5) "Gift" means a payment, loan, subscription, advance, deposit of money, services, or  
9 anything of value, unless consideration of equal or greater value is received; "gift"  
10 does not include gifts from family members, campaign contributions, the waiver of  
11 a registration fee for a presenter at a conference or training described in KRS  
12 45A.097(5), or door prizes available to the public;

13 (6) "Income" means any money or thing of value received or to be received as a claim  
14 on future services, whether in the form of a fee, salary, expense allowance,  
15 forbearance, forgiveness, interest, dividend, royalty, rent, capital gain, or any other  
16 form of compensation or any combination thereof;

17 (7) "Officer" means:

18 (a) All major management personnel in the executive branch of state government,  
19 including the secretary of the cabinet, the Governor's chief executive officers,  
20 cabinet secretaries, deputy cabinet secretaries, general counsels,  
21 commissioners, deputy commissioners, executive directors, executive  
22 assistants, policy advisors, special assistants, administrative coordinators,  
23 executive advisors, staff assistants, and division directors;

24 (b) Members and full-time chief administrative officers of:

- 25 1. The Parole Board;
- 26 2. Kentucky Claims Commission;
- 27 3. Kentucky Retirement Systems board of trustees;

- 1           4.    Kentucky Teachers' Retirement System board of trustees;
- 2           5.    ~~{The Kentucky Public Employees Deferred Compensation Authority~~  
3           ~~board of trustees;~~
- 4           6. ~~—~~Public Service Commission;
- 5           6.~~{7.}~~ Worker's Compensation Board and its administrative law judges;
- 6           7.~~{8.}~~ The Kentucky Occupational Safety and Health Review Commission;
- 7           8.~~{9.}~~ The Kentucky Board of Education; and
- 8           9.~~{10.}~~    The Council on Postsecondary Education;
- 9           (c)    Salaried members of executive branch boards and commissions; and
- 10          (d)    Any person who, through a personal service contract or any other contractual  
11          employment arrangement with an agency, performs on a full-time,  
12          nonseasonal basis a function of any major management position listed in this  
13          subsection;
- 14       (8)   "Official duty" means any responsibility imposed on a public servant by virtue of  
15          his or her position in the state service;
- 16       (9)   "Public servant" means:
- 17          (a)    The Governor;
- 18          (b)    The Lieutenant Governor;
- 19          (c)    The Secretary of State;
- 20          (d)    The Attorney General;
- 21          (e)    The Treasurer;
- 22          (f)    The Commissioner of Agriculture;
- 23          (g)    The Auditor of Public Accounts;
- 24          (h)    All employees in the executive branch including officers as defined in  
25          subsection (7) of this section and merit employees; and
- 26          (i)    Any person who, through any contractual arrangement with an agency, is  
27          employed to perform a function of a position within an executive branch

- 1                   agency on a full-time, nonseasonal basis;
- 2   (10) "Agency" means every state office, cabinet, department, board, commission, public  
3       corporation, or authority in the executive branch of state government. A public  
4       servant is employed by the agency by which his or her appointing authority is  
5       employed, unless his or her agency is attached to the appointing authority's agency  
6       for administrative purposes only, or unless the agency's characteristics are of a  
7       separate independent nature distinct from the appointing authority and it is  
8       considered an agency on its own, such as an independent department;
- 9   (11) "Lobbyist" means any person employed as a legislative agent as defined in KRS  
10       6.611(23) or any person employed as an executive agency lobbyist as defined in  
11       KRS 11A.201(8);
- 12   (12) "Lobbyist's principal" means the entity in whose behalf the lobbyist promotes,  
13       opposes, or acts;
- 14   (13) "Candidate" means those persons who have officially filed candidacy papers or who  
15       have been nominated by their political party pursuant to KRS 118.105, 118.115,  
16       118.325, or 118.760 for any of the offices enumerated in subsections (9)(a) to (g) of  
17       this section;
- 18   (14) "Does business with" or "doing business with" means contracting, entering into an  
19       agreement, leasing, or otherwise exchanging services or goods with a state agency  
20       in return for payment by the state, including accepting a grant, but not including  
21       accepting a state entitlement fund disbursement;
- 22   (15) "Public agency" means any governmental entity;
- 23   (16) "Appointing authority" means the agency head or any person whom he or she has  
24       authorized by law to act on behalf of the agency with respect to employee  
25       appointments;
- 26   (17) "Represent" means to attend an agency proceeding, write a letter, or communicate  
27       with an employee of an agency on behalf of someone else;



- 1 (18) "Directly involved" means to work on personally or to supervise someone who  
2 works on personally;
- 3 (19) "Sporting event" means any professional or amateur sport, athletic game, contest,  
4 event, or race involving machines, persons, or animals, for which admission tickets  
5 are offered for sale and that is viewed by the public;
- 6 (20) "Person" means an individual, proprietorship, firm, partnership, limited partnership,  
7 joint venture, joint stock company, syndicate, business or statutory trust, donative  
8 trust, estate, company, corporation, limited liability company, association, club,  
9 committee, organization, or group of persons acting in concert; and
- 10 (21) "Salaried" means receiving a fixed compensation or benefit reserved for full-time  
11 employees, which is paid on a regular basis without regard to the actual number of  
12 hours worked.

13 ➔Section 79. KRS 18A.245 is amended to read as follows:

- 14 (1) The authority shall be administered by a board of trustees composed of seven (7)  
15 members, who shall be as follows:
- 16 (a) Secretary, Finance and Administration Cabinet, ex officio;
- 17 (b) Secretary of personnel, ex officio;
- 18 (c) The state controller, ex officio;
- 19 (d) The State Treasurer, ex officio; and
- 20 (e) Three (3) at-large members appointed by the Governor, ~~who do not have a~~  
21 ~~conflict of interest as provided by KRS 18A.262,~~ one (1) of whom shall have  
22 at least five (5) years of investment or banking experience and one (1) of  
23 whom shall be a representative of a nonstate government employer.
- 24 (2) The members of the board appointed by the Governor shall serve for a period of  
25 four (4) years and the ex officio members of the board shall serve only for the  
26 period of their term of office. Each ex officio member may designate a proxy by  
27 written notice to the authority prior to call of order of each meeting, and the proxy

1 shall be entitled to participate as a full voting member.

2 (3) Any vacancy which may occur shall be filled in the same manner provided for the  
3 selection of the particular member for a full term. Vacancies shall be filled for the  
4 unexpired term only.

5 (4) Membership on the board of trustees shall not be incompatible with any other office  
6 unless a constitutional incompatibility exists, and no member shall be subject to  
7 removal from office, except upon conviction of a felony, or of a misdemeanor  
8 involving moral turpitude.

9 (5) Board members who do not otherwise receive a salary or compensation from the  
10 State Treasury shall receive a per diem of one hundred dollars (\$100) for each day  
11 they are in session or on official duty, and they shall be reimbursed for their actual  
12 and necessary expenses in accordance with state administrative regulations and  
13 standards applicable to state employees.

14 (6) The board shall meet at least once in each quarter of the year, and may meet in  
15 special session upon the call of the chairman. It shall elect a chairman and a vice  
16 chairman. A majority of the members shall constitute a quorum, and all actions  
17 taken by the board shall be by affirmative vote of a majority of the members  
18 present.

19 (7) The authority shall be attached to the Personnel Cabinet for administrative purposes  
20 only. The board may take but is not limited to the following actions:

21 (a) Appoint such employees as it deems necessary and fix the compensation for  
22 all employees of the board, subject to the approval of the secretary. The  
23 authority shall be headed by an executive director who shall be appointed by  
24 the board of directors of the authority without the limitations imposed by KRS  
25 12.040 and KRS Chapter 18A. The executive director of the authority and  
26 employees appointed by the board shall serve at its will and pleasure. All  
27 other staff of the authority shall be employed under KRS 18A.005 to 18A.200;

- 1 (b) Require such employees as it thinks proper to execute bonds for the faithful  
2 performance of their duties;
- 3 (c) Establish a system of accounting;
- 4 (d) Contract for such services as may be necessary for the operation or  
5 administration of deferred compensation plans authorized in KRS 18A.230 to  
6 18A.275, including annual audits;
- 7 (e) Do all things, take all actions, and adopt plans for participation consistent with  
8 federal law and with the provisions of KRS 18A.230 to 18A.275, including  
9 but not limited to:
- 10 1. Amending the board's plan for the Kentucky Public Employees 401(k)  
11 Deferred Compensation Plan or the Kentucky Employees 457 Deferred  
12 Compensation Plan, or both such plans, to adopt, maintain, and  
13 terminate a deemed IRA program under Internal Revenue Code Section  
14 408;
- 15 2. Amending the board's plan for the Kentucky Public Employees 401(k)  
16 Deferred Compensation Plan to adopt, maintain, and terminate a  
17 qualified Roth contribution program under Internal Revenue Code  
18 Section 402A; and
- 19 3. Adopting, maintaining, and terminating an Internal Revenue Code  
20 Section 403(b) plan for qualified employees; ~~and~~
- 21 ~~4. Upon the request of the Kentucky Retirement Systems board of trustees,~~  
22 ~~establishing an investment program for the 401(a) defined contribution~~  
23 ~~plan as provided by KRS 61.5956;] and~~
- 24 (f) Contract with persons or companies duly licensed by the state of Kentucky  
25 and applicable federal regulatory agencies, at the cost of the trust fund, to  
26 provide investment advice to participants in the plans, with respect to their  
27 selection of permitted investments in the plans.

1 (8) The Attorney General, or an assistant designated by him, may act as legal adviser  
2 and attorney for the board. The board may also appoint legal counsel in accordance  
3 with KRS Chapter 12.

4 (9) The board shall prepare an annual financial report showing all receipts,  
5 disbursements, assets, and liabilities and shall submit a copy to the Governor and  
6 the Legislative Research Commission. All board meetings and records shall be open  
7 for inspection by the public.

8 ➔Section 80. The following KRS sections are repealed:

9 18A.262 Conflicts of interest for Kentucky Public Employees Deferred Compensation  
10 Authority employees and trustees. (Declared void -- See LRC Note Below)

11 61.5956 Optional 401(a) money purchase plan for new nonhazardous members who  
12 begin participating in KERS or CERS on or after January 1, 2019. (Declared void --  
13 See LRC Note Below)

14 161.235 Establishment of hybrid cash balance plan for new Teachers' Retirement  
15 System members who begin participating on or after January 1, 2019 -- TRS  
16 members with fewer than five years of service may elect participation. (Declared  
17 void -- See LRC Note Below)