

1 AN ACT relating to the Kentucky Employees Retirement System's employers,  
2 declaring an emergency, and making an appropriation therefor.

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

4 ➔Section 1. KRS 61.565 (Effective April 1, 2021) is amended to read as follows:

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

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

- 17 1. Paid as a percentage of creditable compensation reported for each  
18 employee participating in the system and accruing benefits; and
- 19 2. The same percentage of pay for all employees who are participating in  
20 the same retirement system, except that separate percentage rates shall  
21 be developed in each system for those employers whose employees are  
22 participating in hazardous duty retirement coverage as provided by KRS  
23 61.592.

24 (c) For purposes of this section, the actuarially accrued liability contribution ***for***  
25 ***all employers, except for contributions paid by nonhazardous employers in***  
26 ***the Kentucky Employees Retirement System on or after July 1, 2021,*** shall  
27 be:

- 1           1.    Computed by amortizing the total unfunded actuarially accrued liability  
2                   of each system over a closed period of thirty (30) years beginning with  
3                   the 2019 actuarial valuation using the level percentage of payroll  
4                   amortization method, except that any increase or decrease in the  
5                   unfunded actuarially accrued liability occurring after the completion of  
6                   the 2019 actuarial valuation shall be amortized over a closed period of  
7                   twenty (20) years beginning with the actuarial valuation in which the  
8                   increase or decrease in the unfunded actuarially accrued liability is  
9                   recognized. An increase or decrease in the unfunded actuarially accrued  
10                  liability may result from, but not be limited to, legislative changes to  
11                  benefits, changes in actuarial methods or assumptions, or actuarial gains  
12                  or losses;
- 13           2.    Paid as a percentage of payroll on the creditable compensation reported  
14                   for each employee participating in the system and accruing benefits; and
- 15           3.    The same percentage of pay for all employees who are participating in  
16                   the same retirement system, except that separate percentage rates shall  
17                   be developed in each system for those employers whose employees are  
18                   participating in hazardous duty retirement coverage as provided by KRS  
19                   61.592.

20           (d) 1. For purposes of this section, the actuarially accrued liability  
21                   contribution for nonhazardous employers in the Kentucky Employees  
22                   Retirement System on or after July 1, 2021:

- 23           a. Shall be an annual dollar amount that is sufficient to amortize  
24                   the total unfunded actuarially accrued liability of the system over  
25                   a closed period of thirty (30) years beginning with the 2019  
26                   actuarial valuation using the level percentage of payroll  
27                   amortization method, except that any increase or decrease in the

1 unfunded actuarially accrued liability occurring after the  
2 completion of the 2019 actuarial valuation shall be amortized  
3 over a closed period of twenty (20) years beginning with the  
4 actuarial valuation in which the increase or decrease in the  
5 unfunded actuarially accrued liability is recognized. An increase  
6 or decrease in the unfunded actuarially accrued liability may  
7 result from, but not be limited to, legislative changes to benefits,  
8 changes in actuarial methods or assumptions, or actuarial gains  
9 or losses;

10 b. Shall be prorated to each individual nonhazardous employer in  
11 the Kentucky Employees Retirement System by multiplying the  
12 annual dollar amount of the actuarially accrued liability  
13 contribution for the system as determined by subdivision a. of  
14 this subparagraph by the individual employer's percentage of the  
15 system's total actuarially accrued liability as of the June 30,  
16 2019 actuarial valuation which shall be determined solely by the  
17 system's consulting actuary. The individual employer's  
18 percentage of the system's total actuarially accrued liability as of  
19 the June 30, 2019, actuarial valuation shall be used to determine  
20 the individual employer's prorated dollar amount of the system's  
21 actuarially accrued liability contribution in all future fiscal years  
22 of the amortization period or periods, except that the employer's  
23 percentage shall be adjusted to reflect any employer who  
24 voluntarily or involuntarily ceases participation as provided by  
25 KRS 61.522 and except as provided by subparagraph 4. of this  
26 paragraph. For purposes of this subdivision, all executive  
27 branch departments, program cabinets and their respective

1 departments, and administrative bodies enumerated in KRS  
2 12.020, and any other executive branch agencies  
3 administratively attached to a department, program cabinet, or  
4 administrative body enumerated in KRS 12.020 shall be  
5 considered a single individual employer and only one (1) value  
6 shall be computed for these employers. For purposes of this  
7 subdivision, all employers of the legislative branch, including the  
8 Legislative Research Commission and the General Assembly that  
9 covers legislators and staff who participate in the Kentucky  
10 Employees Retirement System, shall be considered a single  
11 individual employer and only one (1) value shall be computed for  
12 these employers. For purposes of this subdivision, all employers  
13 of the judicial branch, including the Administrative Office of the  
14 Courts, the Judicial Form Retirement System, and all master  
15 commissioners, shall be considered a single individual employer  
16 and only one (1) value shall be computed for these employers;

17 c. Shall be payable by an individual employer in equal monthly  
18 dollar installments during the fiscal year in accordance with the  
19 reporting requirements specified by KRS 61.675 so that the  
20 individual employer pays its full prorated dollar amount of the  
21 actuarially accrued liability contribution as determined by  
22 subdivision b. of this subparagraph; and

23 d. Notwithstanding subdivision b. of this subparagraph for those  
24 individual participating employers who are local and district  
25 health departments governed by KRS Chapter 212, community  
26 mental health centers, and employers whose employees are not  
27 subject to KRS 18A.005 to 18A.200, who received or were eligible

1 to receive a distribution of general fund appropriations in the  
2 2018-2020 biennial executive branch budget to assist in paying  
3 retirement costs under 2018 Ky. Acts ch. 169, Part I, G., 4., (5);  
4 2018 Ky. Acts ch. 169, Part I, G., 5., (2); or 2018 Ky. Acts ch.  
5 169, Part I, G., 9., (2), shall not, once the initial dollar amounts  
6 are established in accordance with this paragraph, be adjusted in  
7 terms of dollars paid by the individual employer, except that  
8 adjustments shall be made by the system upon completion of an  
9 actuarial investigation as provided by KRS 61.670, so long as at  
10 least four (4) years have passed since the last adjustment to the  
11 actuarially accrued liability contribution for these employers.

12 2. Individual employers, solely for purposes of collecting employer  
13 contributions from various fund sources during the fiscal year, may  
14 convert the actuarially accrued liability contribution established by  
15 this paragraph to a percentage of pay and may adjust the percent of  
16 pay during the fiscal year in order to pay the required dollar value of  
17 actuarially accrued liability contribution required by this paragraph.  
18 No provision of this subparagraph shall be construed to reduce an  
19 individual employer's actuarially accrued liability contribution as  
20 otherwise provided by this paragraph.

21 3. The provisions of this paragraph shall not apply to those employers  
22 who cease participation as provided by KRS 61.522.

23 4. In the event an individual Kentucky Employees Retirement System  
24 nonhazardous employer who is required to pay an actuarially accrued  
25 liability contribution as provided by this paragraph and as calculated  
26 from the 2019 actuarial valuation or subsequent valuations, merges  
27 with another employer or entity, forms a new or separate employer or

1           entity, or splits or separates operations into multiple employers or  
 2           entities, the system shall, except for those employers or entities who  
 3           pay the costs to cease participation as provided by KRS 61.522, have  
 4           full authority to assign a portion or all of the total actuarially accrued  
 5           liability contribution to the merged, new, split, or separate employers  
 6           or entities, regardless of whether or not the merged, new, split, or  
 7           separate employers or entities participate in the system. In the case of  
 8           a district health department established pursuant to KRS Chapter 212,  
 9           which ceases to operate or which has a county or counties that  
 10           withdraw from the district health department, the systems shall assign  
 11           the total actuarially accrued liability contribution based upon the  
 12           proportion of taxable property of each county as certified by the  
 13           Department for Public Health in the Cabinet for Health and Family  
 14           Services in accordance with Section 3 of this Act. The system shall  
 15           establish by administrative regulations the process of assigning  
 16           actuarially accrued liability contributions as authorized by this  
 17           subparagraph.

18       (e) The employer contributions computed under this section shall be determined  
 19       using:

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

25       (2) (a) Except as limited by subsection (1)(d)1.d. of this section as it relates to the  
 26       Kentucky Employees Retirement System, normal cost contribution rates and  
 27       the actuarially accrued liability contribution shall be determined by the board

1 on the basis of the annual actuarial valuation last preceding the July 1 of a new  
2 biennium.

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

7 (c) The board shall not have the authority to amend contribution rates as of July 1  
8 of the second year of the biennium for the Kentucky Employees Retirement  
9 System and the State Police Retirement System.

10 (3) The system shall advise each employer prior to July 1 of any change in the employer  
11 contribution rate. Based on the employer contribution rate, each employer shall  
12 include in the budget sufficient funds to pay the employer contributions as  
13 determined by the board under this section.

14 (4) All employers, including the General Assembly, shall pay the full actuarially  
15 required contributions, as prescribed by this section, to the Kentucky Employees  
16 Retirement System and the State Police Retirement System in fiscal years occurring  
17 on or after July 1, 2020.

18 ➔Section 2. KRS 61.510 (Effective April 1, 2021) is amended to read as follows:

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

20 (1) "System" means the Kentucky Employees Retirement System created by KRS  
21 61.510 to 61.705;

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

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

25 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the  
26 General Assembly and any other body, entity, or instrumentality designated by  
27 executive order by the Governor, shall be deemed to be a department,

1           notwithstanding whether said body, entity, or instrumentality is an integral part of  
2           state government;

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

4       (5) "Employee" means the members, officers, and employees of the General Assembly  
5           and every regular full-time, appointed or elective officer or employee of a  
6           participating department, including the Department of Military Affairs. The term  
7           does not include persons engaged as independent contractors, seasonal, emergency,  
8           temporary, interim, and part-time workers. In case of any doubt, the board shall  
9           determine if a person is an employee within the meaning of KRS 61.510 to 61.705;

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

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

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

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

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

27      (11) "Prior service" means the number of years and completed months, expressed as a



1 fraction of a year, of employment as an employee, prior to July 1, 1956, for which  
2 creditable compensation was paid; except that for members, officers, and employees  
3 of the General Assembly, this date shall be January 1, 1960. An employee shall be  
4 credited with one (1) month of prior service only in those months he received  
5 compensation for at least one hundred (100) hours of work; provided, however, that  
6 each member, officer, and employee of the General Assembly shall be credited with  
7 a month of prior service for each month he served in the position prior to January 1,  
8 1960. Twelve (12) months of current service in the system are required to validate  
9 prior service;

10 (12) "Accumulated contributions" at any time means the sum of all amounts deducted  
11 from the compensation of a member and credited to his individual account in the  
12 members' account, including employee contributions picked up after August 1,  
13 1982, pursuant to KRS 61.560(4), together with interest credited, on such amounts  
14 and any other amounts the member shall have contributed thereto, including interest  
15 credited thereon. For members who begin participating on or after September 1,  
16 2008, "accumulated contributions" shall not include employee contributions that are  
17 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the  
18 funds established in KRS 16.510 and 78.520, as prescribed by KRS 61.702(2)(b);

19 (13) "Creditable compensation":

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

1 federal form W-2 wage and tax statement under the heading "wages, tips,  
2 other compensation," including employee contributions picked up after  
3 August 1, 1982, pursuant to KRS 6.505(4) or 61.560(4);

4 (b) Includes:

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

1 available on or after January 1, 2001, for calendar years on or after  
2 January 1, 2001, that are not includable in the gross income of the  
3 employee by reason of 26 U.S.C. sec. 132(f)(4); and

4 (c) Excludes:

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

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

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

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

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

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

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

26 (e) For a member who begins participating on or after September 1, 2008, but  
27 prior to January 1, 2014, who is employed in a hazardous position as provided

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

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

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

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

1 same option computed under early retirement;

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

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

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

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

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

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

24 (c) Temporary positions which are positions of employment with a participating  
25 department for a period of time not to exceed nine (9) months and are  
26 nonrenewable;

27 (d) Part-time positions which are positions which may be permanent in duration,

1 but which require less than a calendar or fiscal year average of one hundred  
2 (100) hours of work per month, determined by using the number of months  
3 actually worked within a calendar or fiscal year, in the performance of duty;  
4 and

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

7 (22) "Delayed contribution payment" means an amount paid by an employee for  
8 purchase of current service. The amount shall be determined using the same formula  
9 in KRS 61.5525, and the payment shall not be picked up by the employer. A  
10 delayed contribution payment shall be deposited to the member's account and  
11 considered as accumulated contributions of the individual member. In determining  
12 payments under this subsection, the formula found in this subsection shall prevail  
13 over the one found in KRS 212.434;

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

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

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

26 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by  
27 the member in accordance with KRS 61.542 or 61.705 to receive any available

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



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

1 participant, who is designated to be paid retirement benefits in a qualified domestic  
2 relations order;

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

6 (41) "Accumulated account balance" means:

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

9 (b) For members who began participating in the system on or after January 1,  
10 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,  
11 the combined sum of the member's accumulated contributions and the  
12 member's accumulated employer credit;

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

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

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

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

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

3 (45) "Monthly average pay" means the higher of the member's monthly final rate of pay  
 4 or the average monthly creditable compensation earned by the deceased member  
 5 during his or her last twelve (12) months of employment;

6 (46) "Authority" means the Kentucky Public Pensions Authority as provided by KRS  
 7 61.505; and

8 (47) "Executive director" means the executive director of the Kentucky Public Pensions  
 9 Authority.

10 ➔SECTION 3. A NEW SECTION OF KRS 212.010 TO 212.275 IS CREATED  
 11 TO READ AS FOLLOWS:

12 **(1) If a district health department established pursuant to this chapter ceases to**  
 13 **operate or has a county or counties withdraw from the district health department,**  
 14 **the Department for Public Health in the Cabinet for Health and Family Services**  
 15 **shall, if the district health department participated in the Kentucky Employees**  
 16 **Retirement System, certify the following to the Kentucky Retirement Systems:**

17 **(a) 1. In the case of a district health department that ceases to operate, the**  
 18 **proportion of taxable property of each county of the ceasing district**  
 19 **health department as determined by respective county assessments and**  
 20 **in accordance with revenues generated pursuant to authority under**  
 21 **this chapter; or**

22 **2. In the case of a county or counties that withdraw from a district health**  
 23 **department, the proportion of taxable property of the withdrawing**  
 24 **county as determined by respective county's assessment and in**  
 25 **accordance with revenues generated pursuant to authority under this**  
 26 **chapter; and**

27 **(b) The local board of health, local government agency, or entity responsible**

1                   *for paying retirement costs of the county that is no longer participating with*  
2                   *the current or ceased district health department.*

3           *(2) The Cabinet for Health and Family Services may promulgate administrative*  
4           *regulations to carry out this section.*

5           ➔Section 4. The Kentucky Retirement Systems board of trustees shall amend the  
6 actuarial valuation for the Kentucky Employees Retirement System in accordance with  
7 the provisions of Section 1 of this Act so that employer costs can be determined for fiscal  
8 year 2021-2022 and shall provide the information to the Governor and General Assembly  
9 for purposes of the fiscal year 2021-2022 budgeting process.

10           ➔Section 5. For any district health department that has ceased to exist prior to the  
11 effective date of this Act, Kentucky Retirement Systems shall have the authority to assign  
12 liabilities and employer costs to the county health departments which comprised that  
13 ceasing district health department in order to carry out the provisions of Section 1 of this  
14 Act.

15           ➔Section 6. Whereas ensuring the financial health of the Kentucky Employees  
16 Retirement System is critical to the Commonwealth of Kentucky and to members,  
17 retirees, and employers of the system, an emergency is declared to exist, and this Act  
18 takes effect upon its passage and approval by the Governor or upon its otherwise  
19 becoming law.