105 KAR 1:340. Rollovers and transfers of contributions in other plans.

RELATES TO: KRS 16.510-16.652, 61.515-61.705, 78.520-78.852, 26 U.S.C. secs. 401(a)(31), 402(c), 408(d)(3)

STATUTORY AUTHORITY: KRS 61.645(9)(g)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 61.552(16)(h) authorizes an employee to purchase service credit in the Kentucky Retirement Systems by rollover or transfer of funds from a retirement plan or deferred compensation arrangement, to the extent allowed under the Internal Revenue Code. This administrative regulation establishes the procedures and forms for making purchases by rollover or transfer.

Section 1. (1)(a) An employee eligible to purchase service credit under KRS 16.510 to 16.652, 61.515 to 61.705, or 78.520 to 78.852 may purchase the service by transferring funds through a direct trustee-to-trustee transfer, as permitted under applicable sections of the Internal Revenue Code and associated regulations or rulings.

(b) Service credit may also be purchased through a direct rollover, as contemplated by and permitted under 26 USC sec. 401(a)(31) and associated regulations or rulings.

(c) Service credit may also be purchased by a rollover of funds pursuant to and permitted under 26 USC sec. 402(c) or 408(d)(3).

(d) The Kentucky Retirement Systems shall accept the transfer or rollover to the extent permitted by law, as specified in the applicable provisions of the Internal Revenue Code and associated regulations and rulings.

(2) The retirement system shall not accept a rollover or transfer of funds from a retirement plan or deferred compensation arrangement unless the employee has obtained a calculation of the cost of the service from the retirement system.

Section 2. (1) An employee who intends to rollover or transfer eligible funds from a retirement plan or deferred compensation arrangement shall complete Section 1 of "Form 4170, Direct Transfer/Rollover Authorization Form".

(2) The financial institution or plan administrator responsible for the employee's account in the retirement plan or deferred compensation arrangement shall complete Section 2 of "Form 4170, Direct Transfer/Rollover Authorization Form".

(3) The completed "Form 4170, Direct Transfer/Rollover Authorization Form", shall be filed at the retirement system by the payment due date. A completed form not filed by the payment due date shall be void.

(4) The financial institution shall complete the rollover or transfer within sixty (60) days from the payment due date.

Section 3. If the employee is making a lump sum purchase by rollover or transfer from a retirement plan or deferred compensation arrangement and the total distribution amount at the time of transfer or rollover by the financial institution or plan administrator responsible for the employee's account in the retirement plan or deferred compensation arrangement is less than total cost of the service:

(1) Upon notification, the employee shall pay the additional cost by the purchase due date.

(2) If the transfer or rollover amount is not known until after the date the purchase was due, the employee shall have ten (10) working days from the date of notification to submit the additional cost due.

(3) If the employee does not file the payment in the retirement office by the date the purchase is due, the retirement system shall credit the employee's account with the maximum

service credit that may be purchased under the applicable statute for the type of service, whether in months or increments, by an amount equal to or less than the total distribution. The retirement system shall return any excess amount to the retirement plan or deferred compensation arrangement.

Section 4. If the total distribution amount at the time of transfer or rollover by the financial institution or plan administrator responsible for the employee's account in the retirement plan or deferred compensation arrangement is less than total cost of the service, and the employee is paying the remaining principal of an installment purchase agreement under KRS 61.552(16):

(1) The employee shall pay the additional cost due within sixty (60) days of termination of the installment purchase agreement.

(2) If the employee does not file the payment in the retirement office by the date the purchase is due or within sixty (60) days of termination of the installment purchase agreement, the retirement system shall return the total distribution to the retirement plan or deferred compensation arrangement.

Section 5. If the actual total distribution at the time of transfer by the financial institution responsible for the employee's account in the retirement plan or deferred compensation arrangement is greater than the amount certified on Form 4170, Direct Transfer/Rollover Authorization Form, the amount in excess of the cost of the service shall be returned:

(1) First, to the employee from funds, if any, paid by the employee toward the service purchase; or

(2) Second, to the financial institution responsible for the employee's account in the retirement plan or deferred compensation arrangement.

Section 6. Incorporation by Reference. (1) "Form 4170, Direct Transfer/Rollover Authorization Form, April 2002", Kentucky Retirement Systems, is incorporated by reference.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, Monday through Friday, 8 a.m. to 4:30 p.m. (28 Ky.R. 1007; Am. 1355; eff. 12-19-2001; 29 Ky.R. 782; 1256; eff. 11-12-02.)