AN ACT relating to retirement.

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

➔SECTION 1. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) Effective July 1, 2017, the administration of the County Employees Retirement System shall be transferred from the Kentucky Retirement Systems board of trustees to the County Employees Retirement System board of trustees.***

***(2) Notwithstanding any other provision of statute to the contrary, the board of trustees of the County Employees Retirement System shall have the authority to:***

***(a) Contract for a period not to exceed four (4) years with the Kentucky Retirement Systems for the administration of benefit services, financial services, legal services, investment services, information technology services, and any other administrative services as needed and as determined by the board of trustees of the County Employees Retirement System. The Kentucky Retirement Systems board of trustees or staff shall have no authority to deny, limit, or withhold any administrative services to the County Employees Retirement System and shall work cooperatively with the County Employees Retirement System board of trustees or staff to effectively transfer administrative responsibility of the County Employees Retirement System. The cost to the County Employees Retirement System for contracting administrative services as authorized by this subsection shall not exceed the actual costs for providing the services and shall be paid directly from the County Employees Retirement System pension fund;***

***(b) Utilize any data or computer software maintained or developed for the Kentucky Retirement Systems to effectuate the separation of the County Employees Retirement System from the Kentucky Retirement Systems; and***

***(c) Utilize any building or facilities of the Kentucky Retirement Systems for***

***board meetings, committee meetings, or as needed by the County Employees Retirement System board of trustees or staff until July 1, 2018.***

***(3) The board of trustees of the County Employees Retirement System and the board of trustees of the Kentucky Retirement Systems shall jointly retain the services of a consultant to determine a method to equitably divide any assets held jointly between the County Employees Retirement System, the Kentucky Employees Retirement System, and the State Police Retirement System as of June 30, 2017. The respective boards shall rely upon the consultant's recommendations to ensure each system receives an equitable distribution of jointly owned assets.***

➔Section 2. KRS 78.510 is amended to read as follows:

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

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

(2) "Board" means the board of trustees of the system as provided in ***Section 46 of this Act***~~[KRS 78.780]~~;

(3) "County" means any county, or nonprofit organization created and governed by a county, counties, or elected county officers, sheriff and his employees, county clerk and his employees, circuit clerk and his deputies, former circuit clerks or former circuit clerk deputies, or political subdivision or instrumentality, including school boards, ***cities,*** charter county ***governments***~~[government]~~,~~[ or]~~ urban-county ***governments, consolidated local governments, or unified local governments***~~[government]~~ participating in the system by order appropriate to its governmental structure, as provided in KRS 78.530, and if the board is willing to accept the agency, organization, or corporation, the board being hereby granted the authority to determine the eligibility of the agency to participate;

(4) "School board" means any board of education participating in the system by order appropriate to its governmental structure, as provided in KRS 78.530, and if the board is willing to accept the agency or corporation, the board being hereby granted

the authority to determine the eligibility of the agency to participate;

(5) "Examiner" means the medical examiners as provided in ***Section 30 of this Act***~~[KRS 61.665]~~;

(6) "Employee" means every regular full-time appointed or elective officer or employee of a participating county and the coroner of a participating county, whether or not he qualifies as a regular full-time officer. The term shall not include persons engaged as independent contractors, seasonal, emergency, temporary, and part-time workers. In case of any doubt, the board shall determine if a person is an employee within the meaning of KRS 78.510 to 78.852;

(7) "Employer" means a county, as defined in subsection (3) of this section, the elected officials of a county, or any authority of the county having the power to appoint or elect an employee to office or employment in the county;

(8) "Member" means any employee who is included in the membership of the system or any former employee whose membership has ***ceased***~~[not been terminated]~~ under ***Section 4 of this Act***~~[KRS 61.535]~~;

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

(10) "Current service" means the number of years and months of employment as an employee, on and after July 1, 1958, for which creditable compensation is paid and employee contributions deducted, except as otherwise provided;

(11) "Prior service" means the number of years and completed months, expressed as a fraction of a year, of employment as an employee, prior to July 1, 1958, for which creditable compensation was paid. An employee shall be credited with one (1) month of prior service only in those months he received compensation for at least one hundred (100) hours of work. Twelve (12) months of current service in the system shall be required to validate prior service;

(12) "Accumulated contributions" means the sum of all amounts deducted from the

compensation of a member and credited to his individual account in the members' account, including employee contributions picked up after August 1, 1982, pursuant to KRS 78.610(4), together with interest credited on the amounts, and any other amounts the member shall have contributed thereto, including interest credited thereon. For members who begin participating on or after September 1, 2008, "accumulated contributions" shall not include employee contributions that are deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS ~~[16.510, 61.515, and ]~~78.520, as prescribed by ***subsection (3)(b) of Section 40 of this Act***~~[KRS 61.702(2)(b)]~~;

(13) "Creditable compensation"***:***

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

***(b) Includes:***~~[A ]~~

***1.*** Lump-sum ***bonuses***~~[bonus]~~, severance pay, or employer-provided ***payments***~~[payment]~~ for purchase of service credit***, which***~~[ shall be included as creditable compensation but]~~ shall be averaged over the employee's service with the system in which it is recorded if it is equal to or greater than one thousand dollars ($1,000)***;***~~[.]~~

***2. Cases where***[If] compensation includes maintenance and other perquisites, ***but*** the board shall fix the value of that part of the compensation not paid in money***;***[.]

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

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

***(c) Excludes:***

***1.*** Living allowances, expense reimbursements, lump-sum payments for accrued vacation leave, sick leave except as provided in KRS 78.616(5), and other items determined by the board***;***[ shall be excluded. Creditable compensation shall also include amounts that are not includable in the member's gross income by virtue of the member having taken a voluntary salary reduction provided for under applicable provisions of the Internal Revenue Code. Creditable compensation shall also include elective amounts for qualified transportation fringes paid or made available on or after January 1, 2001, for calendar years on or after January 1, 2001, that are not includable in the gross income of the employee by reason of 26 U.S.C. sec. 132(f)(4).]

***2.*** For employees who begin participating on or after September 1, 2008, ***lump-sum***[creditable compensation shall not include] payments for compensatory time***;***[.]

***3.*** [Creditable compensation shall not include ]Training incentive payments

for city officers paid as set out in KRS 64.5277 to 64.5279***; and***[~~.~~]

***4.*** For employees who begin participating on or after August 1, 2016, [~~creditable compensation shall exclude~~ ]nominal fees paid for services as a volunteer;

(14) "Final compensation" means:

(a) For a member who begins participating before September 1, 2008, who is [~~not~~ ]employed in a ***nonhazardous***[~~hazardous~~] position, [~~as provided in KRS 61.592,~~ ]the creditable compensation of the member during the five (5) fiscal years he was paid at the highest average monthly rate divided by the number of months of service credit during that five (5) year period multiplied by twelve (12). The five (5) years may be fractional and need not be consecutive. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used;

(b) For a member who is [~~not~~ ]employed in a ***nonhazardous***[~~hazardous~~] position, [~~as provided in KRS 61.592,~~ ]whose effective retirement date is between August 1, 2001, and January 1, 2009, and whose total service credit is at least twenty-seven (27) years and whose age and years of service total at least seventy-five (75), final compensation means the creditable compensation of the member during the three (3) fiscal years the member was paid at the highest average monthly rate divided by the number of months of service credit during that three (3) year period multiplied by twelve (12). The three (3) years may be fractional and need not be consecutive. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used[~~. Notwithstanding the provision of KRS 61.565, the funding for this paragraph shall be provided from existing funds of the retirement allowance~~];

(c) For a member who begins participating before September 1, 2008, who is

employed in a hazardous position, ~~[as provided in KRS 61.592, ]~~the creditable compensation of the member during the three (3) fiscal years he was paid at the highest average monthly rate divided by the number of months of service credit during that three (3) year period multiplied by twelve (12). The three (3) years may be fractional and need not be consecutive. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used;

(d) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, who is ~~[not ]~~employed in a ***nonhazardous***~~[hazardous]~~ position, ~~[as provided in KRS 61.592, ]~~the creditable compensation of the member during the five (5) complete fiscal years immediately preceding retirement divided by five (5). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit. If the member does not have five (5) complete fiscal years that each contain twelve (12) months of service credit, then one (1) or more additional fiscal years shall be used; or

(e) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, who is employed in a hazardous position, ~~[as provided in KRS 61.592, ]~~the creditable compensation of the member during the three (3) complete fiscal years he was paid at the highest average monthly rate divided by three (3). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit;

(15) "Final rate of pay" means the actual rate upon which earnings of an employee were calculated during the twelve (12) month period immediately preceding the member's effective retirement date, and shall include employee contributions picked up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to the system by the employer and the following equivalents shall be used to convert

the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months, one (1) year;

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

(17) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the actuarial tables adopted by the board. In cases of disability retirement, the options authorized by ***Section 24 of this Act***~~[KRS 61.635]~~ shall be computed by adding ten (10) years to the age of the member, unless the member has chosen the Social Security adjustment option as provided for in ***subsection (8) of Section 24 of this Act***~~[KRS 61.635(8)]~~, in which case the member's actual age shall be used. For members who begin participating in the system prior to January 1, 2014, no disability retirement option shall be less than the same option computed under early retirement;

(18) "Normal retirement date"***, unless otherwise provided in KRS 78.510 to 78.852,*** means***:***

***(a) For a member with service in a nonhazardous position,*** the sixty-fifth birthday of a member~~[ unless otherwise provided in KRS 78.510 to 78.852]~~;

***(b) For a member with service in a hazardous position who begins participating before September 1, 2008, the first day of the month following a member's fifty-fifth birthday; or***

***(c) For a member with service in a hazardous position who begins participating on or after September 1, 2008, the first day of the month following a member's sixtieth birthday;***

(19) "Fiscal year" of the system means the twelve (12) months from July 1 through the following June 30, which shall also be the plan year. The "fiscal year" shall be the

limitation year used to determine contribution and benefits limits as set out in 26 U.S.C. sec. 415;

(20) "Agency reporting official" means the person designated by the participating ***employer***~~[agency]~~ who shall be responsible for forwarding all employer and employee contributions and a record of the contributions to the system and for performing other administrative duties pursuant to the provisions of KRS 78.510 to 78.852;

(21) "Regular full-time positions," as used in subsection (6) of this section, shall mean all positions that average one hundred (100) or more hours per month, determined by using the number of hours actually worked in a calendar or fiscal year, or eighty (80) or more hours per month in the case of noncertified employees of school boards, determined by using the number of hours actually worked in a calendar or school year, unless otherwise specified, except:

(a) Seasonal positions, which although temporary in duration, are positions which coincide in duration with a particular season or seasons of the year and that may recur regularly from year to year, in which case the period of time shall not exceed nine (9) months, except for employees of school boards, in which case the period of time shall not exceed six (6) months;

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

(c) Temporary, also referred to as probationary, positions that are positions of employment with a participating agency for a period of time not to exceed twelve (12) months and not renewable; or

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

case of noncertified employees of school boards, the school term average shall be eighty (80) hours of work per month, determined by using the number of months actually worked in a calendar or school year, in the performance of duty;

(22) "Alternate participation plan" means a method of participation in the system as provided for by KRS 78.530(3);

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

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

(25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the member in accordance with ***Sections 19 or 41 of this Act***~~[KRS 61.542 or 61.705]~~ to receive any available benefits in the event of the member's death. As used in ***Section 40 of this Act***~~[KRS 61.702]~~, beneficiary shall not mean an estate, trust, or trustee;

(26) "Recipient" means the retired member, the person or persons designated as beneficiary by the member and drawing a retirement allowance as a result of the member's death, or a dependent child drawing a retirement allowance. An alternate payee of a qualified domestic relations order shall not be considered a recipient, except for purposes of ***Section 38 of this Act***~~[KRS 61.623]~~;

(27) "Person" means a natural person;

(28) "School term or year" means the twelve (12) months from July 1 through the following June 30;

(29) "Retirement office" means the ***County Employees Retirement System***~~[Kentucky Retirement Systems]~~ office building in Frankfort;

(30) ***"Vested" for purposes of determining eligibility for purchasing service credit under Section 10 of this Act means the employee has at least forty-eight (48) months of service if age sixty-five (65) or older or at least sixty (60) months of service if under the age of sixty-five (65)***[~~"Delayed contribution payment" means an amount paid by an employee for current service obtained under KRS 61.552. The amount shall be determined using the same formula in KRS 61.5525, except the determination of the actuarial cost for classified employees of a school board shall be based on their final compensation, and the payment shall not be picked up by the employer. A delayed contribution payment shall be deposited to the member's account and considered as accumulated contributions of the individual member. In determining payments under this subsection, the formula found in this subsection shall prevail over the one found in KRS 212.434~~];

(31) "Participating" means an employee is currently earning service credit in the system as provided in KRS 78.615;

(32) "Month" means a calendar month;

(33) "Membership date" means the date upon which the member began participating in the system as provided in KRS 78.615;

(34) "Participant" means a member, as defined by subsection (8) of this section, or a retired member, as defined by subsection (23) of this section;

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

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

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

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

(37) "Accumulated employer credit" means the employer pay credit deposited to the member's account and interest credited on such amounts as provided by ***Section 21 and 23 of this Act***[~~KRS 16.583 and 61.597~~];

(38) "Accumulated account balance" means:

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

(b) For members who began participating in the system on or after January 1, 2014, in the hybrid cash balance plan as provided by ***Sections 21 and 23 of this Act***[~~KRS 16.583 and 61.597~~], the combined sum of the member's accumulated contributions and the member's accumulated employer credit;

(39) "Volunteer" means an individual who:

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

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

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

***(41) "Hazardous position" means a position that meets the requirements of Section 6 of this Act and has been approved by the board as hazardous;***

1 ***(42) "Nonhazardous position" means a position that does not meet the requirements***
2 ***of Section 6 of this Act and has not been approved by the board as a hazardous***
3 ***position;***
4 ***(43) "Level-percentage-of-payroll amortization method" means a method of***
5 ***determining the annual amortization payment on the unfunded actuarial accrued***
6 ***liability as expressed as a percentage of payroll over a set period of years. Under***
7 ***this method, the percentage of payroll shall be projected to remain constant for***
8 ***all years remaining in the set period and the unfunded actuarially accrued***
9 ***liability shall be projected to be fully amortized at the conclusion of the set***
10 ***period;***
11 ***(44) "Increment" means twelve (12) months of service credit which are purchased.***
12 ***The twelve (12) months need not be consecutive. The final increment may be less***
13 ***than twelve (12) months;***
14 ***(45) "Last day of paid employment" means the last date employer and employee***
15 ***contributions are required to be reported in accordance with Section 8 of this Act***
16 ***to the retirement office in order for the employee to receive current service credit***
17 ***for the month. Last day of paid employment does not mean a date the employee***
18 ***receives payment for accrued leave, whether by lump sum or otherwise, if that***
19 ***date occurs twenty-four (24) or more months after previous contributions;***
20 ***(46) "Objective medical evidence" means reports of examinations or treatments;***
21 ***medical signs which are anatomical, physiological, or psychological***
22 ***abnormalities that can be observed; psychiatric signs which are medically***
23 ***demonstrable phenomena indicating specific abnormalities of behavior, affect,***
24 ***thought, memory, orientation, or contact with reality; or laboratory findings***
25 ***which are anatomical, physiological, or psychological phenomena that can be***
26 ***shown by medically acceptable laboratory diagnostic techniques, including but***
27 ***not limited to chemical tests, electrocardiograms, electroencephalograms, X-rays,***

1 ***and psychological tests;***
2 ***(47) "Hazardous disability" as used in KRS 78.510 to 78.852 means a disability which***
3 ***results in an employee's total incapacity to continue as an employee in a***
4 ***hazardous position, but the employee is not necessarily deemed to be totally and***
5 ***permanently disabled to engage in other occupations for remuneration or profit;***
6 ***(48) "Act in line of duty" means:***
7 ***(a) For an employee in a nonhazardous position, shall mean a "duty-related***
8 ***injury" as provided in KRS 61.621;***
9 ***(b) For an employee in a hazardous position, an act occurring which was***
10 ***required in the performance of the principal duties of the position as***
11 ***defined by the job description;***
12 ***(49) "Dependent child" means a child in the womb and a natural or legally adopted***
13 ***child of the member who has neither attained age eighteen (18) nor married or***
14 ***who is an unmarried full-time student who has not attained age twenty-two (22);***
15 ***and***
16 ***(50) "Normal retirement age" means the age at which the member meets the***
17 ***requirements for his or her normal retirement date as provided by subsection (18)***
18 ***of this section***.
19 ➔Section 3. KRS 78.535 is amended to read as follows:
20 ***Notwithstanding any other provision of KRS 78.510 to 78.852 to the contrary:***
21 ***(1) For purposes of this section:***
22 ***(a) "Active member" means a member who is participating in the system;***
23 ***(b) "Employer" means the governing body of a county as defined by KRS***
24 ***78.510;***
25 ***(c) "Employer's effective cessation date" means the last day of the system's***
26 ***plan year in the year in which the employer has elected to cease***
27 ***participation in the system, provided the employer has met the requirements***

1 ***of this section and has given the system sufficient notice as provided by***
2 ***administrative regulations promulgated by the system; and***
3 ***(d) "Inactive member" means a member who is not participating with the***
4 ***system.***
5 ***(2) Any employer participating in the County Employees Retirement System on July***
6 ***1, 2015, may:***
7 ***(a) If the employer is a nonstock nonprofit corporation organized under KRS***
8 ***Chapter 273, voluntarily cease participation in the system subject to the***
9 ***requirements and restrictions of this section; or***
10 ***(b) Be required to involuntarily cease participation in the system under the***
11 ***provisions of this section if the board has determined the employer is no***
12 ***longer qualified to participate in a governmental plan or has failed to***
13 ***comply with the provisions of KRS 78.510 to 78.852.***
14 ***(3) (a) If an employer desires to voluntarily cease participation in the County***
15 ***Employees Retirement System as provided by subsection (2)(a) of this***
16 ***section:***
17 ***1. The employer shall adopt a resolution requesting to cease***
18 ***participation in the system and shall submit the resolution to the***
19 ***board for its approval;***
20 ***2. The cessation of participation in the system shall apply to all***
21 ***employees of the employer;***
22 ***3. The employer shall pay for all administrative costs of an actuarial***
23 ***study to be completed by the County Employees Retirement System***
24 ***consulting actuary and for any other administrative costs for***
25 ***discontinuing participation in the system as determined by the board***
26 ***and as provided by this section;***
27 ***4. The employer shall provide an alternative retirement program for***

***employees who will no longer be covered by the system, which may include a voluntary defined contribution plan; and***

***5. The employer shall pay to the system the full actuarial cost of the benefits accrued by its current and former employees in the system as determined separately for the pension fund and the insurance fund by the actuarial study required by subparagraph 3. of this paragraph. The full actuarial cost shall not include any employee who seeks to transfer his or her account balance to the alternative retirement program established pursuant to subparagraph 4. of this paragraph within sixty (60) days of the employer's effective cessation date. An employee's election to transfer his or her account balance within sixty (60) days of the employer's effective cessation date is an irrevocable waiver of the right to obtain service credits in the system for the time worked for the employer ceasing participation. The full actuarial cost may be paid by lump-sum payment or, if approved by the board, in installment payments to the system. The actuarial cost shall be fixed, and the employer shall not be subject to any increases or subsequent adjustments, once the lump sum is paid or the first installment payment is made. If the employer elects to pay the full actuarial cost in installment payments, the employer shall, as determined by the board:***

***a. Pay installment payments over a time period determined by the board, not to exceed twenty (20) years;***

***b. Be charged interest over the life of the installment period, at the actuarially assumed rate of return; and***

***c. Provide adequate security in any relevant real estate, chattel paper, deposit accounts, documents, goods covered by documents, instruments, investment property, letters of credit***

***rights, and money. In order to ensure security provided is adequate:***

***i. A detailed financing statement shall be provided to the County Employees Retirement System board listing all assets to be used as security and the value certified by a licensed attorney;***

***ii. Security interest shall be a perfected interest in accordance with provisions set forth in KRS Chapter 355 and subject to approval of the board; and***

***iii. The perfected security interest shall attach until the amount owed is paid in full.***

***(b) If the board determines an employer must involuntarily cease participation in the system as provided by subsection (2)(b) of this section:***

***1. The cessation of participation in the system shall apply to all employees of the employer;***

***2. The employer shall pay for all administrative costs of an actuarial study to be completed by the County Employees Retirement System consulting actuary and for any other administrative costs for discontinuing participation in the system as determined by the board and as provided by this section; and***

***3. The employer shall pay to the system the full actuarial cost of the benefits accrued by its current and former employees in the system as determined separately for the pension fund and the insurance fund by the actuarial study required by subparagraph 2. of this paragraph. The full actuarial cost may be paid by lump-sum payment, or if approved by the board, in installment payments to the system. The actuarial cost shall be fixed, and the employer shall not be subject to***

1 ***any increases or subsequent adjustments, once the lump sum is paid***
2 ***or the first installment payment is made. If the employer elects to pay***
3 ***the full actuarial cost in installment payments, the employer shall, as***
4 ***determined by the board:***
5 ***a. Pay installment payments over a time period determined by the***
6 ***board, not to exceed twenty (20) years;***
7 ***b. Be charged interest over the life of the installment period at the***
8 ***actuarially assumed rate of return; and***
9 ***c. Provide adequate security in any relevant real estate, chattel***
10 ***paper, deposit accounts, documents, goods covered by***
11 ***documents, instruments, investment property, letters of credit***
12 ***rights, and money. In order to ensure security provided is***
13 ***adequate:***
14 ***i. A detailed financing statement shall be provided to the***
15 ***County Employees Retirement System board listing all***
16 ***assets to be used as security and the value certified by a***
17 ***licensed attorney;***
18 ***ii. Security interest shall be a perfected interest in accordance***
19 ***with provisions set forth in KRS Chapter 355 and subject to***
20 ***approval of the board; and***
21 ***iii. The perfected security interest shall attach until the***
22 ***amount owed is paid in full.***
23 ***(4) Any employee hired on or after the employer's effective cessation date by an***
24 ***employer who has ceased participation in the system as provided by this section***
25 ***shall not, regardless of his or her membership date in the County Employees***
26 ***Retirement System, be eligible to participate in the County Employees Retirement***
27 ***System through the employer that ceased participation for the duration of his or***

1 ***her employment with that employer.***
2 ***(5) If an employer has ceased participation in the system as provided by this section:***
3 ***(a) The rights of recipients and the vested rights of inactive members accrued***
4 ***as of the employer's effective cessation date shall not be impaired or***
5 ***reduced in any manner as a result of the employer ceasing participation in***
6 ***the system; and***
7 ***(b) Employees of the employer ceasing participation shall accrue benefits***
8 ***through the employer's effective cessation date but shall not accrue any***
9 ***additional benefits in the the County Employees Retirement System,***
10 ***including earning years of service credit through the ceased employer, after***
11 ***the employer's effective cessation date for as long as they remain employed***
12 ***by the employer. The day after the employer's effective cessation date, each***
13 ***employee described by this paragraph shall be considered an inactive***
14 ***member with respect to his or her employment with the employer that***
15 ***ceased participation and, subject to the provisions and limitations of KRS***
16 ***78.510 to 78.852, shall:***
17 ***1. Retain his or her accounts with the County Employees Retirement***
18 ***System and have those accounts credited with interest in accordance***
19 ***with KRS 78.510 to 78.852;***
20 ***2. Retain his or her vested rights in accordance with paragraph (a) of***
21 ***this subsection;***
22 ***3. Be eligible to take a refund of his or her accumulated account balance***
23 ***in accordance with Section 35 of this Act or any other available***
24 ***distribution if eligible; and***
25 ***4. Except for federal tax purposes, be treated as if his or her employment***
26 ***terminated as of the employer's effective cessation date, unless***
27 ***otherwise prohibited by applicable federal tax authority.***

1 ***(6) For purposes of this section, the full actuarial cost shall be determined by the***
2 ***County Employees Retirement System consulting actuary separately for the***
3 ***pension fund and the insurance fund using the assumptions and methodology***
4 ***established by the system as of the employer's effective cessation date.***
5 ***(7) The system shall promulgate administrative regulations pursuant to KRS Chapter***
6 ***13A to administer this section.***
7 ***(8) Any employer who voluntarily ceases participation, or who is required to***
8 ***involuntarily cease participation as provided in this section, shall hold the***
9 ***Commonwealth harmless from damages, attorney's fees and costs from legal***
10 ***claims for any cause of action brought by any member or retired member of the***
11 ***departing employer.***
12 ~~[(1) If a participating county fails to fully comply with the provisions of KRS 78.510 to~~
13 ~~78.852, the board may require the county to involuntarily cease participation in the~~
14 ~~system as provided by KRS 61.522.]~~
15 ***(9)***~~[(2)]~~ In lieu of cessation of participation of a county which fails to fully comply
16 with the provisions of KRS 78.510 to 78.852, the board may file an action in the
17 Franklin Circuit Court to collect money owed and to attach so much of the general
18 fund of the delinquent county as is necessary to achieve full compliance with the
19 provisions of KRS 78.625.
20 ***(10) The board may:***
21 ***(a) File an action in the Franklin Circuit Court to collect money owed and to***
22 ***attach so much of the general fund or adequate security of the delinquent***
23 ***employer as is necessary to ensure payment of any installment payments***
24 ***owed under this section; and***
25 ***(b) Utilize the provisions of paragraph (3)(b) of Section 13 of this Act or***
26 ***subsection (4) of Section 13 of this Act to ensure employer compliance and***
27 ***payment of any amount payable by an employer under the provisions of this***

***section.***

➔Section 4. KRS 78.540 is amended to read as follows:

***(1)*** Membership in the system shall consist of the following:

***(a)***[(1)] All persons who become employees of a participating county after the date the county first participates in the system,[ except a person who did not elect membership pursuant to KRS 61.545(3), and] except that***:***

***1.*** Mayors and members of city legislative bodies may decline prior to their participation in the system***;*** and

***2.*** City managers or other appointed local government executives who participate in a retirement system, other than Social Security, may decline prior to their participation in the system;

***(b)***[(2) (a)] All persons who are employees of a county on the date the county first participates in the system, either in service or on authorized leave from service, and who elect within thirty (30) days next following the county's participation, or in the case of persons on authorized leave, within thirty (30) days of their return to active service, to become members and thereby agree to make contributions as provided in KRS 78.520 to 78.852;

***(c)***[(b)] All persons who are employees of a county who did not elect to participate within thirty (30) days of the date the county first participated in the system or within thirty (30) days of their return to active service and who subsequently elect to participate the first day of a month after the county's date of participation;

***(d)***[(3)] All persons who declined participation ***as provided by paragraph (a)***[in subsection (1)] of this ***subsection***[section] and who later elect to participate. Persons who elect to participate under this ***paragraph***[subsection] may purchase service credit for any prior years by paying ***the amount calculated under paragraph (10)(a) of Section 10 of this Act***[a delayed contribution

1 ~~payment]~~, provided the person began participating in the system prior to
2 January 1, 2014. The service shall not be included in the member's total
3 service for purposes of determining benefits under ***Section 40 of this Act***~~[KRS~~
4 ~~61.702]~~; and
5 ***(e)***~~[(4)]~~ All persons electing coverage in the system under KRS 78.530(3)(d).
6 ***(2)***~~[(5)]~~ The provisions of ***paragraphs***~~[subsections]~~ (1)***(a) to (1)(c)*** ~~[and (2) ]~~of this
7 section notwithstanding, cities which participate in the CERS and close existing
8 local pension systems to new, or all members pursuant to the provisions of KRS
9 78.530, 95.520, 95.621, or 95.852 shall not be required to provide membership in
10 the County Employees Retirement System to employees in any employee category
11 not covered by a city pension system at the date of participation.
12 ***(3)***~~[(6)]~~ Membership in the system shall not include***:***
13 ***(a)*** Persons who are not eligible to participate in the system as provided by
14 ***Section 3 of this Act; or***~~[KRS 61.522 or those]~~
15 ***(b)*** Employees who are simultaneously participating in another state-administered
16 defined benefit plan within Kentucky other than ***the County Employees***
17 ***Retirement System***~~[those administered by the Kentucky Retirement Systems,~~
18 ~~except for employees who have ceased to contribute to one (1) of the state-~~
19 ~~administered retirement plans as provided in KRS 21.360]~~.
20 ***(4) (a) The membership of any person in the system shall cease:***
21 ***1. Upon withdrawal of his accumulated account balance at or any time***
22 ***after termination of employment, regardless of length of service;***
23 ***2. Upon retirement;***
24 ***3. Upon death;***
25 ***4. For persons hired prior to August 1, 2000, upon termination of***
26 ***employment with prejudice, as defined by paragraph (b) of this***
27 ***subsection; or***

1 ***5. For persons hired on or after August 1, 2000, upon conviction of a***
2 ***felony relating to the person's employment as provided in paragraph***
3 ***(c) of this subsection.***
4 ***(b) For purposes of KRS 78.510 to 78.852, termination of employment with***
5 ***prejudice shall mean termination as the result of conviction of the member***
6 ***in a court of competent jurisdiction of embezzlement or larceny of public***
7 ***funds or property or malfeasance in office, or the forcing of a member to***
8 ***make restitution for any funds or property criminally taken by the member***
9 ***at the time of termination of employment.***
10 ***(c) Notwithstanding any provision of law to the contrary, an employee hired on***
11 ***or after August 1, 2000, who participates in the system and who is***
12 ***convicted, in any state or federal court of competent jurisdiction, of a felony***
13 ***related to his employment shall forfeit rights and benefits earned under the***
14 ***system, except for the return of his accumulated contributions and interest***
15 ***credited on those contributions. The payment of retirement benefits ordered***
16 ***forfeited shall be stayed pending any appeal of the conviction. If the***
17 ***conviction is reversed on final judgment, no retirement benefit shall be***
18 ***forfeited. The employer shall notify the system when an employee is***
19 ***convicted under the provisions of this subsection.***
20 ***(d) When membership ceases, except in the case of retirement, the member***
21 ***shall thereafter lose all right to any retirement allowance or benefits under***
22 ***KRS 78.510 to 78.852 arising from service prior to the date of such***
23 ***cessation of membership.***
24 ➔SECTION 5. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
25 READ AS FOLLOWS:
26 ***(1) (a) Upon becoming a member of the County Employees Retirement System, the***
27 ***employee and employer shall file at the retirement office, in the form and***

***detail as the board may prescribe, a statement of facts pertaining to the employee and other information the system may require, including but not limited to a record of military service and previous employment with the employer.***

***(b) If the records of the employer employing the member during the time the service was rendered do not substantiate the statement of facts filed by the member, the member shall be notified of any discrepancy. The member shall be advised that he has the responsibility of supplying verification of any unsubstantiated service.***

***(c) At the request of the member, or the beneficiary if the member is deceased, the system shall allow the member or beneficiary, as applicable, to provide additional information in regard to the unverified service. After filing the request, the member or the beneficiary if the member is deceased shall have a reasonable time but no more than six (6) months to provide the additional information to substantiate the unverified service.***

***(2) The system shall prepare and make available upon request to all members, retired members, or beneficiaries, a summary plan description, written in a manner that can be understood by the average person, and sufficiently accurate and comprehensive to reasonably apprise them of their rights and obligations under the provisions of KRS 78.510 to 78.852. The summary plan shall include:***

***(a) The name of the system, the name and address of the executive director, and the name, address, and title of each member of the board of trustees;***

***(b) The name and address of the person designated for the service of legal process;***

***(c) The system's requirements for participation and benefits;***

***(d) A description of retirement benefit calculations in the event of retirement, disablement, and death;***

1 ***(e) A description of retiree health benefits;***
2 ***(f) A reasonable list of circumstances which would result in disqualification,***
3 ***ineligibility, or denial or loss of benefits;***
4 ***(g) The sources of financing retirement and retiree health benefits, and***
5 ***statutory requirements for funding;***
6 ***(h) A statement after each actuarial valuation as to whether funding***
7 ***requirements are being met; and***
8 ***(i) The procedures to be followed in presenting claims for benefits from the***
9 ***system, and the remedies available under the system for the redress of***
10 ***claims which are denied in whole or in part.***
11 ***The system may publish the summary plan description in the form of a paper or***
12 ***electronic comprehensive booklet, or in the form of paper or electronic periodic***
13 ***newsletters which shall incorporate all the information required in the summary***
14 ***plan description within a period of two (2) years. Any changes in statutory***
15 ***requirements or administrative practices which alter the provisions of the plan as***
16 ***described in the summary plan description shall be summarized and published as***
17 ***required in this subsection.***
18 ➔SECTION 6. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
19 READ AS FOLLOWS:
20 ***(1) (a) "Hazardous position" for employees who began participating in the County***
21 ***Employees Retirement System prior to September 1, 2008, means any***
22 ***position whose principal duties involve active law enforcement, including***
23 ***the positions of probation and parole officer, active fire suppression or***
24 ***prevention, correctional officers with duties that routinely and regularly***
25 ***require face-to-face contact with inmates, or other positions, including but***
26 ***not limited to paramedics and emergency medical technicians, with duties***
27 ***that require frequent exposure to a high degree of danger or peril and also***

1 ***require a high degree of physical conditioning; and***
2 ***(b) "Hazardous position" for employees who begin participating in the County***
3 ***Employees Retirement System on or after September 1, 2008, means police***
4 ***officers and firefighters as defined in KRS 61.315(1), paramedics,***
5 ***correctional officers with duties that routinely and regularly require face-to-***
6 ***face contact with inmates, and emergency medical technicians, if:***
7 ***1. The employee's duties require frequent exposure to a high degree of***
8 ***danger or peril and a high degree of physical conditioning; and***
9 ***2. The employee's duties are not primarily clerical or administrative.***
10 ***(2) (a) Each employer may request of the board hazardous coverage for those***
11 ***positions as defined in subsection (1) of this section. Upon request, each***
12 ***employer shall certify to the system, in the manner prescribed by the board,***
13 ***the names of all employees working in a hazardous position as defined in***
14 ***subsection (1) of this section for which coverage is requested. The***
15 ***certification of the employer shall bear the approval of the agent or agency***
16 ***responsible for the budget of the county indicating that the required***
17 ***employer contributions have been provided for in the budget of the***
18 ***employing county. The system shall determine whether the employees whose***
19 ***names have been certified by the employer are working in positions meeting***
20 ***the definition of a hazardous position as provided by subsection (1) of this***
21 ***section.***
22 ***(b) Each employer shall also certify, under penalty of perjury in accordance***
23 ***with KRS Chapter 523, that each employee's actual job duties are***
24 ***accurately reflected in the job description provided to the system. The***
25 ***system shall determine whether the employees whose names have been***
26 ***certified by the employer are working in positions meeting the definition of***
27 ***a hazardous position as defined in subsection (1) of this section.***

1 ***(c) The board shall have the authority to remove any employee from hazardous***
2 ***coverage if the board determines the employee is not working in a***
3 ***hazardous position or if the employee is classified in a hazardous position***
4 ***but has individual job duties that do not meet the definition of a hazardous***
5 ***position or are not accurately reflected in the job descriptions filed by the***
6 ***employer with the system.***
7 ***(3) (a) If the employer participated in the system prior to electing hazardous***
8 ***coverage, the employer may pay to the system the cost of converting the***
9 ***nonhazardous service to hazardous service from the date of participation to***
10 ***the date the payment is made, or the employer may establish a payment***
11 ***schedule for payment of the cost of the hazardous service above that which***
12 ***would be funded within the existing employer contribution rate. The***
13 ***employer may extend the payment schedule to a maximum of thirty (30)***
14 ***years. Payments made by the employer under this subsection shall be***
15 ***deposited to the retirement allowance account of the proper retirement fund***
16 ***and shall not be considered accumulated contributions of the individual***
17 ***members.***
18 ***(b) If the employer elects not to make the additional payment as provided by***
19 ***paragraph (a) of this subsection, the employee may make the lump-sum***
20 ***payment in his own behalf or may pay by increments. Payments made by***
21 ***the employee under this subsection shall not be picked up, as described in***
22 ***KRS 78.610(4), by the employer.***
23 ***(c) If neither the employer nor employee makes the payment, the service prior***
24 ***to hazardous position coverage shall remain nonhazardous.***
25 ***(d) The provisions of this subsection shall not apply to members who begin***
26 ***participating in the system on or after January 1, 2014.***
27 ***(4) Any person employed in a hazardous position shall be required to undergo a***

***thorough medical examination by a licensed physician, and a copy of the medical report of the physician shall be retained on file by the person's employer and made available to the system upon request.***

***(5) If doubt exists regarding the benefits payable to a hazardous position employee under this section, the board shall determine the benefits payable under 78.510 to 78.852.***

➔Section 7. KRS 78.610 is amended to read as follows:

(1) Each employee shall~~[, commencing on August 1, 1990,]~~ contribute, for each pay period for which he receives compensation***:***~~[,]~~

***(a) 1.*** Five percent (5%) of his creditable compensation ***if the employee is participating in a nonhazardous position***~~[ unless he did not elect membership pursuant to KRS 61.545(3)]~~***; or***

***2. Eight percent (8%) of his creditable compensation if the employee is participating in a hazardous position; and***

***(b) The amount specified by paragraph (3)(b) of Section 40 of this Act for employees who begin participating on or after September 1, 2008***.

(2) The agency reporting official of a participating county shall cause to be deducted from the "creditable compensation" of each employee for each and every payroll period subsequent to the date the county participated in the system the contribution payable by the member as provided in KRS 78.510 to 78.852. The agency reporting official shall promptly pay the deducted employee contributions to the system in accordance with KRS 78.625.

(3) The deductions provided for in subsection (2) of this section shall be made notwithstanding that the minimum compensation provided by law for any employee shall be reduced thereby. Every employee shall be deemed to consent and agree to the deductions made as provided in subsection (2) of this section; and payment of salary or compensation less the deductions shall be a full and complete discharge of

all claims for services rendered by the person during the period covered by the payment, except as to any benefits provided by KRS 78.510 to 78.852.

(4) Each employer shall, solely for the purpose of compliance with Section 414(h) of the United States Internal Revenue Code, pick up the employee contributions required by this section for all compensation earned after August 1, 1982, and the contributions picked up shall be treated as employer contributions in determining tax treatment under the United States Internal Revenue Code and KRS 141.010(10). These contributions shall not be included as gross income of the employee until the contributions are distributed or made available to the employee. The picked-up employee contribution shall satisfy all obligations to the retirement system satisfied prior to August 1, 1982, by the employee contribution, and the picked-up employee contribution shall be in lieu of an employee contribution. Each employer shall pay these picked-up employee contributions from the same source of funds which is used to pay earnings to the employee. The employee shall have no option to receive the contributed amounts directly instead of having them paid by the employer to the system. Employee contributions picked up after August 1, 1982, shall be treated for all purposes of KRS 78.510 to 78.852 in the same manner and to the same extent as employee contributions made prior to August 1, 1982.

(5) The provisions of this section shall not apply to individuals who are not eligible for membership as provided by ***Section 3 of this Act***~~[KRS 61.522]~~.

➔Section 8. KRS 78.615 is amended to read as follows:

(1) Employee contributions shall be deducted each payroll period from the creditable compensation of each employee of an ***employer***~~[agency]~~ participating in the system while he is classified as regular full-time as defined in KRS 78.510 unless the person did not elect to become a member as provided by ***paragraph (1)(b) and (c) of Section 4 of this Act***~~[KRS 61.545(3) or by KRS 78.540(2)]~~ or is not eligible to participate in the system as provided by ***Section 3 of this Act***~~[KRS 61.522]~~. After

August 1, 1982, employee contributions shall be picked up by the employer pursuant to KRS 78.610(4).

(a) For employees who are not employed by a school board, service credit shall be allowed for each month contributions are deducted or picked up during a fiscal or calendar year, if the employee receives creditable compensation for an average of one hundred (100) hours or more of work per month based on the actual hours worked in a calendar or fiscal year. If the average number of hours of work is less than one hundred (100) hours per month, the employee shall be allowed credit only for those months he receives creditable compensation for one hundred (100) hours of work.

(b) For noncertified employees of school boards, for service prior to July 1, 2000, service credit shall be allowed for each month contributions are deducted or picked up under the employee's employment contract during a school year determined by dividing the actual number of contracted calendar days worked by twenty (20) and rounded to the nearest whole month if the employee receives creditable compensation for an average of eighty (80) or more hours of work per month based on the employee's employment contract. The school board shall certify the number of calendar days worked, the rate of pay, and the hours in a work day for each employee monthly or annually. The employer shall file at the retirement office the final monthly report or the annual report for a fiscal year no later than twenty (20) days following the completion of the fiscal year. The retirement system shall impose a penalty on the employer of one thousand dollars ($1,000) if the information is not submitted by the date required with an additional two hundred and fifty dollars ($250) for each additional thirty (30) day period the information is reported late.

1. If the employee works fewer than the number of contracted calendar days, the employee shall receive service credit determined by dividing

the actual number of contracted calendar days worked by twenty (20) and rounded to the nearest whole month, provided that the number of hours worked during the period averages eighty (80) or more hours.

2. If the employee works fewer than the number of contracted calendar days and the average number of hours worked is less than eighty (80) per month, then the employee shall receive service credit for each calendar month in which he worked eighty (80) or more hours.

3. The ~~[retirement ]~~system shall refund contributions and service credit for any period for which the employee is not given credit under this subsection.

(c) For noncertified employees of school boards, for service on and after July 1, 2000, at the close of each fiscal year, the retirement system shall add service credit to the account of each employee who made contributions to his or her account during the year. Employees shall be entitled to a full year of service credit if their total paid calendar days were not less than one hundred eighty (180) calendar days for a regular school or fiscal year. In the event an employee is paid for less than one hundred eighty (180) calendar days, the employee may purchase credit according to administrative regulations promulgated by the system. In no case shall more than one (1) year of service be credited for all service performed in one (1) fiscal year. Employees who complete their employment contract prior to the close of a fiscal year and elect to retire prior to the close of a fiscal year shall have their service credit reduced by eight percent (8%) for each calendar month that the retirement becomes effective prior to July 1. Employees who are employed and paid for less than the number of calendar days required in their normal employment year shall be entitled to pro rata service credit for the fractional service. This credit shall be based upon the number of calendar days employed and the

number of calendar days in the employee's annual employment agreement or normal employment year. Service credit may not exceed the ratio between the school or fiscal year and the number of months or fraction of a month the employee is employed during that year.

(d) Notwithstanding paragraph (c) of this subsection, a noncertified employee of a school board who retires between July 1, 2000, and August 1, 2001, may choose to have service earned between July 1, 2000, and August 1, 2001, credited as described in paragraph (b) of this subsection, if the employee or retired member notifies the retirement system within one (1) year of his initial retirement. The decision once made shall be irrevocable.

***(e) The board shall not allow credit for more than one (1) year of service for all service rendered in any period of twelve (12) consecutive months except as provided in Section 9 of this Act.***

***(f) If the employee earns creditable compensation in both a hazardous position and a nonhazardous position, the employee's service credit shall be prorated between the employee's hazardous and nonhazardous positions based upon the percentage of the employee's creditable compensation earned in the hazardous or nonhazardous positions.***

(2) Employee contributions shall not be deducted from the creditable compensation of any employee or picked up by the employer while he is seasonal, emergency, temporary, or part-time. No service credit shall be earned.

(3) Contributions shall not be made or picked up by the employer and no service credit shall be earned by a member while on leave except:

(a) A member on military leave shall be entitled to service credit in accordance with ***Section 10 of this Act***~~[KRS 61.555]~~; and

(b) A member on ***approved*** educational leave~~[ who meets the criteria established by the state Personnel Cabinet for approved educational leave]~~, who is

receiving seventy-five percent (75%) or more of full salary, shall receive service credit and shall pay member contributions in accordance with KRS 78.610, and his employer shall pay employer contributions~~[ or the contributions shall be picked up]~~ in accordance with ***Sections 12 and 40 of this Act***~~[KRS 61.565]~~. If a tuition agreement is broken by the member, the member and employer contributions paid or picked up during the period of educational leave shall be refunded.

(4) The retirement office, upon detection, shall refund any erroneous employer and employee contributions made to the retirement system and any interest credited in accordance with ***Section 15 of this Act***~~[KRS 78.640]~~.

➔Section 9. KRS 78.616 is amended to read as follows:

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

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

(3) (a) Upon the member's notification of retirement as prescribed in ***Section 32 of this Act***~~[KRS 61.590]~~, the employer shall certify the retiring employee's unused, accumulated sick-leave balance to the system. The member's sick-leave balance, expressed in days, shall be divided by the average number of working days per month in county service and rounded to the nearest number of whole months. A maximum of six (6) months of the member's sick-leave balance, expressed in months, shall be added to his service credit for the

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

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

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

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

1. The member shall receive no more than twelve (12) months of service credit upon retirement for accumulated unused sick leave accrued while contributing to the retirement system from which the retirement benefit is to be paid;

2. The service added to the member's service credit shall be used for purposes of determining the member's annual retirement allowance under KRS 78.510 to 78.852;

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

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

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

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

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

(c) The number of sick-leave days for which the employee is compensated shall be divided by the average number of working days per month in county service and rounded to the nearest number of whole months. This number of months shall be added to the employee's total service credit and to the number of months used to determine creditable compensation, pursuant to KRS 78.510, but no more than sixty (60) months shall be used to determine final

compensation. For an employee who begins participating on or after September 1, 2008, but prior to January 1, 2014, the number of months added to the employee's total service credit under this paragraph shall not exceed twelve (12) months, and the additional service shall not be used to determine whether a member is eligible to receive a retirement allowance under KRS 78.510 to 78.852.

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

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

➔SECTION 10. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) Called to Active Duty Military Service. An employee of an employer participating in the system who is called to active military duty in the Armed Forces of the United States shall be credited at no cost to the employee with service credit, creditable compensation, and in the case of employees participating in the hybrid cash balance plan, employee contributions, employer credits, and interest credits, for a period of active military duty of up to six (6) years, provided:***

***(a) The employee was called to active military duty in the Armed Forces of the***

1 ***United States:***
2 ***1. After he or she began participating in the system and provided the***
3 ***employee was on leave of absence from the employer and did not***
4 ***withdraw his or her accumulated account balance; or***
5 ***2. Prior to the date he or she began participating in the system and***
6 ***terminated employment with his or her employer;***
7 ***(b) The employee entered active military service within three (3) months of his***
8 ***or her last day of paid employment;***
9 ***(c) His or her discharge military service was terminated in a manner other***
10 ***than as described in 38 U.S.C. sec. 4304; and***
11 ***(d) He or she returns to work with an employer participating in the system***
12 ***within two (2) years after completion of the period of active military duty, or***
13 ***upon the subsequent termination of any total disability which existed at the***
14 ***expiration of the two (2) years after discharge.***
15 ***For periods of active military duty that meet the requirements of this subsection,***
16 ***the employer shall pay the employer contributions payable under Sections 12 and***
17 ***40 of this Act.***
18 ***(2) (a) Omitted Service. Any person who is entitled to service credit for employment***
19 ***which was not reported by the county in accordance with Section 8 of this***
20 ***Act may obtain credit for the service subject to the provisions of this***
21 ***subsection.***
22 ***(b) Provided the person pays for the omitted service with within six (6) months***
23 ***of notification by the system, the cost of the service shall be equal to the***
24 ***employee contributions that would have been paid if the person had been***
25 ***correctly reported in accordance with Section 8 of this Act.***
26 ***(c) Any person entitled to service credit under paragraph (a) of this subsection***
27 ***who has not repaid the employee contributions due within six (6) months of***

***notification by the system may purchase the credit after the six (6) months by paying to the system the employee contributions plus interest at the actuarially assumed rate from the date of initial notification under paragraph (a) of this subsection.***

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

***1. Be considered service credited under KRS 78.615(1) for purposes of determining eligibility for retirement benefits under KRS 78.510 to 78.852; and***

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

***(e) Employees who begin participating on or after January 1, 2014, in the hybrid cash balance plan provided by Sections 21 and 23 of this Act shall, upon payment of the employee and employer contributions due under this subsection, have their accumulated account balance increased by the employee contributions, employer pay credits, and interest credits that would have been credited to their member's account if the contributions had been paid on time.***

***(3) (a) Recontribution of a Refund. Any employee participating in one (1) of the state-administered retirement systems who has been refunded his accumulated account balance under the provisions of Section 35 of this Act, thereby losing service credit in the system, may regain the credit by paying to the system the amount or amounts refunded by the system with interest at a rate determined by the board. Service purchased under this subsection on or after January 1, 2014, shall not be used to determine the member's participation date in the system.***

1 ***(b) Recontribution of a refund purchased under this subsection shall not be***
2 ***used in determining a retirement allowance until the member has accrued***
3 ***at least six (6) months of service credit in a state-administered retirement***
4 ***system, excluding the service purchased under this subsection. If the***
5 ***member does not accrue at least six (6) months of service credit in a state-***
6 ***administered retirement system, excluding service purchased under this***
7 ***subsection, then the payment plus interest as provided in Section 15 of this***
8 ***Act shall be refunded upon retirement, death, or written request following***
9 ***termination of employment. The service requirement shall be waived if the***
10 ***member dies or becomes disabled as provided for by Section 26 or 27 of this***
11 ***Act or KRS 61.621.***
12 ***(4) (a) Summer Months. Any employee participating in one (1) of the state-***
13 ***administered retirement systems who are or have been employed by a school***
14 ***board or community action agency participating in the system, who receives***
15 ***service credit for less than twelve (12) months each year, may purchase the***
16 ***additional months of service credit needed to total one (1) year of service***
17 ***credit except the amount purchased for any specific year shall not exceed***
18 ***three (3) months.***
19 ***(b) The cost of the summer months service credit shall be determined by the***
20 ***formula established by subsection (10) of this section and may be purchased***
21 ***by the employee, the employer on behalf of the employee, or the cost may be***
22 ***paid by both the employer and employee in which case the employer and***
23 ***employee shall each pay fifty percent (50%) of the cost. Service credit shall***
24 ***not be credited to the member's account until both the employer's and***
25 ***employee's payment are received by the system.***
26 ***(c) If the employee has purchased service credit under this subsection based on***
27 ***months reported by the employer for the fiscal year, and an audit of the***

1 ***employee's account reduces the number of months of service credit for***
2 ***which the employee is eligible to no fewer than nine (9) months, the***
3 ***employee shall retain credit for the months purchased unless the employee***
4 ***is ineligible for any service in the fiscal year. The employee shall be eligible***
5 ***to purchase the additional months under this subsection to total one (1)***
6 ***year.***
7 ***(d) This subsection shall not apply to members who began participating in the***
8 ***County Employees Retirement System on or after January 1, 2014.***
9 ***(5) Vested Service Purchases. Any employee who began participating in the County***
10 ***Employees Retirement System prior to January 1, 2014, who is vested may***
11 ***purchase service credit for:***
12 ***(a) Past service. Past service shall mean periods of employment:***
13 ***1. Between July 1, 1958, and the effective date of participation by the***
14 ***employer;***
15 ***2. Where the employee did not participate in the system due to the***
16 ***employee not electing to participate as provided in paragraph (1)(b)***
17 ***and (c) of Section 4 of this Act; and***
18 ***3. With a political subdivision that did not participate in the system but***
19 ***would have been eligible to participate under KRS 78.530, provided***
20 ***the political subdivision has merged with or been taken over by a***
21 ***participating employer;***
22 ***(b) State university service, provided the university does not participate in a***
23 ***state-administered retirement system and the employee did not participate in***
24 ***a defined benefit retirement program during his or her service to the***
25 ***university;***
26 ***(c) Up to ten (10) years of out-of-state service. Out-of-state shall mean service***
27 ***credited to a state or local government-administered public defined benefit***

1 ***plan in another state that is not a defined benefit plan for teachers. The***
2 ***employee may purchase the service as hazardous duty service credit***
3 ***provided the employee is vested to receive hazardous duty benefits from the***
4 ***system and the service could be certified as hazardous pursuant to Section 6***
5 ***of this Act;***
6 ***(d) Active military duty, which shall mean periods of active military duty in the***
7 ***Armed Forces of the United States, provided:***
8 ***1. The employee's military service was terminated in a manner other***
9 ***than as described in 38 U.S.C. sec. 4304; and***
10 ***2. The service has not been credited as free military service under***
11 ***subsection (1) of this section;***
12 ***(e) National Guard service. A member may purchase one (1) month of service***
13 ***for each six (6) months of service in the National Guard or the military***
14 ***reserves of the United States. The service shall be treated as service earned***
15 ***prior to participation in the system;***
16 ***(f) Federal service. Federal service shall mean service with the United States***
17 ***government, that is not service in the Armed Forces;***
18 ***(g) Seasonal, emergency, or temporary employment or part-time employment***
19 ***averaging one hundred (100) or more hours of work per month on a***
20 ***calendar or fiscal year basis. If the average number of hours of work is less***
21 ***than one hundred (100) per month, the member may purchase credit for***
22 ***only those months he receives creditable compensation for one hundred***
23 ***(100) hours of work;***
24 ***(h) Part-time employment in a noncertified position at a school board prior to***
25 ***the 1990-91 school year which averaged eighty (80) or more hours of work***
26 ***per month on a calendar or fiscal year basis. If the average number of***
27 ***hours of work is less than eighty (80) per month, the noncertified employee***

1 ***of a school board shall be allowed to purchase credit only for those months***
2 ***he receives creditable compensation for eighty (80) hours of work;***
3 ***(i) Any period of:***
4 ***1. Authorized maternity or sick leave;***
5 ***2. Unpaid leave authorized under the Federal Family and Medical Act;***
6 ***3. Approved educational leave; and***
7 ***4. Agency-approved leave to work for a work-related labor organization***
8 ***if the agency subsequently participated in the system, but only if the***
9 ***board receives a favorable private letter ruling from the United States***
10 ***Internal Revenue Service or a favorable opinion letter from the United***
11 ***States Department of Labor;***
12 ***(j) Non-Participating Employer Service, which shall mean periods of***
13 ***employment with the following types of agencies provided the agency does***
14 ***not participate in a state-administered retirement system:***
15 ***1. A regional community services program for mental health organized***
16 ***and operated under the provisions of KRS 210.370 to 210.480;***
17 ***2. A community action agency created under KRS 273.405 to 273.453;***
18 ***3. An area development district created pursuant to KRS 147A.050; or***
19 ***4. A business development corporation created pursuant to KRS 155.001***
20 ***to 155.230, provided the system receives a favorable private letter***
21 ***ruling from the United States Internal Revenue Service or a favorable***
22 ***opinion letter from the United States Department of Labor;***
23 ***(k) Urban-County Government service, which shall mean employment in an***
24 ***urban-county government position that would qualify for hazardous duty***
25 ***coverage under Section 6 of this Act;***
26 ***(l) Periods of service as assistants to officers and employees of the General***
27 ***Assembly for persons who were unable to acquire service under KRS***

1 ***61.510(20) for service performed after January 1, 1960; and***
2 ***(m) Service as a volunteer in the Kentucky Peace Corps, created by KRS 154.1-***
3 ***720.***
4 ***(6) Non-qualified service. Provided the employee's participation date in the system is***
5 ***prior to July 15, 2002, and provided the employee has total service in all state-***
6 ***administered retirement systems of at least one hundred eighty (180) months of***
7 ***service credit, the employee may purchase a combined maximum total of five (5)***
8 ***years of service credit, known as non-qualified service, which is not otherwise***
9 ***purchasable under any of the provisions of KRS 78.510 to 78.852. The service***
10 ***purchased under this paragraph shall not be used in determining a retirement***
11 ***allowance until the member has accrued at least two hundred forty (240) months***
12 ***of service, excluding service purchased under this subsection. If the member does***
13 ***not accrue at least two hundred forty (240) months of service, excluding service***
14 ***purchased under this subsection, upon retirement, death, or written request***
15 ***following termination, the payment, plus interest as provided in Section 15 of this***
16 ***Act, shall be refunded.***
17 ***(7) For purposes of service purchased under subsections (2) to (6) of this section:***
18 ***(a) Except for subsection (6) of this section, the service must qualify as regular***
19 ***full-time as provided by subsection (21) of Section 2 of this Act:***
20 ***(b) No service credit may be purchased for periods already credited to the***
21 ***system or another public defined benefit retirement fund, including non-***
22 ***qualified service purchased in another state-administered retirement***
23 ***system;***
24 ***(c) Except as provided by subparagraph (a)2.a. of subsection (9) of this section,***
25 ***the employee payment for service purchases shall not be picked up, as***
26 ***described in KRS 78.610(4), by the employer; and***
27 ***(d) Except for service purchased under subsection (2) or (3) of this section,***

1 ***service purchases made pursuant to this section may be purchased by the***
2 ***entire amount of service available or by increments. Service purchases***
3 ***made pursuant to subsections (2) and (3) of this section shall only be***
4 ***purchased by the entire amount of service available.***
5 ***(8) (a) Employer purchase of past service. Any employer participating in the***
6 ***system may purchase service credit, between July 1, 1958, and the***
7 ***participation date of the employer, for present employees of the county who***
8 ***have obtained coverage under paragraph (1)(b) and (1)(c) of Section 4 of***
9 ***this Act, provided the employee began participating in the system prior to***
10 ***January 1, 2014.***
11 ***(b) The employer may purchase the service, with interest at the rate actuarially***
12 ***assumed by the board, over a period not to exceed ten (10) years.***
13 ***(c) If an employer elects to purchase service under the provisions of this***
14 ***subsection, any present employee who would be eligible to receive service***
15 ***credit under the provisions of this subsection and has purchased service***
16 ***credit under paragraph (3)(a) of this section shall have his or her payment***
17 ***for the service credit refunded with interest at the rate paid under Section 15***
18 ***of this Act; and***
19 ***(d) Any payments made by an employer under this subsection shall be deposited***
20 ***to the retirement allowance account of the system and these funds shall not***
21 ***be considered accumulated contributions of the individual members.***
22 ***(9) (a) An employee participating in the system may purchase service credit under***
23 ***any of the provisions of KRS 78.510 to 78.852 for which he or she is eligible***
24 ***to purchase, or as otherwise required by 38 U.S.C. ch. 43, by:***
25 ***1. Making a lump-sum payment on a before-tax basis as provided in***
26 ***subparagraph 3. of this paragraph, or on an after-tax basis if the***
27 ***employee is purchasing service credit under subsections (2) or (3) of***

1 ***this section, service available pursuant to 38 U.S.C. ch. 43 not***
2 ***otherwise provided for in this section, or grandfathered service as***
3 ***defined in paragraph (b) of this subsection;***
4 ***2. Entering into an agreement to purchase service credit through an***
5 ***installment purchase of service agreement with the systems as***
6 ***provided by paragraph (c) of this subsection:***
7 ***a. On a before-tax basis in which the service is purchased pursuant***
8 ***to the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or***
9 ***b. On an after-tax basis if the employee is purchasing service credit***
10 ***under subsection (2) or (3) of this section, service available***
11 ***pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this***
12 ***section, or grandfathered service as defined in paragraph (b) of***
13 ***this subsection; or***
14 ***3. Transferring funds to the system through a direct trustee-to-trustee***
15 ***transfer as permitted under the applicable sections of the Internal***
16 ***Revenue Code and any regulations or rulings issued thereunder,***
17 ***through a direct rollover as contemplated by and permitted under 26***
18 ***U.S.C. sec. 401(a)(31) and any regulations or rulings issued***
19 ***thereunder, or through a rollover of funds pursuant to and permitted***
20 ***under the rules specified in 26 U.S.C. secs. 402(c) and 408(d)(3). The***
21 ***system shall accept the transfer or rollover to the extent permitted***
22 ***under the rules specified in the applicable provisions of the Internal***
23 ***Revenue Code and any regulations and rulings issued thereunder.***
24 ***(b) For purposes of this subsection, "grandfathered service" means service***
25 ***purchases for which a member, whose membership date in the system is***
26 ***prior to July 1, 1999, is eligible to purchase under 78.510 to 78.852, that***
27 ***were available for all members of the system to purchase on August 5, 1997.***

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

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

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

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

***5. One (1) year of installment payments shall be made for each one thousand dollars ($1,000) or any part thereof of the total cost, except that the total period allowed for installments shall not be less than one (1) year and shall not exceed five (5) years.***

***6. The employee shall pay the installments by payroll deduction for after-tax purchase of service agreements, and the employer shall pick up installments for before-tax purchase of service agreements. Upon notification by the system, the employer shall report the installment***

***payments either monthly or semimonthly continuously over each twelve (12) month period at the same time as, but separate from, regular employee contributions on the forms or by the computer format specified by the board.***

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

***8. If the employee utilizing an installment purchase of service agreement dies, retires, does not continue employment in a position required to participate in the system, or elects to stop an after-tax installment purchase of service agreement, the member, or in the case of death, the beneficiary, shall have sixty (60) days to pay the remaining principal or a portion of the remaining principal of the installment purchase of service agreement by lump sum, subject to the restrictions of paragraph (a)1. of this subsection, or by transfer of funds under paragraph (a)3. of this subsection, except that payment by the member shall be filed with the system prior to the member's effective retirement date. If the member or beneficiary does not pay the remaining cost, the system shall refund to the member or the beneficiary the payment, payments, or portion of a payment that does not represent a full month of service purchased, except as provided by subsection (6) of this section.***

***9. If the employer does not report installment payments on an employee***

1 ***for sixty (60) days for an after-tax installment purchase of service***
2 ***agreement, except in the case of employees on military leave or sick***
3 ***leave without pay, the installment purchase shall cease and the system***
4 ***shall refund to the employee the payment, payments, or portion of a***
5 ***payment that does not represent a full month of service purchased.***
6 ***10. Installment payments of employees on military leave or sick leave***
7 ***without pay shall be suspended during the period of leave and shall***
8 ***resume without recalculation upon the employee's return from leave.***
9 ***11. If payments have ceased under subparagraph 8. or 9. of this***
10 ***paragraph and the member later becomes a participating employee in***
11 ***the system, the employee may complete the adjusted original***
12 ***installment purchase by lump sum or installment payments, subject to***
13 ***the restrictions of this subsection. If the employee elects to renew the***
14 ***installment purchase, the cost of the remaining service shall be***
15 ***recalculated in accordance with subsection (10) of this section.***
16 ***(d) Member payments, including interest, properly received pursuant to this***
17 ***subsection, shall be deposited to the member's account and considered as***
18 ***accumulated contributions of the individual member.***
19 ***(10) (a) The cost of purchasing service credit under any provision of this section,***
20 ***except as provided by subsections (1) to (3) of this section, shall be***
21 ***determined by multiplying the higher of the employee's current rate of pay,***
22 ***final rate of pay, or final compensation as of the end of the month in which***
23 ***the purchase is made times the actuarial factor times the number of years of***
24 ***service being purchased. The actuarial factor used to determine the cost of***
25 ***purchasing service credit shall assume the earliest date the member may***
26 ***retire.***
27 ***(b) Service purchased on or after August 1, 2004, under the provisions of KRS***

***78.510 to 78.852, except for service purchased under subsections (1) to (3) of this section, shall not be used to determine eligibility for or the amount of the monthly insurance contribution under Section 40 of this Act.***

***(c) For a member whose participation begins on or after August 1, 2004, service purchased under the provisions of KRS 78.510 to 78.852, except for service purchased under subsections (1) to (3) of this section:***

***1. Shall not be used to determine eligibility for a retirement allowance under disability retirement, early retirement, normal retirement, or death under any of the provisions of KRS 78.510 to 78.852; and***

***2. Shall only be used to determine the amount of the retirement allowance of a member who is eligible for a retirement allowance under disability, early retirement, normal retirement, or death under any of the provisions of KRS 78.510 to 78.852, based on service earned as a participating employee.***

➔SECTION 11. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) (a) As soon as practicable after its organization, the board shall adopt the actuarial tables, assumptions, and methods necessary for the administration of the system and for the annual determination of actuarial assets, actuarial liabilities, and recommended employer contribution rates of the system as provided by Sections 12 and 40 of this Act, for the pension and retiree health funds.***

***(b) The board shall cause an actuarial valuation to be made annually. The valuation shall at a minimum include:***

***1. A description of the actuarial assumptions used in the actuarial valuation, which shall be reasonably related to the experience of the system and represent the actuary's best estimate of anticipated***

***experience;***

***2. A description of any funding methods utilized or required by state law in the development of the actuarial valuation results;***

***3. A description of any changes in actuarial assumptions and methods from the previous year's actuarial valuation;***

***4. The actuarially recommended contribution rate for employers for the upcoming budget periods;***

***5. A twenty (20) year projection of the funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers based upon the actuarial assumptions, funding methods, and experience of the system as of the valuation date; and***

***6. A sensitivity analysis that evaluates the impact of changes in system assumptions, including but not limited to the investment return assumption, payroll growth assumption, and medical inflation rates, on employer contribution rates, funding levels, and unfunded liabilities.***

***(c) At least once in each five (5) year period, the board shall cause an actuarial investigation to be made of all the experience under the system relative to the actuarial assumptions and funding methods previously adopted by the board. The actuarial investigation shall include at a minimum a summary of the changes in actuarial assumptions and funding methods recommended in the investigation and the projected impact of the recommended changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a twenty (20) year period.***

***(d) Pursuant to the actuarial investigation the board shall, from time to time, revise the actuarial tables previously adopted by the board and shall***

1 ***thereupon revise the bases of the rates of employer contributions required***
2 ***under KRS 78.510 to 78.852.***
3 ***(e) For any change in actuarial assumptions, funding methods, retiree health***
4 ***insurance premiums and subsidies, or any other decisions made by the***
5 ***board that impact system liabilities and actuarially recommended***
6 ***contribution rates for employers and that are not made in conjunction with***
7 ***the actuarial investigation required by paragraph (c) of this subsection, an***
8 ***actuarial analysis shall be completed showing the projected impact of the***
9 ***changes on funding levels, unfunded liabilities, and actuarially***
10 ***recommended contribution rates for employers over a twenty (20) year***
11 ***period.***
12 ***(f) All actuarial investigations, analyses, and valuations shall be certified to the***
13 ***board by an actuary who shall be a fellow of the Conference of Consulting***
14 ***Actuaries or a member of the American Academy of Actuaries.***
15 ***(2) A copy of each five (5) year actuarial investigation, actuarial analysis, and***
16 ***annual valuation required by subsection (1) of this section shall be forwarded***
17 ***electronically to the Legislative Research Commission no later than ten (10) days***
18 ***after receipt by the board, and the Legislative Research Commission shall***
19 ***distribute the information received to the committee staff and co-chairs of any***
20 ***committee that has jurisdiction over the County Employees Retirement System.***
21 ***The actuarial valuation required by subsection (1)(b) of this section shall be***
22 ***submitted no later than November 15 following the close of the fiscal year.***
23 ➔SECTION 12. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
24 TO READ AS FOLLOWS:
25 ***(1) (a) Each employer participating in the County Employees Retirement System as***
26 ***provided for in KRS 78.510 to 78.852 shall contribute annually to the***
27 ***system an amount equal to the percent, as computed under subsection (2) of***

1 ***this section, of the creditable compensation of its employees to be known as***
2 ***the "normal contributions," and an additional amount to be known as the***
3 ***"actuarially accrued liability contribution" which shall be computed by***
4 ***amortizing the total unfunded actuarially accrued liability over a period of***
5 ***thirty (30) years using the level-percentage-of-payroll amortization method.***
6 ***The thirty (30) year amortization period shall begin with the 2013 actuarial***
7 ***valuation.***
8 ***(b) Any significant increase in the actuarially accrued liability due to benefit***
9 ***improvements shall be amortized using the level-percentage-of-payroll***
10 ***amortization method over a separate thirty (30) year period commencing in***
11 ***the year of the actuarial valuation in which the benefit improvements are***
12 ***first reflected.***
13 ***(2) The normal contribution rate shall be determined by the entry age normal cost***
14 ***funding method. The actuarially accrued liability shall be determined by***
15 ***actuarial method consistent with the methods prescribed for determining the***
16 ***normal contribution rate. Normal contributions and the actuarially accrued***
17 ***liability contribution shall be determined on actuarial assumptions and methods***
18 ***adopted by the board.***
19 ***(3) Normal contribution and the actuarially accrued liability contribution rates shall***
20 ***be determined by the board on the basis of the annual actuarial valuation last***
21 ***preceding the July 1 of a new fiscal year.***
22 ***(4) Employer contribution rates as provided by this section shall:***
23 ***(a) Be developed separately for employers providing benefits to employees in***
24 ***nonhazardous positions and for employers providing benefits to employees***
25 ***in hazardous positions; and***
26 ***(b) Include an employer contribution rate to fund pension benefits and an***
27 ***employer contribution rate to fund retiree health benefits.***

***(5) The system shall advise each employer prior to the beginning of each fiscal year of any change in the employer contribution rate. Based on the employer contribution rate, each employer shall include in the budget sufficient funds to pay the employer contributions as determined by the board under this section.***

➔Section 13. KRS 78.625 is amended to read as follows:

(1) ***The employer shall prepare the reporting records necessary for the system to administer the provisions of KRS 78.510 to 78.852 and, from time to time, shall furnish the information the system may require in the discharge of its duties. Upon employment of an employee, the employer shall inform him or her of his or her duties and obligations in connection with the system as a condition of employment.***

***(2)*** The agency reporting official of the county shall file the following at the retirement office on or before the tenth day of the month following the period being reported:

(a) The employee and employer contributions required under KRS 78.610, ***Section 12 of this Act***~~[61.565]~~, and ***Section 40 of this Act***~~[61.702]~~;

(b) The employer contributions and reimbursements for retiree health insurance premiums required under ***Section 42 of this Act***~~[KRS 61.637]~~; and

(c) A record of all contributions to the system on the forms prescribed by the systems.

***(3)***~~[(2)]~~ (a) If the agency reporting official fails to file at the retirement office all contributions and reports on or before the tenth day of the month following the period being reported, ***or if an employer fails to make payments for ceasing participation as provided by Section 3 of this Act,*** interest on the delinquent contributions ***or payments*** at the actuarial rate adopted by the board compounded annually, but not less than one thousand dollars ($1,000), shall be added to the amount due the system. ***Contributions payable by the employer under subsection (2) of Section 10 of this Act shall be considered***

***delinquent from the date the employee should have been reported and received service credit in accordance with Section 8 of this Act.***

(b) Delinquent contributions ***or delinquent payments owed under Section 3 of this Act***, with interest at the rate adopted by the board compounded annually, or penalties may be recovered by action in the Franklin Circuit Court against the county liable or may, at the request of the board, be deducted from any other moneys payable to the county by any department or agency of the state.

***(4)***[~~(3)~~] If an agency is delinquent in the payment of contributions due in accordance with any of the provisions of KRS 78.510 to 78.852 ***or is delinquent in payments owed under Section 3 of this Act***, refunds and retirement allowance payments to members of this agency may be suspended until the delinquent contributions, with interest at the rate adopted by the board compounded annually, or penalties have been paid to the system.

***(5) The system may at any time conduct an audit of the employer in order to determine if the employer is complying with the provisions of KRS 78.510 to 78.852. The system shall have access to and may examine all books, accounts, reports, correspondence files, and records of any employer. Every employer, employee, or agency reporting official of a county, as defined in subsection (3) of Section 2 of this Act, having records in its possession or under its control, shall permit access to and examination of the records upon the request of the system.***

➔Section 14. KRS 78.630 is amended to read as follows:

***Except as provided by Section 39 of this Act,*** all of the assets of the system shall be held and invested in the county employees' retirement fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts, namely, the members' account, the retirement allowance account, and accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS [~~16.510, 61.515, and~~ ]78.520, as prescribed by ***paragraph (3)(b) of Section 40 of this Act***[~~KRS 61.702(2)(b)~~].

➔Section 15. KRS 78.640 is amended to read as follows:

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

(a) All members' contributions, or contributions picked up by the employer after August 1, 1982, and interest allowances as provided in KRS 78.510 to 78.852 shall be credited, except as provided by ***paragraph (3)(b) of Section 40 of this Act***[~~KRS 61.702(2)(b)~~]; and

(b) For members who begin participating in the system on or after January 1, 2014, the employer pay credit and interest credited on such amounts as provided by ***Sections 21 and 23 of this Act***[~~KRS 16.583 and 61.597~~] shall be credited.

Only funds from this account shall be used to return the accumulated contributions or accumulated account balances of a member when required to be returned to him by reason of any provision of KRS 78.510 to 78.852. Prior to the member's retirement, death, or refund in accordance with ***Section 35 of this Act***[~~KRS 61.625~~], no funds shall be made available from the member account.

(2) Each member's contribution or contribution picked up by the employer shall be credited to the individual account of the contributing member, except as provided by ***paragraph (3)(b) of Section 40 of this Act***[~~KRS 61.702(2)(b)~~].

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

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

(c) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, interest shall be credited to his or her individual account at a rate of two and one-half percent (2.5%) per annum on the

accumulated contributions of the member on June 30 of the preceding fiscal year.

(d) For a member who begins participating on or after January 1, 2014, in the hybrid cash balance plan, interest shall be credited in accordance with ***Sections 21 and 23 of this Act***~~[KRS 16.583 and 61.597]~~.

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

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

(b) Upon the retirement of a member who began participating in the system on or after January 1, 2014, who elects to annuitize his or her accumulated account balance as prescribed by ***paragraph (7)(a) or (7)(b) of Section 21 of this Act***~~[KRS 16.583(7)(a) or (b)]~~ or ***paragraph (7)(a) or (7)(b) of Section 23 of this Act***~~[61.597(7)(a) or (b)]~~, the member's accumulated account balance shall be transferred to the retirement allowance account.

➔Section 16. KRS 78.650 is amended to read as follows:

***Except as provided by Section 39 of this Act,*** the retirement allowance account shall be the account in which shall be accumulated all employer contributions and amounts transferred from the members' account, and to which all income from the invested assets of the system shall be credited. From this account shall be paid the expenses of the system and the board in administration of the system, retirement allowances, and any other benefits payable after a member's retirement and from this account shall be transferred to the members' account:

(1) The employer pay credit added monthly to each member's individual accounts as provided by KRS ***Sections 21 and 23 of this Act***~~[16.583 and 61.597]~~; and

(2) The interest credited annually to each member's individual account as provided by

1 KRS 78.510 to 78.852.
2 ➔SECTION 17. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
3 TO READ AS FOLLOWS:
4 ***(1) Notwithstanding the provisions of KRS Chapter 413, upon discovery of any error***
5 ***or omission in system records, the system shall correct all records, including but***
6 ***not limited to membership in the system, service credit, member and employer***
7 ***contributions, and benefits paid or payable. The system may conduct audits to***
8 ***detect possible fraud, misrepresentation, and change in circumstance, which may***
9 ***result in errors or omissions in the system's records. The system, by its executive***
10 ***director or by representatives appointed in writing by the executive director, may***
11 ***take testimony or depositions, and may examine records, documents, or files of***
12 ***any person whose records, documents, or files may furnish knowledge***
13 ***concerning any system records, when the executive director or representative***
14 ***deems this reasonably necessary for purposes incident to the performance of the***
15 ***system's functions. The system may enforce these powers by application to the***
16 ***Franklin Circuit Court, which court may compel compliance with the orders of***
17 ***the executive director or representatives appointed by the executive director.***
18 ***(2) Neither the board nor any of its individual members shall be liable to any person***
19 ***for any claim arising from the failure of any participating employer, or any***
20 ***employer who should have been participating in the system operated by the***
21 ***board, to make retirement contributions on behalf of the person.***
22 ***(3) (a) Any person, including, but not limited to, members and agency reporting***
23 ***officials, who makes a statement, report, or representation, shall, at the***
24 ***request of the system, make the statement, report, or representation under***
25 ***oath with an acknowledgment that a false statement, report, or***
26 ***representation shall be punishable by law.***
27 ***(b) Notwithstanding paragraph (a) of this subsection, the system may, in its***

***discretion, rely in good faith on any unsworn statement, report, or representation without further inquiry.***

➔SECTION 18. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

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

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

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

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

***(b) Except as limited or excluded by subsections (3) and (4) of this section, any amount of increase in creditable compensation for a fiscal year identified under paragraph (a) of this subsection that exceeds ten percent (10%) more***

***than the employee's creditable compensation from the immediately preceding fiscal year shall not be included in the creditable compensation used to calculate the retiring employee's monthly retirement allowance. If the creditable compensation for a specific fiscal year identified under paragraph (a) of this subsection as exceeding the ten percent (10%) increase limitation is not used to calculate the retiring employee's monthly retirement allowance, then no reduction in creditable compensation shall occur for that fiscal year.***

***(c) If the creditable compensation of the retiring employee is reduced as provided by paragraph (b) of this subsection, the system:***

***1. Shall refund the employee contributions and interest attributable to the reduction in creditable compensation; and***

***2. Shall not refund the employer contributions paid but shall utilize those funds to pay down the unfunded liability of the pension fund in which the retiring employee participated.***

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

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

***(a) The fiscal year containing the employee's effective retirement date if the employee earned less than twelve (12) months of service credit during the fiscal year;***

***(b) A bona fide promotion or career advancement as defined by subsection (1) of this section;***

1 ***(c) A lump-sum payment for compensatory time paid to an employee upon***
2 ***termination of employment;***
3 ***(d) A lump-sum payment made pursuant to an alternate sick leave program***
4 ***under KRS 78.616(5) that is paid to an employee upon termination of***
5 ***employment;***
6 ***(e) Increases in creditable compensation in a fiscal year over the immediately***
7 ***preceding fiscal year, where in the immediately preceding fiscal year the***
8 ***employer reported the employee as being on leave without pay for any***
9 ***reason, including but not limited to any period of time where the employee***
10 ***received workers' compensation benefit payments that were not reported to***
11 ***the plan as creditable compensation;***
12 ***(f) Increases in creditable compensation directly attributable to an employee's***
13 ***receipt of compensation for overtime hours worked while serving as a***
14 ***participating employee under any state or federal grant, grant pass-through,***
15 ***or similar program that requires overtime as a condition or necessity of the***
16 ***employer's receipt of the grant;or***
17 ***(g) Increases in creditable compensation directly attributable to an employee's***
18 ***receipt of compensation for overtime performed during a state of emergency***
19 ***declared by the President of the United States or the Governor of the***
20 ***Commonwealth of Kentucky.***
21 ***(5) The system shall determine whether increases in creditable compensation during***
22 ***the last five (5) fiscal years of employment prior to retirement constitute a bona***
23 ***fide promotion or career advancement and may promulgate administrative***
24 ***regulations in accordance with KRS Chapter 13A to administer this section. All***
25 ***state-administered retirement systems shall cooperate to implement this section.***
26 ***(6) Any employee who disagrees with a determination made by the system in***
27 ***accordance with this section regarding whether an increase in compensation***

***constitutes a bona fide promotion or career advancement for purposes of subsection (5) of this section may request a hearing and appeal the decision in accordance with Section 46 of this Act.***

***(7) The system shall provide a means for employers to separately report the specific exceptions provided in subsection (4) of this section within the reporting system utilized by the employers for making employer reports under Section 13 of this Act. The system shall continually provide communication, instructions, training, and educational opportunities for employers regarding how to appropriately report exemptions established by subsection (4) of this section.***

***(8) This section shall not apply to employees participating in the hybrid cash balance plan as provided by Sections 21 and 23 of this Act.***

➔SECTION 19. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) Prior to the first day of the month in which the member receives his or her first retirement allowance and prior to the member filing a notification of retirement or a request for refund:***

***(a) Each member may designate on the form prescribed by the board a principal beneficiary and contingent beneficiary for his or her account. The principal beneficiary or contingent beneficiary designated by the member shall be:***

***1. One (1) or more persons; or***

***2. The member's estate; or***

***3. A trust;***

***(b) If multiple persons are designated as provided by paragraph (a)1. of this subsection, the member shall indicate the percentage of total benefits each person is to receive.***

***1. If percentages are not indicated, payments will be disbursed equally to***

1 ***the named beneficiaries.***
2 ***2. If the percentages indicated do not total one hundred percent (100%),***
3 ***each beneficiary shall receive an increased or decreased percentage***
4 ***which is proportional to the percentage allotted him or her by the***
5 ***member.***
6 ***3. If any of the multiple beneficiaries die prior to the member's death,***
7 ***the remaining beneficiaries shall be entitled to the deceased***
8 ***beneficiary's percentage of the total benefits, and each shall receive a***
9 ***percentage of the deceased's share which is equal to the percentage***
10 ***allotted them by the member;***
11 ***(c) The principal and contingent beneficiary designation established by the***
12 ***member pursuant to paragraph (a) of this subsection shall remain in full***
13 ***force and effect until changed by the member, except:***
14 ***1. A final divorce decree terminates an ex-spouse's status as beneficiary,***
15 ***unless the member has on file in the retirement office a beneficiary***
16 ***designation that redesignates the ex-spouse as beneficiary subsequent***
17 ***to the issuance of the divorce decree;***
18 ***2. If a beneficiary or beneficiaries are convicted of any crime which***
19 ***prohibits that person or persons from receiving the benefits under***
20 ***KRS 381.280, the beneficiary or beneficiaries shall not be eligible for***
21 ***any of the benefits and the remaining beneficiary or beneficiaries or,***
22 ***if none, the member's estate, shall become the beneficiary; and***
23 ***3. When a notification of retirement has been filed at the retirement***
24 ***office, the designation of beneficiary on the notification of retirement,***
25 ***which shall be one (1) person, his estate, or a trust, shall supersede the***
26 ***designation of all previous beneficiaries, unless the notification of***
27 ***retirement is withdrawn, invalid, or voided. If the notification of***

***retirement is withdrawn, invalid, or voided, the prior beneficiary designation on file with the system shall remain in full force and effect until changed by the member; and***

***(d) Except as provided by paragraph (c)3. of this subsection, if the member fails to designate a beneficiary for his or her account or if the beneficiary designation is determined to be void by the system, the member's estate shall become the beneficiary.***

***(2) If the member dies prior to the first day of the month in which the member would have received his or her first retirement allowance and prior to filing a notification of retirement or a request for refund, any retirement benefits shall be payable to the principal beneficiary, except that:***

***(a) If the death of the principal beneficiary or beneficiaries precedes the death of the member, or if the principal beneficiary is terminated by a divorce decree, the contingent beneficiary or beneficiaries become the principal beneficiary or beneficiaries;***

***(b) If the principal beneficiary is one (1) person and is the member's spouse and they are divorced on the date of the member's death, the contingent beneficiary or beneficiaries become the principal beneficiary or beneficiaries;***

***(c) If the member is survived by his or her principal beneficiary or beneficiaries who subsequently die prior to having on file at the retirement office the necessary forms prescribed under authority of Section 32 of this Act, the contingent beneficiary shall become the principal beneficiary or beneficiaries; and***

***(d) If the deaths of all the principal beneficiaries and all of the contingent beneficiaries precede the death of the member, the estate of the member becomes the beneficiary.***

***(3) Prior to the first day of the month in which the member would have received his or her first retirement allowance, a monthly benefit payable for life shall not be offered if the beneficiary designated under subsection (1) of this section is more than one (1) person, the member's estate, or a trust.***

***(4) When a notification of retirement has been filed at the retirement office:***

***(a) The designation of beneficiary on the notification of retirement shall supersede the designation of all previous beneficiaries;***

***(b) The beneficiary designated by the member on the member's notification of retirement shall be one (1) person, the member's estate, or a trust; and***

***(c) If the death of the beneficiary named on the notification of retirement precedes the first day of the month in which the member receives his or her first retirement allowance, the member may designate another beneficiary on the member's notification of retirement.***

***(5) After the first day of the month in which the member receives his or her first retirement allowance and subsequent thereto, a member shall not have the right to change his beneficiary, except that:***

***(a) The estate of the retired member becomes the beneficiary if the date of death of the beneficiary precedes or coincides with the date of death of the retired member;***

***(b) The estate of the retired member becomes the beneficiary if the retired member had designated a person as beneficiary who was the spouse or who later married the member and they were divorced on the date of the retired member's death. An ex-spouse who was the named beneficiary on the member's notification of retirement shall be reinstated as the member's beneficiary for the payment options provided by subsections (2), (3), (4), and (8)(b) of Section 24 of this Act if they are remarried to each other as of the date of the retired member's death; and***

1 ***(c) The estate of the member shall not receive monthly payments if the member***
2 ***selected one (1) of the payment options provided by subsections (2), (3), (4),***
3 ***and (8)(b) of Section 24 of this Act.***
4 ➔SECTION 20. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
5 TO READ AS FOLLOWS:
6 ***(1) The provisions of this section shall only apply to members who began***
7 ***participating in the system prior to January 1, 2014, who have service in a***
8 ***nonhazardous position.***
9 ***(2) (a) A member who began participating prior to September 1, 2008, is eligible***
10 ***for a retirement allowance determined under paragraphs (4)(a) or (4)(b) of***
11 ***this section, as applicable, for his or her service if:***
12 ***1. The member has attained normal retirement age and has four (4) or***
13 ***more years of service, at least one (1) of which is current service;***
14 ***2. The member has twenty-seven (27) or more years of service, at least***
15 ***fifteen (15) of which are current service;***
16 ***3. The member has attained age fifty-five (55) and has five (5) or more***
17 ***years of service, at least one (1) of which is current service; or***
18 ***4. The member is less than age fifty-five (55) and has twenty-five (25) or***
19 ***more years of service, at least fifteen (15) of which are current service.***
20 ***(b) In lieu of any other benefits due under 78.510 to 78.852, a member who***
21 ***began participating prior to September 1, 2008, who has attained normal***
22 ***retirement age and who has obtained at least one (1) month of service credit***
23 ***but no more than forty-seven (47) months of service may elect to receive an***
24 ***annual retirement allowance payable monthly or less frequently, as***
25 ***determined by the board, which shall be determined by multiplying his***
26 ***accumulated contributions by two (2) and converting this amount to an***
27 ***annual retirement allowance based on an annuity rate adopted by the board***

1 ***which would pay the actuarial equivalent of twice his accumulated***
2 ***contributions over the lifetime of the retired member.***
3 ***(c) A member who began participating prior to September 1, 2008, who has***
4 ***earned vested service credit in a retirement system, other than the Teachers'***
5 ***Retirement System, sponsored by a Kentucky institution of higher***
6 ***education, the Council on Postsecondary Education, or the Higher***
7 ***Education Assistance Authority, may count the vested service toward***
8 ***attaining the necessary years of service credit as provided in subparagraphs***
9 ***(a)2. and (a)4. of this subsection to qualify for a retirement allowance. The***
10 ***credit from a Kentucky institution of higher education, the Council on***
11 ***Postsecondary Education, or the Higher Education Assistance Authority***
12 ***shall not be used toward the minimum fifteen (15) years of current service***
13 ***required by subparagraphs (a)2. and (a)4. of this subsection or to calculate***
14 ***his or her retirement allowance pursuant to this section. The provisions of***
15 ***this paragraph shall not be construed to limit the use of Teachers'***
16 ***Retirement System credit pursuant to KRS 61.680(2)(a).***
17 ***(3) A member who began participating on or after September 1, 2008, but prior to***
18 ***January 1, 2014, is eligible for a retirement allowance determined under***
19 ***paragraph (4)(c) of this section if:***
20 ***(a) The member has attained normal retirement age and has at least five (5)***
21 ***years of service credited under KRS 78.615(1) or another state-administered***
22 ***retirement system;***
23 ***(b) The member is fifty-seven (57) years of age or older and has an age and***
24 ***years of service total of at least eighty-seven (87) years. The years of service***
25 ***used to determine eligibility for a retirement allowance under this***
26 ***paragraph shall only include years of service credited under KRS 78.615(1)***
27 ***or another state-administered retirement system; or***

1 ***(c) The member is sixty (60) years of age or older and has at least ten (10) years***
2 ***of service credited under KRS 78.615(1) or another state-administered***
3 ***retirement system.***
4 ***(4) Upon retirement under the conditions specified by subsection (2) and (3) of this***
5 ***section except as provided by paragraph (2)(b) of this section, a member covered***
6 ***by this section may receive an annual retirement allowance, payable monthly***
7 ***during his lifetime, which shall consist of an amount equal to:***
8 ***(a) Two and two-tenths percent (2.2%) of final compensation multiplied by the***
9 ***number of years of service credit, if the member began participating in the***
10 ***system prior to August 1, 2004;***
11 ***(b) Two percent (2.0%) of final compensation multiplied by the number of***
12 ***years of service credit, if the member began participating on or after August***
13 ***1, 2004, but prior to September 1, 2008;***
14 ***(c) If the member began participating on or after September 1, 2008, but prior***
15 ***to January 1, 2014:***
16 ***1. a. One and one-tenth percent (1.1%) of final compensation for***
17 ***each year of service if the member has earned ten (10) or less***
18 ***years of service at retirement;***
19 ***b. One and three-tenths percent (1.3%) of final compensation for***
20 ***each year of service if the member has earned greater than ten***
21 ***(10) but no more than twenty (20) years of service at retirement;***
22 ***c. One and one-half percent (1.5%) of final compensation for each***
23 ***year of service if the member has earned greater than twenty (20)***
24 ***but no more than twenty-six (26) years of service at retirement;***
25 ***or***
26 ***d. One and three-quarters percent (1.75%) of final compensation***
27 ***for each year of service if the member has earned greater than***

1 ***twenty-six (26) but no more than thirty (30) years of service at***
2 ***retirement; and***
3 ***2. Two percent (2.0%) of final compensation for each year of service***
4 ***earned in excess of thirty (30) years of service at retirement; and***
5 ***(d) The annual retirement allowance determined under this subsection, but***
6 ***shall:***
7 ***1. Be for a member with ten (10) or more years of service in the system at***
8 ***least one (1) of which is current service, not be less than five hundred***
9 ***twelve dollars ($512);***
10 ***2. Not be reduced for a member retiring under the provisions specified by***
11 ***paragraph (2)(a)1., (2)(a)2., (3)(a), and (3)(b) of this section; and***
12 ***3. Be reduced for a member retiring under the provisions specified by***
13 ***paragraphs (2)(a)3., (2)(a)4., and (3)(c) of this section by an amount***
14 ***determined by the board's actuary to reflect the earlier commencement***
15 ***of benefits.***
16 ➔SECTION 21. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
17 TO READ AS FOLLOWS:
18 ***(1) A member of the County Employees Retirement System who is participating in a***
19 ***nonhazardous position and who began participating in the system on or after***
20 ***January 1, 2014, shall receive the retirement benefits provided by this section in***
21 ***lieu of the retirement benefits provided under Section 20 of this Act. The***
22 ***retirement benefit provided by this section shall be known as the hybrid cash***
23 ***balance plan and shall operate as another benefit tier within the County***
24 ***Employees Retirement System.***
25 ***(2) The hybrid cash balance plan shall provide a retirement benefit based upon the***
26 ***member's accumulated account balance, which shall include:***
27 ***(a) Contributions made by the member as provided by KRS 78.510 to 78.852,***

1 ***except for employee contributions prescribed by paragraph (3)(b) of Section***
2 ***40 of this Act;***
3 ***(b) An employer pay credit of four percent (4%) of the creditable compensation***
4 ***earned by the employee for each month the employee is contributing to the***
5 ***hybrid cash balance plan provided by this section; and***
6 ***(c) Interest credits added annually to the member's accumulated account***
7 ***balance as provided by this section.***
8 ***(3) (a) Member contributions and employer pay credits as provided by subsection***
9 ***(2)(a) and (b) of this section shall be credited to the member's account***
10 ***monthly as contributions are reported and posted to the system in***
11 ***accordance with KRS 78.625.***
12 ***(b) Interest credits, as provided by subsection (2)(c) of this section, shall be***
13 ***credited to the member's account annually on June 30 of each fiscal year,***
14 ***as determined by subsection (4) of this section.***
15 ***(4) (a) On June 30 of each fiscal year, the system shall determine if the member***
16 ***contributed to the hybrid cash balance plan during the fiscal year.***
17 ***(b) If the member contributed to the hybrid cash balance plan during the fiscal***
18 ***year, the interest credit added to the member's account for that fiscal year***
19 ***shall be determined by multiplying the member's accumulated account***
20 ***balance on June 30 of the preceding fiscal year by a percentage increase***
21 ***equal to:***
22 ***1. Four percent (4%); plus***
23 ***2. Seventy-five percent (75%) of the system's geometric average net***
24 ***investment return in excess of a four percent (4%) rate of return.***
25 ***(c) If the member did not contribute to the hybrid cash balance plan during the***
26 ***fiscal year, the interest credit added to the member's account for that fiscal***
27 ***year shall be determined by multiplying the member's accumulated account***

1 ***balance on June 30 of the preceding fiscal year by four percent (4%).***
2 ***(d) For purposes of this subsection, "system's geometric average net investment***
3 ***return":***
4 ***1. Means the annual average geometric investment return, net of***
5 ***administrative and investment fees and expenses, over the last five (5)***
6 ***fiscal years as of the date the interest is credited to the member's***
7 ***account; and***
8 ***2. Shall be expressed as a percentage and based upon the system in***
9 ***which the member has an account.***
10 ***(e) No employer pay credits or interest credits shall be provided to a member***
11 ***who has taken a refund of contributions as provided by Section 35 of this***
12 ***Act or who has retired and annuitized his or her accumulated account***
13 ***balance as prescribed by this section.***
14 ***(5) (a) Upon termination of employment, a member who has less than five (5)***
15 ***years of service credited under KRS 78.615(1), who elects to take a refund***
16 ***of his or her accumulated account balance as provided by Section 35 of this***
17 ***Act, shall forfeit the accumulated employer credit, and shall only receive a***
18 ***refund of his or her accumulated contributions.***
19 ***(b) Upon termination of employment, a member who has five (5) or more years***
20 ***of service credited under KRS 78.615(1), who elects to take a refund of his***
21 ***or her accumulated account balance as provided by Section 35 of this Act,***
22 ***shall receive a full refund of his or her accumulated account balance.***
23 ***(6) A member participating in the hybrid cash balance plan provided by this section***
24 ***may retire:***
25 ***(a) At his or her normal retirement age, provided he or she has earned five (5)***
26 ***or more years of service credited under KRS 78.615(1), or another state-***
27 ***administered retirement system; or***

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

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

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

***(b) Receive the actuarial equivalent of his or her retirement allowance calculated under paragraph (a) of this subsection payable under one (1) of the options set forth in Section 24 of this Act; or***

***(c) Take a refund of his or her account balance as provided by Section 35 of this Act.***

***(8) The provisions of this section shall not apply to members who began participating in the County Employees Retirement System prior to January 1, 2014.***

➔SECTION 22. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) The provisions of this section shall only apply to members who began participating in the system prior to January 1, 2014, who have service in a hazardous position.***

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

***1. The member has attained normal retirement age and has five (5) or more years of service, at least one (1) of which is current service;***

1 ***2. The member has twenty (20) or more years of service, at least fifteen***
2 ***(15) of which are current service; or***
3 ***3. The member has attained age fifty (50) and has fifteen (15) or more***
4 ***years of service.***
5 ***(b) In lieu of any other benefits due under 78.510 to 78.852, a member who***
6 ***began participating prior to September 1, 2008, who has attained normal***
7 ***retirement age and who has obtained at least one (1) month of service credit***
8 ***but no more than fifty-nine (59) months of service may elect to receive an***
9 ***annual retirement allowance payable monthly or less frequently, as***
10 ***determined by the board, which shall be determined by multiplying his or***
11 ***her accumulated contributions by two (2) and converting this amount to an***
12 ***annual retirement allowance based on an annuity rate adopted by the board***
13 ***which would pay the actuarial equivalent of twice his or her accumulated***
14 ***contributions over the lifetime of the retired member.***
15 ***(3) A member who began participating on or after September 1, 2008, but prior to***
16 ***January 1, 2014, is eligible for a retirement allowance determined under***
17 ***paragraph (4)(b) of this section for his or her service if:***
18 ***(a) The member has attained normal retirement age and has five (5) years of***
19 ***service credited under KRS 78.615(1) or another state-administered***
20 ***retirement system;***
21 ***(b) The member has twenty-five (25) or more years of service credited under***
22 ***KRS 78.615(1) or another state-administered retirement system; or***
23 ***(c) The member has attained age fifty (50) and has fifteen (15) years of service***
24 ***credited under KRS 78.615(1) or another state-administered retirement***
25 ***system.***
26 ***(4) (a) A member of the system covered by this section who began participating***
27 ***prior to September 1, 2008, may elect to receive an annual retirement***

1 ***allowance, payable monthly during his lifetime, equal to two and five-tenths***
2 ***percent (2.5%) of final compensation for each year of service credit.***
3 ***(b) A member of the system covered by this section, who begins participating in***
4 ***the system on or after September 1, 2008, but prior to January 1, 2014, shall***
5 ***be eligible to receive an annual retirement allowance, payable monthly***
6 ***during his or her lifetime, equal to:***
7 ***1. One and three-tenths percent (1.3%) of final compensation for each***
8 ***year of service credit if the employee has earned ten (10) or less years***
9 ***of service at retirement;***
10 ***2. One and one-half percent (1.5%) of final compensation for each year***
11 ***of service credit if the employee has earned greater than ten (10) but***
12 ***no more than twenty (20) years of service at retirement;***
13 ***3. Two and one-quarter percent (2.25%) of final compensation for each***
14 ***year of service credit if the employee has earned greater than twenty***
15 ***(20) but less than twenty-five (25) years of service at retirement; or***
16 ***4. Two and one-half percent (2.5%) of final compensation for each year***
17 ***of service credit if the employee has earned twenty-five (25) or more***
18 ***years of service at retirement.***
19 ***(c) The annual retirement allowance determined under this subsection, shall:***
20 ***1. Not be reduced for a member retiring under the provisions specified by***
21 ***paragraph (2)(a)1., (2)(a)2., (3)(a), and (3)(b) of this section; and***
22 ***2. Be reduced for a member retiring under the provisions specified by***
23 ***paragraphs (2)(a)3. and (3)(c) of this section by an amount determined***
24 ***by the board's actuary to reflect the earlier commencement of benefits.***
25 ➔SECTION 23. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
26 TO READ AS FOLLOWS:
27 ***(1) A member of the County Employees Retirement System in a hazardous position***

1 ***covered by this section, who begins participating in the system on or after***
2 ***January 1, 2014, shall receive the retirement benefits provided by this section in***
3 ***lieu of the retirement benefits provided under Section 22 of this Act. The***
4 ***retirement benefit provided by this section shall be known as the hybrid cash***
5 ***balance plan and shall operate as another benefit tier within the County***
6 ***Employees Retirement System.***
7 ***(2) The hybrid cash balance plan shall provide a retirement benefit based upon the***
8 ***member's accumulated account balance, which shall include:***
9 ***(a) Contributions made by the member as provided by KRS 78.510 to 78.852,***
10 ***except for employee contributions prescribed by paragraph (3)(b) of Section***
11 ***40 of this Act;***
12 ***(b) An employer pay credit of seven and one-half percent (7.5%) of the***
13 ***creditable compensation earned by the employee for each month the***
14 ***employee is contributing to the hybrid cash balance plan provided by this***
15 ***section; and***
16 ***(c) Interest credits added annually to the member's accumulated account***
17 ***balance as provided by this section.***
18 ***(3) (a) Member contributions and employer pay credits as provided by subsection***
19 ***(2)(a) and (b) of this section shall be credited to the member's account***
20 ***monthly as contributions are reported and posted to the system in***
21 ***accordance with KRS 78.625.***
22 ***(b) Interest credits, as provided by subsection (2)(c) of this section, shall be***
23 ***credited to the member's account annually on June 30 of each fiscal year,***
24 ***as determined by subsection (4) of this section.***
25 ***(4) (a) On June 30 of each fiscal year, the system shall determine if the member***
26 ***contributed to the hybrid cash balance plan during the fiscal year.***
27 ***(b) If the member contributed to the hybrid cash balance plan during the fiscal***

1 ***year, the interest credit added to the member's account for that fiscal year***
2 ***shall be determined by multiplying the member's accumulated account***
3 ***balance on June 30 of the preceding fiscal year by a percentage increase***
4 ***equal to:***
5 ***1. Four percent (4%); plus***
6 ***2. Seventy-five percent (75%) of the system's geometric average net***
7 ***investment return in excess of a four percent (4%) rate of return.***
8 ***(c) If the member did not contribute to the hybrid cash balance plan during the***
9 ***fiscal year, the interest credit added to the member's account for that fiscal***
10 ***year shall be determined by multiplying the member's accumulated account***
11 ***balance on June 30 of the preceding fiscal year by four percent (4%).***
12 ***(d) For purposes of this subsection, "system's geometric average net investment***
13 ***return":***
14 ***1. Means the annual average geometric investment return, net of***
15 ***administrative and investment fees and expenses, over the last five (5)***
16 ***fiscal years as of the date the interest is credited to the member's***
17 ***account; and***
18 ***2. Shall be expressed as a percentage and based upon the system in***
19 ***which the member has an account.***
20 ***(e) No employer pay credits or interest credits shall be provided to a member***
21 ***who has taken a refund of contributions as provided by Section 35 of this***
22 ***Act or who has retired and annuitized his or her accumulated account***
23 ***balance as prescribed by this section.***
24 ***(5) (a) Upon termination of employment, a member who has less than five (5)***
25 ***years of service credited under KRS 78.615(1), who elects to take a refund***
26 ***of his or her accumulated account balance as provided by Section 35 of this***
27 ***Act, shall forfeit the accumulated employer credit, and shall only receive a***

1 ***refund of his or her accumulated contributions.***
2 ***(b) Upon termination of employment, a member who has five (5) or more years***
3 ***of service credited under KRS 78.615(1), who elects to take a refund of his***
4 ***or her accumulated account balance as provided by Section 35 of this Act,***
5 ***shall receive a full refund of his or her accumulated account balance.***
6 ***(6) A member participating in the hybrid cash balance plan provided by this section***
7 ***may retire:***
8 ***(a) At his or her normal retirement date, provided he or she has earned five (5)***
9 ***or more years of service credited under KRS 78.615(1) or another state-***
10 ***administered retirement system; or***
11 ***(b) At any age, provided he or she has earned twenty-five (25) or more years of***
12 ***service credited under KRS 78.615(1) or another state-administered***
13 ***retirement system.***
14 ***(7) A member eligible to retire under subsection (6) of this section may elect to:***
15 ***(a) Receive a monthly retirement allowance payable for life by having his or***
16 ***her accumulated account balance annuitized by the system in accordance***
17 ***with the actuarial assumptions and actuarial methods adopted by the board***
18 ***and in effect on the member's retirement date;***
19 ***(b) Receive the actuarial equivalent of his or her retirement allowance***
20 ***calculated under paragraph (a) of this subsection payable under one (1) of***
21 ***the options set forth in Section 24 of this Act; or***
22 ***(c) Take a refund of his or her account balance as provided by Section 35 of***
23 ***this Act.***
24 ***(8) The provisions of this section shall not apply to members who began participating***
25 ***in the system prior to January 1, 2014.***
26 ➔SECTION 24. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
27 TO READ AS FOLLOWS:

***(1) Each member shall have the right to elect to have his or her retirement allowance payable under any one (1) of the options set forth in this section in lieu of the retirement allowance otherwise payable to him or her upon retirement under any of the provisions of KRS 78.510 to 78.852. The amount of any optional retirement allowance shall be actuarially equivalent to the amount of retirement allowance otherwise payable to him.***

***(2) Survivorship one hundred percent (100%). The member may elect to receive a decreased retirement allowance during his or her lifetime and have the retirement allowance continued after his or her death to his or her beneficiary during the lifetime of the person.***

***(3) Survivorship sixty-six and two-thirds percent (66-2/3%). The member may elect to receive a decreased retirement allowance during his or her lifetime and have two-thirds (2/3) of the retirement allowance continue after his or her death to his or her beneficiary during the lifetime of the person.***

***(4) Survivorship fifty percent (50%). The member may elect to receive a decreased retirement allowance during his or her lifetime and have one-half (1/2) of the retirement allowance continued after his or her death to his or her beneficiary during the lifetime of the person.***

***(5) Life with ten (10) years certain. The member less than age seventy-six (76) may elect to receive a monthly retirement allowance during his or her lifetime which shall guarantee payments for one hundred twenty (120) months. If the member dies before receiving payments for one hundred twenty (120) months, his or her beneficiary shall receive the remaining payments monthly, for the duration of the one hundred twenty (120) month period. However, if the trust is designated as beneficiary, the trustee of the trust may elect to receive a lump-sum payment which shall be the actuarial equivalent to the remaining payments, or the trustee may elect to continue the remaining monthly payments to the trust of the***

***member. If the estate is designated as beneficiary, the estate shall receive a lump-sum payment which shall be the actuarial equivalent to the remaining payments.***

***(6) Life with fifteen (15) years certain. The member less than age sixty-eight (68) may elect to receive a monthly retirement allowance during his or her lifetime which shall guarantee payments for one hundred eighty (180) months. If the member dies before receiving payments for one hundred eighty (180) months, his or her beneficiary shall receive the remaining payments monthly for the duration of the one hundred eighty (180) month period. However, if the trust is designated as beneficiary, the trustee of the trust may elect to receive a lump-sum payment which shall be the actuarial equivalent to the remaining payments, or the trustee may elect to continue the remaining payments to the trust of the member. If the estate is designated as beneficiary, the estate shall receive a lump-sum payment which shall be the actuarial equivalent to the remaining payments.***

***(7) Life with twenty (20) years certain. The member less than age sixty-two (62) may elect to receive a monthly retirement allowance during his or her lifetime which shall guarantee payments for two hundred forty (240) months. If the member dies before receiving payments for two hundred forty (240) months, his or her beneficiary shall receive the remaining payments for the duration of the two hundred forty (240) months period. However, if the trust is beneficiary, the trustee of the trust may elect to receive a lump-sum payment which shall be the actuarial equivalent to the remaining payments, or the trustee may elect to continue the remaining payments to the trust of the member. If the estate is designated as beneficiary, the estate shall receive a lump-sum payment which shall be the actuarial equivalent to the remaining payments.***

***(8) Social Security adjustment options. These options shall be available to any member who has not attained age sixty-two (62) as follows:***

***(a) No survivor rights. The member may elect to receive an increased***

***retirement allowance from his or her effective retirement date through the month he attains age sixty-two (62) at which time his or her retirement allowance shall be decreased for the remainder of his or her lifetime;***

***(b) Survivor rights. The member may elect to receive an increased retirement allowance from his or her effective retirement date through the month he or she attains age sixty-two (62) based on the option payable under subsection (2) of this section, if the retirement allowance shall be decreased in the month following the month he or she attains age sixty-two (62), or the month following the month he or she would have attained age sixty-two (62), in event of his or her death, and have the retirement allowance continue after his or her death to his or her beneficiary during the lifetime of the person.***

***(9) Beneficiary Social Security adjustment option. This option is available to the beneficiary of a deceased member if the beneficiary, who is a person, has not attained age sixty (60), and is eligible to receive Social Security payments at age sixty (60). The beneficiary may elect to receive during his or her lifetime an increased retirement allowance based on his or her annual benefit payable for life. The payment shall begin on his or her effective retirement date and continue through the month he or she attains age sixty (60) at which time his or her retirement allowance shall be decreased for the remainder of his or her lifetime.***

***(10) Pop-up option. The member may elect to receive a decreased retirement allowance during his or her lifetime and have the retirement allowance continued after his or her death to his or her beneficiary during the lifetime of the person. If the beneficiary dies prior to the member, or if the beneficiary is the member's spouse and they divorce, the member's retirement allowance shall increase to the amount that would have been payable as a single life annuity.***

***(11) Actuarial equivalent refund. A member who began participating in the system***

***prior to January 1, 2014, may elect to receive a one (1) time lump-sum payment which shall be the actuarial equivalent of the amount payable for a period of sixty (60) months under subsection (4) of Section 20 of this Act or subsection (4) of Section 22 of this Act.***

***(12) Partial lump-sum option.***

***(a) No survivor rights. A member retiring on or before January 1, 2009, may elect to receive a one-time lump-sum payment equal to twelve (12), twenty-four (24), or thirty-six (36) monthly retirement allowances payable under the applicable retirement formula for the system and receive a reduced monthly retirement allowance payable for his or her lifetime. The lump-sum payment shall be paid in the month the first monthly retirement allowance is payable.***

***(b) Survivor rights. A member retiring on or before January 1, 2009, may elect to receive a one-time lump-sum payment equal to twelve (12), twenty-four (24), or thirty-six (36) monthly retirement allowances payable under subsection (2) of this section and receive a reduced monthly retirement allowance payable for his or her lifetime. The lump-sum payment shall be paid in the month the first monthly retirement allowance is payable. The reduced retirement allowance shall be continued after the member's death to his or her beneficiary during the lifetime of the person.***

***(13) Ten (10) year certain option. A member in a hazardous position may elect to receive a monthly retirement allowance payable for ten (10) years certain. If the member should become deceased prior to the expiration of ten (10) years, his or her beneficiary, unless the beneficiary is the member's estate, shall receive the remaining payments monthly for the duration of the ten (10) years. If the member's estate is the beneficiary, the member's estate shall receive a lump-sum payment which shall be the actuarial equivalent to the remaining payments. The***

1 ***provisions of Section 40 of this Act notwithstanding, the member, his or her***
2 ***spouse and eligible dependents shall continue to receive the insurance benefits to***
3 ***which they are entitled pursuant to Section 40 of this Act after the expiration of***
4 ***ten (10) years.***
5 ***(14) The options described in subsections (2), (3), (4), (8)(b), (10), and (12)(b) of this***
6 ***section shall be extended to the member only if the designated beneficiary is one***
7 ***(1) person.***
8 ➔SECTION 25. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
9 TO READ AS FOLLOWS:
10 ***(1) Effective August 1, 1996, to July 1, 2008, a recipient of a retirement allowance***
11 ***under KRS 78.510 to 78.852 shall have his or her retirement allowance increased***
12 ***on July 1 of each year by the percentage increase in the annual average of the***
13 ***consumer price index for all urban consumers for the most recent calendar year***
14 ***as published by the federal Bureau of Labor Statistics, not to exceed five percent***
15 ***(5%). In determining the annual employer contribution rate, only the cost of***
16 ***increases granted as of the most recent valuation date shall be recognized. The***
17 ***benefits of this subsection as provided on August 1, 1996, to July 1, 2008, shall***
18 ***not be considered as benefits protected by the inviolable contract provisions of***
19 ***KRS 78.852. The General Assembly reserves the right to suspend or reduce the***
20 ***benefits conferred in this subsection if in their judgment the welfare of the***
21 ***Commonwealth so demands.***
22 ***(2) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a***
23 ***retirement allowance under KRS 78.510 to 78.852 shall have his or her***
24 ***retirement allowance increased by one and one-half percent (1.5%), if:***
25 ***1. The funding level of the pension fund is greater than one hundred***
26 ***percent (100%) and subsequent legislation authorizes the use of any***
27 ***surplus actuarial assets to provide an increase in retirement***

1 ***allowances described by this subsection for the pension fund which***
2 ***has the surplus actuarial assets; or***
3 ***2. The General Assembly directs payment of employer contributions to***
4 ***fully prefund the increase described by this subsection in the year the***
5 ***increase is provided.***
6 ***(b) The board of trustees of the system shall, at least thirty (30) days prior to the***
7 ***beginning of regular sessions of the General Assembly held in even-***
8 ***numbered years, advise the General Assembly of the following:***
9 ***1. Which pension funds have a funding level greater than one hundred***
10 ***percent (100%) and can support an increase in recipients' retirement***
11 ***allowances as provided by paragraph (a) of this subsection over the***
12 ***next budget biennium without reducing the funding level of the***
13 ***pension fund below one hundred percent (100%); and***
14 ***2. If no surplus actuarial assets are available, the level of employer***
15 ***contribution funds needed to fully prefund an increase for pension***
16 ***fund recipients over the next budget biennium if a one and one-half***
17 ***percent (1.5%) increase is provided annually over the biennium.***
18 ***(c) For purposes of this subsection, "funding level" means the actuarial value***
19 ***of assets divided by the actuarially accrued liability expressed as a***
20 ***percentage that is determined and reported by the system's actuary in the***
21 ***system's actuarial valuation for each pension fund.***
22 ***(d) The full increase described by this subsection shall only be provided if the***
23 ***recipient has been receiving a benefit for at least twelve (12) months prior to***
24 ***the effective date of the increase. If the recipient has been receiving a***
25 ***benefit for less than twelve (12) months prior to the effective date of the***
26 ***increase provided by this subsection, the increase shall be reduced on a pro***
27 ***rata basis for each month the recipient has not been receiving benefits in***

1 ***the twelve (12) months preceding the effective date of the increase.***
2 ***(e) The benefits of this subsection as provided on July 1, 2009, and thereafter***
3 ***shall not be considered as benefits protected by the inviolable contract***
4 ***provisions of KRS 78.852. The General Assembly reserves the right to***
5 ***suspend or reduce the benefits conferred in this subsection if, in its***
6 ***judgment, the welfare of the Commonwealth so demands.***
7 ➔SECTION 26. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
8 TO READ AS FOLLOWS:
9 ***The disability retirement provisions contained in this section shall apply to a person***
10 ***with service in a nonhazardous position.***
11 ***(1) Any person may qualify to retire on disability, subject to the following conditions:***
12 ***(a) The person shall have sixty (60) months of service, twelve (12) of which***
13 ***shall be current service credited under KRS 78.615(1);***
14 ***(b) For a person whose membership date is prior to August 1, 2004, the person***
15 ***shall not be eligible for an unreduced retirement allowance;***
16 ***(c) The person's application shall be on file in the retirement office no later***
17 ***than twenty-four (24) months after the person's last day of paid employment***
18 ***in a regular full-time position, as defined in KRS 78.510; and***
19 ***(d) The person shall receive a satisfactory determination pursuant to Section 30***
20 ***of this Act.***
21 ***(2) A person's disability reapplication based on the same claim of incapacity shall be***
22 ***accepted and reconsidered for disability if accompanied by new objective medical***
23 ***evidence. The reapplication shall be on file in the retirement office no later than***
24 ***twenty-four (24) months after the person's last day of paid employment in a***
25 ***regular full-time position.***
26 ***(3) Upon the examination of the objective medical evidence by licensed physicians***
27 ***pursuant to Section 30 of this Act, it shall be determined that:***

***(a) The person, since his or her last day of paid employment, has been mentally or physically incapacitated to perform the job, or jobs of like duties, from which he or she received his or her last paid employment. In determining whether the person may return to a job of like duties, any reasonable accommodation by the employer as provided in 42 U.S.C. sec. 12111(9) and 29 C.F.R. pt. 1630 shall be considered;***

***(b) The incapacity is a result of bodily injury, mental illness, or disease. For purposes of this section, "injury" means any physical harm or damage to the human organism other than disease or mental illness;***

***(c) The incapacity is deemed to be permanent; and***

***(d) The incapacity does not result directly or indirectly from bodily injury, mental illness, disease, or condition which pre-existed membership in the system or reemployment, whichever is most recent. For purposes of this subsection, reemployment shall not mean a change of employment between employers participating in the state-administered retirement systems with no loss of service credit.***

***(4) Paragraph (d) of subsection (3) of this section shall not apply if:***

***(a) The incapacity is a result of bodily injury, mental illness, disease, or condition which has been substantially aggravated by an injury or accident arising out of or in the course of employment; or***

***(b) The person has at least sixteen (16) years' current or prior service for employment with employers participating in the state-administered retirement systems.***

***(5) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months from the person's last day of paid employment in a regular full-time position.***

***2. The determination of a permanent incapacity shall be based on the medical evidence contained in the member's file and the member's residual functional capacity and physical exertion requirements.***

***(b) The person's residual functional capacity shall be the person's capacity for work activity on a regular and continuing basis. The person's physical ability shall be assessed in light of the severity of the person's physical, mental, and other impairments. The person's ability to walk, stand, carry, push, pull, reach, handle, and other physical functions shall be considered with regard to physical impairments. The person's ability to understand, remember, and carry out instructions and respond appropriately to supervision, coworkers, and work pressures in a work setting shall be considered with regard to mental impairments. Other impairments, including skin impairments, epilepsy, visual sensory impairments, postural and manipulative limitations, and environmental restrictions, shall be considered in conjunction with the person's physical and mental impairments to determine residual functional capacity.***

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

***1. Sedentary work shall be work that involves lifting no more than ten (10) pounds at a time and occasionally lifting or carrying articles such as large files, ledgers, and small tools. Although a sedentary job primarily involves sitting, occasional walking and standing may also be required in the performance of duties.***

***2. Light work shall be work that involves lifting no more than twenty (20) pounds at a time with frequent lifting or carrying of objects weighing up to ten (10) pounds. A job shall be in this category if lifting is infrequently required but walking and standing are***

1 ***frequently required, or if the job primarily requires sitting with***
2 ***pushing and pulling of arm or leg controls. If the person has the***
3 ***ability to perform substantially all of these activities, the person shall***
4 ***be deemed capable of light work. A person deemed capable of light***
5 ***work shall be deemed capable of sedentary work unless the person has***
6 ***additional limitations such as the loss of fine dexterity or inability to***
7 ***sit for long periods.***
8 ***3. Medium work shall be work that involves lifting no more than fifty***
9 ***(50) pounds at a time with frequent lifting or carrying of objects***
10 ***weighing up to twenty-five (25) pounds. If the person is deemed***
11 ***capable of medium work, the person shall be deemed capable of light***
12 ***and sedentary work.***
13 ***4. Heavy work shall be work that involves lifting no more than one***
14 ***hundred (100) pounds at a time with frequent lifting or carrying of***
15 ***objects weighing up to fifty (50) pounds. If the person is deemed***
16 ***capable of heavy work, the person shall also be deemed capable of***
17 ***medium, light, and sedentary work.***
18 ***5. Very heavy work shall be work that involves lifting objects weighing***
19 ***more than one hundred (100) pounds at a time with frequent lifting or***
20 ***carrying of objects weighing fifty (50) or more pounds. If the person is***
21 ***deemed capable of very heavy work, the person shall be deemed***
22 ***capable of heavy, medium, light, and sedentary work.***
23 ***(6) Upon disability retirement from a nonhazardous position, an employee may***
24 ***receive a disability retirement allowance during his lifetime which shall be:***
25 ***(a) For a member who began participating in the system prior to August 1,***
26 ***2004, an annual retirement allowance payable monthly and determined in***
27 ***the same manner as for retirement at his normal retirement date with years***

***of service and final compensation being determined as of the date of his or her disability, except that service credit shall be added to the person's total service beginning with his or her last date of paid employment and continuing to his or her sixty-fifth birthday; however, the maximum service credit added shall not exceed the total service the person had upon his or her last day of paid employment, and the maximum combined service credit for calculating his or her disability retirement allowance, including total service and added service shall not exceed twenty-five (25) years. If, however, a person covered by this paragraph has accumulated twenty-five (25) or more years of total service, he or she shall receive added service necessary to bring his or her combined service credit, including total and added service, to twenty-seven (27) years;***

***(b) For a member who began participating on or after August 1, 2004, but prior to January 1, 2014, the higher of twenty percent (20%) of the member's monthly final rate of pay or the monthly retirement allowance determined in the same manner as for retirement at his or her normal retirement date with years of service and final compensation being determined as of the date of his or her disability; or***

***(c) For a member who begins participating on or after January 1, 2014, in the hybrid cash balance plan as provided by Section 21 of this Act, the higher of twenty percent (20%) of the member's monthly final rate of pay or the retirement allowance determined in the same manner as for retirement at his or her normal retirement date under Section 21 of this Act.***

***(7) A person with service in a nonhazardous position who is disabled due to an act in line of duty shall be eligible for benefits based upon the criteria and requirements specified by KRS 61.621.***

➔SECTION 27. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED

TO READ AS FOLLOWS:

***The disability retirement provisions contained in this section shall apply to a person with service in a hazardous position.***

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

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

***(c) If the board determines that the total and permanent disability of a member receiving a retirement allowance under this section has ceased, then the board shall determine if the member has a hazardous disability as defined by Section 2 of this Act.***

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

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

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

***(c) The person's application shall be on file in the retirement office no later than twenty-four (24) months after the person's last day of paid***

1 ***employment, as defined in Section 2 of this Act, in a regular full-time***
2 ***position that has been approved as a hazardous position in accordance with***
3 ***Section 6 of this Act;***
4 ***(d) The person shall receive a satisfactory determination pursuant to Section 30***
5 ***of this Act; and***
6 ***(e) A person's disability application based on the same claim of incapacity shall***
7 ***be accepted and reconsidered for disability if accompanied by new objective***
8 ***medical evidence. The application shall be on file in the retirement office no***
9 ***later than twenty-four (24) months after the person's last day of paid***
10 ***employment in a regular full-time hazardous position.***
11 ***(3) Upon the examination of the objective medical evidence by licensed physicians***
12 ***pursuant to Section 30 of this Act, it shall be determined that:***
13 ***(a) The incapacity results from bodily injury, mental illness, or disease. For***
14 ***purposes of this section, "injury" means any physical harm or damage to***
15 ***the human organism other than disease or mental illness;***
16 ***(b) The incapacity is deemed to be permanent; and***
17 ***(c) The incapacity does not result directly or indirectly from:***
18 ***1. Injury intentionally self-inflicted while sane or insane;***
19 ***2. Injury or disease resulting from military service; or***
20 ***3. Bodily injury, mental illness, disease, or condition which pre-existed***
21 ***membership in the system or reemployment, whichever is most recent,***
22 ***unless:***
23 ***a. The disability results from bodily injury, mental illness, disease,***
24 ***or a condition which has been substantially aggravated by an***
25 ***injury or accident arising out of or in the course of employment;***
26 ***or***
27 ***b. The person has at least sixteen (16) years' current or prior***

1 ***service for employment with employers participating in the state-***
2 ***administered retirement systems.***
3 ***For purposes of this subparagraph, "reemployment" shall not mean a***
4 ***change of employment between employers participating in the state-***
5 ***administered retirement systems with no loss of service credit.***
6 ***(4) (a) 1. An incapacity shall be deemed to be permanent if it is expected to***
7 ***result in death or can be expected to last for a continuous period of***
8 ***not less than twelve (12) months from the person's last day of paid***
9 ***employment in a hazardous position.***
10 ***2. The determination of a permanent incapacity shall be based on the***
11 ***medical evidence contained in the member's file and the member's***
12 ***residual functional capacity and physical exertion requirements.***
13 ***(b) The person's residual functional capacity shall be the person's capacity for***
14 ***work activity on a regular and continuing basis. The person's physical***
15 ***ability shall be assessed in light of the severity of the person's physical,***
16 ***mental, and other impairments. The person's ability to walk, stand, carry,***
17 ***push, pull, reach, handle, and other physical functions shall be considered***
18 ***with regard to physical impairments. The person's ability to understand,***
19 ***remember, and carry out instructions and respond appropriately to***
20 ***supervision, coworkers, and work pressures in a work setting shall be***
21 ***considered with regard to mental impairments. Other impairments,***
22 ***including skin impairments, epilepsy, visual sensory impairments, postural***
23 ***and manipulative limitations, and environmental restrictions, shall be***
24 ***considered in conjunction with the person's physical and mental***
25 ***impairments to determine residual functional capacity.***
26 ***(c) The person's physical exertion requirements shall be determined based on***
27 ***the following standards:***

***1. Sedentary work shall be work that involves lifting no more than ten (10) pounds at a time and occasionally lifting or carrying articles such as large files, ledgers, and small tools. Although a sedentary job primarily involves sitting, occasional walking and standing may also be required in the performance of duties.***

***2. Light work shall be work that involves lifting no more than twenty (20) pounds at a time with frequent lifting or carrying of objects weighing up to ten (10) pounds. A job shall be in this category if lifting is infrequently required but walking and standing are frequently required, or if the job primarily requires sitting with pushing and pulling of arm or leg controls. If the person has the ability to perform substantially all of these activities, the person shall be deemed capable of light work. A person deemed capable of light work shall be deemed capable of sedentary work unless the person has additional limitations such as the loss of fine dexterity or inability to sit for long periods.***

***3. Medium work shall be work that involves lifting no more than fifty (50) pounds at a time with frequent lifting or carrying of objects weighing up to twenty-five (25) pounds. If the person is deemed capable of medium work, the person shall be deemed capable of light and sedentary work.***

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

***5. Very heavy work shall be work that involves lifting objects weighing***

1 ***more than one hundred (100) pounds at a time with frequent lifting or***
2 ***carrying of objects weighing fifty (50) or more pounds. If the person is***
3 ***deemed capable of very heavy work, the person shall be deemed***
4 ***capable of heavy, medium, light, and sedentary work.***
5 ***(5) Upon disability retirement from a hazardous position, an employee may receive a***
6 ***disability retirement allowance payable during his lifetime which shall be:***
7 ***(a) For a member who began participating in the system prior to August 1,***
8 ***2004, an annual retirement allowance payable monthly and determined in***
9 ***the same manner as for retirement at his normal retirement date with years***
10 ***of service and final compensation being determined as of the date of his***
11 ***disability, except if the member's total service credit on his last day of paid***
12 ***employment in a regular full-time position is less than twenty (20) years,***
13 ***service shall be added beginning with his or her last date of paid***
14 ***employment and continuing to his or her fifty-fifth birthday. The maximum***
15 ***service credit added shall not exceed the total service the member had on his***
16 ***or her last day of paid employment, and the maximum service credit for***
17 ***calculating his or her retirement allowance, including his or her total***
18 ***service and service added under this section, shall not exceed twenty (20)***
19 ***years;***
20 ***(b) For a member who begins participating on or after August 1, 2004, but***
21 ***prior to January 1, 2014, the higher of twenty-five percent (25%) of the***
22 ***member's monthly final rate of pay or the retirement allowance determined***
23 ***in the same manner as for retirement at his or her normal retirement date***
24 ***with years of service and final compensation being determined as of the***
25 ***date of his or her disability; or***
26 ***(c) For a member who begins participating on or after January 1, 2014, in the***
27 ***hybrid cash balance plan as provided by Section 23 of this Act, the disability***

1 ***retirement allowance shall be the higher of twenty-five percent (25%) of the***
2 ***member's monthly final rate of pay or the retirement allowance determined***
3 ***in the same manner as for retirement at his or her normal retirement date***
4 ***under Section 23 of this Act.***
5 ***(6) If the member receives a satisfactory determination of total and permanent***
6 ***disability or hazardous disability pursuant to Section 30 of this Act and the***
7 ***disability is the direct result of an act in line of duty, the member's retirement***
8 ***allowance shall be calculated as follows:***
9 ***(a) For the disabled member, benefits as provided in subsection (5) of this***
10 ***section except that the monthly retirement allowance payable shall not be***
11 ***less than twenty-five percent (25%) of the member's monthly final rate of***
12 ***pay; and***
13 ***(b) For each dependent child of the member on his or her disability retirement***
14 ***date, who is alive at the time any particular payment is due, a monthly***
15 ***payment equal to ten percent (10%) of the disabled member's monthly final***
16 ***rate of pay; however, total maximum dependent children's benefit shall not***
17 ***exceed forty percent (40%) of the member's monthly final rate of pay. The***
18 ***payments shall be payable to each dependent child, or to a legally appointed***
19 ***guardian or as directed by the system.***
20 ***(7) No benefit provided in this section shall be reduced as a result of any change in***
21 ***the extent of disability of any retired member who is normal retirement age or***
22 ***older.***
23 ***(8) If a regular full-time member in a hazardous position has been approved for***
24 ***benefits under a hazardous disability, the board shall, upon request of the***
25 ***member, permit the member to receive the hazardous disability allowance while***
26 ***accruing benefits in a nonhazardous position, subject to proper medical review of***
27 ***the nonhazardous position's job description by the system's medical examiner.***

➔SECTION 28. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) Once each year following the retirement of a person on a disability retirement allowance, or less frequently as determined by the board's medical examiner but not less than once every five (5) years, the system may require the person, prior to his or her normal retirement date, to undergo an employment and medical staff review and, if necessary, be required to file at the retirement office on the review form prescribed by the board current employment information and current medical information for the bodily injury, mental illness, or disease for which he or she receives a disability retirement allowance. The person shall have one hundred eighty (180) days from the day the system mailed the review form to the person's last address on file in the retirement office to file at the retirement office the review form and the current employment and medical information. The person shall certify to the retirement office that the review form, including current employment and medical information, is ready to be evaluated by the medical examiner in accordance with Section 29 of this Act.***

***(2) If, after good faith efforts, the person informs the system that he or she has been unable to obtain the employment or medical information, the system shall assist the person in obtaining the records and may use the authority granted pursuant to subsection (1) of Section 17 of this Act to obtain the records.***

***(3) If the person fails or refuses to file at the retirement office the review form, including the current employment and medical information, his or her retirement allowance shall be discontinued or reduced on the first day of the month following the expiration of the one hundred eighty (180) days from the day the system mailed the review form to the person's last address on file in the retirement office. The system shall send notice of the discontinuance or reduction of the disability retirement allowance by United States first-class mail to the***

***person's last address on file in the retirement office. If the person's benefits are discontinued or reduced under this section, his or her rights to further disability retirement allowances shall cease, except as provided by Section 29 of this Act***.

➔SECTION 29. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

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

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

***(3) The system shall have full power and exclusive authority to reduce or discontinue a disability retirement allowance and the system shall utilize the services of a medical examiner as provided in Section 30 of this Act, in determining whether to continue, reduce, or discontinue a disability retirement allowance under this section.***

***(a) The system shall select a medical examiner to evaluate the forms and medical information submitted by the person. If there is objective medical***

1 ***evidence of a mental impairment, the medical examiner may request the***
2 ***board's licensed mental health professional to assist in determining the***
3 ***level of the mental impairment.***
4 ***(b) The medical examiners shall be paid a reasonable amount by the retirement***
5 ***system for each case evaluated.***
6 ***(c) The medical examiner shall recommend that disability retirement allowance***
7 ***be continued, reduced, or discontinued.***
8 ***1. If the medical examiner recommends that the disability retirement***
9 ***allowance be continued, the system shall make retirement payments in***
10 ***accordance with the retirement plan selected by the person.***
11 ***2. If the medical examiner recommends that the disability retirement***
12 ***allowance be reduced or discontinued, the system shall send notice of***
13 ***the recommendation by United States first-class mail to the person's***
14 ***last address on file in the retirement office.***
15 ***a. The person shall have sixty (60) days from the day that the***
16 ***system mailed the notice to file at the retirement office additional***
17 ***supporting employment or medical information and certify to the***
18 ***retirement office that the forms and additional supporting***
19 ***employment information or medical information are ready to be***
20 ***evaluated by the medical examiner or to appeal the***
21 ***recommendation of the medical examiner to reduce or***
22 ***discontinue the disability retirement allowance by filing at the***
23 ***retirement office a request for a formal hearing.***
24 ***b. If the person fails or refuses to file at the retirement office the***
25 ***forms, the additional supporting employment information, and***
26 ***current medical information or to appeal the recommendation of***
27 ***the medical examiners to reduce or discontinue the disability***

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

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

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

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

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

***b. If the person fails or refuses to appeal the recommendation of the medical examiners to reduce or discontinue the disability retirement allowance, his retirement allowance shall be discontinued on the first day of the month following the expiration of the period of the sixty (60) days from the day the***

***system mailed the notice of the recommendation to the person's last address on file in the retirement office.***

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

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

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

***(h) Notwithstanding any other provisions of this section, the system may***

***require the person to submit to one (1) or more medical or psychological examinations at any time. The system shall be responsible for any costs associated with any examinations of the person requested by the medical examiner or the system for the purpose of providing medical information deemed necessary by the medical examiner or the system. Notice of the time and place of the examination shall be mailed to the person or his or her legal representative. If the person fails or refuses to submit to one (1) or more medical examinations, his or her rights to further disability retirement allowance shall cease.***

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

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

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

***(6) If a disability retirement allowance is reduced or discontinued for a person who began participating in the system prior to January 1, 2014, the person may apply for early retirement benefits as provided under Section 20 or 22 of this Act, as applicable, subject to the following provisions:***

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

***(b) If the person has returned to employment with an employer participating in the system, the service and creditable compensation shall be used in recomputing his or her benefit, except that the person's final compensation shall not be less than the final compensation last used in determining his or her retirement allowance;***

***(c) The benefit shall be reduced as provided by subsection (4) of Section 20 of this Act or subsection (4) of Section 22 of this Act;***

***(d) The person shall remain eligible for reinstatement of his or her disability allowance upon reevaluation by the medical review board until his or her normal retirement age. The person shall apply for reinstatement of disability benefits in accordance with the provisions of this section. An application for reinstatement of disability benefits shall be administered as an application under Sections 26 or 27 of this Act, as applicable, and only the bodily injuries, mental illnesses, diseases, or conditions for which the person was originally approved for disability benefits shall be considered. Bodily injuries, mental illnesses, diseases, or conditions that came into existence after the person's last day of paid employment shall not be considered as a basis for reinstatement of disability benefits. Bodily injuries, mental illnesses, diseases, or conditions alleged by the person as being incapacitating, but which were not the basis for the award of disability retirement benefits, shall not be considered. If the person establishes that the disability benefits should be reinstated, the system shall pay disability benefits effective from the first day of the month following the month in which the person applied for reinstatement of the disability benefits; and***

***(e) Upon attaining normal retirement age, the person shall receive the higher of either his or her disability retirement allowance or his or her early retirement allowance.***

***(7) No disability retirement allowance shall be reduced or discontinued by the system after the person's normal retirement date except in case of reemployment as provided for by Section 42 of this Act. If a disability retirement allowance has been reduced or discontinued, except if the person is reemployed as provided for by Section 42 of this Act, the retirement allowance shall be reinstated upon***

***attainment of the person's normal retirement date to the retirement allowance prior to adjustment. No reinstated payment shall be less than the person is receiving upon attainment of the person's normal retirement date.***

➔SECTION 30. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) The board shall employ at least three (3) physicians, licensed in the state and not members of the system, upon terms and conditions it prescribes to serve as medical examiners, whose duty it shall be to pass upon all medical examinations required under KRS 78.510 to 78.852, to investigate all health or medical statements and certificates made by or in behalf of any person in connection with the payment of money to the person under KRS 78.510 to 78.852, and who shall report in writing to the system the conclusions and recommendations upon all matters referred to them. The board may employ one (1) or more licensed mental health professionals in making recommendations regarding mental impairments.***

***(2) (a) Each person requesting disability retirement shall file at the retirement office an application for disability retirement and supporting medical information to report the person's physical and mental condition. The person shall also file at the retirement office a complete description of the job and duties from which he or she received his or her last pay as well as evidence that the person has made a request for reasonable accommodation as provided for in 42 U.S.C. sec. 12111(9) and 29 C.F.R. pt. 1630. The person shall certify to the retirement office that the application for disability retirement and supporting medical information are ready to be evaluated by the medical examiners in accordance with paragraph (d) of this subsection. If, after good faith efforts, the person informs the system that he or she has been unable to obtain the employment or medical information, the system shall assist the person in obtaining the records and may use the authority***

***granted pursuant to subsection (1) of Section 17 of this Act to obtain the records. If the person fails to file, at the retirement office within one hundred eighty (180) days of the date the person filed his or her notification of retirement, any of the forms, certifications, or information required by this subsection, the person's application for disability retirement shall be void. Any subsequent filing of an application for disability retirement or supporting medical information shall not be evaluated, except as provided in paragraph (f) of this subsection or subsection (2) of Section 26 of this Act or paragraph (2)(e) of Section 27 of this Act.***

***(b) The employer shall file at the retirement office a complete description of the job and duties for which the person was last paid and shall submit a detailed description of reasonable accommodations attempted.***

***(c) The cost of medical examinations and the filing of the medical information, reports, or data with the retirement office shall be paid by the person applying for disability retirement.***

***(d) The system shall select three (3) medical examiners to evaluate the medical evidence submitted by the person. The medical examiners shall recommend that disability retirement be approved, or that disability retirement be denied. If there is evidence of a mental impairment, the medical examiners may request the board's licensed mental health professional to assist in determining the level of the mental impairment.***

***(e) If two (2) or more of the three (3) medical examiners recommend that the person be approved for disability retirement, the system shall make retirement payments in accordance with the retirement plan selected by the person.***

***(f) If two (2) or more of the three (3) medical examiners recommend that the person be denied disability retirement, the system shall send notice of this***

1 ***recommendation by United States first-class mail to the person's last***
2 ***address on file in the retirement office. The person shall have one hundred***
3 ***eighty (180) days from the day that the system mailed the notice to file at the***
4 ***retirement office additional supporting medical information and certify to***
5 ***the retirement office that the application for disability retirement and***
6 ***supporting medical information are ready to be evaluated by the medical***
7 ***examiners or to appeal his or her denial of disability retirement by filing at***
8 ***the retirement office a request for a formal hearing. Any subsequent filing***
9 ***of an application for disability retirement or supporting medical***
10 ***information shall not be evaluated, except as provided in subsection (2) of***
11 ***Section 26 of this Act or paragraph (2)(e) of Section 27 of this Act.***
12 ***(g) If two (2) or more of the three (3) medical examiners recommend that the***
13 ***person be approved for disability retirement based upon the evaluation of***
14 ***additional supporting medical information in accordance with paragraph***
15 ***(f) of this subsection, the system shall make retirement payments in***
16 ***accordance with the retirement plan selected by the person.***
17 ***(h) If two (2) or more of the three (3) medical examiners recommend that the***
18 ***person be denied disability retirement based upon the evaluation of***
19 ***additional supporting medical information in accordance with paragraph***
20 ***(f) of this subsection, the system shall send notice of this recommendation***
21 ***by United States first-class mail to the person's last address on file in the***
22 ***retirement office. The person shall have one hundred eighty (180) days***
23 ***from the day that the system mailed the notice to appeal his or her denial of***
24 ***disability retirement by filing at the retirement office a request for a formal***
25 ***hearing.***
26 ***(i) The medical examiners shall be paid a reasonable amount by the retirement***
27 ***system for each case evaluated.***

1 ***(j) Notwithstanding the foregoing provisions of this section, the system may***
2 ***pay for one (1) or more medical examinations of the person requested by the***
3 ***medical examiners for the purpose of providing medical information***
4 ***deemed necessary by the medical examiners. The system may require the***
5 ***person to submit to one (1) or more medical examinations.***
6 ***(3) (a) Any person whose disability benefits have been reduced, discontinued, or***
7 ***denied pursuant to subsection (2)(f) or (2)(h) of this section may file at the***
8 ***retirement office a request for a formal hearing to be conducted in***
9 ***accordance with KRS Chapter 13B. The right to demand a formal hearing***
10 ***shall be limited to a period of one hundred eighty (180) days after the***
11 ***person had notice of the system's determination, as described in subsection***
12 ***(2)(f) or (2)(h) of this section. The request for a formal hearing shall be***
13 ***filed with the executive director, at the retirement office in Frankfort. The***
14 ***request for a formal hearing shall include a short and plain statement of the***
15 ***reasons the denial of disability retirement is being contested.***
16 ***(b) Failure of the person to request a formal hearing within the period of time***
17 ***specified shall preclude the person from proceeding any further with the***
18 ***application for disability retirement, except as provided in subsection (2) of***
19 ***Section 26 of this Act or paragraph (2)(e) of Section 27 of this Act. This***
20 ***paragraph shall not limit the person's right to appeal to a court.***
21 ***(c) The system may require the person requesting the formal hearing to submit***
22 ***to one (1) or more medical or psychological examinations. Notice of the***
23 ***time and place of the examination shall be mailed to the person or his or***
24 ***her legal representative. The system shall be responsible for the cost of the***
25 ***examination.***
26 ***(d) A final order of the board shall be based on substantial evidence appearing***
27 ***in the record as a whole and shall set forth the decision of the board and the***

1 ***facts and law upon which the decision is based.***
2 ***(e) All requests for a hearing pursuant to this section shall be made in writing.***
3 ***(4) The board may establish an appeals committee whose members shall be***
4 ***appointed by the chair and who shall have the authority to act upon the***
5 ***recommendations and reports of the hearing officer pursuant to this section on***
6 ***behalf of the board.***
7 ***(5) Any person aggrieved by a final order of the board may seek judicial review after***
8 ***all administrative appeals have been exhausted by filing a petition for judicial***
9 ***review in the Franklin Circuit Court in accordance with KRS Chapter 13B.***
10 ***(6) The system, pursuant to regulations, may refer an employee determined by it to***
11 ***be disabled to the Kentucky Office of Vocational Rehabilitation for evaluation***
12 ***and, if appropriate, retraining.***
13 ***(a) The cost of the evaluation and retraining shall be paid by the system in***
14 ***accordance with the regulations established by the board.***
15 ***(b) The member shall perform all acts that are necessary to enroll in and satisfy***
16 ***the requirements of Vocational Rehabilitation as prescribed by the board.***
17 ***This shall include the exchange of confidential information between***
18 ***County Employees Retirement System and the Kentucky Office of***
19 ***Vocational Rehabilitation as necessary to conduct the rehabilitation***
20 ***process. Failure of the member to cooperate with the system or Vocational***
21 ***Rehabilitation may result in his or her disability allowance being***
22 ***discontinued, reduced, or denied until the member complies with the agency***
23 ***requests. If the refusal continues for one (1) year, all his or her rights to any***
24 ***further disability allowance shall cease.***
25 ➔SECTION 31. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
26 TO READ AS FOLLOWS:
27 ***(1) If a member dies prior to the first day of the month in which the member would***

***have received his or her first retirement allowance, the member's beneficiary shall be eligible for the benefits provided by this section if the member had on file a written designation of a beneficiary with the retirement office as provided by Section 19 of this Act and the member met the following conditions at the date of his or her death:***

***(a) 1. The member had service in a nonhazardous position and was eligible to retire under subsection (2) or (3) of Section 20 of this Act or subsection (6) of Section 21 of this Act; or***

***2. The member had service in a hazardous position and was eligible to retire under subsection (2) or (3) of Section 22 of this Act or subsection (6) of Section 23 of this Act;***

***(b) The member was in active employment or on authorized leave of absence with five (5) or more years of service credit and died prior to his or her normal retirement date; or***

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

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

***(a) A monthly benefit payable for the life of the beneficiary that is equal to the benefit that would have been paid had the member retired immediately prior to his or her date of death and elected to receive benefits payable under the survivorship one hundred percent (100%) option as provided in subsection (2) of Section 24 of this Act;***

***(b) A monthly benefit payable for the life of the beneficiary under the beneficiary Social Security adjustment option as provided in subsection (9) of Section 24 of this Act that is the actuarial equivalent to the amount***

***computed under paragraph (a) of this subsection;***

***(c) A monthly benefit payable for a period of sixty (60) months that is the actuarial equivalent to the amount computed under paragraph (a) of this subsection;***

***(d) A monthly benefit payable for a period of one hundred twenty (120) months that is the actuarial equivalent to the amount computed under paragraph (a) of this subsection;***

***(e) If the member began participating in the system prior to January 1, 2014, a monthly benefit payable for a period of one hundred twenty (120) months that is equivalent to the benefit the member would have been entitled to receive based on his or her years of service and final compensation at the date of his or her death reduced by the survivorship fifty percent (50%) factor as provided for in subsection (4) of Section 24 of this Act, then reduced by fifty percent (50%), and that is the actuarial equivalent to the amount computed under paragraph (a) of this subsection; or***

***(f) The higher of a refund of the member's accumulated account balance as described in subsection (1) of Section 35 of this Act or one (1) time lump-sum payment which shall be the actuarial equivalent of the amount payable under paragraph (a) of this subsection for a period of sixty (60) months.***

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

***(4) If the beneficiary eligible for benefits as provided in subsection (1) of this section is the member's estate, then the beneficiary shall receive the higher of a refund of the member's accumulated account balance as described in subsection (1) of***

1 ***Section 35 of this Act or the one (1) time lump-sum payment payable under***
2 ***subsection (2)(f) of this section, using the assumption that the beneficiary's age is***
3 ***the same as the member's age.***
4 ***(5) Payments of taxable distributions made pursuant to this section shall be subject***
5 ***to state and federal income tax as appropriate.***
6 ***(6) (a) A person with service in a nonhazardous position who dies as a result of an***
7 ***act occurring in the line of duty shall be eligible for benefits from the***
8 ***system based upon the criteria and benefits specified by KRS 61.621.***
9 ***(b) A person with service in a hazardous position who dies as a result of an act***
10 ***occurring in the line of duty shall be eligible for benefits from the system***
11 ***based upon the criteria and benefits specified by Section 33 of this Act.***
12 ➔SECTION 32. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
13 TO READ AS FOLLOWS:
14 ***(1) A member or beneficiary eligible to receive retirement benefits under any of the***
15 ***provisions of KRS 78.510 to 78.852 shall have on file at the retirement office on***
16 ***the form prescribed by the board, notification of retirement, giving his or her***
17 ***name, address, Social Security number, last day of employment, and other***
18 ***information the system may require. The form entitled "Notification of***
19 ***Retirement" shall not be filed more than six (6) months before the member's***
20 ***effective retirement date.***
21 ***(2) Within ten (10) days of the receipt of the form entitled "Notification of***
22 ***Retirement" submitted within two (2) months of the effective date of retirement,***
23 ***the system shall cause to be prepared an estimate of the amounts the member or***
24 ***beneficiary may expect to receive under the various payment options available to***
25 ***the member or beneficiary. This information shall be recorded on a form entitled***
26 ***"Estimated Retirement Allowance" and forwarded to the member or beneficiary.***
27 ***If the member submits a form entitled "Notification of Retirement" more than***

***two (2) months prior to the effective retirement date, the system shall provide the form entitled "Estimated Retirement Allowance" within forty-five (45) days of the member's effective retirement date.***

***(3) The member or beneficiary shall file at the retirement office the form entitled "Estimated Retirement Allowance" after he or she has checked the payment option of his or her choice, signed the document, and had his or her signature witnessed. A member shall not have the right to select a different payment option after the first day of the month in which the member receives his or her first retirement allowance. A beneficiary shall not have the right to select a different payment option after the effective date of the beneficiary's retirement allowance as provided in subsection (7) of this section.***

***(4) A member or beneficiary choosing a monthly payment option shall have on file at the retirement office his or her birth certificate or other acceptable evidence of date of birth. If a survivorship option is chosen, proof of dates of birth of the beneficiary and member shall be on file at the retirement office.***

***(5) (a) Normal Retirement. For a member normal retirement age or older, the effective date of retirement shall be the first month following the month in which employment was terminated from a regular full-time position.***

***(b) Disability Retirement. For a member retiring under the disability provisions of KRS 78.510 to 78.852, the effective date of disability retirement shall be the first month following the month in which the member's last day of paid employment in a regular full-time position occurred, provided the member files the form entitled "Estimated Retirement Allowance" no later than six (6) months following the date the notification of approval for disability retirement benefits is mailed. If the member fails to file the form entitled "Estimated Retirement Allowance" within six (6) months of the date the notification of approval for disability retirement benefits is mailed, then the***

***member's form entitled "Notification of Retirement" shall be void. The member shall be required to submit a new form entitled "Notification of Retirement" to apply for disability retirement and reestablish eligibility for disability retirement benefits.***

***(c) Early Retirement. The effective date of retirement for a member who has not attained normal retirement age shall be the first month following the month the form entitled "Notification of Retirement" is filed at the retirement office or a future month designated by the member, if employment in a regular full-time position has been terminated and if the member files the form entitled "Estimated Retirement Allowance" no later than six (6) months following termination. If the member fails to file the form entitled "Estimated Retirement Allowance" within six (6) months following the effective retirement date of the member, then the member's form entitled "Notification of Retirement" shall be void and the member shall be required to submit a new form entitled "Notification of Retirement" to apply for retirement.***

***(6) Notwithstanding the provisions of KRS Section 31 of this Act, the effective date of a beneficiary's retirement allowance shall be as prescribed in subsection (5) of this section, as applicable, if the member dies before the first day of the month in which the member would have received his or her first retirement allowance and his or her beneficiary becomes eligible for payments under Section 31 of this Act.***

➔SECTION 33. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***The provisions of this section shall apply to members in a hazardous position.***

***(1) If the death of a member in service occurs on or after August 1, 1992, as a direct result of an act in line of duty and the member has on file in the retirement office at the time of his or her death a written designation of only one (1) beneficiary,***

1 ***who is his or her spouse, the beneficiary may elect to receive a lump-sum***
2 ***payment of ten thousand dollars ($10,000) and a monthly payment equal to***
3 ***twenty-five percent (25%) of the member's monthly final rate of pay beginning in***
4 ***the month following the member's death and continuing each month until death.***
5 ***(2) If the death of a member in service occurs on or after July 1, 1968, as a direct***
6 ***result of an "act in line of duty" and the member has on file in the retirement***
7 ***office at the time of his or her death a written designation of only one (1)***
8 ***beneficiary other than his or her spouse, who is a dependent receiving at least***
9 ***one-half (1/2) of his or her support from the deceased member, the beneficiary***
10 ***may elect to receive a lump-sum payment of ten thousand dollars ($10,000).***
11 ***(3) In the period of time following a member's death during which dependent***
12 ***children survive, monthly payments shall be made for each dependent child who***
13 ***is alive, equal to ten percent (10%) of the deceased member's monthly final rate***
14 ***of pay; however, total maximum dependent children's benefits shall not be***
15 ***greater than forty percent (40%) of the deceased member's monthly final rate of***
16 ***pay at the time any particular payment is due. The payments shall commence in***
17 ***the month following the date of death of the member and shall be payable to the***
18 ***beneficiaries, or to a legally appointed guardian or as directed by the system.***
19 ***Benefits shall be payable under this subsection notwithstanding an election by a***
20 ***beneficiary to withdraw the deceased member's accumulated account balance as***
21 ***provided in Section 35 of this Act or benefits under any other provisions of KRS***
22 ***78.510 to 78.852.***
23 ***(4) A beneficiary eligible for benefits under subsection (1) or (2) of this section who***
24 ***is also eligible for benefits under any other provisions of KRS 78.510 to 78.852***
25 ***may elect benefits under this section or any other section of KRS 78.510 to 78.852***
26 ***but cannot elect to receive both.***
27 ***(5) (a) A beneficiary applying for benefits under subsection (1) or (2) of this***

***section who is also eligible for benefits under Section 31 of this Act may elect to receive benefits under paragraph (2)(a) or (b) of Section 31 of this Act while the application for benefits under subsection (1) or (2) of this section is pending.***

***(b) If a final determination results in a finding of eligibility for benefits under subsection (1) or (2) of this section, the system shall recalculate the benefits due the beneficiary in accordance with this subsection.***

***(c) If the beneficiary has been paid less than the amount of benefits to which the beneficiary was entitled to receive under this section, the system shall pay the additional funds due to the beneficiary.***

***(d) If the beneficiary has been paid more than the amount of benefits to which the beneficiary was entitled to receive under this section, the system shall deduct the amount overpaid to the beneficiary from the ten thousand dollars ($10,000) lump-sum payment and from the monthly retirement allowance payments until the amount owed to the system has been recovered.***

➔SECTION 34. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) If a retired member who did not elect an optional retirement plan as provided by Section 24 of this Act dies at any time on or after the first day of the month in which the member received or would have received his or her first retirement allowance but before receiving total retirement allowances provided in KRS 78.520 to 78.852 at least equal to his or her accumulated contributions as of the date of his or her retirement, the difference between the accumulated contributions and the total allowances shall be payable in a lump sum to the properly designated beneficiary. If a living person designated as the beneficiary predeceases the retired member, the estate shall become the beneficiary. If a spouse designated as the beneficiary is divorced from the retired member as of the***

1 ***member's death, the estate shall become the beneficiary.***
2 ***(2) If a retired member who elected an optional retirement plan as provided by***
3 ***Section 24 of this Act and his or her beneficiary both die at any time on or after***
4 ***the first day of the month in which the member received or would have received***
5 ***his or her first retirement allowance but before receiving total retirement***
6 ***allowances provided in KRS 78.520 to 78.852 at least equal to the retired***
7 ***member's accumulated contributions as of the date of his or her retirement, the***
8 ***difference between the accumulated contributions and the total allowances shall***
9 ***be payable in a lump sum to the estate of the last deceased, except that the retired***
10 ***member's estate shall receive the payment if the beneficiary was the spouse and***
11 ***they were divorced as of the date of the member's death. If the retired member***
12 ***and beneficiary die simultaneously, the estate of the retired member shall become***
13 ***the beneficiary.***
14 ***(3) If a beneficiary receiving a lifetime retirement allowance under Section 31 of this***
15 ***Act dies before receiving total retirement allowances provided in KRS 78.510 to***
16 ***78.852 at least equal to the member's accumulated contributions as of the date of***
17 ***the member's death, the difference between the accumulated contributions and***
18 ***the total allowances shall be payable in a lump sum to the estate of the***
19 ***beneficiary.***
20 ***(4) If a beneficiary receiving a retirement allowance for sixty (60) or one hundred***
21 ***twenty (120) months certain under Section 31 of this Act, or a beneficiary***
22 ***receiving a retirement allowance under subsection (5), (6), (7), or (13) of Section***
23 ***24 of this Act, dies before receiving all payments under the plan, the executor or***
24 ***administrator of his or her estate shall receive a lump sum payment which shall***
25 ***be the actuarial equivalent to the remaining payments.***
26 ***(5) If the system is unable to verify a recipient's whereabouts or whether the recipient***
27 ***is living, the system shall suspend the recipient's retirement allowance. If the***

***recipient is located, the system shall restore to the recipient all suspended retirement allowances.***

➔SECTION 35. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) (a) Prior to the member's effective retirement date, a member if living, or if not living, his or her designated beneficiary, shall have the right to request a refund of his or her accumulated account balance if the member's employment has been terminated and the member is not participating in the system.***

***(b) Upon the death of a member occurring on or after his or her effective retirement date, the member's beneficiary shall have the right to request a refund of the member's accumulated contributions, reduced by the amount of any retirement allowances previously received.***

***(2) Payments made under this section shall be in lieu of any other benefits due for the period of service under any of the provisions of KRS 78.510 to 78.852, unless the period of service is regained as provided under subsection (3) of Section 10 of this Act. Payments of taxable distributions made pursuant to this section shall be subject to state and federal tax as appropriate.***

***(3) A refund of contributions of members whose benefits have been terminated pursuant to KRS 6.696 shall be governed by that section.***

***(4) A refund of contributions to members whose benefits have been terminated pursuant to paragraph (4)(c) of Section 4 of this Act shall be governed by the provisions of that subsection.***

➔SECTION 36. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) Upon the death of a member, retiree, or recipient who has an existing account or other benefit in the system that totals no more than one thousand dollars***

***($1,000), the surviving spouse, or if none, a surviving child, or if none, a surviving parent, or if none, a surviving brother or sister, may without formal administration of the estate collect the account subject to the provisions of this section.***

***(2) The surviving spouse, child, parent, or brother or sister who makes demand for the deceased member, retiree, or recipient account shall file with the retirement office an affidavit stating that he or she is entitled to payment of the account. The affidavit shall conform to the requirements of the administrative regulation promulgated by the board.***

***(3) After having paid the account to the surviving spouse, child, parent, or brother or sister, the retirement system shall be discharged and held harmless to the same extent as if conducting business with a personal representative. The system shall not be required to inquire into the truth or veracity of any statement made in the affidavit. In the event any person or entity establishes a superior right to the account, the surviving spouse, child, parent, or brother or sister, and not the system, shall be answerable and accountable to any appointed personal representative for the estate.***

➔SECTION 37. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) The annual retirement allowance for a member of the system shall not exceed the maximum benefit as set forth in the Internal Revenue Code.***

***(2) (a) The retirement allowance for a member of the system shall be calculated by using the member's known creditable compensation prior to his or her last month's employment and an estimate of his or her creditable compensation during the last month he or she was employed. Based upon this calculation, the State Treasurer shall be requested to issue the initial retirement payment.***

***(b) A new calculation shall be made when the official report has been received of the member's creditable compensation during his or her last month's employment. However, the retirement allowance determined in accordance with paragraph (a) of this subsection shall be the official retirement allowance unless the new calculation derives an amount which is two dollars ($2) greater or less than the amount of the initial retirement payment. If the member or beneficiary chose an actuarial equivalent refund payment option, the amount of estimated retirement allowance shall be the official retirement allowance unless the new calculation produces an amount which is one hundred dollars ($100) greater or less than the amount of the initial retirement payment.***

➔SECTION 38. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) A recipient who begins receiving a retirement allowance August 1, 2000, or after, from the County Employees Retirement System shall have the retirement allowance paid by electronic fund transfer to a financial institution designated by the recipient except as provided by subsection (5) of this section.***

***(2) When an individual becomes eligible to receive a monthly retirement allowance, the retirement system shall provide an authorization for deposit of retirement payment form to the recipient to have the monthly retirement allowance deposited to an account in a financial institution.***

***(3) The recipient shall provide the information and authorization required for the electronic transfer of funds from the State Treasurer's office to the designated financial institution.***

***(4) At any time while receiving a retirement allowance, the recipient may change the designated institution by completing a new authorization for deposit of retirement payment form and filing the form at the retirement office in Frankfort. The last***

***authorization for deposit of retirement payment on file at the retirement office shall control the electronic transfer of the recipient's retirement allowance.***

***(5) (a) A recipient may request to be paid by check issued by the State Treasurer instead of by electronic transfer by completing and filing at the retirement office a request for payment by check form.***

***(b) The request shall be approved if:***

***1. The recipient certifies that he or she does not currently have an account with a financial institution; or***

***2. The recipient's bank certifies that it does not participate in the electronic funds transfer program.***

***(c) The retirement office shall, every five (5) years, require the recipient to certify that the original conditions under which he or she requested payment by check continue. If the original conditions do not exist, the recipient shall complete an authorization for direct deposit of retirement payment form and file it with the retirement office.***

➔SECTION 39. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) (a) There is hereby created and established a trust fund to be known as "County Employees Retirement System insurance trust fund." All assets received in the trust fund shall be deemed trust funds to be held and applied solely as provided in this section. Assets of the trust fund shall not be used for any other purpose and shall not be used to pay the claims of creditors or any individual, person, or employer participating in the County Employees Retirement System.***

***(b) The trust fund is intended to be established as a trust exempt from taxation under 26 U.S.C. sec. 115.***

***(2) The trust fund is created for the purpose of providing a trust separate from the***

***retirement funds. Trust fund assets are dedicated for use for health benefits as provided in Section 40 of this Act, and as permitted under 26 U.S.C. secs. 105 and 106, to retired recipients and employees of employers participating in the County Employees Retirement System and to certain of their dependents or beneficiaries, including but not limited to qualified beneficiaries as described in 42 U.S.C. secs. 300bb-1 et seq.***

***(3) The trust fund shall be administered by the board of trustees of the County Employees Retirement System and the board shall serve as trustees of the fund. The board shall manage the assets of the fund in the same manner in which it administers the retirement funds, except that separate accounting and financial reporting shall be maintained for the trust fund.***

***(4) In addition to the requirements of subsection (2) of this section, the employers participating in the trust fund are limited to the Commonwealth, political subdivisions of the Commonwealth, and entities whose income is exempt from taxation under 26 U.S.C. sec. 115. No other entity may participate in the trust fund.***

***(5) If the trust fund is terminated, the assets in the trust fund may revert, after the payment of all liabilities, to the participating employers as determined by the board of trustees.***

***(6) The board of trustees may adopt regulations and procedures and take all action necessary and appropriate to provide that the income of the trust fund is exempt from taxation under Title 26 of United States Code.***

***(7) The establishment of County Employees Retirement System insurance trust fund shall not diminish or expand the rights of any recipients, employees, or dependents to health benefits.***

➔SECTION 40. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

1 ***(1) For purposes of this section:***
2 ***(a) "Hospital and medical insurance plan" may include, at the board's***
3 ***discretion, any one (1) or more of the following:***
4 ***1. Any hospital and medical expense policy or certificate, provider-***
5 ***sponsored integrated health delivery network, self-insured medical***
6 ***plan, health maintenance organization contract, or other health***
7 ***benefit plan;***
8 ***2. Any health savings account as permitted by 26 U.S.C. sec. 223 or***
9 ***health reimbursement arrangement or a similar account as may be***
10 ***permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or account,***
11 ***at the board's discretion, may reimburse any medical expense***
12 ***permissible under 26 U.S.C. sec. 213; or***
13 ***3. A medical insurance reimbursement program established by the board***
14 ***through the promulgation of administrative regulation under which***
15 ***members purchase individual health insurance coverage through a***
16 ***health insurance exchange established under 42 U.S.C. sec. 18031 or***
17 ***18041;***
18 ***(b) "Monthly contribution rate" shall be the amount determined by the board***
19 ***based upon the requirements of paragraphs (4)(a) to (4)(c) of this section,***
20 ***except that for members who began participating in the system on or after***
21 ***July 1, 2003, the term shall mean the amount determined in paragraph***
22 ***(4)(d) of this section; and***
23 ***(c) "Months of service" shall mean the total months of combined service used***
24 ***to determine benefits under the system, except service added to determine***
25 ***disability benefits or service otherwise prohibited from being used to***
26 ***determine retiree health benefits under KRS 78.510 to 78.852 shall not be***
27 ***counted as "months of service."***

1 ***(2) (a) 1. The board of trustees of the system shall arrange by appropriate***
2 ***contract or on a self-insured basis to provide a group hospital and***
3 ***medical insurance plan coverage for:***
4 ***a. Present and future recipients of a retirement allowance from the***
5 ***County Employees Retirement System; and***
6 ***b. The spouse and each qualified dependent of a recipient who is a***
7 ***former member or the beneficiary, provided the spouse and***
8 ***dependent meet the requirements to participate in the hospital***
9 ***and medical insurance plans established, contracted, or***
10 ***authorized by the system.***
11 ***2. Any recipient who chooses coverage under a hospital and medical***
12 ***insurance plan shall pay, by payroll deduction from the retirement***
13 ***allowance or by another method, the difference between the premium***
14 ***cost of the hospital and medical insurance plan coverage selected and***
15 ***the monthly contribution rate to which he or she would be entitled***
16 ***under this section.***
17 ***(b) 1. For present and future recipients of a retirement allowance from the***
18 ***system who are not eligible for Medicare, the board may authorize***
19 ***these participants to be included in the Kentucky Employees Health***
20 ***Plan as provided by KRS 18A.225 to 18A.2287 and shall provide***
21 ***benefits for recipients in the plan equal to those provided to state***
22 ***employees having the same Medicare hospital and medical insurance***
23 ***eligibility status. Notwithstanding the provisions of any other statute,***
24 ***system recipients shall be included in the same class as current state***
25 ***employees for purposes of determining medical insurance policies and***
26 ***premiums in the Kentucky Employees Health Plan as provided by***
27 ***KRS 18A.225 to 18A.2287.***

1 ***2. Regardless of age, if a recipient or the spouse or dependent child of a***
2 ***recipient who elects coverage becomes eligible for Medicare, he or she***
3 ***shall participate in the plans offered by the systems for Medicare***
4 ***eligible recipients. Individuals participating in the Medicare eligible***
5 ***plans shall be required to obtain and pay for Medicare Part A and***
6 ***Part B coverage in order to participate in the Medicare eligible plans***
7 ***offered by the system.***
8 ***3. The system shall continue to provide the same hospital and medical***
9 ***insurance plan coverage for recipients and qualifying dependents***
10 ***after the age of sixty-five (65) as before the age of sixty-five (65), if the***
11 ***recipient is not eligible for Medicare coverage.***
12 ***(c) For recipients of a retirement allowance who are not eligible for the same***
13 ***level of hospital and medical benefits as recipients living in Kentucky***
14 ***having the same Medicare hospital and medical insurance eligibility status,***
15 ***the board shall provide a medical insurance reimbursement plan as***
16 ***described in subsection (6) of this section.***
17 ***(d) Notwithstanding anything in KRS Chapter 78 to the contrary, the board of***
18 ***trustees, in its discretion, may take necessary steps to ensure compliance***
19 ***with 42 U.S.C. secs. 300bb-1 et seq.***
20 ***(3) (a) Each employer participating in the County Employees Retirement System as***
21 ***provided in KRS 78.510 to 78.852 shall contribute to the County Employees***
22 ***Retirement System insurance trust fund the amount necessary to provide***
23 ***the monthly contribution rate as provided for under this section. Such***
24 ***employer contribution rate shall be developed by appropriate actuarial***
25 ***method as a part of the determination of each respective employer***
26 ***contribution rate determined under Section 12 of this Act.***
27 ***(b) 1. Each employer described in paragraph (a) of this subsection shall***

***deduct from the creditable compensation of each member whose membership date begins on or after September 1, 2008, an amount equal to one percent (1%) of the member's creditable compensation. The deducted amounts shall be credited to accounts established pursuant to 26 U.S.C. sec. 401(h), within the funds established in KRS 78.520.***

***2. The employer shall file the contributions as provided by subparagraph 1. of this paragraph at the retirement office in accordance with Section 13 of this Act. Any interest or penalties paid on any delinquent contributions shall be credited to accounts established pursuant to 26 U.S.C. sec. 401(h), within the funds established in KRS 78.520. Notwithstanding any minimum compensation requirements provided by law, the deductions provided by this paragraph shall be made, and the compensation of the member shall be reduced accordingly.***

***3. Each employer shall submit payroll reports, contributions lists, and other data as may be required by administrative regulation promulgated by the board of trustees pursuant to KRS Chapter 13A.***

***4. Every member shall be deemed to consent and agree to the deductions made pursuant to this paragraph, and the payment of salary or compensation less the deductions shall be a full and complete discharge of all claims for services rendered by the person during the period covered by the payment, except as to any benefits provided by KRS 78.510 to 78.852. No member may elect whether to participate in, or choose the contribution amount to accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 78.520. The member shall have no option to receive the contribution required by this paragraph directly instead of having the contribution paid to***

***accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 78.520. No member may receive a rebate or refund of contributions. If a member establishes a membership date prior to September 1, 2008, pursuant to subsection (2) or (3) of Section 10 of this Act, then this paragraph shall not apply to the member and all contributions previously deducted in accordance with this paragraph shall be refunded to the member without interest. The contribution made pursuant to this paragraph shall not act as a reduction or offset to any other contribution required of a member or recipient under KRS 78.510 to 78.852.***

***5. The board of trustees, at its discretion, may direct that the contributions required by this paragraph be accounted for within accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 78.520 through the use of separate accounts.***

***(4) (a) The premium required to provide hospital and medical insurance plan coverage under this section shall be paid wholly or partly from funds contributed by:***

***1. The recipient of a retirement allowance, by payroll deduction from his or her retirement allowance, or by other method;***

***2. The County Employees Retirement System insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 78.520;***

***3. Another state-administered retirement system under a reciprocal arrangement, except that any portion of the premium paid from the funds specified by subparagraph 2. of this paragraph under a reciprocal agreement shall not exceed the amount that would be payable under this section if all the member's service were in the***

1 ***County Employees Retirement System; or***
2 ***4. A combination of the fund sources described by subparagraph 1. to 3.***
3 ***of this paragraph.***
4 ***(b) For a member who began participating in the system prior to July 1, 2003,***
5 ***the monthly contribution rate shall be paid by the system from the funds***
6 ***specified under paragraph (a)2. of this subsection and shall be equal to a***
7 ***percentage of the single premium to cover the retired member as follows:***
8 ***1. One hundred percent (100%) of the monthly premium for single***
9 ***coverage shall be paid for a retired member who had two hundred***
10 ***forty (240) months of service or more upon retirement or for a retired***
11 ***member who when he or she was an employee was disabled as a result***
12 ***of an act in the line of duty as defined in subsection (48) of Section 2***
13 ***of this Act;***
14 ***2. Seventy-Five percent (75%) of the monthly premium for single***
15 ***coverage shall be paid for a retired member who had less than two***
16 ***hundred forty (240) months of service but at least one hundred eighty***
17 ***(180) months of service upon retirement, provided such retired***
18 ***member agrees to pay the remaining twenty-five percent (25%) by***
19 ***payroll deduction from his or her retirement allowance or by another***
20 ***method;***
21 ***3. Fifty percent (50%) of the monthly premium for single coverage shall***
22 ***be paid for a retired member who had less than one hundred eighty***
23 ***(180) months of service but had at least one hundred twenty (120)***
24 ***months of service upon retirement, provided such retired member***
25 ***agrees to pay the remaining fifty percent (50%) by payroll deduction***
26 ***from his or her retirement allowance or by another method; or***
27 ***4. Twenty-five percent (25%) of the monthly premium for single***

***coverage shall be paid for a retired member who had less than one hundred twenty (120) months of service but had at least forty-eight (48) months of service upon retirement, provided such retired member agrees to pay the remaining seventy-five percent (75%) by payroll deduction from his or her retirement allowance or by another method.***

***Notwithstanding the foregoing provisions of this paragraph, an employee participating in the system prior to July 1, 2003, who is killed as a result of an act in the line of duty as defined in subsection (48) of Section 2 of this Act, shall have the monthly premium paid for the beneficiary, if the beneficiary is the member's spouse, and for each dependent child, so long as they individually remain eligible for a monthly retirement benefit.***

***(c) 1. For a member who began participating in the system prior to July 1, 2003, who was determined to be in a hazardous position in the County Employees Retirement System, the funds specified under paragraph (a)2. of this subsection shall also pay a percentage of the monthly contribution rate sufficient to fund the premium costs for hospital and medical insurance coverage for the spouse and for each dependent child of a recipient.***

***2. The percentage of the monthly contribution rate paid for the spouse and each dependent child of a recipient who was in a hazardous position in accordance with subparagraph 1. of this paragraph shall be based solely on the member's service in a hazardous position using the formula in paragraph (b) of this subsection, except that for any recipient of a retirement allowance from the County Employees Retirement System who was contributing to the system on January 1, 1998, for service in a hazardous position, the percentage of the monthly contribution shall be based on the total of hazardous service***

***and any nonhazardous service as a police or firefighter with the same agency, if that agency was participating in the County Employees Retirement System but did not offer hazardous duty coverage for its police and firefighters at the time of initial participation.***

***(d) For members who begin participating in the system on or after July 1, 2003:***

***1. Participation in the insurance benefits provided under this section shall not be allowed until the member has earned at least one hundred twenty (120) months of service in the state-administered retirement systems, except that for members who begin participating in the system on or after September 1, 2008, participation in the insurance benefits provided under this section shall not be allowed until the member has earned at least one hundred eighty (180) months of service credited under KRS 78.615(1) or another state-administered retirement system.***

***2. A member who meets the minimum service requirements as provided by subparagraph 1. of this paragraph shall upon retirement be eligible for the following monthly contribution rate to be paid on their behalf from the funds specified under paragraph (a)2. of this subsection:***

***a. For members with service in a nonhazardous position, a monthly insurance contribution of ten dollars ($10) for each year of service as a participating employee in a nonhazardous position; and***

***b. For members with service in a hazardous position, a monthly insurance contribution of fifteen dollars ($15) for each year of service as a participating employee in a hazardous position. Upon the death of the retired member, the beneficiary, if the***

***beneficiary is the member's spouse, shall be entitled to a monthly insurance contribution of ten dollars ($10) for each year of service the member attained as a participating employee in a hazardous position.***

***3. The minimum service requirement to participate in benefits as provided by subparagraph 1. of this paragraph shall be waived for a member who is disabled as a result of an act in the line of duty as defined in subsection (48) of Section 2 of this Act and the member shall be entitled to the benefits payable under this subsection as though the member had twenty (20) years of service in the position for which the disabling condition occurred.***

***4. The minimum service requirement to participate in benefits as provided by subparagraph 1. of this paragraph shall be waived for a member who is killed as a result of an act in the line of duty as defined in subsection (48) of Section 2 of this Act and the member shall be entitled to the benefits payable under this subsection as though the member had twenty (20) years of service in a hazardous position.***

***5. The monthly insurance contribution amount shall be increased July 1 of each year by one and one-half percent (1.5%). The increase shall be cumulative and shall continue to accrue after the member's retirement for as long as a monthly insurance contribution is payable to the retired member or beneficiary.***

***6. The benefits of this paragraph provided to a member whose participation begins on or after July 1, 2003, shall not be considered as benefits protected by the inviolable contract provisions of KRS 78.852. The General Assembly reserves the right to suspend or reduce the benefits conferred in this paragraph if in its judgment the welfare***

1 ***of the Commonwealth so demands.***
2 ***7. An employee whose membership date is on or after September 1, 2008,***
3 ***who retires and is reemployed in a regular full-time position required***
4 ***to participate in the system shall not be eligible for health insurance***
5 ***coverage or benefits provided by this section and shall take coverage***
6 ***with his or her employing agency during the period of reemployment***
7 ***in a regular full-time position.***
8 ***(e) For members with service in another state-administered retirement system***
9 ***who select hospital and medical insurance plan coverage through the***
10 ***system:***
11 ***1. The system shall compute the member's combined service, including***
12 ***service credit in another state-administered retirement system, and***
13 ***calculate the portion of the member's premium monthly contribution***
14 ***rate to be paid by the funds specified under paragraph (a)2. of this***
15 ***subsection according to the criteria established in paragraphs (a) to***
16 ***(d) of this subsection. Each state-administered retirement system***
17 ***annually shall pay annually to the County Employees Retirement***
18 ***System insurance trust fund the portion of the system's cost of the***
19 ***retiree's monthly contribution for single coverage for hospital and***
20 ***medical insurance plan based upon the reciprocal agreement***
21 ***established between the system and the other state-administered***
22 ***retirement systems. The amounts paid by the other state-administered***
23 ***retirement plans and by the County Employees Retirement System***
24 ***from funds specified under paragraph (a)2. of this subsection shall***
25 ***not be more than one hundred percent (100%) of the monthly***
26 ***contribution adopted by the respective boards of trustees;***
27 ***2. A member may not elect coverage for hospital and medical benefits***

1 ***through more than one (1) of the state-administered retirement***
2 ***systems; and***
3 ***3. A state-administered retirement system shall not pay any portion of a***
4 ***member's monthly contribution for medical insurance unless the***
5 ***member is a recipient or annuitant of the plan.***
6 ***(5) Premiums paid for hospital and medical insurance coverage procured under***
7 ***authority of this section shall be exempt from any premium tax which might***
8 ***otherwise be required under KRS Chapter 136. The payment of premiums by the***
9 ***funds described by subsection (4)(a)2. of this section shall not constitute taxable***
10 ***income to an insured recipient. No commission shall be paid for hospital and***
11 ***medical insurance procured under authority of this section.***
12 ***(6) The board shall promulgate an administrative regulation to establish a medical***
13 ***insurance reimbursement plan to provide reimbursement for hospital and***
14 ***medical insurance plan premiums of recipients of a retirement allowance who***
15 ***are not eligible for the same level of hospital and medical benefits as recipients***
16 ***living in Kentucky and having the same Medicare hospital and medical insurance***
17 ***eligibility status. An eligible recipient shall file proof of payment for hospital and***
18 ***medical insurance plan coverage with the retirement office. Reimbursement to***
19 ***eligible recipients shall be made on a quarterly basis. The recipient shall be***
20 ***eligible for reimbursement of substantiated medical insurance premiums for an***
21 ***amount not to exceed the total monthly contribution rate determined under***
22 ***subsection (4) of this section. The plan shall not be made available if all***
23 ***recipients are eligible for the same coverage as recipients living in Kentucky.***
24 ➔SECTION 41. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
25 TO READ AS FOLLOWS:
26 ***(1) (a) Upon the death of a retired member of the system, who was receiving a***
27 ***monthly retirement allowance based on a minimum of forty-eight (48)***

1 ***months of service, a death benefit of five thousand dollars ($5,000) shall be***
2 ***paid.***
3 ***(b) If the retired member had more than one (1) account in the County***
4 ***Employees Retirement System or is eligible for a benefit from the Kentucky***
5 ***Retirement Systems under the provisions of KRS 61.705, the combined***
6 ***payment from the County Employees Retirement System under this section***
7 ***and the Kentucky Retirement Systems under KRS 61.705 shall not exceed***
8 ***five thousand dollars ($5,000). Each system's cost shall be prorated between***
9 ***the systems based upon the level of service credit in each system.***
10 ***(c) Application for the death benefit made to the system shall include***
11 ***acceptable evidence of death and of the eligibility of the applicant to act on***
12 ***the deceased retired member's behalf.***
13 ***(2) (a) The death benefit shall be paid to a beneficiary named by the retired***
14 ***member. Upon retirement or any time thereafter, the retired member may***
15 ***designate on the form prescribed by the board, death benefit designation, a***
16 ***person, the retired member's estate, a trust or trustee, or a licensed funeral***
17 ***home, as the beneficiary of the death benefit. The beneficiary for the death***
18 ***benefit may or may not be the same beneficiary designated in accordance***
19 ***with subsection (1) of Section 32 of this Act.***
20 ***(b) If the beneficiary designated under this section is a person and that person***
21 ***dies prior to the member, or if the beneficiary was the retired member's***
22 ***spouse and they were divorced on the date of the retired member's death,***
23 ***then the retired member's estate shall become the beneficiary, unless the***
24 ***retired member has filed a subsequent death benefit designation.***
25 ***(c) If a licensed funeral home is designated as beneficiary and the licensed***
26 ***funeral home cannot be reasonably identified or located by the system at the***
27 ***time of the retired member's death, then the retired member's estate shall***

1 ***become the beneficiary of the death benefit.***
2 ***(3) If, at the time of the retired member's death, a debt to the County Employees***
3 ***Retirement System remains on his or her account, the balance owed shall be***
4 ***deducted from the five thousand dollars ($5,000) death benefit.***
5 ***(4) Upon the death of a retired member, the death benefit provided pursuant to this***
6 ***section may be assigned by the designated beneficiary to a bank or licensed***
7 ***funeral home.***
8 ➔SECTION 42. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
9 TO READ AS FOLLOWS:
10 ***(1) (a) A retired member or his or her employer shall notify the system if he or she***
11 ***has accepted employment or is serving as a volunteer with an employer that***
12 ***participates in the state-administered retirement systems or with an***
13 ***employer who is contracted to perform services for an employer***
14 ***participating in the state-administered retirement systems. The retired***
15 ***member and the participating employer shall submit the information***
16 ***required or requested by the County Employees Retirement System to***
17 ***confirm the individual's employment or volunteer status.***
18 ***(b) If the retired member is employed following retirement under a contract, the***
19 ***member shall submit a copy of that contract to the County Employees***
20 ***Retirement System, and the system shall determine if the member is an***
21 ***independent contractor for purposes of retirement benefits.***
22 ***(c) A retired member and the participating employer shall submit the***
23 ***information required or requested by the system to confirm the individual's***
24 ***employment or volunteer status.***
25 ***(2) A retired member whose disability retirement was discontinued pursuant to***
26 ***Section 29 of this Act and who is reemployed by an employer participating in the***
27 ***system prior to his or her normal retirement date shall have his or her accounts***

1 ***combined upon termination for determining eligibility for benefits. If the member***
2 ***is eligible for retirement, the member's service and creditable compensation***
3 ***earned as a result of his or her reemployment shall be used in the calculation of***
4 ***benefits, except that the member's final compensation shall not be less than the***
5 ***final compensation last used in determining his or her retirement allowance. The***
6 ***member shall not change beneficiary or payment option designations.***
7 ***(3) Retired members of County Employees Retirement System who returned to work***
8 ***prior to September 1, 2008, and who are contributing to a second retirement***
9 ***account in the County Employees Retirement System shall continue to earn***
10 ***service credit in the system under the conditions and requirements specified by***
11 ***KRS 61.637 as of June 30, 2017.***
12 ***(4) The following shall apply to retired members of the County Employees***
13 ***Retirement System who are reemployed on or after September 1, 2008, by an***
14 ***agency participating in the County Employees Retirement System:***
15 ***(a) Except as provided by paragraphs (c) and (d) of this subsection, if a retired***
16 ***member is receiving a retirement allowance from the County Employees***
17 ***Retirement System, or has filed the forms required to receive a retirement***
18 ***allowance from the County Employees Retirement System, and is employed***
19 ***in a regular full-time position required to participate in the County***
20 ***Employees Retirement System or is employed in a position that is not***
21 ***considered regular full-time with an employer participating in the County***
22 ***Employees Retirement System within three (3) months following the***
23 ***member's initial retirement date, the member's retirement shall be voided,***
24 ***and the member shall repay to the system all benefits received, including***
25 ***any health insurance benefits. If the retired member is returning to work in***
26 ***a regular full-time position required to participate in the County Employees***
27 ***Retirement System:***

1 ***1. The member shall contribute to a member account established for him***
2 ***or her in the County Employees Retirement System, and employer***
3 ***contributions shall be paid on behalf of the member by the***
4 ***participating employer to the system; and***
5 ***2. Upon subsequent retirement, the member shall be eligible for a***
6 ***retirement allowance based upon total service and creditable***
7 ***compensation, including any additional service or creditable***
8 ***compensation earned after his or her initial retirement was voided;***
9 ***(b) Except as provided by paragraphs (c) and (d) of this subsection, if a retired***
10 ***member is receiving a retirement allowance from the County Employees***
11 ***Retirement System and is employed in a regular full-time position required***
12 ***to participate in the County Employees Retirement System after a three (3)***
13 ***month period following the member's initial retirement date, the member***
14 ***may continue to receive his or her retirement allowance during the period***
15 ***of reemployment subject to the following provisions:***
16 ***1. Both the employee and participating employer shall certify in writing***
17 ***on a form prescribed by the board that no prearranged agreement***
18 ***existed between the employee and employer prior to the employee's***
19 ***retirement for the employee to return to work with the participating***
20 ***employer. If an elected official is reelected to a new term of office in***
21 ***the same position and retires following the election but prior to taking***
22 ***the new term of office, he or she shall be deemed by the system as***
23 ***having a prearranged agreement under the provisions of this***
24 ***subparagraph and shall have his or her retirement voided. If the***
25 ***participating employer fails to complete the certification, the member's***
26 ***retirement shall be voided and the provisions of paragraph (a) of this***
27 ***subsection shall apply to the member and the employer;***

1 ***2. Notwithstanding any other provision of KRS Chapter 78 to the***
2 ***contrary, the member shall not contribute to the system and shall not***
3 ***earn any additional benefits for any work performed during the period***
4 ***of reemployment;***
5 ***3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer***
6 ***shall pay employer contributions as specified by Sections 12 and 40 of***
7 ***this Act on all creditable compensation earned by the employee during***
8 ***the period of reemployment. The additional contributions paid shall be***
9 ***used to reduce the unfunded actuarial liability of the system; and***
10 ***4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer***
11 ***shall be required to reimburse the system for the cost of the health***
12 ***insurance premium paid by the system to provide coverage for the***
13 ***retiree, not to exceed the cost of the single premium. Effective July 1,***
14 ***2015, local school boards shall not be required to pay the***
15 ***reimbursement required by this subparagraph for retirees employed by***
16 ***the board for eighty (80) days or less during the fiscal year;***
17 ***(c) If a member is receiving a retirement allowance from hazardous position***
18 ***coverage with the County Employees Retirement System, or has filed the***
19 ***forms required to receive a retirement allowance from the County***
20 ***Employees Retirement System for service in a hazardous position, and is***
21 ***employed in a regular full-time hazardous position with the County***
22 ***Employees Retirement System within one (1) month following the member's***
23 ***initial retirement date, the member's retirement shall be voided, and the***
24 ***member shall repay to the system all benefits received, including any health***
25 ***insurance benefits. If the member is returning to work in a regular full-time***
26 ***position required to participate in the County Employees Retirement***
27 ***System:***

1 ***1. The member shall contribute to a member account established for him***
2 ***or her in the County Employees Retirement System, and employer***
3 ***contributions shall be paid on behalf of the member by the***
4 ***participating employer; and***
5 ***2. Upon subsequent retirement, the member shall be eligible for a***
6 ***retirement allowance based upon total service and creditable***
7 ***compensation, including any additional service or creditable***
8 ***compensation earned after his or her initial retirement was voided;***
9 ***(d) If a member is receiving a retirement allowance from the hazardous***
10 ***position coverage with the County Employees Retirement System and is***
11 ***employed in a regular full-time hazardous position required to participate***
12 ***in the County Employees Retirement System after a one (1) month period***
13 ***following the member's initial retirement date, the member may continue to***
14 ***receive his or her retirement allowance during the period of reemployment***
15 ***subject to the following provisions:***
16 ***1. Both the employee and participating employer shall certify in writing***
17 ***on a form prescribed by the board that no prearranged agreement***
18 ***existed between the employee and employer prior to the employee's***
19 ***retirement for the employee to return to work with the participating***
20 ***employer. If an elected official is reelected to a new term of office in***
21 ***the same position and retires following the election but prior to taking***
22 ***the new term of office, he or she shall be deemed by the system as***
23 ***having a prearranged agreement under the provisions of this***
24 ***subparagraph and shall have his or her retirement voided. If the***
25 ***participating employer fails to complete the certification, the member's***
26 ***retirement shall be voided and the provisions of paragraph (c) of this***
27 ***subsection shall apply to the member and the employer;***

1 ***2. Notwithstanding any other provision of KRS Chapter 78 to the***
2 ***contrary, the member shall not contribute to the system and shall not***
3 ***earn any additional benefits for any work performed during the period***
4 ***of reemployment;***
5 ***3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer***
6 ***shall pay employer contributions as specified by Sections 12 and 40 of***
7 ***this Act on all creditable compensation earned by the employee during***
8 ***the period of reemployment. The additional contributions paid shall be***
9 ***used to reduce the unfunded actuarial liability of the system; and***
10 ***4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer***
11 ***shall be required to reimburse the system for the cost of the health***
12 ***insurance premium paid by the system to provide coverage for the***
13 ***retiree, not to exceed the cost of the single premium;***
14 ***(e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member***
15 ***who qualifies as a volunteer for an employer participating in the County***
16 ***Employees Retirement System and who is receiving reimbursement of***
17 ***actual expenses, a nominal fee for his or her volunteer services, or both,***
18 ***shall not be considered an employee of the participating employer and shall***
19 ***not be subject to paragraphs (a) to (d) of this subsection if:***
20 ***1. Prior to the retired member's most recent retirement date, he or she***
21 ***did not receive creditable compensation from the participating***
22 ***employer in which the retired member is performing volunteer***
23 ***services;***
24 ***2. Any reimbursement or nominal fee received prior to the retired***
25 ***member's most recent retirement date has not been credited as***
26 ***creditable compensation to the member's account or utilized in the***
27 ***calculation of the retired member's benefits;***

***3. The retired member has not purchased or received service credit under any of the provisions of KRS 78.510 to 78.852 for service with the participating employer for which the retired member is performing volunteer services; and***

***4. Other than the status of volunteer, the retired member does not become an employee, leased employee, or independent contractor of the employer for which he or she is performing volunteer services for a period of at least twenty-four (24) months following the retired member's most recent retirement date.***

***If a retired member, who provided volunteer services with a participating employer under this paragraph violates any provision of this paragraph, then he or she shall be deemed an employee of the participating employer as of the date he or she began providing volunteer services and both the retired member and the participating employer shall be subject to paragraphs (a) to (d) of this subsection for the period of volunteer service;***

***(f) Notwithstanding any provision of this section, any mayor or member of a city legislative body who has not participated in the County Employees Retirement System prior to retirement, but who is otherwise eligible to retire from the Kentucky Employees Retirement System or the State Police Retirement System, shall not be:***

***1. Required to resign from his or her position as mayor or as a member of the city legislative body in order to begin drawing benefits from the Kentucky Employees Retirement System or the State Police Retirement System; or***

***2. Subject to any provision of this section as it relates solely to his or her service as a mayor or member of the city legislative body; and***

***(g) Retired members of one (1) of the systems administered by Kentucky***

***Retirement Systems who are reemployed by an employer in the County Employees Retirement System on or after September 1, 2008, shall not be eligible to earn a second retirement account in the County Employees Retirement System for his or her service to the employer.***

➔Section 43. KRS 78.652 is amended to read as follows:

There is created and established:

(1) An excess benefit plan to be known as the County Employees Retirement System Excess Benefit Plan. The plan is created for the purpose of providing the retirement allowances payable from the retirement systems under KRS 78.520 to 78.852 that would otherwise be limited by 26 U.S.C. sec. 415.

(2) A state fund to be known as the County Employees Retirement System Excess Benefit Fund which shall consist of all the assets of the plan.

(3) The administration and assets of the plan shall be as ***follows:***~~[set forth in KRS 61.652.]~~

***(a) The County Employees Excess Benefit Plan shall be administered by the board of trustees of the County Employees Retirement System. The board shall have the same authority in its administration as it has in the administration of the County Employees Retirement System.***

***(b) The plans shall constitute qualified governmental excess benefit plans as provided in 26 U.S.C. sec. 415(m).***

***(c) All retired members and beneficiaries of the County Employees Retirement System whose effective retirement dates are July 1, 1998, or after, and whose retirement allowances have been limited by 26 U.S.C. sec. 415 shall be participants in the plans. Each member's participation in the plans shall be determined each fiscal year and will cease for any year in which the retirement allowance is not limited by 26 U.S.C. sec. 415.***

***(d) A participant shall receive a benefit equal to the difference between the***

1 ***retirement allowance otherwise payable from the system prior to any***
2 ***reduction or limitation required by 26 U.S.C. sec. 415 and the actual***
3 ***retirement allowance payable as limited by 26 U.S.C. sec. 415. The benefit***
4 ***shall be subject to withholding for applicable state and federal taxes. The***
5 ***benefit shall be paid in accordance with the retirement payment option***
6 ***selected by the member or beneficiary for the retirement allowance.***
7 ***(e) 1. The board, in accordance with the recommendation of the actuary,***
8 ***shall determine the required contribution the plan must pay for***
9 ***benefits each fiscal year. The required contribution for the plan in***
10 ***each fiscal year shall be the total amount of benefits payable under***
11 ***this section to all participants plus the amount required to pay the***
12 ***administrative expenses of the plan and the employer's share of any***
13 ***employment taxes on the benefits paid from the plan.***
14 ***2. The required contribution shall be paid by the participating employers.***
15 ***3. The required contribution for each plan shall be deposited into the***
16 ***separate fund. The plan is intended to be exempt from federal income***
17 ***tax under 26 U.S.C. sec. 115 and 26 U.S.C. sec. 415(m)(1).***
18 ***4. The benefit liability of each plan shall be determined on a fiscal year***
19 ***basis, and contributions shall not be accumulated to pay benefits in***
20 ***future fiscal years. Any assets of the plans not used to pay benefits in***
21 ***the current fiscal year shall be used for payment of the administrative***
22 ***expenses of the plan for the current or future fiscal years or shall be***
23 ***paid to the system as an additional employer contribution.***
24 ***(e) The benefits payable from the plans shall be treated in accordance with***
25 ***Section 45 of this Act.***
26 ***(f) The board shall promulgate administrative regulations to modify the***
27 ***benefits payable under the plans as necessary for the plans to be qualified***

***under 26 U.S.C. sec. 415(m).***

➔SECTION 44. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***The provisions of KRS 61.680 are hereby recognized and shall be followed in computing benefits of any member of the County Employees Retirement System who also has an account with the Kentucky Employees Retirement System, the State Police Retirement System, or the Kentucky Teachers' Retirement System.***

➔SECTION 45. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) Except as otherwise provided by this section and Section 41 of this Act, all retirement allowances and other benefits accrued or accruing to any person under the provisions of KRS 78.510 to 78.852, and the accumulated account balance and cash securities in the funds created under KRS 78.510 to 78.852, are hereby exempt from any state, county, or municipal tax, and shall not be subject to execution, attachment, garnishment, or any other process, and shall not be assigned.***

***(2) Notwithstanding the provisions of subsection (1) of this section, retirement benefits accrued or accruing to any person under the provisions of KRS 78.510 to 78.852 on or after January 1, 1998, shall be subject to the tax imposed by KRS 141.020, to the extent provided in KRS 141.010 and 141.0215.***

***(3) Qualified domestic relations orders issued by a court or administrative agency shall be honored by the retirement system if:***

***(a) The benefits payable pursuant to the order meet the requirements of a qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p) in administering qualified domestic relations orders;***

***(b) The order meets the requirements established by the system and by***

1 ***subsections (3) to (11) of this section. The board of trustees of the system***
2 ***shall establish the requirements, procedures, and forms necessary for the***
3 ***administration of qualified domestic relations orders by promulgation of***
4 ***administrative regulations in accordance with KRS Chapter 13A; and***
5 ***(c) The order is on the form established by the system pursuant to the system's***
6 ***authority provided under paragraph (b) of this subsection.***
7 ***(4) A qualified domestic relations order shall not:***
8 ***(a) Require the system to take any action not authorized under state or federal***
9 ***law;***
10 ***(b) Require the system to provide any benefit, allowance, or other payment not***
11 ***authorized under state or federal law;***
12 ***(c) Grant or be construed to grant the alternate payee any separate right, title,***
13 ***or interest in or to any retirement benefit other than to receive payments***
14 ***from the participant's account in accordance with the administrative***
15 ***regulations promulgated by the system and as provided by subsections (3) to***
16 ***(11) of this section; or***
17 ***(d) Grant any separate interest to any person other than the participant.***
18 ***(5) Any qualified domestic relations order submitted to the system shall specify the***
19 ***dollar amount or percentage amount of the participant's benefit to be paid to the***
20 ***alternate payee. In calculating the amount to be paid to the alternate payee, the***
21 ***court or administrative agency that is responsible for issuing the order shall***
22 ***follow the requirements set forth in the administrative regulations promulgated***
23 ***by the board of trustees. Notwithstanding any other statute to the contrary, the***
24 ***board shall not be required to honor a qualified domestic relations order that***
25 ***does not follow the requirements set forth in the administrative regulations***
26 ***promulgated by the board of trustees.***
27 ***(6) If the qualified domestic relations order meets the requirements established by***

1 ***the system and by subsections (3) to (11) of this section, payments to the alternate***
2 ***payee shall begin under the following conditions:***
3 ***(a) If the participant is retired and is receiving a monthly retirement allowance,***
4 ***the month following the date the system receives a qualified domestic***
5 ***relations order that complies with the administrative regulations***
6 ***promulgated by the system and subsections (3) to (11) of this section; or***
7 ***(b) If the participant is not retired, the month of the participant's effective***
8 ***retirement date in which the first retirement allowance is payable to the***
9 ***participant or the month in which the participant receives a refund of his or***
10 ***her accumulated account balance as provided by Section 35 of this Act.***
11 ***(7) An alternate payee's benefits and rights under a qualified domestic relations***
12 ***order shall terminate upon the earlier of:***
13 ***(a) The death of the participant;***
14 ***(b) The death of the alternate payee; or***
15 ***(c) The termination of the participant's benefits under any of the provisions of***
16 ***KRS 78.510 to 78.852.***
17 ***(8) An alternate payee shall not receive a monthly payment under a qualified***
18 ***domestic relations order if the participant is not receiving a monthly retirement***
19 ***allowance.***
20 ***(9) The cost of living adjustment provided to the participant pursuant to Section 25***
21 ***of this Act shall be divided between the participant and alternate payee in a***
22 ***qualified domestic relations order as follows:***
23 ***(a) If the order specifies the alternate payee is to receive a percentage of the***
24 ***participant's benefit, then the cost of living adjustment shall be divided***
25 ***between the participant and the alternate payee based upon the percentage***
26 ***of the total benefit each is receiving upon the participant's retirement or***
27 ***upon the date the order is approved by the system, whichever is later; or***

***(b) If the order specifies that the alternate payee is to receive a set dollar amount of the participant's benefit, then the order shall specify that:***

***1. The cost of living adjustment shall be divided between the participant and the alternate payee based upon the percentage of the total benefit each is receiving upon the participant's retirement or upon the date the order is approved by the retirement system, whichever is later; or***

***2. The alternate payee shall receive no cost of living adjustment.***

***If the order does not specify the division of the cost of living adjustment as required by this paragraph, then no cost of living adjustment shall be payable to the alternate payee. If no cost of living adjustment is provided to the alternate payee, then the participant shall receive the full cost of living adjustment he or she would have received if the order had not been applied to the participant's account.***

***(10) Except in cases involving child support payments, the system may charge reasonable and necessary fees and expenses to the recipient and the alternate payee of a qualified domestic relations order for the administration of the qualified domestic relations order by the system. All fees and expenses shall be established by administrative regulations promulgated by the board of trustees of the system. The qualified domestic relations order shall specify whether the fees and expenses provided by this subsection shall be paid:***

***(a) Solely by the participant;***

***(b) Solely by the alternate payee; or***

***(c) Equally shared by the participant and alternate payee.***

***(11) The system shall honor a qualified domestic relations order issued prior to July 15, 2010, if:***

***(a) The order was on file and approved by the system prior to July 15, 2010. All benefits, including cost of living adjustments payable to the alternate payee,***

1 ***for orders that meet the requirements of this paragraph shall not be***
2 ***eliminated or reduced as a result of the provisions of subsections (3) to (10)***
3 ***of this section and 78.510(26); or***
4 ***(b) The order or an amended version of the order meets the requirements***
5 ***established by this section and the administrative regulations promulgated***
6 ***by the system. The order shall not apply to benefit payments issued by the***
7 ***system prior to the date the order was approved by the system.***
8 ➔SECTION 46. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
9 TO READ AS FOLLOWS:
10 ***(1) The County Employees Retirement System shall be administered by the board of***
11 ***trustees composed of nine (9) members, who shall be selected as follows:***
12 ***(a) Three (3) trustees, who shall be members or retired from the County***
13 ***Employees Retirement System, elected by the members and retired members***
14 ***of the County Employees Retirement System, of which one (1) shall have***
15 ***participating in or retired from a hazardous position;***
16 ***(b) Six (6) trustees, of which:***
17 ***1. Two (2) trustees shall be appointed by the Kentucky League of Cities,***
18 ***one (1) of which shall have investment experience and one (1) of***
19 ***which shall have retirement experience;***
20 ***2. Two (2) trustees shall be appointed by the Kentucky Association of***
21 ***Counties, one (1) of which shall have investment experience and one***
22 ***(1) of which shall have retirement experience; and***
23 ***3. Two (2) trustees shall be appointed by the Kentucky School Boards***
24 ***Association, one (1) of which shall have investment experience and***
25 ***one (1) of which shall have retirement experience.***
26 ***(c) For purposes of paragraph (b) of this subsection, a trustee with "investment***
27 ***experience" means an individual who does not have a conflict of interest, as***

1 ***provided by Section 48 of this Act, and who has at least ten (10) years of***
2 ***experience in one (1) of the following areas of expertise:***
3 ***1. A portfolio manager acting in a fiduciary capacity;***
4 ***2. A professional securities analyst or investment consultant;***
5 ***3. A current or retired employee or principal of a trust institution,***
6 ***investment or finance organization, or endowment fund acting in an***
7 ***investment-related capacity;***
8 ***4. A chartered financial analyst in good standing as determined by the***
9 ***CFA Institute; or***
10 ***5. A university professor, teaching investment-related studies.***
11 ***The Kentucky League of Cities, Kentucky Association of Counties, and the***
12 ***Kentucky School Boards Association shall request recommendations from***
13 ***the CFA Society of Louisville in order to assist with the selection of board***
14 ***members who must have investment experience.***
15 ***(d) For purposes of paragraph (b) of this subsection, a trustee with "retirement***
16 ***experience" means an individual who does not have a conflict of interest, as***
17 ***provided by Section 48 of this Act, and who has at least ten (10) years of***
18 ***experience in one (1) of the following areas of expertise:***
19 ***1. Experience in retirement or pension plan management;***
20 ***2. A certified public accountant with relevant experience in retirement or***
21 ***pension plan accounting;***
22 ***3. An actuary with relevant experience in retirement or pension plan***
23 ***consulting;***
24 ***4. An attorney licensed to practice law in the Commonwealth of***
25 ***Kentucky with relevant experience in retirement or pension plans; or***
26 ***5. A current or former university professor whose primary area of***
27 ***emphasis is economics or finance.***

1 ***(2) The board is hereby granted the powers and privileges of a corporation, including***
2 ***but not limited to the following powers:***
3 ***(a) To sue and be sued in its corporate name;***
4 ***(b) To make bylaws not inconsistent with the law;***
5 ***(c) To conduct the business and promote the purposes for which it was formed;***
6 ***(d) Except as provided in subsection (6) of Section 47 of this Act, to contract for***
7 ***investment counseling, actuarial, auditing, medical, and other professional***
8 ***or technical services as required to carry out the obligations of the board***
9 ***subject to the provisions of KRS Chapters 45, 45A, 56, and 57;***
10 ***(e) To purchase fiduciary liability insurance;***
11 ***(f) Except as provided in subsection (6) of Section 47 of this Act, to acquire,***
12 ***hold, sell, dispose of, pledge, lease, or mortgage, the goods or property***
13 ***necessary to exercise the board's powers and perform the board's duties***
14 ***without limitation subject to KRS Chapters 45, 45A, and 56; and***
15 ***(g) The board shall reimburse any trustee, officer, or employee for any legal***
16 ***expense resulting from a civil action arising out of the performance of his***
17 ***official duties. The hourly rate of reimbursement for any contract for legal***
18 ***services under this paragraph shall not exceed the maximum hourly rate***
19 ***provided in the Legal Services Duties and Maximum Rate Schedule***
20 ***promulgated by the Government Contract Review Committee established***
21 ***pursuant to KRS 45A.705, unless a higher rate is specifically approved by***
22 ***the secretary of the Finance and Administration Cabinet or his or her***
23 ***designee.***
24 ***(3) Notwithstanding the provisions of subsection (1) of this section, each trustee shall***
25 ***serve a term of four (4) years or until his successor is duly qualified except as***
26 ***otherwise provided in this section. An elected or appointed trustee, shall not serve***
27 ***more than three (3) consecutive four (4) year terms. An elected or appointed***

1 ***trustee who has served three (3) consecutive terms may be elected or appointed***
2 ***again after an absence of four (4) years from the board.***
3 ***(4) (a) The trustees selected by the membership of the system shall be elected by***
4 ***ballot. For each trustee to be elected, the board may nominate, not less than***
5 ***six (6) months before a term of office of a trustee is due to expire, three (3)***
6 ***constitutionally eligible individuals.***
7 ***(b) Individuals may be nominated by the system members by presenting to the***
8 ***executive director, not less than four (4) months before a term of office of a***
9 ***trustee is due to expire, a petition, bearing the name, last four digits of the***
10 ***Social Security number, and signature of no less than one-tenth (1/10) of***
11 ***the number voting in the last election by the system members.***
12 ***(c) Within four (4) months of the nominations made in accordance with***
13 ***paragraphs (a) and (b) of this subsection, the executive director shall cause***
14 ***to be prepared an official ballot. The ballot shall carry the name, address,***
15 ***and position title of each individual nominated by the board and by petition.***
16 ***Provisions shall also be made for write-in votes.***
17 ***(d) The ballots shall be distributed to the eligible voters by mail to their last***
18 ***known residence address.***
19 ***(e) The ballots shall be addressed to the County Employees Retirement System***
20 ***in care of a predetermined box number at a United States Post Office***
21 ***located within Kentucky. Access to this post office box shall be limited to the***
22 ***board's contracted auditing firm. The individual receiving a plurality of***
23 ***votes shall be declared elected.***
24 ***(f) The eligible voter shall cast his or her ballot by checking a square opposite***
25 ***the name of the candidate of his or her choice. He or she shall sign and***
26 ***mail the ballot at least thirty (30) days prior to the date the term to be filled***
27 ***is due to expire. The latest mailing date shall be printed on the ballot.***

1 ***(g) The board's contracted auditing firm shall report in writing the outcome to***
2 ***the chair of the board of trustees. Cost of an election shall be payable from***
3 ***the funds of the system for which the trustee is elected.***
4 ***(h) For purposes of this subsection, an eligible voter shall be a person who was***
5 ***a member of the system on December 31 of the year preceding the election***
6 ***year.***
7 ***(i) Each individual who submits a request to be nominated by the board under***
8 ***paragraph (a) of this subsection and each individual who is nominated by***
9 ***the membership under paragraph (b) of this subsection shall:***
10 ***1. Complete an application developed by the system which shall include***
11 ***but not be limited to a disclosure of any prior felonies and any***
12 ***conflicts of interest that would hinder the individual's ability to serve***
13 ***on the board;***
14 ***2. Submit a resume detailing the individual's education and employment***
15 ***history and a cover letter detailing the member's qualifications for***
16 ***serving as trustee to the board; and***
17 ***3. Authorize the system to have a criminal background check performed.***
18 ***The criminal background check shall be performed by the Department***
19 ***of Kentucky State Police.***
20 ***(5) Any vacancy which may occur in an appointed position shall be filled in the same***
21 ***manner which provides for the selection of the particular trustee, and any***
22 ***vacancy which may occur in an elected position shall be filled by appointment by***
23 ***a majority vote of the remaining elected trustees; however, any vacancy shall be***
24 ***filled only for the duration of the unexpired term. In the event of a vacancy of an***
25 ***elected trustee, the system shall notify members of the vacancy and the***
26 ***opportunity to be considered for the vacant position. Any vacancy shall be filled***
27 ***within ninety (90) days of the position becoming vacant.***

1 ***(6) (a) Membership on the board of trustees shall not be incompatible with any***
2 ***other office unless a constitutional incompatibility exists. No trustee shall***
3 ***serve in more than one (1) position as trustee on the board; and if a trustee***
4 ***holds more than one (1) position as trustee on the board, he shall resign a***
5 ***position.***
6 ***(b) A trustee shall be removed from office upon conviction of a felony or for a***
7 ***finding of a violation of any provision of KRS 11A.020 or 11A.040 by a***
8 ***court of competent jurisdiction.***
9 ***(c) A current or former employee of Kentucky Retirement Systems or the***
10 ***County Employees Retirement System shall not be eligible to serve as a***
11 ***member of the board.***
12 ***(7) Trustees who do not otherwise receive a salary from the State Treasury shall***
13 ***receive a per diem of eighty dollars ($80) for each day they are in session or on***
14 ***official duty, and they shall be reimbursed for their actual and necessary***
15 ***expenses in accordance with state administrative regulations and standards.***
16 ***(8) (a) The board shall meet at least once in each quarter of the year and may meet***
17 ***in special session upon the call of the chair or the executive director.***
18 ***(b) The board shall elect a chair and a vice chair. The chair shall not serve***
19 ***more than four (4) consecutive years as chair or vice-chair of the board.***
20 ***The vice-chair shall not serve more than four (4) consecutive years as chair***
21 ***or vice-chair of the board. A trustee who has served four (4) consecutive***
22 ***years as chair or vice-chair of the board may be elected chair or vice-chair***
23 ***of the board after an absence of two (2) years from the positions.***
24 ***(c) A majority of the trustees shall constitute a quorum and all actions taken by***
25 ***the board shall be by affirmative vote of a majority of the trustees present.***
26 ***(9) (a) The board of trustees shall appoint or contract for the services of an***
27 ***executive director and fix the compensation and other terms of employment***

1 ***for this position without limitation of the provisions of KRS Chapters 18A***
2 ***and 45A and KRS 64.640. The executive director shall be the chief***
3 ***administrative officer of the board.***
4 ***(b) The board of trustees shall authorize the executive director to appoint the***
5 ***employees deemed necessary to transact the business of the system.***
6 ***Anything in the Kentucky Revised Statutes to the contrary notwithstanding,***
7 ***the power over and control of determining and maintaining an adequate***
8 ***complement of employees shall be under the exclusive jurisdiction of the***
9 ***board of trustees.***
10 ***(c) The board shall adopt a fair, equitable, and comprehensive personnel policy***
11 ***with a minimum of the following provisions for the personnel system:***
12 ***1. A code of conduct including provisions describing performance of***
13 ***duties, abuse of position, conflicts of interest, and outside***
14 ***employment;***
15 ***2. An appointments plan including provisions describing the appointing***
16 ***authority, appointments, equal employment policy, sexual harassment***
17 ***policy, and drug-free workplace policy;***
18 ***3. A classification plan including provisions describing class***
19 ***specifications, position actions, and employee actions;***
20 ***4. A compensation plan based on qualifications, experience, and***
21 ***responsibilities and including provisions which describe a salary***
22 ***schedule, salary adjustments, salary advancements, and an employee***
23 ***suggestion program;***
24 ***5. Separations, disciplinary actions, and appeal policies including***
25 ***provisions describing classified with status, exemptions from classified***
26 ***with status, lay-offs, abolishment of position, dismissals and***
27 ***notification of dismissal, dismissals during probationary period,***

1 ***disciplinary actions, right of appeal, grievance and appeal procedures,***
2 ***and an employee grievance and appeal committee;***
3 ***6. Service and benefits regulations including provisions describing hours***
4 ***of work, fringe benefits, workers' compensation, payroll deductions,***
5 ***holidays, inclement weather days, compensatory time, retirement,***
6 ***resignations, employee evaluations, and political activities; and***
7 ***7. Leave policies including provisions describing special leave, annual***
8 ***leave, court leave and jury duty, military leave, voting leave,***
9 ***educational leave, sick leave, family medical leave, leave without pay,***
10 ***absence without leave, and blood donation leave.***
11 ***(d) The board shall require the executive director and the employees as it thinks***
12 ***proper to execute bonds for the faithful performance of their duties***
13 ***notwithstanding the limitations of KRS Chapter 62.***
14 ***(e) The board shall establish a system of accounting.***
15 ***(f) The board shall do all things, take all actions, and promulgate all***
16 ***administrative regulations, not inconsistent with the provisions of KRS***
17 ***78.510 to 78.852, necessary or proper in order to carry out the provisions of***
18 ***KRS 78.510 to 78.852. Notwithstanding any other evidence of legislative***
19 ***intent, it is hereby declared to be the controlling legislative intent that the***
20 ***provisions of KRS 78.510 to 78.852 conform with federal statute or***
21 ***regulation and meet the qualification requirements under 26 U.S.C. sec.***
22 ***401(a), applicable federal regulations, and other published guidance.***
23 ***Provisions of KRS 78.510 to 78.852 which conflict with federal statute or***
24 ***regulation or qualification under 26 U.S.C. sec. 401(a), applicable federal***
25 ***regulations, and other published guidance shall not be available. The board***
26 ***shall have the authority to promulgate administrative regulations to***
27 ***conform with federal statute and regulation and to meet the qualification***

1 ***requirements under 26 U.S.C. sec. 401(a), including an administrative***
2 ***regulation to comply with 26 U.S.C. sec. 401(a)(9).***
3 ***(g) Notwithstanding any other provision of statute to the contrary, including***
4 ***but not limited to any provision of KRS Chapter 12, the Governor shall have***
5 ***no authority to change any provision of KRS 78.510 to 78.852 by executive***
6 ***order or action.***
7 ***(10) All employees of the board shall serve during its will and pleasure.***
8 ***Notwithstanding any statute to the contrary, employees shall not be considered***
9 ***legislative agents under KRS 6.611.***
10 ***(11) The Attorney General, or an assistant designated by him, may attend each***
11 ***meeting of the board and may receive the agenda, board minutes, and other***
12 ***information distributed to trustees of the board upon request. The Attorney***
13 ***General may act as legal adviser and attorney for the board, and the board may***
14 ***contract for legal services, notwithstanding the limitations of KRS Chapter 12 or***
15 ***13B.***
16 ***(12) (a) The system shall publish an annual financial report showing all receipts,***
17 ***disbursements, assets, and liabilities. The annual report shall include a copy***
18 ***of an audit conducted in accordance with generally accepted auditing***
19 ***standards. Except as provided by paragraph (b) of this subsection, the board***
20 ***may select an independent certified public accountant or the Auditor of***
21 ***Public Accounts to perform the audit. If the audit is performed by an***
22 ***independent certified public accountant, the Auditor of Public Accounts***
23 ***shall not be required to perform an audit pursuant to KRS 43.050(2)(a), but***
24 ***may perform an audit at his discretion. All proceedings and records of the***
25 ***board shall be open for inspection by the public. The system shall make***
26 ***copies of the audit required by this subsection available for examination by***
27 ***any member, retiree, or beneficiary in the offices of the County Employees***

1 ***Retirement System and in other places as necessary to make the audit***
2 ***available to all members, retirees, and beneficiaries. A copy of the annual***
3 ***audit shall be sent to the Legislative Research Commission no later than ten***
4 ***(10) days after receipt by the board.***
5 ***(b) At least once every five (5) years, the Auditor of Public Accounts shall***
6 ***perform the audit described by this subsection, and the system shall***
7 ***reimburse the Auditor of Public Accounts for all costs of the audit. The***
8 ***Auditor of Public Accounts shall determine which fiscal year during the***
9 ***five (5) year period the audit prescribed by this paragraph will be completed.***
10 ***(13) All expenses incurred by or on behalf of the system and the board in the***
11 ***administration of the system during a fiscal year shall be paid from the***
12 ***retirement allowance account.***
13 ***(14) Any person adversely affected by a decision of the board, except as provided***
14 ***under subsection (16) of this section or Section 30 of this Act, involving KRS***
15 ***78.510 to 78.852, may appeal the decision of the board to the Franklin Circuit***
16 ***Court within sixty (60) days of the board action.***
17 ***(15) (a) A trustee shall discharge his duties as a trustee, including his duties as a***
18 ***member of a committee:***
19 ***1. In good faith;***
20 ***2. On an informed basis; and***
21 ***3. In a manner he honestly believes to be in the best interest of the***
22 ***County Employees Retirement System.***
23 ***(b) A trustee discharges his duties on an informed basis if, when he makes an***
24 ***inquiry into the business and affairs of the system or into a particular***
25 ***action to be taken or decision to be made, he exercises the care an ordinary***
26 ***prudent person in a like position would exercise under similar***
27 ***circumstances.***

1 ***(c) In discharging his duties, a trustee may rely on information, opinions,***
2 ***reports, or statements, including financial statements and other financial***
3 ***data, if prepared or presented by:***
4 ***1. One (1) or more officers or employees of the system whom the trustee***
5 ***honestly believes to be reliable and competent in the matters***
6 ***presented;***
7 ***2. Legal counsel, public accountants, actuaries, or other persons as to***
8 ***matters the trustee honestly believes are within the person's***
9 ***professional or expert competence; or***
10 ***3. A committee of the board of trustees of which he is not a member if***
11 ***the trustee honestly believes the committee merits confidence.***
12 ***(d) A trustee shall not be considered as acting in good faith if he has knowledge***
13 ***concerning the matter in question that makes reliance otherwise permitted***
14 ***by paragraph (c) of this subsection unwarranted.***
15 ***(e) Any action taken as a trustee, or any failure to take any action as a trustee,***
16 ***shall not be the basis for monetary damages or injunctive relief unless:***
17 ***1. The trustee has breached or failed to perform the duties of the***
18 ***trustee's office in compliance with this section; and***
19 ***2. In the case of an action for monetary damages, the breach or failure***
20 ***to perform constitutes willful misconduct or wanton or reckless***
21 ***disregard for human rights, safety, or property.***
22 ***(f) A person bringing an action for monetary damages under this section shall***
23 ***have the burden of proving by clear and convincing evidence the provisions***
24 ***of paragraph (e)1. and 2. of this subsection, and the burden of proving that***
25 ***the breach or failure to perform was the legal cause of damages suffered by***
26 ***the system.***
27 ***(g) In discharging his or her administrative duties under this section, a trustee***

1 ***shall strive to administer the system in an efficient and cost-effective***
2 ***manner for the taxpayers of the Commonwealth of Kentucky.***
3 ***(16) When an order by the system substantially impairs the benefits or rights of a***
4 ***member, retired member, or recipient, except action which relates to entitlement***
5 ***to disability benefits, the affected member, retired member, or recipient may***
6 ***request a hearing to be held in accordance with KRS Chapter 13B. The board***
7 ***may establish an appeals committee whose members shall be appointed by the***
8 ***chair and who shall have authority to act upon the recommendations and reports***
9 ***of the hearing officer on behalf of the board. The member, retired member,***
10 ***recipient, or employer aggrieved by a final order of the board following the***
11 ***hearing may appeal the decision to the Franklin Circuit Court, in accordance***
12 ***with KRS Chapter 13B.***
13 ***(17) The board shall establish a formal trustee education program for all trustees of***
14 ***the board. The program shall include but not be limited to the following:***
15 ***(a) A required orientation program for all new trustees elected or appointed to***
16 ***the board. The orientation program shall include training on:***
17 ***1. Benefits and benefits administration;***
18 ***2. Investment concepts, policies, and current composition and***
19 ***administration of retirement systems investments;***
20 ***3. Laws, bylaws, and administrative regulations pertaining to the***
21 ***retirement systems and to fiduciaries; and***
22 ***4. Actuarial and financial concepts pertaining to the system.***
23 ***If a trustee fails to complete the orientation program within one (1) year***
24 ***from the beginning of his or her first term on the board, the system shall***
25 ***withhold payment of the per diem and travel expenses due to the board***
26 ***member under this section until the trustee has completed the orientation***
27 ***program;***

1 ***(b) Annual required training for board members on the administration,***
2 ***benefits, financing, and investing of the system. If a trustee fails to complete***
3 ***the annual required training during the calendar or fiscal year, the***
4 ***retirement systems shall withhold payment of the per diem and travel***
5 ***expenses due to the board member under this section until the board***
6 ***member has met the annual training requirements; and***
7 ***(c) The system shall incorporate by reference in an administrative regulation,***
8 ***pursuant to KRS 13A.2251, the trustee education program.***
9 ***(18) In order to improve public transparency regarding the administration of the***
10 ***systems, the board of trustees shall adopt a best practices model by posting the***
11 ***following information to the system's Web site and shall make available to the***
12 ***public:***
13 ***(a) Meeting notices and agendas for all meetings of the board. Notices and***
14 ***agendas shall be posted to the system's Web site at least seventy-two (72)***
15 ***hours in advance of the board or committee meetings, except in the case of***
16 ***special or emergency meetings as provided by KRS 61.823;***
17 ***(b) The Comprehensive Annual Financial Report with the information as***
18 ***follows:***
19 ***1. A general overview and update on the system by the executive director;***
20 ***2. A listing of the board of trustees;***
21 ***3. A listing of key staff;***
22 ***4. An organizational chart;***
23 ***5. Financial information, including a statement of plan net assets, a***
24 ***statement of changes in plan net assets, an actuarial value of assets, a***
25 ***schedule of investments, a statement of funded status and funding***
26 ***progress, and other supporting data;***
27 ***6. Investment information, including a general overview, a list of the***

1 ***system's professional consultants, a total net of fees return on system***
2 ***investments over a historical period, an investment summary,***
3 ***contracted investment management expenses, transaction***
4 ***commissions, and a schedule of investments;***
5 ***7. The annual actuarial valuation report on the pension benefit and the***
6 ***medical insurance benefit; and***
7 ***8. A general statistical section, including information on contributions,***
8 ***benefit payouts, and retirement systems' demographic data;***
9 ***(c) All external audits;***
10 ***(d) All board minutes or other materials that require adoption or ratification by***
11 ***the board of trustees. The items listed in this paragraph shall be posted***
12 ***within seventy-two (72) hours of adoption or ratification of the board;***
13 ***(e) All bylaws, policies, or procedures adopted or ratified by the board of***
14 ***trustees;***
15 ***(f) The system's summary plan description;***
16 ***(g) A document containing an unofficial copy of the statutes governing the***
17 ***system;***
18 ***(h) A listing of the members of the board of trustees and membership on each***
19 ***committee established by the board, including any investment committees;***
20 ***(i) All investment holdings in aggregate, fees, and commissions for each fund***
21 ***administered by the board, which shall be updated on a quarterly basis***
22 ***beginning on or after July 1, 2017. The system shall request from all***
23 ***managers, partnerships, and any other available sources all information***
24 ***regarding fees and commissions and shall, based on the requested***
25 ***information received:***
26 ***1. Disclose the dollar value of fees and commissions paid to each***
27 ***individual manager or partnership;***

1 ***2. Disclose the dollar value of any profit sharing, carried interest, or any***
2 ***other partnership incentive arrangements, partnership agreements, or***
3 ***any other partnership expenses received by or paid to each manager or***
4 ***partnership; and***
5 ***3. As applicable, report each fee or commission by manager or***
6 ***partnership consistent with standards established by the Institutional***
7 ***Limited Partners Association (ILPA).***
8 ***In addition to the requirements of this paragraph, the system shall also***
9 ***disclose the name and address of all individual underlying managers or***
10 ***partners in any fund of funds in which system assets are invested;***
11 ***(j) An update of net of fees investment returns, asset allocations, and the***
12 ***performance of the funds against benchmarks adopted by the board for***
13 ***each fund, for each asset class administered by the board, and for each***
14 ***manager. The update shall be posted on a quarterly basis for fiscal years***
15 ***beginning on or after July 1, 2017;***
16 ***(k) A searchable database of the system's expenditures and a listing of each***
17 ***individual employed by the system along with the employee's salary or***
18 ***wages;***
19 ***(l) All contracts or offering documents for services, goods, or property***
20 ***purchased or utilized by the systems; and***
21 ***(m) Information regarding the system's financial and actuarial condition that is***
22 ***easily understood by the members, retired members, and the public.***
23 ***(19) Notwithstanding the requirements of subsection (18) of this section, the system***
24 ***shall not be required to furnish information that is protected under Section 50 of***
25 ***this act, exempt under KRS 61.878, or that, if disclosed, would compromise the***
26 ***system's ability to competitively invest in real estate or other asset classes, except***
27 ***that no provision of this section or KRS 61.878 shall exclude disclosure and***

***review of all contracts, including investment contracts, by the board, the Auditor of Public Accounts, and the Government Contract Review Committee established pursuant to KRS 45A.705 or the disclosure of investment fees and commissions as provided by this section. If any public record contains material which is not excepted under this section, the system shall separate the excepted material by removal, segregation, or redaction, and make the nonexcepted material available for examination.***

***(20) Notwithstanding any other provision of KRS 78.510 to 78.852 to the contrary, no funds of the County Employees Retirement System, including fees and commissions paid to an investment manager, private fund, or company issuing securities, who manages systems assets, shall be used to pay fees and commissions to placement agents. For purposes of this subsection, "placement agent" means a third-party individual, who is not an employee, or firm, wholly or partially owned by the entity being hired, who solicits investments on behalf of an investment manager, private fund, or company issuing securities.***

➔Section 47. KRS 78.790 is amended to read as follows:

(1) ***(a)*** The board shall be the trustee of the several funds created by KRS 78.510 to 78.852, and shall have full power to invest and reinvest such funds ***in accordance with federal law***~~[subject to the limitations that no investments shall be made except upon the exercise of bona fide discretion, in securities which, at the time of making the investment, are, by law, permitted for the investment of funds by fiduciaries in this state except that the board may, at its discretion, purchase common stocks in corporations that do not have a record of paying dividends to their stockholders. Subject to such limitations, the board shall have full power to hold, purchase, sell, assign, transfer or dispose of any of the securities or investments in which any of the funds created herein have been invested, as well as of the proceeds of such investments and any~~

1 ~~moneys belonging to such funds]~~.
2 ***(b) The board shall establish an investment committee that shall include***
3 ***members of the board with investment experience, elected members, or***
4 ***other members as determined by the board chair, and may also include non-***
5 ***voting members who have investment expertise.***
6 ***(c) A trustee, officer, employee, or other fiduciary shall discharge duties with***
7 ***respect to the system:***
8 ***1. Solely in the interest of the members and beneficiaries;***
9 ***2. For the exclusive purpose of providing benefits to members and***
10 ***beneficiaries and paying reasonable expenses of administering the***
11 ***system;***
12 ***3. With the care, skill, and caution under the circumstances then***
13 ***prevailing that a prudent person acting in a like capacity and familiar***
14 ***with those matters would use in the conduct of an activity of like***
15 ***character and purpose;***
16 ***4. Impartially, taking into account any differing interests of members***
17 ***and beneficiaries;***
18 ***5. Incurring any costs that are appropriate and reasonable; and***
19 ***6. In accordance with a good-faith interpretation of the law governing***
20 ***the system.***
21 ***(d) In addition to the standards of conduct prescribed by paragraph (c) of this***
22 ***subsection, all individuals associated with the investment and management***
23 ***of system assets, whether contracted investment advisors, board members,***
24 ***or staff employees, shall adhere to "The Code of Ethics and Standards of***
25 ***Professional Conduct," the "Asset Manager Code of Professional***
26 ***Conduct" if the individual is managing system assets, and the "Code of***
27 ***Conduct for Members of a Pension Scheme Governing Body" if the***

***individual is a board member. All codes cited in this paragraph are promulgated by the CFA Institute.***

(2) All securities acquired under the authority of KRS 78.510 to 78.852 shall be registered in the name ***County Employees Retirement System***~~[Kentucky Retirement Systems]~~ or nominee name as provided by KRS 286.3-225 and every change in registration, by reason of sale or assignment of such securities, shall be accomplished pursuant to written policies adopted by the board.

(3) The board, in keeping with its responsibility as the trustee and wherever feasible, shall give priority to the investment of funds in obligations calculated to improve the industrial development and enhance the economic welfare of the Commonwealth.

(4) The ***contents of real estate appraisals, engineering or feasibility estimates, and evaluations made by or for the system relative to the acquisition or disposition of property, until such time as all of the property has been acquired or sold, shall be excluded from the application of KRS 61.870 to 61.884 and shall be subject to inspection only upon order of a court of competent jurisdiction*** ~~[investment committee established pursuant to KRS 61.650 shall serve as the investment committee of the funds established by KRS 78.510 to 78.852]~~.

(5) Based upon market value at the time of purchase, the board shall limit the amount of assets managed by any one (1) active or passive investment manager to fifteen percent (15%) of the assets in the pension and insurance funds.

***(6) All contracts for the investment or management of assets of the system shall not be subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct the following process to develop and adopt an investment procurement policy with which all prospective contracts for the investment or management of assets of the system shall comply:***

***(a) On or before July 1, 2017, the board shall consult with the secretary of the***

***Finance and Administration Cabinet or his or her designee to develop an investment procurement policy, which shall be written to meet best practices in investment management procurement;***

***(b) Thirty (30) days prior to adoption, the board shall tender the preliminary investment procurement policy to the secretary of the Finance and Administration Cabinet or his or her designee for review and comment;***

***(c) Upon receipt of comments from the secretary of the Finance and Administration Cabinet or his or her designee, the board shall choose to adopt or not adopt any recommended changes;***

***(d) Upon adoption, the board shall tender the final investment procurement policy to the secretary of the Finance and Administration Cabinet or his or her designee;***

***(e) No later than thirty (30) days after receipt of the investment procurement policy, the secretary or his or her designee shall certify whether the board's investment procurement policy meets or does not meet best practices for investment management procurement; and***

***(f) Any amendments to the investment procurement policy shall adhere to the requirements set forth by paragraphs (b) to (e) of this subsection.***

➔SECTION 48. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***No trustee or employee of the County Employees Retirement System board shall:***

***(1) Have any interest, direct or indirect, in the gains or profits of any investment or transaction made by the board, save insofar as any such trustee or employee may be a member, employee, or beneficiary of the system;***

***(2) Directly or indirectly, for himself or as an agent, use the assets of the system, except to make current and necessary payments authorized by the board;***

***(3) Become an indorser or surety or in any manner an obligor for moneys loaned by***

***or borrowed from the board;***

***(4) Have a contract or agreement with the system, individually or through a business owned by the trustee or the employee;***

***(5) Use his or her official position with the system to obtain a financial gain or benefit or advantage for himself or herself or a family member;***

***(6) Use confidential information acquired during his or her tenure with the system to further his or her own economic interests or that of another person; or***

***(7) Hold outside employment with, or accept compensation from, any person or business with which he or she has involvement as part of his or her official position with the system. The provisions of this subsection shall not prohibit a trustee from serving as an employee of an agency participating in the County Employees Retirement System.***

➔SECTION 49. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) The State Treasurer shall be the custodian of the funds received under authority of KRS 78.510 to 78.852 and shall be responsible for the safekeeping of all cash and securities in his custody. All payments from the fund shall be made by him on warrants issued by the Finance and Administration Cabinet. Payments may be in the form of checks, which shall clearly show on the envelope or other mailing device the name and address of the County Employees Retirement System, or direct deposit bank transfers.***

***(2) The board shall appoint a custodian or custodians of the cash and securities acquired under authority of KRS 78.510 to 78.852; and the custodian or custodians shall be responsible for the safekeeping of all cash and securities in his custody.***

➔SECTION 50. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO READ AS FOLLOWS:

***(1) Each current, former, or retired member's account shall be administered in a confidential manner and specific data regarding a current, former, or retired member shall not be released for publication except as authorized by the member or as provided by subsection (7) of this section; however, the system may release account information to the employer or to other state and federal agencies as it deems necessary or in response to a lawful subpoena or order issued by a court of law. The current, former, or retired member's account shall be exempt from the provisions of KRS 171.410 to 171.990.***

***(2) When a subpoena is served upon any employee of the County Employees Retirement System, requiring production of any specific data regarding a current, former, or retired member, it is sufficient if the employee of the system charged with the responsibility of being custodian of the original delivers within five (5) working days, by certified mail or by personal delivery, legible and durable copies of records, certified by the employee, or an affidavit stating the information required by the subpoena to the person specified in the subpoena. The production of documents or an affidavit shall be in lieu of any personal testimony of any employee of the system unless, after the production of documents or affidavit, a separate subpoena is served upon the system specifically directing the testimony of an employee of the system. When a subpoena is served on any employee of the system requiring the employee to give deposition for any purpose, in the absence of a court order requiring the deposition of a specific employee, the system may designate an employee to be deposed upon the matter referred to in the subpoena.***

***(3) The certification shall be signed before a notary public by the employee and shall include the full name of the member, the member's Social Security number and a legend substantially to the following effect: "The records are true and complete reproductions of the original or microfiched records which are housed in the retirement systems office. This certification is given in lieu of his or her personal***

1 ***appearance."***
2 ***(4) When an affidavit or copies of records are personally delivered, a receipt shall be***
3 ***presented to the person receiving the records for his signature and shall be***
4 ***immediately signed and returned to the person delivering the records. When an***
5 ***affidavit or copies of records are sent via certified mail, the receipt used by the***
6 ***postal authorities shall be sufficient to prove delivery and receipt of the affidavit***
7 ***or copies of records.***
8 ***(5) When the affidavit or copies of records are delivered to a party for use in***
9 ***deposition, they shall, after termination of the deposition, be delivered personally***
10 ***or by certified mail to the clerk of the court or other body before which the action***
11 ***or proceeding is pending. It shall be the responsibility of the party or attorney to***
12 ***transmit the receipt obtained to the employee of the system charged with***
13 ***responsibility of being custodian of the original. Upon issuance of a final order***
14 ***terminating the case and after the normal retention period for court records***
15 ***expires, the affidavit or copies of records shall be permanently disposed of by the***
16 ***clerk in a manner that protects the confidentiality of the information contained***
17 ***therein.***
18 ***(6) Records of the system that are susceptible to photostatic reproduction may be***
19 ***proved as to foundation, identity, and authenticity without any preliminary***
20 ***testimony, by use of legible and durable copies, certified in accordance with the***
21 ***provisions of this section.***
22 ***(7) (a) 1. Upon request by any person, the County Employees Retirement***
23 ***System shall release the following information from the accounts of***
24 ***any member or retiree of the system, if the member or retiree was a***
25 ***current or former officeholder in the Kentucky General Assembly:***
26 ***a. The first and last name of the member or retiree;***
27 ***b. The status of the member or retiree, including but not limited to***

1 ***whether he or she is a contributing member, a member who is***
2 ***not currently contributing to the plans but has not retired, or a***
3 ***retiree drawing a monthly retirement allowance;***
4 ***c. If the individual is a retiree, the monthly retirement allowance***
5 ***that he or she was receiving at the end of the most recently***
6 ***completed fiscal year; and***
7 ***d. If the individual is a member who has not yet retired, the***
8 ***estimated monthly retirement allowance that he or she is eligible***
9 ***to receive on the first date he or she would be eligible for an***
10 ***unreduced retirement allowance, using his or her service credit,***
11 ***final compensation, and accumulated account balance at the end***
12 ***of the most recently completed fiscal year.***
13 ***2. No information shall be disclosed under this paragraph from an***
14 ***account that is paying benefits to a beneficiary due to the death of a***
15 ***member or retiree.***
16 ***(b) The release of information under paragraph (a) of this subsection shall not***
17 ***constitute a violation of the Open Records Act, KRS 61.870 to 61.884.***
18 ➔SECTION 51. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED
19 TO READ AS FOLLOWS:
20 ***Notwithstanding any other provisions of KRS 78.510 to 78.852, a maximum disability***
21 ***benefit is hereby established which shall apply, upon disability retirement, to any***
22 ***disabled employee's account to which service credit is added to determine disability***
23 ***benefits or in any case where disability benefits are determined by computing a***
24 ***percentage of the disabled employee's final monthly rate of pay. The maximum***
25 ***disability benefit shall be determined by the following formula:***
26 ***(1) Add the monthly benefit payable to the disabled employee from the system, using***
27 ***the monthly disability retirement allowance without any reduction due to the***

***selection of an optional payment plan under Section 24 of this Act but excluding dependent children's allowances, if any, to his monthly benefit, if any, from Social Security, even though these payments may not begin for a period of time as required for qualification under the federal Social Security law, excluding spouse or dependent benefits, and his monthly benefit, if any, from workers' compensation, even though these payments may not have begun as of the date the disabled member applies for disability retirement benefits, excluding spouse or dependent children's allowances, from workers' compensation, to arrive at a projected combined monthly benefit.***

***(2) If the projected combined monthly benefit exceeds one hundred percent (100%) of the disabled employee's final rate of pay or his final compensation, whichever is greater, his disability retirement allowance from the system shall be reduced to an amount which would cause his projected combined monthly benefit to equal one hundred percent (100%) of his final rate of pay or his final compensation, whichever is greater; however, the disability retirement allowance shall not be reduced below an amount which would result from a computation of his disability retirement allowance from the system using the disabled employee's actual total service.***

***(3) The system may pay estimated benefits to a disabled employee, upon qualification for disability retirement, based on an estimate of his Social Security and workers' compensation benefits until the amounts are actually determined, at which time a final calculation of the member's actual benefits shall be determined and his account corrected retroactive to his effective retirement date.***

***(4) Any increase in Social Security benefits or workers' compensation benefits which becomes law, regardless of their effective date, subsequent to the disabled employee's effective retirement date, shall not be considered in determination of the maximum benefit payable, as the maximum benefit payable is based on the***

***amount of combined benefits under these programs as of the disabled employee's effective retirement date.***

***(5) Any disabled recipient whose potential payments from the system were reduced as provided for in this section shall advise the system if his payments under the Federal Social Security Act or Workers' Compensation Act cease at any time subsequent to his effective retirement date. Upon investigation, if the system determines that the disabled recipient continues to be eligible for disability benefits, the system may increase his retirement allowance by adding to his payment an amount equal to the reduction applied upon the effective retirement date in accordance with subsection (2) of this section.***

***(6) The amount of combined disability benefit payments made to an individual on or after July 1, 2017, from the Kentucky Retirement Systems or the County Employees Retirement System shall not be increased as a result of the passage of this Act.***

➔Section 52. KRS 78.852 is amended to read as follows:

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

(2) (a) For members who begin participating in the County Employees Retirement System on or after January 1, 2014, the General Assembly reserves the right to amend, suspend, or reduce the benefits and rights provided under KRS 78.510 to 78.852 if, in its judgment, the welfare of the Commonwealth so demands,

except that the amount of benefits the member has accrued at the time of amendment, suspension, or reduction shall not be affected.

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

(c) The provisions of this subsection shall not be construed to limit the General Assembly's authority to change any other benefit or right specified by KRS 78.510 to 78.852, except the benefits specified by paragraph (b) of this subsection, for members who begin participating in the County Employees Retirement System on or after January 1, 2014.

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

***(4) Notwithstanding any other provision of state statute to the contrary, responsibility for funding the provisions of KRS 78.510 to 78.852, including any contractual obligations under this section, shall be the responsibility of the employers participating in the County Employees Retirement System. For any employer failing to fund the requirements of KRS 78.510 to 78.852, the board shall have the full authority under the law to:***

***(a) Require the employer involuntarily cease participating and pay all costs for ceasing participation as provided by Section 3 of this Act; or***

***(b) Suspend benefit payments and refunds or to seek legal action as provided by Section 13 of this Act for any employer failing to fund the requirements of KRS 78.510 to 78.852.***

➔Section 53. KRS 78.550 is amended to read as follows:

Any person who is an employee on the date his county first participates in the system, either in service or on leave from service, who does not elect within the time set forth in KRS 78.510 to 78.852 to become a member and thereby make contributions required of him by KRS 78.510 to 78.852, shall forfeit all right for credit for service with any county prior to the date he might subsequently elect to become a member, except as provided in ***Section 10 of this Act***~~[KRS 61.552]~~ or 78.530(3)(d).

➔Section 54. KRS 6.350 is amended to read as follows:

(1) A bill which would increase or decrease the benefits or increase or decrease participation in the benefits or change the actuarial accrued liability of any state-administered retirement system shall not be reported from a legislative committee of either house of the General Assembly for consideration by the full membership of that house unless the bill is accompanied by an actuarial analysis.

(2) (a) An actuarial analysis required by this section must show the economic effect of the bill on the state-administered retirement system over a twenty (20) year period, including:

1. An estimate of the effect on the unfunded actuarial accrued liabilities and funding levels of the affected systems; and

2. A projection of the annual employer costs to the systems of implementing the legislation over the twenty (20) year period. The annual employer cost projection shall include the effect on the contributions of participating employers as a percentage of total payroll and in total dollars of contributions.

(b) If a bill affects more than one (1) state-administered retirement system, the actuarial analysis shall project costs for each affected state-administered retirement system.

(c) An actuarial analysis shall state the actuarial assumptions and methods of

computation used in the analysis and shall state whether or not the bill or resolution, if enacted, would, in the opinion of the actuary, make the affected state-administered retirement system actuarially unsound or, in the case of a system already actuarially unsound, more unsound. Actuarial cost methods and assumptions that meet actuarial standards of practice established by the Actuarial Standards Board shall be used in all cost projections.

(d) An actuarial analysis required by this section shall be prepared by an actuary who is a fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries.

(3) (a) An actuary commissioned to make an actuarial analysis that is required by this section, or for the purpose of seeking appropriations for a state-administered retirement system, shall include in the analysis a complete definition of each actuarial term used in the analysis and, either in the analysis or in a separate actuarial valuation report made available as a public record, an enumeration and explanation of each actuarial assumption used to complete the actuarial analysis.

(b) If the actuary commissioned to complete the actuarial analysis is relying upon assumptions that have not been previously established by the actuary in an actuarial valuation of the affected state-administered retirement system, the actuary shall clearly note and describe the new assumption and the basis for selecting the assumption.

(4) The actuarial analysis required by this section shall be completed by the actuary retained by the affected state-administered retirement system. The state-administered retirement systems shall provide the analysis without cost to the General Assembly.

(5) For purposes of this section, the terms:

(a) "State-administered retirement system" shall include:

1. The Kentucky Employees Retirement System[~~, the County Employees Retirement System,~~] and the State Police Retirement System administered by the Kentucky Retirement Systems and established under the provisions of KRS 16.505 to 16.652 ***and***[~~,~~] 61.510 to 61.705[~~, and 78.510 to 78.852~~];
2. The Kentucky Teachers' Retirement System established under KRS 161.220 to 161.716;
3. The Judicial Retirement Plan established under KRS 21.345 to 21.580; [~~and~~]
4. The Legislators' Retirement Plan established under KRS 6.500 to 6.577; and
5. ***The County Employees Retirement System established under KRS 78.510 to 78.852; and***

(b) "Funding level" means the actuarial value of assets divided by the actuarially accrued liability expressed as a percentage.

➔Section 55. KRS 7A.250 is amended to read as follows:

The Public Pension Oversight Board:

(1) Shall, from time to time, conduct an impartial review of all the laws governing the state-administered retirement systems and recommend any changes it may find desirable with respect to benefits and administration, funding of benefits, investments of funds, and the improvement of language, structure, and organization of the statutes;

(2) Shall, once every five (5) years, review the benefits provided to employees who begin participating in the systems administered by ***the*** Kentucky Retirement Systems ***or the County Employees Retirement System*** on or after January 1, 2014, and recommend any changes to the provisions affecting these employees that are necessary to maintain the actuarial soundness of the systems;

(3) Shall review semiannually the investment programs of the state-administered retirement systems, including a review of asset allocation targets and ranges, risk factors, asset class benchmarks, total return objectives, relative volatility, performance evaluation guidelines, investment policies, and securities litigation policies and recoveries from fraud or other corporate malfeasance. The board may establish an advisory committee, as provided by KRS 7A.260, which may include investment professionals to assist in complying with the provisions of this subsection;

(4) May review any benefits, bylaws, policies, or charters established by the state-administered retirement systems;

(5) Shall, at the request of the Speaker of the House of Representatives or the President of the Senate, evaluate proposed changes to laws affecting the state-administered retirement systems and report to the Speaker or the President on the probable costs, actuarial implications, and desirability as a matter of public policy;

(6) May review all new or amended administrative regulations of the state-administered retirement systems and provide comments to the Administrative Regulation Review Subcommittee established by KRS 13A.020;

(7) Shall research issues related to the state-administered retirement systems as directed by the Legislative Research Commission;

(8) Shall at least once every five (5) years have an actuarial audit performed for the state-administered retirement systems to evaluate the reliability of each system's actuarial assumptions and methods. The actuarial audit shall be performed by an actuary retained by the Public Pension Oversight Board;

(9) Shall prior to each budget biennium have an actuarial review of the funding requests and needs submitted by the state-administered retirement systems. The review shall be performed by an actuary retained by the Public Pension Oversight Board; and

(10) Shall publish an annual report covering the board's evaluation and recommendations

with respect to the operations of the state-administered retirement systems. The report shall be submitted to the Legislative Research Commission no later than December 31 of each year and shall include at a minimum any legislative recommendations made by the board, a summary of the financial and actuarial condition of the state-administered retirement systems, and an analysis of the adequacy of the current levels of funding.

➔Section 56. KRS 16.505 is amended to read as follows:

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

(1) "System" means the State Police Retirement System created by KRS 16.505 to 16.652;

(2) "Board" means the board of trustees of the Kentucky Retirement Systems;

(3) "Employer" or "State Police" means the Department of Kentucky State Police, or its successor;

(4) "Current service" means the number of years and completed months of employment as an employee subsequent to July 1, 1958, for which creditable compensation was paid by the employer and employee contributions deducted except as otherwise provided;

(5) "Prior service" means the number of years and completed months of employment as an employee prior to July 1, 1958, for which creditable compensation was paid to the employee by the Commonwealth. Twelve (12) months of current service in the system are required to validate prior service;

(6) "Service" means the total of current service and prior service;

(7) "Accumulated contributions" at any time means the sum of all amounts deducted from the compensation of a member and credited to his individual account in the member's account, including employee contributions picked up after August 1, 1982, pursuant to KRS 16.545(4), together with interest credited on such amounts as provided in KRS 16.505 to 16.652, and any other amounts the member shall have

contributed, including interest credited. For members who begin participating on or after September 1, 2008, "accumulated contributions" shall not include employee contributions that are deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~, as prescribed by KRS 61.702(2)(b);

(8) "Creditable compensation" means all salary and wages, including payments for compensatory time, paid to the employee as a result of services performed for the employer or for time during which the member is on paid leave, which are includable on the member's federal form W-2 wage and tax statement under the heading "wages, tips, other compensation," including employee contributions picked up after August 1, 1982, pursuant to KRS 16.545(4). A lump-sum bonus, severance pay, or employer-provided payment for purchase of service credit shall be included as creditable compensation but shall be averaged over the employee's total service with the system in which it is recorded if it is equal to or greater than one thousand dollars ($1,000). Living allowances, expense reimbursements, lump-sum payments for accrued vacation leave, and other items determined by the board shall be excluded. Creditable compensation shall also include amounts which are not includable in the member's gross income by virtue of the member having taken a voluntary salary reduction provided for under applicable provisions of the Internal Revenue Code. Creditable compensation shall also include elective amounts for qualified transportation fringes paid or made available on or after January 1, 2001, for calendar years on or after January 1, 2001, that are not includable in the gross income of the employee by reason of 26 U.S.C. sec. 132(f)(4). For employees who begin participating on or after September 1, 2008, creditable compensation shall not include payments for compensatory time;

(9) "Final compensation" means:

(a) For a member who begins participating before September 1, 2008, the

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

(b) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, the creditable compensation of the member during the three (3) complete fiscal years he or she was paid at the highest average monthly rate divided by three (3). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit;

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

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

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

(13) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of actuarial tables adopted by the board. In cases of disability retirement, the

options authorized by KRS 61.635 shall be computed by adding ten (10) years to the age of the member, unless the member has chosen the Social Security adjustment option as provided for in KRS 61.635(8), in which case the member's actual age shall be used. For members who began participating in the system prior to January 1, 2014, no disability retirement option shall be less than the same option computed under early retirement;

(14) "Authorized leave of absence" means any time during which a person is absent from employment but retained in the status of an employee in accordance with the personnel policy of the Department of Kentucky State Police;

(15) "Normal retirement date" means:

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

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

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

(17) "Dependent child" means a child in the womb and a natural or legally adopted child of the member who has neither attained age eighteen (18) nor married or who is an unmarried full-time student who has not attained age twenty-two (22);

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

(19) "Act in line of duty" means an act occurring or a thing done, which, as determined by the board, was required in the performance of the duties specified in KRS 16.060. For employees in hazardous positions under KRS 61.592, an "act in line of duty" shall mean an act occurring which was required in the performance of the

principal duties of the position as defined by the job description;

(20) "Early retirement date" means:

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

(b) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, the retirement date declared by a member who is not less than fifty (50) years of age and has fifteen (15) years of service credited under KRS 16.543(1), 61.543(1), ~~[or 78.615(1) ]~~or another state-administered retirement system;

(21) "Member" means any officer included in the membership of the system as provided under KRS 16.520 whose membership has not been terminated under KRS 61.535;

(22) "Regular full-time officers" means the occupants of positions as set forth in KRS 16.010;

(23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which results in an employee's total incapacity to continue as an employee in a hazardous position, but the employee is not necessarily deemed to be totally and permanently disabled to engage in other occupations for remuneration or profit;

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

(25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the member in accordance with KRS 61.542 or 61.705 to receive any available benefits in the event of the member's death. As used in KRS 61.702, "beneficiary" does not mean an estate, trust, or trustee;

(26) "Recipient" means the retired member, the person or persons designated as beneficiary by the member and drawing a retirement allowance as a result of the

member's death, or a dependent child drawing a retirement allowance. An alternate payee of a qualified domestic relations order shall not be considered a recipient, except for purposes of KRS 61.623;

(27) "Person" means a natural person;

(28) "Retirement office" means the Kentucky Retirement Systems office building in Frankfort;

(29) "Delayed contribution payment" means an amount paid by an employee for purchase of current service. The amount shall be determined using the same formula in KRS 61.5525, and the payment shall not be picked up by the employer. A delayed contribution payment shall be deposited to the member's account and considered as accumulated contributions of the individual member;

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

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

(32) "Fiscal year" of the system means the twelve (12) months from July 1 through the

following June 30, which shall also be the plan year. The "fiscal year" shall be the limitation year used to determine contribution and benefit limits established by 26 U.S.C. sec. 415;

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

(34) "Month" means a calendar month;

(35) "Membership date" means the date upon which the member began participating in the system as provided by KRS 16.543;

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

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

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

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

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

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

(40) "Accumulated account balance" means:

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

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

accumulated employer pay credit.

➔Section 57. KRS 16.555 is amended to read as follows:

All the assets of the system shall be held and invested in the State Police Retirement Fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts: the "members' account," the "retirement allowance account," and accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***[~~,~~] 61.515[~~, and 78.520~~], as prescribed by KRS 61.702(2)(b).

➔Section 58. KRS 16.576 is amended to read as follows:

(1) (a) Any member who begins participating before September 1, 2008, who has at least five (5) years of service credit may retire at his normal retirement date, or subsequent thereto, upon written notification to the system, setting forth at what date the retirement is to become effective, if the effective date shall be after his last day of service and subsequent to the filing of the notice at the retirement office.

(b) Any member who begins participating on or after September 1, 2008, who has at least five (5) years of service credited under KRS 16.543(1), 61.543(1), [~~or 78.615(1)~~ ]or another state-administered retirement system may retire at his or her normal retirement date, or subsequent thereto, upon written notification to the system, setting forth what date the retirement is to become effective, if the effective date shall be after his or her last day of service and subsequent to the filing of the notice at the retirement office.

(2) The member shall have the right to elect to have his retirement allowance payable under subsection (3), (4), or (6) of this section or any one (1) of the plans set forth in KRS 61.635.

(3) (a) Effective August 1, 1990, a member of the Kentucky State Police Retirement System may elect to receive an annual retirement allowance, payable monthly during his lifetime, equal to two and five-tenths percent (2.5%) of final

compensation for each year of service credit. ~~[Effective August 1, 1988, a member of the County Employees Retirement System covered by this section may elect to receive an annual retirement allowance, payable monthly during his lifetime, equal to two and five-tenths percent (2.5%) of final compensation for each year of service credit. ]~~Effective August 1, 1988, a member of the Kentucky Employees Retirement System covered by this section may elect to receive an annual retirement allowance, payable monthly during his lifetime, equal to two and forty-nine hundredths percent (2.49%) of final compensation for each year of service credit. The annual retirement allowance for a member covered by this section shall not exceed the maximum benefit as set forth in the Internal Revenue Code.

(b) A member of the State Police Retirement System ***or***~~[,]~~ a member of the Kentucky Employees Retirement System covered by this section, ~~[or a member of the County Employees Retirement System covered by this section, ]~~whose participation begins on or after September 1, 2008, but prior to January 1, 2014, shall receive an annual retirement allowance, payable monthly during his or her lifetime, equal to:

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

service credit if the employee has earned twenty-five (25) or more years of service at retirement.

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

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

(6) In lieu of any other benefits due under KRS 16.505 to 16.652, a member who begins participating before September 1, 2008, who has attained age fifty-five (55) and who has attained at least one (1) month of service credit but no more than fifty-nine (59) months of service credit may elect to receive an annual retirement allowance, payable monthly or less frequently as determined by the board, which shall be determined by multiplying his accumulated contributions by two (2) and

converting this amount to an annual retirement allowance based on an annuity rate adopted by the board which would pay the actuarial equivalent of twice his accumulated contributions over the lifetime of the retired member.

(7) Subsections (1) to (6) of this section shall not apply to members who begin participating in the system on or after January 1, 2014. Members who begin participating in the system on or after January 1, 2014, shall receive the retirement benefit calculation prescribed by KRS 16.583.

➔Section 59. KRS 16.577 is amended to read as follows:

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

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

(3) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, there shall be no reduction in the retirement allowance if the member has twenty-five (25) or more years of service credited under KRS 16.543(1), 61.543(1), ~~[or 78.615(1) ]~~or another state-administered retirement system.

(4) Subsections (1) to (3) of this section shall not apply to members who begin participating in the system on or after January 1, 2014. Members who begin participating in the system on or after January 1, 2014, shall receive the retirement benefit calculation prescribed by KRS 16.583.

➔Section 60. KRS 16.583 is amended to read as follows:

(1) A member of the State Police Retirement System ***or***[~~,~~] a member of the Kentucky Employees Retirement System in a hazardous duty position covered by this section, [~~or a member of the County Employees Retirement System in a hazardous duty position covered by this section,~~ ]whose participation begins on or after January 1, 2014, shall receive the retirement benefits provided by this section in lieu of the retirement benefits provided under KRS 16.576 and 16.577. The retirement benefit provided by this section shall be known as the hybrid cash balance plan and shall operate as another benefit tier within the State Police Retirement System ***and***[~~,~~] the Kentucky Employees Retirement System[~~, and the County Employees Retirement System~~].

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

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

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

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

(3) (a) Member contributions and employer pay credits as provided by subsection (2)(a) and (b) of this section shall be credited to the member's account monthly as contributions are reported and posted to the system in accordance with KRS 61.675[~~ and 78.625~~].

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

determined by subsection (4) of this section.

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

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

1. Four percent (4%); plus

2. Seventy-five percent (75%) of the system's geometric average net investment return in excess of a four percent (4%) rate of return.

(c) If the member did not contribute to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by four percent (4%).

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

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

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

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

(5) (a) Upon termination of employment, a member who has less than five (5) years

of service credited under KRS 16.543(1) ***and***[~~,~~] 61.543(1), [~~and 78.615(1),~~ ]who elects to take a refund of his or her accumulated account balance as provided by KRS 61.625, shall forfeit the accumulated employer credit, and shall only receive a refund of his or her accumulated contributions.

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

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

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

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

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

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

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

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

(8) The provisions of this section shall not apply to members who began participating

in the Kentucky Employees Retirement System~~[, the County Employees Retirement System,]~~ or the State Police Retirement System prior to January 1, 2014.

➔Section 61. KRS 16.582 is amended to read as follows:

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

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

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

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

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

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

(b) For a person whose membership date is prior to August 1, 2004, the person

shall not be eligible for an unreduced retirement allowance;

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

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

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

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

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

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

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

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

2. Injury or disease resulting from military service; or

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

a. The disability results from bodily injury, mental illness, disease, or a condition which has been substantially aggravated by an injury or

accident arising out of or in the course of employment; or

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

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

(4) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months from the person's last day of paid employment in a position as regular full-time officer or a hazardous position.

2. The determination of a permanent incapacity shall be based on the medical evidence contained in the member's file and the member's residual functional capacity and physical exertion requirements.

(b) The person's residual functional capacity shall be the person's capacity for work activity on a regular and continuing basis. The person's physical ability shall be assessed in light of the severity of the person's physical, mental, and other impairments. The person's ability to walk, stand, carry, push, pull, reach, handle, and other physical functions shall be considered with regard to physical impairments. The person's ability to understand, remember, and carry out instructions and respond appropriately to supervision, coworkers, and work pressures in a work setting shall be considered with regard to mental impairments. Other impairments, including skin impairments, epilepsy, visual sensory impairments, postural and manipulative limitations, and environmental restrictions, shall be considered in conjunction with the person's physical and mental impairments to determine residual functional

capacity.

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

1. Sedentary work shall be work that involves lifting no more than ten (10) pounds at a time and occasionally lifting or carrying articles such as large files, ledgers, and small tools. Although a sedentary job primarily involves sitting, occasional walking and standing may also be required in the performance of duties.

2. Light work shall be work that involves lifting no more than twenty (20) pounds at a time with frequent lifting or carrying of objects weighing up to ten (10) pounds. A job shall be in this category if lifting is infrequently required but walking and standing are frequently required, or if the job primarily requires sitting with pushing and pulling of arm or leg controls. If the person has the ability to perform substantially all of these activities, the person shall be deemed capable of light work. A person deemed capable of light work shall be deemed capable of sedentary work unless the person has additional limitations such as the loss of fine dexterity or inability to sit for long periods.

3. Medium work shall be work that involves lifting no more than fifty (50) pounds at a time with frequent lifting or carrying of objects weighing up to twenty-five (25) pounds. If the person is deemed capable of medium work, the person shall be deemed capable of light and sedentary work.

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

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

(5) (a) The disability retirement allowance shall be determined as provided in KRS 16.576, except if the member's total service credit on his last day of paid employment in a regular full-time position is less than twenty (20) years, service shall be added beginning with his last date of paid employment and continuing to his fifty-fifth birthday. The maximum service credit added shall not exceed the total service the member had on his last day of paid employment, and the maximum service credit for calculating his retirement allowance, including his total service and service added under this section, shall not exceed twenty (20) years.

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

(c) For a member who begins participating on or after January 1, 2014, in the hybrid cash balance plan as provided by KRS 16.583, the disability retirement allowance shall be the higher of twenty-five percent (25%) of the member's monthly final rate of pay or the retirement allowance determined in the same manner as for retirement at his or her normal retirement date under KRS 16.583.

(6) If the member receives a satisfactory determination of total and permanent disability

or hazardous disability pursuant to KRS 61.665 and the disability is the direct result of an act in line of duty, the member's retirement allowance shall be calculated as follows:

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

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

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

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

(9) For a member of the State Police Retirement System, in lieu of the allowance provided in subsection (5) or (6) of this section, the member may be retained on the regular payroll and receive the compensation authorized by KRS 16.165, if he is qualified.

➔Section 62. KRS 18A.205 is amended to read as follows:

(1) The secretary of the Finance and Administration Cabinet, upon the recommendation of the secretary, may procure from one (1) or more life insurance companies,

authorized to do business in this state, a policy or policies of group life insurance insuring the lives of all or any class or classes of state employees. The policy or policies shall be approved by the commissioner of insurance and may contain such provisions as the commissioner of insurance approves whether or not otherwise permitted by the insurance laws. It is intended that life insurance may be made available for state employees, except that the procuring is permissive.

(2) The term "state employee," for purposes of KRS 18A.205 to 18A.215, shall mean a person who is regularly employed by any department, board, agency, or branch of state government, and who is also:

(a) A contributing member of any one (1) of the state-administered retirement systems; or

(b) A retiree of a state-administered retirement system who is employed in a regular full-time position for purposes of retirement coverage, but who is not eligible to contribute to one (1) of the systems administered by Kentucky Retirement Systems pursuant to KRS 61.637(17) ***or to the County Employees Retirement System pursuant to subsection (4) of Section 42 of this Act***.

Notwithstanding the definition of "state employee" in this subsection, any federally funded time-limited employee may receive insurance coverage.

(3) The term "premiums," for the purposes of KRS 18A.205 to 18A.225, shall mean premiums to be paid on any type of insurance authorized under KRS 18A.205 to 18A.225.

➔Section 63. KRS 18A.225 is amended to read as follows:

(1) (a) The term "employee" for purposes of this section means:

1. Any person, including an elected public official, who is regularly employed by any department, office, board, agency, or branch of state government; or by a public postsecondary educational institution; or by any city, urban-county, charter county, county, or consolidated local

government, whose legislative body has opted to participate in the state-sponsored health insurance program pursuant to KRS 79.080; and who is either a contributing member to any one (1) of the retirement systems administered by the state, including but not limited to the Kentucky Retirement Systems, ***County Employees Retirement System,*** Kentucky Teachers' Retirement System, the Legislators' Retirement Plan, or the Judicial Retirement Plan; or is receiving a contractual contribution from the state toward a retirement plan; or, in the case of a public postsecondary education institution, is an individual participating in an optional retirement plan authorized by KRS 161.567;

2. Any certified or classified employee of a local board of education;

3. Any elected member of a local board of education;

4. Any person who is a present or future recipient of a retirement allowance from the Kentucky Retirement Systems, ***County Employees Retirement System,*** Kentucky Teachers' Retirement System, the Legislators' Retirement Plan, the Judicial Retirement Plan, or the Kentucky Community and Technical College System's optional retirement plan authorized by KRS 161.567, except that a person who is receiving a retirement allowance and who is age sixty-five (65) or older shall not be included, with the exception of persons covered under KRS 61.702(4)(c) ***or subsection (2)(b)3. of Section 40 of this Act***, unless he or she is actively employed pursuant to subparagraph 1. of this paragraph; and

5. Any eligible dependents and beneficiaries of participating employees and retirees who are entitled to participate in the state-sponsored health insurance program;

(b) The term "health benefit plan" for the purposes of this section means a health

benefit plan as defined in KRS 304.17A-005;

(c) The term "insurer" for the purposes of this section means an insurer as defined in KRS 304.17A-005; and

(d) The term "managed care plan" for the purposes of this section means a managed care plan as defined in KRS 304.17A-500.

(2) (a) The secretary of the Finance and Administration Cabinet, upon the recommendation of the secretary of the Personnel Cabinet, shall procure, in compliance with the provisions of KRS 45A.080, 45A.085, and 45A.090, from one (1) or more insurers authorized to do business in this state, a group health benefit plan that may include but not be limited to health maintenance organization (HMO), preferred provider organization (PPO), point of service (POS), and exclusive provider organization (EPO) benefit plans encompassing all or any class or classes of employees. With the exception of employers governed by the provisions of KRS Chapters 16, 18A, and 151B, all employers of any class of employees or former employees shall enter into a contract with the Personnel Cabinet prior to including that group in the state health insurance group. The contracts shall include but not be limited to designating the entity responsible for filing any federal forms, adoption of policies required for proper plan administration, acceptance of the contractual provisions with health insurance carriers or third-party administrators, and adoption of the payment and reimbursement methods necessary for efficient administration of the health insurance program. Health insurance coverage provided to state employees under this section shall, at a minimum, contain the same benefits as provided under Kentucky Kare Standard as of January 1, 1994, and shall include a mail-order drug option as provided in subsection (13) of this section. All employees and other persons for whom the health care coverage is provided or made available shall annually be given an option to

elect health care coverage through a self-funded plan offered by the Commonwealth or, if a self-funded plan is not available, from a list of coverage options determined by the competitive bid process under the provisions of KRS 45A.080, 45A.085, and 45A.090 and made available during annual open enrollment.

(b) The policy or policies shall be approved by the commissioner of insurance and may contain the provisions the commissioner of insurance approves, whether or not otherwise permitted by the insurance laws.

(c) Any carrier bidding to offer health care coverage to employees shall agree to provide coverage to all members of the state group, including active employees and retirees and their eligible covered dependents and beneficiaries, within the county or counties specified in its bid. Except as provided in subsection (20) of this section, any carrier bidding to offer health care coverage to employees shall also agree to rate all employees as a single entity, except for those retirees whose former employers insure their active employees outside the state-sponsored health insurance program.

(d) Any carrier bidding to offer health care coverage to employees shall agree to provide enrollment, claims, and utilization data to the Commonwealth in a format specified by the Personnel Cabinet with the understanding that the data shall be owned by the Commonwealth; to provide data in an electronic form and within a time frame specified by the Personnel Cabinet; and to be subject to penalties for noncompliance with data reporting requirements as specified by the Personnel Cabinet. The Personnel Cabinet shall take strict precautions to protect the confidentiality of each individual employee; however, confidentiality assertions shall not relieve a carrier from the requirement of providing stipulated data to the Commonwealth.

(e) The Personnel Cabinet shall develop the necessary techniques and capabilities

for timely analysis of data received from carriers and, to the extent possible, provide in the request-for-proposal specifics relating to data requirements, electronic reporting, and penalties for noncompliance. The Commonwealth shall own the enrollment, claims, and utilization data provided by each carrier and shall develop methods to protect the confidentiality of the individual. The Personnel Cabinet shall include in the October annual report submitted pursuant to the provisions of KRS 18A.226 to the Governor, the General Assembly, and the Chief Justice of the Supreme Court, an analysis of the financial stability of the program, which shall include but not be limited to loss ratios, methods of risk adjustment, measurements of carrier quality of service, prescription coverage and cost management, and statutorily required mandates. If state self-insurance was available as a carrier option, the report also shall provide a detailed financial analysis of the self-insurance fund including but not limited to loss ratios, reserves, and reinsurance agreements.

(f) If any agency participating in the state-sponsored employee health insurance program for its active employees terminates participation and there is a state appropriation for the employer's contribution for active employees' health insurance coverage, then neither the agency nor the employees shall receive the state-funded contribution after termination from the state-sponsored employee health insurance program.

(g) Any funds in flexible spending accounts that remain after all reimbursements have been processed shall be transferred to the credit of the state-sponsored health insurance plan's appropriation account.

(h) Each entity participating in the state-sponsored health insurance program shall provide an amount at least equal to the state contribution rate for the employer portion of the health insurance premium. For any participating entity that used the state payroll system, the employer contribution amount shall be equal to

but not greater than the state contribution rate.

(3) The premiums may be paid by the policyholder:

(a) Wholly from funds contributed by the employee, by payroll deduction or otherwise;

(b) Wholly from funds contributed by any department, board, agency, public postsecondary education institution, or branch of state, city, urban-county, charter county, county, or consolidated local government; or

(c) Partly from each, except that any premium due for health care coverage or dental coverage, if any, in excess of the premium amount contributed by any department, board, agency, postsecondary education institution, or branch of state, city, urban-county, charter county, county, or consolidated local government for any other health care coverage shall be paid by the employee.

(4) If an employee moves his place of residence or employment out of the service area of an insurer offering a managed health care plan, under which he has elected coverage, into either the service area of another managed health care plan or into an area of the Commonwealth not within a managed health care plan service area, the employee shall be given an option, at the time of the move or transfer, to change his or her coverage to another health benefit plan.

(5) No payment of premium by any department, board, agency, public postsecondary educational institution, or branch of state, city, urban-county, charter county, county, or consolidated local government shall constitute compensation to an insured employee for the purposes of any statute fixing or limiting the compensation of such an employee. Any premium or other expense incurred by any department, board, agency, public postsecondary educational institution, or branch of state, city, urban-county, charter county, county, or consolidated local government shall be considered a proper cost of administration.

(6) The policy or policies may contain the provisions with respect to the class or classes

of employees covered, amounts of insurance or coverage for designated classes or groups of employees, policy options, terms of eligibility, and continuation of insurance or coverage after retirement.

(7) Group rates under this section shall be made available to the disabled child of an employee regardless of the child's age if the entire premium for the disabled child's coverage is paid by the state employee. A child shall be considered disabled if he has been determined to be eligible for federal Social Security disability benefits.

(8) The health care contract or contracts for employees shall be entered into for a period of not less than one (1) year.

(9) The secretary shall appoint thirty-two (32) persons to an Advisory Committee of State Health Insurance Subscribers to advise the secretary or his designee regarding the state-sponsored health insurance program for employees. The secretary shall appoint, from a list of names submitted by appointing authorities, members representing school districts from each of the seven (7) Supreme Court districts, members representing state government from each of the seven (7) Supreme Court districts, two (2) members representing retirees under age sixty-five (65), one (1) member representing local health departments, two (2) members representing the Kentucky Teachers' Retirement System, and three (3) members at large. The secretary shall also appoint two (2) members from a list of five (5) names submitted by the Kentucky Education Association, two (2) members from a list of five (5) names submitted by the largest state employee organization of nonschool state employees, two (2) members from a list of five (5) names submitted by the Kentucky Association of Counties, two (2) members from a list of five (5) names submitted by the Kentucky League of Cities, and two (2) members from a list of names consisting of five (5) names submitted by each state employee organization that has two thousand (2,000) or more members on state payroll deduction. The advisory committee shall be appointed in January of each year and shall meet

quarterly.

(10) Notwithstanding any other provision of law to the contrary, the policy or policies provided to employees pursuant to this section shall not provide coverage for obtaining or performing an abortion, nor shall any state funds be used for the purpose of obtaining or performing an abortion on behalf of employees or their dependents.

(11) Interruption of an established treatment regime with maintenance drugs shall be grounds for an insured to appeal a formulary change through the established appeal procedures approved by the Department of Insurance, if the physician supervising the treatment certifies that the change is not in the best interests of the patient.

(12) Any employee who is eligible for and elects to participate in the state health insurance program as a retiree, or the spouse or beneficiary of a retiree, under any one (1) of the state-sponsored retirement systems shall not be eligible to receive the state health insurance contribution toward health care coverage as a result of any other employment for which there is a public employer contribution. This does not preclude a retiree and an active employee spouse from using both contributions to the extent needed for purchase of one (1) state sponsored health insurance policy for that plan year.

(13) (a) The policies of health insurance coverage procured under subsection (2) of this section shall include a mail-order drug option for maintenance drugs for state employees. Maintenance drugs may be dispensed by mail order in accordance with Kentucky law.

(b) A health insurer shall not discriminate against any retail pharmacy located within the geographic coverage area of the health benefit plan and that meets the terms and conditions for participation established by the insurer, including price, dispensing fee, and copay requirements of a mail-order option. The retail pharmacy shall not be required to dispense by mail.

(c) The mail-order option shall not permit the dispensing of a controlled substance classified in Schedule II.

(14) The policy or policies provided to state employees or their dependents pursuant to this section shall provide coverage for obtaining a hearing aid and acquiring hearing aid-related services for insured individuals under eighteen (18) years of age, subject to a cap of one thousand four hundred dollars ($1,400) every thirty-six (36) months pursuant to KRS 304.17A-132.

(15) Any policy provided to state employees or their dependents pursuant to this section shall provide coverage for the diagnosis and treatment of autism spectrum disorders consistent with KRS 304.17A-142.

(16) Any policy provided to state employees or their dependents pursuant to this section shall provide coverage for obtaining amino acid-based elemental formula pursuant to KRS 304.17A-258.

(17) If a state employee's residence and place of employment are in the same county, and if the hospital located within that county does not offer surgical services, intensive care services, obstetrical services, level II neonatal services, diagnostic cardiac catheterization services, and magnetic resonance imaging services, the employee may select a plan available in a contiguous county that does provide those services, and the state contribution for the plan shall be the amount available in the county where the plan selected is located.

(18) If a state employee's residence and place of employment are each located in counties in which the hospitals do not offer surgical services, intensive care services, obstetrical services, level II neonatal services, diagnostic cardiac catheterization services, and magnetic resonance imaging services, the employee may select a plan available in a county contiguous to the county of residence that does provide those services, and the state contribution for the plan shall be the amount available in the county where the plan selected is located.

(19) The Personnel Cabinet is encouraged to study whether it is fair and reasonable and in the best interests of the state group to allow any carrier bidding to offer health care coverage under this section to submit bids that may vary county by county or by larger geographic areas.

(20) Notwithstanding any other provision of this section, the bid for proposals for health insurance coverage for calendar year 2004 shall include a bid scenario that reflects the statewide rating structure provided in calendar year 2003 and a bid scenario that allows for a regional rating structure that allows carriers to submit bids that may vary by region for a given product offering as described in this subsection:

(a) The regional rating bid scenario shall not include a request for bid on a statewide option;

(b) The Personnel Cabinet shall divide the state into geographical regions which shall be the same as the partnership regions designated by the Department for Medicaid Services for purposes of the Kentucky Health Care Partnership Program established pursuant to 907 KAR 1:705;

(c) The request for proposal shall require a carrier's bid to include every county within the region or regions for which the bid is submitted and include but not be restricted to a preferred provider organization (PPO) option;

(d) If the Personnel Cabinet accepts a carrier's bid, the cabinet shall award the carrier all of the counties included in its bid within the region. If the Personnel Cabinet deems the bids submitted in accordance with this subsection to be in the best interests of state employees in a region, the cabinet may award the contract for that region to no more than two (2) carriers; and

(e) Nothing in this subsection shall prohibit the Personnel Cabinet from including other requirements or criteria in the request for proposal.

(21) Any fully insured health benefit plan or self-insured plan issued or renewed on or after July 12, 2006, to public employees pursuant to this section which provides

coverage for services rendered by a physician or osteopath duly licensed under KRS Chapter 311 that are within the scope of practice of an optometrist duly licensed under the provisions of KRS Chapter 320 shall provide the same payment of coverage to optometrists as allowed for those services rendered by physicians or osteopaths.

(22) Any fully insured health benefit plan or self-insured plan issued or renewed on or after July 12, 2006, to public employees pursuant to this section shall comply with the provisions of KRS 304.17A-270 and 304.17A-525.

(23) Any full insured health benefit plan or self insured plan issued or renewed on or after July 12, 2006, to public employees shall comply with KRS 304.17A-600 to 304.17A-633 pertaining to utilization review, KRS 205.593 and 304.17A-700 to 304.17A-730 pertaining to payment of claims, KRS 304.14-135 pertaining to uniform health insurance claim forms, KRS 304.17A-580 and 304.17A-641 pertaining to emergency medical care, KRS 304.99-123, and any administrative regulations promulgated thereunder.

➔Section 64. KRS 61.510 is amended to read as follows:

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

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

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

(3) "Department" means any state department or board or agency participating in the system in accordance with appropriate executive order, as provided in KRS 61.520. For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the General Assembly and any other body, entity, or instrumentality designated by executive order by the Governor, shall be deemed to be a department, notwithstanding whether said body, entity, or instrumentality is an integral part of state government;

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

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

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

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

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

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

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

(11) "Prior service" means the number of years and completed months, expressed as a fraction of a year, of employment as an employee, prior to July 1, 1956, for which creditable compensation was paid; except that for members, officers, and employees

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

(12) "Accumulated contributions" at any time means the sum of all amounts deducted from the compensation of a member and credited to his individual account in the members' account, including employee contributions picked up after August 1, 1982, pursuant to KRS 61.560(4), together with interest credited on such amounts and any other amounts the member shall have contributed thereto, including interest credited thereon. For members who begin participating on or after September 1, 2008, "accumulated contributions" shall not include employee contributions that are deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510~~[, 61.515,]~~ and 78.520, as prescribed by KRS 61.702(2)(b);

(13) "Creditable compensation" means all salary, wages, tips to the extent the tips are reported for income tax purposes, and fees, including payments for compensatory time, paid to the employee as a result of services performed for the employer or for time during which the member is on paid leave, which are includable on the member's federal form W-2 wage and tax statement under the heading "wages, tips, other compensation," including employee contributions picked up after August 1, 1982, pursuant to KRS 61.560(4). For members of the General Assembly, it shall mean all amounts which are includable on the member's federal form W-2 wage and tax statement under the heading "wages, tips, other compensation," including employee contributions picked up after August 1, 1982, pursuant to KRS 6.505(4)

or 61.560(4). A lump-sum bonus, severance pay, or employer-provided payment for purchase of service credit shall be included as creditable compensation but shall be averaged over the employee's total service with the system in which it is recorded if it is equal to or greater than one thousand dollars ($1,000). In cases where compensation includes maintenance and other perquisites, the board shall fix the value of that part of the compensation not paid in money. Living allowances, expense reimbursements, lump-sum payments for accrued vacation leave, and other items determined by the board shall be excluded. Creditable compensation shall also include amounts which are not includable in the member's gross income by virtue of the member having taken a voluntary salary reduction provided for under applicable provisions of the Internal Revenue Code. Creditable compensation shall also include elective amounts for qualified transportation fringes paid or made available on or after January 1, 2001, for calendar years on or after January 1, 2001, that are not includable in the gross income of the employee by reason of 26 U.S.C. sec. 132(f)(4). For employees who begin participating on or after September 1, 2008, creditable compensation shall not include payments for compensatory time. For employees who begin participating on or after August 1, 2016, creditable compensation shall exclude nominal fees paid for services as a volunteer;

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

(a) For a member who begins participating before September 1, 2008, who is not employed in a hazardous position, as provided in KRS 61.592, the creditable compensation of the member during the five (5) fiscal years he was paid at the highest average monthly rate divided by the number of months of service credit during that five (5) year period multiplied by twelve (12). The five (5) years may be fractional and need not be consecutive. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used;

(b) For a member who is not employed in a hazardous position, as provided in KRS 61.592, whose effective retirement date is between August 1, 2001, and January 1, 2009, and whose total service credit is at least twenty-seven (27) years and whose age and years of service total at least seventy-five (75), final compensation means the creditable compensation of the member during the three (3) fiscal years the member was paid at the highest average monthly rate divided by the number of months of service credit during that three (3) years period multiplied by twelve (12). The three (3) years may be fractional and need not be consecutive. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the funding for this paragraph shall be provided from existing funds of the retirement allowance;

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

(d) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, who is not employed in a hazardous position, as provided in KRS 61.592, the creditable compensation of the member during the five (5) complete fiscal years immediately preceding retirement divided by five (5). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit. If the member does not have five (5)

complete fiscal years that each contain twelve (12) months of service credit, then one (1) or more additional fiscal years shall be used; or

(e) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, who is employed in a hazardous position, as provided in KRS 61.592, the creditable compensation of the member during the three (3) complete fiscal years he was paid at the highest average monthly rate divided by three (3). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit;

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

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

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

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

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

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

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

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

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

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

(d) Part-time positions which are positions which may be permanent in duration, but which require less than a calendar or fiscal year average of one hundred (100) hours of work per month, determined by using the number of months

actually worked within a calendar or fiscal year, in the performance of duty; and

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

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

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

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

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

(26) "Beneficiary" means the person or persons or estate or trust or trustee designated by the member in accordance with KRS 61.542 or 61.705 to receive any available benefits in the event of the member's death. As used in KRS 61.702, "beneficiary" does not mean an estate, trust, or trustee;

(27) "Recipient" means the retired member or the person or persons designated as beneficiary by the member and drawing a retirement allowance as a result of the member's death or a dependent child drawing a retirement allowance. An alternate payee of a qualified domestic relations order shall not be considered a recipient, except for purposes of KRS 61.623;

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

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

(30) "Person" means a natural person;

(31) "Retirement office" means the Kentucky Retirement Systems office building in Frankfort;

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

(33) "Objective medical evidence" means reports of examinations or treatments; medical signs which are anatomical, physiological, or psychological abnormalities that can be observed; psychiatric signs which are medically demonstrable phenomena

indicating specific abnormalities of behavior, affect, thought, memory, orientation, or contact with reality; or laboratory findings which are anatomical, physiological, or psychological phenomena that can be shown by medically acceptable laboratory diagnostic techniques, including but not limited to chemical tests, electrocardiograms, electroencephalograms, X-rays, and psychological tests;

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

(35) "Month" means a calendar month;

(36) "Membership date" means:

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

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

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

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

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

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

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

(40) "Accumulated employer credit" mean the employer pay credit deposited to the

member's account and interest credited on such amounts as provided by KRS 16.583 and 61.597;

(41) "Accumulated account balance" means:

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

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

(42) "Volunteer" means an individual who:

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

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

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

➔Section 65. KRS 61.522 is amended to read as follows:

Notwithstanding any other provision of KRS 61.510 to 61.705~~[ or 78.510 to 78.852]~~ to the contrary:

(1) For purposes of this section:

(a) "Active member" means a member who is participating in the system;

(b) "Employer" means the governing body of a department, as defined by KRS 61.510~~[, or a county as defined by KRS 78.510]~~;

(c) "Employer's effective cessation date" means the last day of the system's plan year in the year in which the employer has elected to cease participation in the system, provided the employer has met the requirements of this section and has given the Kentucky Retirement Systems sufficient notice as provided by administrative regulations promulgated by the systems; and

(d) "Inactive member" means a member who is not participating with the system;

(2) Any employer participating in the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~ on July 1, 2015, except as limited by subsection (6) of this section, may:

(a) Voluntarily cease participation in its respective retirement system subject to the requirements and restrictions of this section; or

(b) Be required to involuntarily cease participation in the system under the provisions of this section if the board has determined the employer is no longer qualified to participate in a governmental plan or has failed to comply with the provisions of KRS 61.510 to 61.705~~[ or 78.510 to 78.852]~~;

(3) (a) If an employer desires to voluntarily cease participation in the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~ as provided by subsection (2)(a) of this section:

1. The employer shall adopt a resolution requesting to cease participation in the system and shall submit the resolution to the board for its approval;

2. The cessation of participation in the system shall apply to all employees of the employer;

3. The employer shall pay for all administrative costs of an actuarial study to be completed by the Kentucky Retirement Systems' consulting actuary and for any other administrative costs for discontinuing participation in the system as determined by the board and as provided by this section;
4. The employer shall provide an alternative retirement program for employees who will no longer be covered by the system, which may include a voluntary defined contribution plan; and
5. The employer shall pay to the system the full actuarial cost of the benefits accrued by its current and former employees in the system as determined separately for the pension fund and the insurance fund by the actuarial study required by subparagraph 3. of this paragraph. The full actuarial cost shall not include any employee who seeks a refund of his or her account balance within sixty (60) days of the employer's effective cessation date. An employee's election to receive a refund of his or her account balance within sixty (60) days of the employer's effective cessation date is an irrevocable waiver of the right to obtain service credits for the time worked for the employer ceasing participation. The full actuarial cost may be paid by lump-sum payment or in installment payments to the system. The actuarial cost shall be fixed, and the employer shall not be subject to any increases or subsequent adjustments, once the lump sum is paid or the first installment payment is made. If the employer elects to pay the full actuarial cost in installment payments, the employer shall, as determined by the board:
   a. Pay installment payments over a time period determined by the board, not to exceed twenty (20) years;
   b. Be charged interest over the life of the installment period, at the actuarially assumed rate of return; and

c. Provide adequate security in any relevant real estate, chattel paper, deposit accounts, documents, goods covered by documents, instruments, investment property, letters of credit rights, and money. In order to ensure security provided is adequate:

i. A detailed financing statement shall be provided to the Kentucky Retirement Systems board listing all assets to be used as security and the value certified by a licensed attorney;

ii. Security interest shall be a perfected interest in accordance with provisions set forth in KRS Chapter 355 and subject to approval of the board; and

iii. The perfected security interest shall attach until the amount owed is paid in full.

The board may file an action in the Franklin Circuit Court to collect money owed and to attach so much of the general fund or adequate security of the delinquent employer as is necessary to ensure payment of any installment payments owed under this section.

(b) If the board determines an employer must involuntarily cease participation in the system as provided by subsection (2)(b) of this section:

1. The cessation of participation in the system shall apply to all employees of the employer;

2. The employer shall pay for all administrative costs of an actuarial study to be completed by the Kentucky Retirement Systems' consulting actuary and for any other administrative costs for discontinuing participation in the system as determined by the board and as provided by this section; and

3. The employer shall pay to the system the full actuarial cost of the

benefits accrued by its current and former employees in the system as determined separately for the pension fund and the insurance fund by the actuarial study required by subparagraph 2. of this paragraph. The full actuarial cost shall not include any employee who seeks a refund of his or her account balance within sixty (60) days of the employer's effective cessation date. An employee's election to receive a refund of his or her account balance within sixty (60) days of the employer's effective cessation date is an irrevocable waiver of the right to obtain service credits for the time worked for the employer ceasing participation. The full actuarial cost may be paid by lump-sum payment or in installment payments to the system. The actuarial cost shall be fixed, and the employer shall not be subject to any increases or subsequent adjustments, once the lump sum is paid or the first installment payment is made. If the employer elects to pay the full actuarial cost in installment payments, the employer shall, as determined by the board:

a. Pay installment payments over a time period determined by the board, not to exceed twenty (20) years;

b. Be charged interest over the life of the installment period at the actuarially assumed rate of return; and

c. Provide adequate security in any relevant real estate, chattel paper, deposit accounts, documents, goods covered by documents, instruments, investment property, letters of credit rights, and money. In order to ensure security provided is adequate:

i. A detailed financing statement shall be provided to the Kentucky Retirement Systems board listing all assets to be used as security and the value certified by a licensed attorney;

ii. Security interest shall be a perfected interest in accordance with provisions set forth in KRS Chapter 355 and subject to approval of the board; and

iii. The perfected security interest shall attach until the amount owed is paid in full.

The board may file an action in the Franklin Circuit Court to collect money owed and to attach so much of the general fund or adequate security of the delinquent employer as is necessary to ensure payment of any installment payments owed under this section;

(4) Any employee hired on or after the employer's effective cessation date by an employer who has ceased participation in the system as provided by this section shall not, regardless of his or her membership date in the systems administered by Kentucky Retirement Systems, be eligible to participate in the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~ through the employer that ceased participation for the duration of his or her employment with that employer;

(5) If an employer has ceased participation in the system as provided by this section:

(a) The rights of recipients and the vested rights of inactive members accrued as of the employer's effective cessation date shall not be impaired or reduced in any manner as a result of the employer ceasing participation in the system; and

(b) Employees of the employer ceasing participation shall accrue benefits through the employer's effective cessation date but shall not accrue any additional benefits in the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~, including earning years of service credit through the ceased employer, after the employer's effective cessation date for as long as they remain employed by the employer. The day after the employer's effective cessation date, each employee described by this

paragraph shall be considered an inactive member with respect to his or her employment with the employer that ceased participation and, subject to the provisions and limitations of KRS 61.510 to 61.705~~[ and 78.510 to 78.852]~~, shall:

1. Retain his or her accounts with the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~ and have those accounts credited with interest in accordance with KRS 61.510 to 61.705~~[ and 78.510 to 78.852]~~;
2. Retain his or her vested rights in accordance with paragraph (a) of this subsection;
3. Be eligible to take a refund of his or her accumulated account balance in accordance with KRS 61.625 or any other available distribution if eligible; and
4. Except for federal tax purposes, be treated as if his or her employment terminated as of the employer's effective cessation date, unless otherwise prohibited by applicable federal tax authority;

(6) ~~[(a)~~ ]Kentucky Employees Retirement System employers who are county attorney offices, Commonwealth's attorney offices, local and district health departments governed by KRS Chapter 212, master commissioners, executive branch agencies whose employees are subject to KRS 18A.005 to 18A.200, state-administered retirement systems, state-supported universities and community colleges, property valuation administration offices, or employers in the legislative or judicial branch of Kentucky state government, shall not be eligible to voluntarily discontinue participation in the Kentucky Employees Retirement System unless the employer is a nonstock nonprofit corporation organized under KRS Chapter 273~~[.~~

~~(b) Only the employers in the County Employees Retirement System who are a~~

~~nonstock nonprofit corporation organized under KRS Chapter 273 may voluntarily cease participation in the County Employees Retirement System]~~;

(7) For purposes of this section, the full actuarial cost shall be determined by the Kentucky Retirement Systems' consulting actuary separately for the pension fund and the insurance fund using the assumptions established by the system as of the most recently completed actuarial valuation and based upon the following methodology:

(a) For each fund, the systems' consulting actuary shall determine the assets at market value that are held in the Kentucky Employees Retirement System~~[ or the County Employees Retirement System, as applicable]~~, to cover employer-financed accrued liabilities. The market value of assets of each fund, to the extent sufficient, will be allocated to categories in the following order:

1. Inactive member accumulated account balances;
2. Active member accumulated account balances;
3. Recipient liabilities;
4. Employer-financed inactive member liabilities; and
5. Employer-financed active member liabilities;

(b) The systems' consulting actuary shall apportion the market value of assets in each fund for each category listed in paragraph (a) of this subsection to the employer ceasing participation based on the employer's share of each category's liabilities in the fund that are represented by the members and recipients of the employer ceasing participation;

(c) The systems' consulting actuary shall determine the amount of the employer-financed accrued liabilities separately for each fund for all members and recipients of the employer ceasing participation; and

(d) The full actuarial cost for each fund shall be equal to the amount by which paragraph (c) of this subsection exceeds paragraph (b) of this subsection;

(8) The Kentucky Retirement Systems shall promulgate administrative regulations pursuant to KRS Chapter 13A to administer this section; and

(9) Any employer who voluntarily ceases participation, or who is required to involuntarily cease participation as provided in this section, shall hold the Commonwealth harmless from damages, attorney's fees and costs from legal claims for any cause of action brought by any member or retired member of the departing employer.

➔Section 66. KRS 61.535 is amended to read as follows:

(1) The membership of any person in the system shall cease:

(a) Upon withdrawal of his accumulated account balance at or any time after termination of employment, regardless of length of service;

(b) Upon disability retirement;

(c) Upon service retirement;

(d) Upon death;

(e) For persons hired prior to August 1, 2000, upon termination of employment with prejudice; or

(f) For persons hired on or after August 1, 2000, upon conviction of a felony relating to the person's employment as provided in subsection (3) of this section.

(2) For purposes of KRS 61.510 to 61.705 ***and***[~~,~~] 16.505 to 16.652, [~~and 78.510 to 78.852,~~ ]termination of employment with prejudice shall mean termination as the result of conviction of the member in a court of competent jurisdiction of embezzlement or larceny of public funds or property or malfeasance in office, or the forcing of a member to make restitution for any funds or property criminally taken by said member at the time of termination of employment.

(3) Notwithstanding any provision of law to the contrary, an employee hired on or after August 1, 2000, who participates in one (1) of the retirement systems administered

by the Kentucky Retirement Systems and who is convicted, in any state or federal court of competent jurisdiction, of a felony related to his employment shall forfeit rights and benefits earned under the retirement system, except for the return of his accumulated contributions and interest credited on those contributions. The payment of retirement benefits ordered forfeited shall be stayed pending any appeal of the conviction. If the conviction is reversed on final judgment, no retirement benefit shall be forfeited. The employer shall notify the retirement system when an employee is convicted under the provisions of this subsection.

➔Section 67. KRS 61.540 is amended to read as follows:

(1) Under administrative regulations promulgated by the board, each member and each employer shall have on file at the retirement office, in the form the board prescribes, a statement of the facts pertaining to the member and other information the system requires. Until the statement is filed, no member shall be eligible to receive any benefits under KRS 61.510 to 61.705~~[ and 78.510 to 78.852]~~.

(2) The system shall prepare and make available upon request to all members a summary plan description, written in a manner that can be understood by the average member or beneficiary, and sufficiently accurate and comprehensive to reasonably apprise them of their rights and obligations under the provisions of KRS 16.505 to 16.652 ***and***~~[,]~~ 61.510 to 61.705~~[ and 78.510 to 78.852]~~.

(3) The summary plan description shall include:

(a) The name of the retirement system, the name and address of the executive director, and the name, address and title of each member of the board of trustees;

(b) The name and address of the person designated for the service of legal process;

(c) The system's requirements for participation and benefits;

(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 reasonable list of circumstances which would result in disqualification,
4 ineligibility, or 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 system 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 shall be made available upon request to members in the form of a
19 supplement to a comprehensive booklet, or reported in the periodic newsletter.
20 (5) The system shall make available upon request to retirees and beneficiaries the
21 summary plan description.
22 ➔Section 68. KRS 61.545 is amended to read as follows:
23 (1) The board shall determine by appropriate administrative regulations how much
24 service in any year is the equivalent of a year of service credit and how much
25 service in any calendar month is the equivalent of a month of service credit. It shall
26 not allow credit for more than one (1) year of service for all service rendered in any
27 period of twelve (12) consecutive months except as provided in KRS 61.546 and in

subsection (2) of this section.

(2) (a) Employees participating in one (1) of the state-administered retirement systems who are or have been employed by a ~~[school board participating in the County Employees Retirement System, a ]~~state-operated school under KRS Chapter 167~~[, a participating community action agency,]~~ or a Kentucky institution of higher education which participates in the Kentucky Employees Retirement System, and who receive service credit for less than twelve (12) months each year, may purchase the additional months of service credit needed to total one (1) year of service credit except the amount purchased shall not exceed three (3) months. The employee may purchase the service credit by paying the retirement system a delayed contribution payment. Employees who have service credit prior to July 1, 1992, or their employers, the state-operated school under KRS Chapter 167, ***or*** the Kentucky institution of higher education~~[, or the school board]~~ may purchase service credit on behalf of the employee for previous years by paying the retirement system the delayed contribution payment.

(b) The cost of service under this subsection may be paid by both the employer and employee. The employer shall pay fifty percent (50%) of the cost and the employee shall pay fifty percent (50%) of the cost. The payment by the employer shall not be deposited to the member's account. Service credit shall not be credited to the member's account until both the employer's and employee's payment are received by the retirement system.

(c) If the employee has purchased service credit under this subsection based on months reported by the employer for the fiscal year, and an audit of the employee's account reduces the number of months of service credit for which the employee is eligible to no fewer than nine (9) months, the employee shall retain credit for the months purchased unless the employee is ineligible for

any service in the fiscal year. The employee shall be eligible to purchase the additional months under this subsection to total one (1) year.

(d) This subsection shall not apply to members who begin participating in the systems administered by Kentucky Retirement Systems on or after January 1, 2014.

(3) (a) An employee who is simultaneously eligible for membership in more than one (1) retirement system administered by the Kentucky Retirement Systems may, at his option, choose to participate in only one (1) of those systems. The choice, once made, shall remain in effect so long as the employee is eligible for membership in more than one (1) system.

(b) If the employee participates in more than one (1) of the retirement systems administered by the Kentucky Retirement Systems, the employee's service credit shall be divided between each system determined by dividing the employee's creditable compensation in each system by the employee's total creditable compensation in all systems.

(c) If the employee earns creditable compensation in both a hazardous position, as defined by KRS 61.592, and a nonhazardous position, the employee's service credit shall be divided between the employee's hazardous and nonhazardous positions determined by dividing the employee's creditable compensation in the hazardous and nonhazardous positions by the employee's combined hazardous and nonhazardous creditable compensation.

➔Section 69. KRS 61.550 is amended to read as follows:

When membership ceases, except in the case of retirement, the member shall thereafter lose all right to any retirement allowance or benefits under KRS 61.510 to 61.705 ***and***~~[,]~~ 16.505 to 16.652 ~~[and 78.510 to 78.852 ]~~arising from service prior to the date of such cessation of membership.

➔Section 70. KRS 61.552 is amended to read as follows:

(1) Any employee participating in one (1) of the state-administered retirement systems who has been refunded his accumulated account balance under the provisions of KRS 16.645(21)~~[,]~~ ***or*** 61.625~~[, or 78.545(15)]~~, thereby losing service credit, may regain the credit by paying to the system from which he received the refund or refunds the amount or amounts refunded with interest at a rate determined by the board of the respective retirement system. The payment, including interest as determined by the board, shall be deposited to the member's account and considered as accumulated contributions of the individual member. The payments shall not be picked up, as described in KRS 61.560(4), by the employer. Service purchased under this subsection on or after January 1, 2014, shall not be used to determine the member's participation date in the system.

(2) ~~[Any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems, who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by the Kentucky Retirement Systems, and who did not elect membership in the County Employees Retirement System, as provided in KRS 78.540(2), may obtain credit in the County Employees Retirement System for prior service and for current service by paying to the County Employees Retirement System a delayed contribution payment for the service he would have received had he elected membership. The delayed contribution payment shall not be picked up, as described in KRS 61.560(4), by the employer. Payment may be by lump sum or the employee may pay by increments.~~

~~(3)]~~ Any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems, who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by the Kentucky Retirement Systems, and who did not elect membership in the Kentucky Employees Retirement System, as provided

in KRS 61.525(2), may obtain credit in the Kentucky Employees Retirement System for prior service and for current service by paying to the system a delayed contribution payment for the service he would have received had he elected membership. The delayed contribution payment shall not be picked up, as described in KRS 61.560(4), by the employer. Payment may be by lump sum or the employee may pay by increments.

***(3)***[~~(4)~~] An employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems, who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by the Kentucky Retirement Systems, may obtain credit in the Kentucky Employees Retirement System for current service between July 1, 1956, and the effective date of participation of his department by paying to the system a delayed contribution payment for the service he would have received had his department participated on July 1, 1956. The delayed contribution payment shall not be picked up, as described in KRS 61.560(4), by the employer. Payment may be by lump sum or the employee may pay by increments.

***(4)*** [~~(5) (a) An employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems, who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by the Kentucky Retirement Systems, may obtain credit in the County Employees Retirement System for current service between July 1, 1958, and the effective date of participation of his county by paying to the County Employees Retirement System a delayed contribution payment for the service he would have received had his county participated on July 1, 1958. The delayed contribution payment shall not be picked up, as described in KRS 61.560(4), by the employer.~~

1 ~~(b)~~ ]An employee participating in one (1) of the retirement systems administered
2 by Kentucky Retirement Systems, who has at least forty-eight (48) months of
3 service if age sixty-five (65) or at least sixty (60) months of service if under
4 age sixty-five (65) in the systems administered by Kentucky Retirement
5 Systems may obtain credit for the period of his service with an area
6 development district created pursuant to KRS 147A.050 or with a business
7 development corporation created pursuant to KRS 155.001 to 155.230 if that
8 service was not covered by a state-administered retirement system. The
9 member shall pay to the retirement system in which he participates a delayed
10 contribution payment, as determined by the board's actuary. The employee
11 may obtain credit for employment with a business development corporation
12 only if the Kentucky Retirement Systems receives a favorable private letter
13 ruling from the United States Internal Revenue Service or a favorable opinion
14 letter from the United States Department of Labor. Payment may be by lump
15 sum or the employee may pay by increments.
16 ***(5)***[~~(6)~~] After August 1, 2000, service credit obtained under the subsections of this
17 section which do not require the employee to have a minimum number of years of
18 service credit to be eligible to make a purchase shall be disallowed and the
19 recontribution of refund, including interest as determined by the board or other
20 payment, if any, shall be paid to the member if the member does not obtain for
21 service performed six (6) months' additional current service credit in one (1) of the
22 state-administered retirement systems. The service requirement shall be waived if
23 the member dies or becomes disabled as provided for by KRS 16.582 or 61.600.
24 ***(6)***[~~(7)~~] The members shall not receive benefit of service for the same period of time
25 in another public defined benefit retirement fund***, including non-qualified service***
26 ***purchased in another state-administered retirement system;***.
27 ***(7)***[~~(8)~~] Any employee participating in one (1) of the retirement systems administered

by Kentucky Retirement Systems who has at least forty-eight (48) months' service if age sixty-five (65) or at least sixty (60) months' service if under age sixty-five (65) in the retirement systems administered by the Kentucky Retirement Systems, who formerly worked for a state university in a position which would have qualified as a regular full-time position had the university been a participating department, and who did not participate in a defined benefit retirement program at the university may obtain credit in the employee's account in the ~~[County Employees Retirement System, the ]~~Kentucky Employees Retirement System~~[,]~~ or the State Police Retirement System for prior and current service by paying either retirement system a delayed contribution payment for the service he would have received had his period of university employment been covered by the ~~[County Employees, ]~~Kentucky Employees Retirement System~~[,]~~ or State Police Retirement System. The delayed contribution payment shall not be picked up, as described in KRS 61.560(4), by the employer. Payment may be by lump sum, or the employee may pay by increments.

***(8)***~~[(9)]~~ (a) ~~[Effective August 1, 1980, any county participating in the County Employees Retirement System may purchase current service, between July 1, 1958, and participation date of the county, for present employees of the county who have obtained coverage under KRS 78.540(2);~~

~~(b) ]~~Effective July 1, 1973, any department participating in the Kentucky Employees Retirement System may purchase current service between July 1, 1956, and participation date of the department, for present employees of the department who were employees on the participation date of the department and elected coverage under KRS 61.525(2);

***(b)***~~[(c)]~~ Cost of the service credit purchased under this subsection shall be determined by computing the discounted value of the additional service credit based on an actuarial formula recommended by the board's consulting actuary

and approved by the board. A department shall make payment for the service credit within the same fiscal year in which the option is elected[~~. The county shall establish a payment schedule subject to approval by the board for payment of the service credit. The maximum period allowed in a payment schedule shall be ten (10) years with interest at the rate actuarially assumed by the board; however, a shorter period is desirable and the board may approve any schedule provided it is not longer than a ten (10) year period~~];

***(c)***[~~(d)~~] If a [~~county or~~ ]department elects the provisions of this subsection, any present employee who would be eligible to receive service credit under the provisions of this subsection and has purchased service credit under subsection ***(3)***[~~(4) or (5)~~] of this section shall have his payment for the service credit refunded with interest at the rate paid under KRS 61.575[~~ or 78.640~~];

***(d)***[~~(e)~~] Any payments made by a [~~county or~~ ]department under this subsection shall be deposited to the retirement allowance account of the proper retirement system and these funds shall not be considered accumulated contributions of the individual members.

***(9)***[~~(10)~~] Interest paid by a member of the Kentucky Employees Retirement System[~~, County Employees Retirement System,~~] or State Police Retirement System under this section or other similar statutes under KRS 16.505 to 16.652 ***or***[~~,~~] 61.510 to 61.705[~~, or 78.510 to 78.852~~] prior to June 19, 1976, shall be credited to the individual member's account in the appropriate retirement system and considered as accumulated contributions of the member.

***(10)***[~~(11)~~] Employees who served as assistants to officers and employees of the General Assembly who have at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by Kentucky Retirement Systems and who were unable to acquire service under KRS 61.510(20) may purchase credit for the service performed after

January 1, 1960. Service credit under this section shall be obtained by the payment of a delayed contribution which shall not be picked up by the employer as described in KRS 61.560(4).

***(11)***~~[(12) (a)]~~ Effective August 1, 1988, any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by Kentucky Retirement Systems may purchase service credit for interim, seasonal, emergency, or temporary employment or part-time employment averaging one hundred (100) or more hours of work per month on a calendar or fiscal year basis. If the average number of hours of work is less than one hundred (100) per month, the member shall be allowed credit only for those months he receives creditable compensation for one hundred hours of work. The cost will be determined as a delayed contribution payment for the period of time involved, which shall not be picked up by the employer as described in KRS 61.560(4).

~~[(b) Any noncertified employee of a school board who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by Kentucky Retirement Systems may purchase service credit for part-time employment prior to the 1990-91 school year which averaged eighty (80) or more hours of work per month on a calendar or fiscal year basis by paying to the County Employees Retirement System a delayed contribution payment. The delayed contribution payment shall not be picked up, as described in KRS 78.610(4), by the employer. Payment may be by lump sum or the employee may pay by increments. If the average number of hours of work is less than eighty (80) per month, the noncertified employee of a school board shall be allowed credit only for those months he receives creditable compensation for eighty (80)~~

~~hours of work. The cost will be determined as a delayed contribution payment, which shall not be picked up by the employer as described in KRS 78.610(4).]~~

***(12)***[~~(13)~~] A retired member, who is contributing to one (1) of the state-administered retirement programs under the provisions of KRS 61.637(1) to (4) and purchases service credit under this section in the system or systems from which he is retired, shall have his retirement allowance recomputed:

(a) Upon termination from employment, if the member is contributing to the same system or systems from which he was retired; or

(b) Upon completion of six (6) months' service credit as required under subsection (6) of this section, if the member is contributing to a system other than the system or systems from which he is retired.

***(13)***[~~(14)~~] Any employee participating in one (1) of the systems administered by Kentucky Retirement Systems who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by Kentucky Retirement Systems may obtain credit for prior or current service for any period of approved educational leave[~~, or for agency-approved leave to work for a work-related labor organization if the agency subsequently participated in the County Employees Retirement System,~~] by paying to the respective retirement system a delayed contribution payment.[~~ The employee may also obtain credit for agency-approved leave to work for a work-related labor organization if the agency subsequently participated in the County Employees Retirement System, but only if the Kentucky Retirement Systems receives a favorable private letter ruling from the United States Internal Revenue Service or a favorable opinion letter from the United States Department of Labor. The delayed contribution payment shall not be picked up, as described in KRS 61.560(4), by the employer, and shall be deposited to the individual member's account.~~]

1 ***(14)***[~~(15)~~] Any employee participating in one (1) of the retirement systems administered
2 by Kentucky Retirement Systems who has at least forty-eight (48) months of service
3 if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five
4 (65) in the systems administered by Kentucky Retirement Systems may obtain
5 credit for prior or current service for any period of authorized maternity leave,
6 unpaid leave authorized under the Federal Family and Medical Leave Act, or for
7 any period of authorized sick leave without pay, by paying to the respective
8 retirement system a delayed contribution payment. The delayed contribution
9 payment shall not be picked up, as described in KRS 61.560(4), by the employer,
10 and shall be deposited to the individual member's account.
11 ***(15)***[~~(16)~~] Any employee participating in one (1) of the retirement systems administered
12 by Kentucky Retirement Systems may purchase service credit under any of the
13 provisions of KRS 16.505 to 16.652 ***or***[~~,~~] 61.510 to 61.705[~~, or 78.510 to 78.852~~]
14 by making installment payments in lieu of a lump-sum payment.
15 (a) The cost of the service shall be computed in the same manner as for a lump-
16 sum payment which shall be the principal; and interest, at the actuarial rate in
17 effect at the time the member elects to make the purchase compounded
18 annually, shall be added for the period that the installments are to be made.
19 Multiple service purchases may be combined under a single installment
20 purchase; however, no employee may make more than one (1) installment
21 purchase at the same time. The employee may elect to stop the installment
22 payments by notifying the retirement system; may have the installment
23 purchase recalculated to add one (1) or more additional service purchases; or
24 may pay by lump sum the remaining principal or a portion of the remaining
25 principal.
26 (b) One (1) year of installment payments shall be made for each one thousand
27 dollars ($1,000) or any part thereof of the total cost, except that the total

period allowed for installments shall not be less than one (1) year and shall not exceed five (5) years.

(c) The employee shall pay the installments by payroll deduction. Upon notification by the retirement system, the employer shall report the installment payments either monthly or semimonthly continuously over each twelve (12) month period at the same time as, but separate from, regular employee contributions on the forms or by the computer format specified by the board. The payments made under this subsection shall be considered accumulated contributions of the member and shall not be picked up by the employer pursuant to KRS 61.560(4) and no employer contributions shall be paid on the installments.

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

(e) If the employee elects to stop the installment payments, dies, retires, or does not continue employment in a position required to participate in the retirement system, the member, or in the case of death, the beneficiary, shall have sixty (60) days to pay the remaining principal or a portion of the remaining principal of the purchase by lump sum, except that payment by the member shall be made prior to the effective retirement date. If the member or beneficiary does not pay the remaining cost, the retirement system shall refund to the member or the beneficiary the payment, payments, or portion of a payment that does not represent a full month of service purchased.

(f) If the employer does not report installment payments on an employee for sixty

(60) days, except in the case of employees on military leave or sick leave without pay, the installment purchase shall cease and the retirement system shall refund to the employee the payment, payments, or portion of a payment that does not represent a full month of service purchased. Installment payments of employees on military leave or sick leave without pay shall be suspended during the period of leave and shall resume without recalculation upon the employee's return from leave.

(g) If payments have ceased under paragraph (e) or (f) of this subsection and the member later becomes a participating employee in one (1) of the ***two (2)***[~~three (3)~~] systems administered by Kentucky Retirement Systems, the employee may complete the adjusted original installment purchase by lump sum or installment payments. If the employee elects to renew the installment purchase, the cost of the remaining service shall be recalculated in accordance with paragraph (a) of this subsection.

***(16)***[~~(17)~~] Any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems may purchase service credit under any of the provisions of KRS 16.505 to 16.652 ***or***[~~,~~] 61.510 to 61.705[~~, or 78.510 to 78.852~~] by transferring funds through a direct trustee-to-trustee transfer as permitted under the applicable sections of the Internal Revenue Code and any regulations or rulings issued thereunder, or through a direct rollover as contemplated by and permitted under 26 U.S.C. sec. 401(a)(31) and any regulations or rulings issued thereunder. Service credit may also be purchased by a rollover of funds pursuant to and permitted under the rules specified in 26 U.S.C. sec. 402(c) and 26 U.S.C. sec. 408(d)(3). The Kentucky Retirement Systems shall accept the transfer or rollover to the extent permitted under the rules specified in the applicable provisions of the Internal Revenue Code and any regulations and rulings issued thereunder. The amount shall be credited to the individual member's account in the appropriate

retirement system and shall be considered accumulated contributions of the member.

***(17)***[~~(18)~~] After August 1, 1998, any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems who is age sixty-five (65) or older and has forty-eight (48) months of service credit or, if younger, who has sixty (60) months of service credit in systems administered by Kentucky Retirement Systems may purchase credit in the system in which the employee has the service credit for up to ten (10) years service in a regular full-time position that was credited to a state or local government-administered public defined benefit plan in another state other than a defined benefit plan for teachers. The employee shall pay a delayed contribution payment. Payment may be by lump sum, or the employee may pay by increments. The employee may transfer funds directly from the other state's plan if eligible to the extent permitted under subsection ***(16)***[~~(17)~~] of this section and to the extent permitted by the other state's laws and shall provide proof that he is not eligible for a retirement benefit for the period of service from the other state's plan.

***(18)***[~~(19)~~] After August 1, 1998, any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems, who has sixty (60) or more months of service in the State Police Retirement System or in a hazardous position in the Kentucky Employees Retirement System[~~ or the County Employees Retirement System~~], may purchase credit in the system in which the employee has the sixty (60) months of service credit for up to ten (10) years of service in a regular full-time position that was credited to a defined benefit retirement plan administered by a state or local government in another state, if the service could be certified as hazardous pursuant to KRS 61.592. The employee shall pay a delayed contribution payment. Payment may be by lump sum or by increments. The employee may transfer funds directly from the other unit of government's plan if eligible to the

extent permitted under subsection (17) of this section and to the extent permitted by the other state's laws, and the employee shall provide proof that he is not eligible for a retirement benefit for the period of service from the other unit of government's plan.

***(19)***[~~(20)~~] Any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by Kentucky Retirement Systems and who has completed service as a volunteer in the Kentucky Peace Corps, created by KRS 154.1-720, may purchase service credit for the time served in the corps by making delayed contribution payments.

***(20)***[~~(21)~~] An employee participating in any retirement system administered by Kentucky Retirement Systems who has at least forty-eight (48) months of service if age sixty-five (65), or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by Kentucky Retirement Systems, and who was formerly employed in a regional community services program for mental health and individuals with an intellectual disability, organized and operated under the provisions of KRS 210.370 to 210.480, which does not participate in a state-administered retirement system may obtain credit for the period of his service in the regional community program for mental health and individuals with an intellectual disability, by paying to the state retirement system in which he participates a delayed contribution payment. Payment to one (1) of the retirement systems administered by the Kentucky Retirement Systems may be made by lump sum or in increments.

***(21)***[~~(22)~~] An employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five

(65) in the systems administered by the Kentucky Retirement Systems, who was employed by a vocational technical school in a noncertified part-time position averaging eighty (80) or more hours per month, determined by using the number of months actually worked within a calendar or fiscal year, may purchase service credit in the Kentucky Employees Retirement System. The cost of the service shall be a delayed contribution payment, which shall not be picked up by the employer as described in KRS 61.560(4).

***(22)***[~~(23)~~] (a) Any person who is entitled to service credit for employment which was not reported in accordance with KRS 16.543 ***or***[~~,~~] 61.543[~~, or 78.615~~] may obtain credit for the service by paying the employee contributions due within six (6) months of notification by the system. No interest shall be added to the contributions. The service credit shall not be credited to the member's account until the employer contributions are received. If a retired member makes the payment within six (6) months, the retired member's retirement allowance shall be adjusted to reflect the added service after the employer contributions are received by the retirement system.

(b) Any employee participating in one (1) of the state-administered retirement systems who is entitled to service credit under paragraph (a) of this subsection and who has not repaid the employee contributions due within six (6) months of notification by the system may regain the credit after the six (6) months by paying to the system the employee contributions plus interest at the actuarially assumed rate from the date of initial notification under paragraph (a) of this subsection. Service credit shall not be credited to the member's account until the employer contributions are received by the retirement system. The payments shall not be picked up, as described in KRS 61.560(4), by the employer.

(c) Service purchased under this subsection by employees who begin participating

on or after September 1, 2008, shall be considered service credited under KRS 16.543(1) ***or***[~~,~~] 61.543(1)[~~, or 78.615(1)~~] for purposes of determining eligibility for retirement benefits under KRS 16.505 to 16.652 ***or***[~~,~~] 61.510 to 61.705[~~, and 78.510 to 78.852~~].

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

***(23)***[~~(24)~~] Any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by the Kentucky Retirement Systems may purchase service credit for employment with a public agency that would have been eligible to participate under KRS 61.520 but which did not participate in the Kentucky Employees Retirement System[~~ or a political subdivision that would have been eligible to participate under KRS 78.530 but which did not participate in the County Employees Retirement System~~] if the former public agency[~~ or political subdivision~~] has merged with or been taken over by a participating department[~~ or county~~]. The cost of the service shall be determined as a delayed contribution payment for the respective retirement system. Payment may be made by lump sum or in increments. The payment shall not be picked up, as described in KRS 61.560(4) [~~or 78.610(4), ~~]by the employer.

***(24)***[~~(25)~~] Any employee participating in one (1) of the retirement systems administered by the Kentucky Retirement Systems prior to July 15, 2002, who has accrued at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60)

1 months of service if under age sixty-five (65) in the systems administered by the
2 Kentucky Retirement Systems and who has total service in all state-administered
3 retirement systems of at least one hundred eighty (180) months of service credit
4 may purchase a combined maximum total of five (5) years of retirement service
5 credit which is not otherwise purchasable under any of the provisions of KRS
6 16.505 to 16.652 ***or***~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~. The purchase price
7 for the retirement service credit shall be calculated and paid for as a delayed
8 contribution payment. The payment shall not be picked up, as described in KRS
9 16.545(4) ***or***~~[,]~~ 61.560(4)~~[, or 78.610(4),]~~ by the employer, and the employee's
10 payment shall be paid into the individual member's account in the appropriate
11 retirement system and shall be considered accumulated contributions of the
12 member. Payment by the member may be by lump sum or by increments. The
13 service purchased under this subsection shall not be used in determining a
14 retirement allowance until the member has accrued at least two hundred forty (240)
15 months of service, excluding service purchased under this subsection. If the member
16 does not accrue at least two hundred forty (240) months of service, excluding
17 service purchased under this subsection, upon retirement, death, or written request
18 following termination, the payment, plus interest as provided in KRS 61.575, shall
19 be refunded.
20 ~~[(26) An employee participating in one (1) of the retirement systems administered by~~
21 ~~Kentucky Retirement Systems, who has at least forty-eight (48) months of service if~~
22 ~~age sixty-five (65), or at least sixty (60) months of service if under age sixty-five~~
23 ~~(65), in the systems administered by Kentucky Retirement Systems, may obtain~~
24 ~~credit in the County Employees Retirement System for the period of that employee's~~
25 ~~service with a community action agency created under KRS 273.405 to 273.453 if~~
26 ~~that service was not covered by a state-administered retirement system. The member~~
27 ~~shall pay to the retirement system a delayed contribution payment. Payment may be~~

1 ~~made by lump sum or in increments. The payment shall not be picked up, as~~
2 ~~described in KRS 61.560(4) or 78.610(4), by the employer.]~~
3 ***(25)***[~~(27)~~] The board of trustees is authorized to establish a program, subject to a
4 favorable ruling from the Internal Revenue Service, to provide for the purchase of
5 service credit under any of the provisions of KRS 16.505 to 16.552 ***or***[~~,~~] 61.510 to
6 61.705[~~, and 78.510 to 78.852~~], pursuant to the employer pick-up provisions in 26
7 U.S.C. sec. 414(h)(2).
8 ***(26)***[~~(28)~~] An employee may obtain credit for regular full-time service with an agency
9 prior to August 1, 1998, for which the employee did not receive credit due to KRS
10 61.637(1), by paying a delayed contribution. The payment shall not be picked up by
11 the employer, except as provided in subsection ***25***[~~(27)~~] of this section, and shall be
12 credited to the employee's second retirement account. Service credit obtained under
13 this subsection shall not be used in determining benefits under KRS 61.702. The
14 employee may purchase credit for service prior to August 1, 1998, if:
15 (a) The employee retired from one (1) of the retirement systems administered by
16 the Kentucky Retirement Systems and was reemployed prior to August 1,
17 1998, earning less than the maximum permissible earnings under the Federal
18 Social Security Act;
19 (b) The employee elected to participate in a second retirement account effective
20 August 1, 1998, in accordance with KRS 61.637(7); and
21 (c) The employee has at least forty-eight (48) months of service if age sixty-five
22 (65), or at least sixty (60) months of service if under age sixty-five (65), in a
23 second account in the systems administered by Kentucky Retirement Systems.
24 ***(27)***[~~(29)~~] An employee participating in one (1) of the retirement systems administered
25 by the Kentucky Retirement Systems, who has at least forty-eight (48) months of
26 service if age sixty-five (65) or at least sixty (60) months of service if under age
27 sixty-five (65) in the systems administered by the Kentucky Retirement Systems,

may obtain credit for the service in a regular full-time position otherwise creditable under the Kentucky Employees Retirement System~~[, the County Employees Retirement System,]~~ or the State Police Retirement System for service in the United States government, other than service in the Armed Forces, for which service is not otherwise given, by paying to the system a delayed contribution payment. Payment may be made by lump sum or in increments. No payment made pursuant to this section shall be picked up by the employer, as described in KRS 61.560(4).

***(28)***~~[(30)]~~ An employee participating in a hazardous position in one (1) of the retirement systems administered by the Kentucky Retirement Systems, who has at least forty-eight (48) months of service if age sixty-five (65) or at least sixty (60) months of service if under age sixty-five (65) in the systems administered by the Kentucky Retirement Systems, may obtain credit for service in a regular full-time position in an urban-county government that would qualify for hazardous duty coverage under KRS 61.592 by paying to the system a delayed contribution payment. Payment may be made by lump sum or in increments. No payment made pursuant to this section shall be picked up by the employer, as described in KRS 61.560(4).

***(29)***~~[(31)]~~ Subsections (2) to ***(4)***~~[(5)]~~, ***(7)***~~[(8)]~~ to ***(14)***~~[(15)]~~, ***(17)***~~[(18)]~~ to ***(21)***~~[(22)]~~, ***(23)***~~[(24)]~~ to ***(24)***~~[(26)]~~, and ***(26)***~~[(28)]~~ to ***(28)***~~[(30)]~~ of this section shall not apply to members who begin participating in the systems administered by Kentucky Retirement Systems on or after January 1, 2014.

➔Section 71. KRS 61.5525 is amended to read as follows:

(1) Effective July 1, 2001, purchase of service under the provisions of KRS 16.505 to 16.652 ***or***~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~, except as provided in subsection (2) of this section, shall be determined by multiplying the higher of the employee's current rate of pay, final rate of pay, or final compensation as of the end of the month in which the purchase is made times the actuarial factor times the number of years of service being purchased. Effective September 1, 2008, the

actuarial factor used to determine the cost of purchasing service credit shall assume the earliest date the member may retire without a reduction in benefits and the cost-of-living adjustments provided to members upon retirement under KRS 61.691.

(2) This provision shall not apply to KRS 61.552(1) and ***(22)***[~~(23)~~] or 61.592(3)(c).

(3) Service purchased on or after August 1, 2004, under the provisions of KRS 16.505 to 16.652 ***or***[~~,~~] 61.510 to 61.705[~~, and 78.510 to 78.852~~], except for service purchased under KRS 61.552(1) and ***(22)***[~~(23)~~], shall not be used to determine eligibility for or the amount of the monthly insurance contribution under KRS 61.702.

(4) For a member whose participation begins on or after August 1, 2004, service purchased under the provisions of KRS 16.505 to 16.652 ***or***[~~,~~] 61.510 to 61.705, [~~and 78.510 to 78.852, ~~]except for service purchased under KRS 61.552(1) and ***(22)***[~~(23)~~], shall not be used to determine eligibility for a retirement allowance under disability retirement, early retirement, normal retirement, or death under any of the provisions of KRS 16.505 to 16.652 ***or***[~~,~~] 61.510 to 61.705[~~, and 78.510 to 78.852~~]. Purchased service shall only be used to determine the amount of the retirement allowance of a member who is eligible for a retirement allowance under disability, early retirement, normal retirement, or death under any of the provisions of KRS 16.505 to 16.652 ***or***[~~,~~] 61.510 to 61.705[~~, and 78.510 to 78.852~~], based on service earned as a participating employee.

➔Section 72. KRS 61.555 is amended to read as follows:

(1) After August 1, 1998, any employee entering the Armed Forces of the United States after he first participates in the system, who joins the Armed Forces within three (3) months of the last day of paid employment, being on leave of absence from service and not withdrawing his accumulated account balance, shall be credited for retirement purposes with service credit and creditable compensation as provided in 38 U.S.C. sec. 4318 for his period of active military duty in the Armed Forces of the

United States, not to exceed six (6) years, if his discharge therefrom is honorable and he returns to work with an employer participating in one (1) of the retirement systems administered by the Kentucky Retirement Systems within two (2) years after completion of the period of active military duty, or upon the subsequent termination of any total disability which existed at the expiration of the two (2) years after discharge. A member eligible for the benefit prescribed by this subsection who participates in the hybrid cash balance plan as provided by KRS 16.583 and 61.597 shall also have his or her member account credited with employee contributions, employer pay credits, and interest credits, as provided by KRS 16.583 and 61.597, as though the member were employed during the member's period of active military duty described by this subsection.

(2) After August 1, 1998, any employee who, prior to the date he first participated in the system, terminated his employment with an agency participating in one (1) of the systems administered by the Kentucky Retirement Systems and within three (3) months entered the Armed Forces of the United States and who returns to work with an employer participating in one (1) of the retirement systems administered by the Kentucky Retirement Systems within two (2) years after completion of the period of active military duty, or upon the subsequent termination of any total disability which existed at the expiration of the two (2) years after discharge, shall be credited for retirement purposes with service credit and creditable compensation as provided in 38 U.S.C. sec. 4318 for his period of active military duty in the Armed Forces, not to exceed six (6) years. A member eligible for the benefit prescribed by this subsection who participates in the hybrid cash balance plan as provided by KRS 16.583 and 61.597 shall also have his or her member account credited with employee contributions, employer pay credits, and interest credits, as provided by KRS 16.583 and 61.597, as though the member were employed during the member's period of active military duty described by this subsection.

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

(4) Any employee eligible for retirement as prescribed in KRS 61.559 or any employee upon completion of five (5) years of service shall receive current service credit for a maximum of four (4) years for his period of active military duty in the Armed Forces of the United States, if his discharge therefrom is honorable and he has not been credited with the service under subsections (1) to (3) of this section if he pays thirty-five percent (35%) of the cost of the service based on the formula adopted by the board. The payment by the member shall not be picked up by the employer, as described in KRS 61.560(4), and shall be deposited to his individual member's account. The remaining sixty-five percent (65%) shall be paid by the state from funds appropriated specifically for the purpose and these payments shall be deposited to the respective retirement allowance accounts. If no funds are available in the special appropriation account, the system shall not accept employee payments until funds are available in the account.

(5) Any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems eligible to purchase military service credit under subsection (4) of this section shall receive current service credit for active military duty as provided under subsection (4) of this section without payment of the current employee contribution ratio if the member was taken prisoner by a hostile power at any time during active military service.

(6) Any employee participating in one (1) of the retirement systems administered by Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)

1 months of service, at least twelve (12) of which are current service, or if younger
2 who has sixty (60) months of service, at least twelve (12) of which are current
3 service shall receive current service for his period of active military duty in the
4 Armed Forces of the United States, if his discharge therefrom is not dishonorable
5 and he has not been credited with the service under subsections (1) to (4) of this
6 section, by paying the retirement system a delayed contribution payment. Payment
7 may be made by lump sum or in increments. The payment shall not be picked up by
8 the employer as described in KRS 16.545(4) ***or***~~[,]~~ 61.560(4)~~[, or 78.610(4)]~~ and
9 shall be deposited in the member's individual retirement account.
10 (7) Any employee participating in one (1) of the retirement systems administered by the
11 Kentucky Retirement Systems age sixty-five (65) or older who has forty-eight (48)
12 months of service, at least twelve (12) of which are current service, or if younger
13 who has sixty (60) months of service, at least twelve (12) of which are current
14 service, shall receive one (1) month of current service for each six (6) months of
15 service in the National Guard or the military reserves of the United States, by
16 paying the retirement system a delayed contribution payment. The service shall be
17 treated as service earned prior to participation in the system and shall not be
18 included in the member's final compensation. Payment may be made by lump sum
19 or in increments. The payment shall not be picked up by the employer, as described
20 in KRS 16.545(4) ***or***~~[,]~~ 61.560(4)~~[, or 78.610(4)]~~ and shall be deposited in the
21 member's individual retirement account.
22 (8) For members who begin participating in the systems administered by Kentucky
23 Retirement Systems on or after January 1, 2014, in the hybrid cash balance plan
24 prescribed by KRS 16.583 and 61.597, the provisions of subsections (4) to (7) of
25 this section shall not apply.
26 ➔Section 73. KRS 61.559 is amended to read as follows:
27 (1) In lieu of any other benefits due under KRS 61.510 to 61.705~~[ and 78.510 to~~

~~78.852~~], a member who begins participating before September 1, 2008, who has attained the age of sixty-five (65) and who has obtained at least one (1) month of service credit but no more than forty-seven (47) months of service may elect to receive an annual retirement allowance payable monthly or less frequently, as determined by the board, which shall be determined by multiplying his accumulated contributions by two (2) and converting this amount to an annual retirement allowance based on an annuity rate adopted by the board which would pay the actuarial equivalent of twice his accumulated contributions over the lifetime of the retired member.

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

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

(b) The member is a retired member of the State Police Retirement System, has attained age fifty-five (55), and has service of forty-eight (48) months at least twelve (12) of which are current service; or

(c) The member is less than age fifty-five (55) and has twenty-five (25) or more years of service, at least fifteen (15) of which are current service; or

(d) The member has thirty (30) or more years of service at least fifteen (15) of which are current service, or the member of the Kentucky Employees Retirement System ~~[or the County Employees Retirement System ]~~has twenty-seven (27) or more years of service, at least fifteen (15) of which are current service; or

(e) The member of the Kentucky Employees Retirement System has, at least,

twenty-six (26) years of service credit, at least sixteen (16) of which are current consecutive years of service as a cabinet secretary or administrative head of one (1) of the three (3) branches of government; or

(f) The member has attained age fifty-five (55) and was an employee of a parted employer at the time his employer became ineligible to continue participation in the system, and his service in the system when added to his service with the parted employer subsequent to his separation from state government equals the early retirement service eligibility requirement of the system on the date his employer became ineligible to continue participation in the system.

(3) A member who begins participating on or after September 1, 2008, but prior to January 1, 2014, is eligible for a retirement allowance determined under KRS 61.595 if:

(a) The member is sixty-five (65) years of age or older and has at least five (5) years of service credited under KRS 16.543(1), 61.543(1), [~~or 78.615(1)~~ ]or another state-administered retirement system;

(b) The member is fifty-seven (57) years of age or older and has an age and years of service total of at least eighty-seven (87) years. The years of service used to determine eligibility for a retirement allowance under this paragraph shall only include years of service credited under KRS 16.543(1), 61.543(1), [~~or 78.615(1)~~ ]or another state-administered retirement system; or

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

(4) Subsections (1) to (3) of this section shall not apply to members who begin participating in the system on or after January 1, 2014. Members who begin participating in the system on or after January 1, 2014, shall receive the retirement benefits prescribed by KRS 61.597.

➔Section 74. KRS 61.565 is amended to read as follows:

(1) (a) Each employer participating in the State Police Retirement System as provided for in KRS 16.505 to 16.652[~~, each employer participating in the County Employees Retirement System as provided for in KRS 78.510 to 78.852,~~] and each employer participating in the Kentucky Employees Retirement System as provided for in KRS 61.510 to 61.705 shall contribute annually to the respective retirement system an amount equal to the percent, as computed under subsection (2) of this section, of the creditable compensation of its employees to be known as the "normal contributions," and an additional amount to be known as the "actuarially accrued liability contribution" which shall be computed by amortizing the total unfunded actuarially accrued liability over a period of thirty (30) years using the level-percentage-of-payroll amortization method. This method shall be used beginning with the 2007 actuarial valuation. The initial thirty (30) year amortization period shall begin with the 2007 actuarial valuation, except as provided by paragraph (b) of this subsection.

(b) Effective with the 2013 actuarial valuation, the amortization period for the Kentucky Employees Retirement System[~~, the County Employees Retirement System,~~] and the State Police Retirement System shall be reset to a new thirty (30) year period for purposes of calculating the actuarially accrued liability contribution prescribed by this subsection.

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

(2) The normal contribution rate shall be determined by the entry age normal cost

funding method. The actuarially accrued liability shall be determined by actuarial method consistent with the methods prescribed for determining the normal contribution rate. Normal contributions and the actuarially accrued liability contribution shall be determined on actuarial bases adopted by the board.

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

(b) ~~[The board may amend contribution rates as of July 1 of the second year of a biennium for the County Employees Retirement System, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy the requirements of subsections (1) and (2) of this section.~~

~~(c)~~ ]Effective for employer contribution rates payable on or after July 1, 2014, the board shall not have the authority to amend contribution rates as of July 1 of the second year of the biennium for the Kentucky Employees Retirement System and the State Police Retirement System.

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

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

~~[(6) Notwithstanding any other provision of KRS Chapter 61 to the contrary, the board shall establish employer contribution rates for the County Employees Retirement~~

~~System that will phase in to the full actuarially required contribution for the health insurance fund over a ten (10) year period using the 2007-2008 fiscal year employer contribution for the health insurance fund as a base employer rate and incrementally increasing the employer rate from fiscal year 2008-2009 through fiscal year 2017-2018.]~~

➔Section 75. KRS 61.590 is amended to read as follows:

(1) A member or beneficiary eligible to receive retirement benefits under any of the provisions of KRS 61.510 to 61.705~~[, 78.510 to 78.852,]~~ and 16.510 to 16.652 shall have on file at the retirement office on the form prescribed by the board, notification of retirement, giving his name, address, Social Security number, last day of employment, and other information the system may require. The form entitled "Notification of Retirement" shall not be filed more than six (6) months before the member's effective retirement date.

(2) Within ten (10) days of the receipt of the form entitled "Notification of Retirement" submitted within two (2) months of the effective date of retirement, the system shall cause to be prepared an estimate of the amounts the member or beneficiary may expect to receive under the various plans available to the member or beneficiary. This information shall be recorded on a form entitled "Estimated Retirement Allowance" and forwarded to the member or beneficiary. If the member submits a form entitled "Notification of Retirement" more than two (2) months prior to the effective retirement date, the system shall provide the form entitled "Estimated Retirement Allowance" within forty-five (45) days of the member's effective retirement date.

(3) The member or beneficiary shall file at the retirement office the form entitled "Estimated Retirement Allowance" after he has checked the payment option of his choice, signed the document, and had his signature witnessed. A member shall not have the right to select a different payment option after the first day of the month in

which the member receives his or her first retirement allowance or after the effective date of a deferred retirement option as provided by subsection (6) of this section. A beneficiary shall not have the right to select a different payment option after the effective date of the beneficiary's retirement allowance as provided in subsection (7) of this section.

(4) A member or beneficiary choosing a monthly payment option shall have on file at the retirement office his birth certificate or other acceptable evidence of date of birth. If a survivorship option is chosen, proof of dates of birth of the beneficiary and member shall be on file at the retirement office.

(5) (a) The effective date of normal retirement shall be the first month following the month in which employment was terminated from a regular full-time position.

(b) The effective date of disability retirement shall be the first month following the month in which the member's last day of paid employment in a regular full-time position occurred, provided the member files the form entitled "Estimated Retirement Allowance" no later than six (6) months following the date the notification of approval for disability retirement benefits is mailed. If the member fails to file the form entitled "Estimated Retirement Allowance" within six (6) months of the date the notification of approval for disability retirement benefits is mailed, then the member's form entitled "Notification of Retirement" shall be void. The member shall be required to submit a new form entitled "Notification of Retirement" to apply for disability retirement and reestablish eligibility for disability retirement benefits.

(c) The effective date of early retirement shall be the first month following the month the form entitled "Notification of Retirement" is filed at the retirement office or a future month designated by the member, if employment in a regular full-time position has been terminated and if the member files the form entitled "Estimated Retirement Allowance" no later than six (6) months

following termination. If the member fails to file the form entitled "Estimated Retirement Allowance" within six (6) months following the effective retirement date of the member, then the member's form entitled "Notification of Retirement" shall be void and the member shall be required to submit a new form entitled "Notification of Retirement" to apply for early retirement.

(6) The effective date of a deferred retirement option as provided under KRS 16.576(5) shall be the month following age sixty-five (65), or the month following written notification from the member that he wishes to begin receiving retirement payments. In the event of the death of a member who has deferred his retirement allowance, the effective date of retirement shall be the month following the member's death.

(7) Notwithstanding the provisions of KRS 16.578 or 61.640, the effective date of a beneficiary's retirement allowance under normal, early, or disability retirement shall be as prescribed in subsection (5) or (6) of this section if the member dies before the first day of the month in which the member would have received his or her first retirement allowance and his beneficiary becomes eligible for payments under KRS 16.578 or 61.640.

➔Section 76. KRS 61.592 is amended to read as follows:

(1) (a) "Hazardous position" for employees participating in the Kentucky Employees Retirement System~~[, and for employees who begin participating in the County Employees Retirement System before September 1, 2008,]~~ means:

1. Any position whose principal duties involve active law enforcement, including the positions of probation and parole officer and Commonwealth detective, active fire suppression or prevention, or other positions, including, but not limited to, pilots of the Transportation Cabinet and paramedics and emergency medical technicians, with duties that require frequent exposure to a high degree of danger or peril and

also require a high degree of physical conditioning;

2. Positions in the Department of Corrections in state correctional institutions and the Kentucky Correctional Psychiatric Center with duties that regularly and routinely require face-to-face contact with inmates; and

3. Positions of employees who elect coverage under KRS 196.167(3)(b)2. and who continue to provide educational services and support to inmates as a Department of Corrections employee.

(b) ~~["Hazardous position" for employees who begin participating in the County Employees Retirement System on or after September 1, 2008, means police officers and firefighters as defined in KRS 61.315(1), paramedics, correctional officers with duties that routinely and regularly require face-to-face contact with inmates, and emergency medical technicians if:~~

~~1. The employee's duties require frequent exposure to a high degree of danger or peril and a high degree of physical conditioning; and~~

~~2. The employee's duties are not primarily clerical or administrative.~~

~~(c)~~ ]The effective date of participation under hazardous duty coverage for positions in the Department of Alcoholic Beverage Control shall be April 1, 1998. The employer and employee contributions shall be paid by the employer and forwarded to the retirement system for the period not previously reported.

(2) ~~[(a)~~ ]Each employer may request of the board hazardous duty coverage for those positions as defined in subsection (1) of this section. Upon request, each employer shall certify to the system, in the manner prescribed by the board, the names of all employees working in a hazardous position as defined in subsection (1) of this section for which coverage is requested. The certification of the employer shall bear the approval of the agent or agency responsible for the budget of the department ~~[or county ]~~indicating that the

required employer contributions have been provided for in the budget of the employing department or county. The system shall determine whether the employees whose names have been certified by the employer are working in positions meeting the definition of a hazardous position as provided by subsection (1) of this section. This process shall not be required for employees who elect coverage under KRS 196.167(3)(b)2.

[~~(b) Each employer desiring to provide hazardous duty coverage to employees who begin participating in the County Employees Retirement System on or after September 1, 2008, may request that the board approve hazardous duty coverage for those positions that meet the criteria set forth in subsection (1)(b) of this section. Each employer shall certify to the system, in the manner prescribed by the board, the names of all employees working in a hazardous position as defined in subsection (1)(b) of this section for which coverage is requested and a job description for each position or employee. The certification of the employer shall bear the approval of the agent or agency responsible for the budget of the department or county indicating that the required employer contributions have been provided for in the budget of the employing department or county. Each employer shall also certify, under penalty of perjury in accordance with KRS Chapter 523, that each employee's actual job duties are accurately reflected in the job description provided to the system. The system shall determine whether the employees whose names have been certified by the employer are working in positions meeting the definition of a hazardous position as defined in subsection (1)(b) of this section. The board shall have the authority to remove any employee from hazardous duty coverage if the board determines the employee is not working in a hazardous duty position or if the employee is classified in a hazardous duty position but has individual job duties that do not meet the definition of a hazardous duty~~

~~position or are not accurately reflected in the job descriptions filed by the employer with the system.]~~

(3) (a) An employee who elects coverage under KRS 196.167(3)(b)2., and an employee participating in the Kentucky Employees Retirement System who is determined by the system to be working in a hazardous position in accordance with subsection (2) of this section, shall contribute, for each pay period for which he receives compensation, eight percent (8%) of his creditable compensation.~~[ An employee participating in the County Employees Retirement System who is determined by the system to be working in a hazardous duty position in accordance with subsection (2) of this section shall contribute, for each pay period for which he receives compensation, eight percent (8%) of his creditable compensation.]~~

(b) Each employer shall pay employer contributions based on the creditable compensation of the employees determined by the system to be working in a hazardous position at the employer contribution rate as determined by the board. The rate shall be determined by actuarial methods consistent with the provisions of KRS 61.565.

(c) If the employer participated in the system prior to electing hazardous duty coverage, the employer may pay to the system the cost of converting the nonhazardous service to hazardous service from the date of participation to the date the payment is made, or the employer may establish a payment schedule for payment of the cost of the hazardous service above that which would be funded within the existing employer contribution rate. The employer may extend the payment schedule to a maximum of thirty (30) years. Payments made by the employer under this subsection shall be deposited to the retirement allowance account of the proper retirement system and these funds shall not be considered accumulated contributions of the individual

members. If the employer elects not to make the additional payment, the employee may make the lump-sum payment in his own behalf or may pay by increments. Payments made by the employee under this subsection shall not be picked up, as described in KRS 61.560(4), by the employer. If neither the employer nor employee makes the payment, the service prior to hazardous coverage shall remain nonhazardous. The provisions of this paragraph shall not apply to members who begin participating in the systems administered by Kentucky Retirement Systems on or after January 1, 2014.

(4) The normal retirement age, retirement allowance, hybrid cash balance plans, other benefits, eligibility requirements, rights, and responsibilities of a member in a hazardous position, as prescribed by subsections (1), (2), and (3) of this section, and the responsibilities, rights, and requirements of his employer shall be as prescribed for a member and employer participating in the State Police Retirement System as provided for by KRS 16.505 to 16.652.

(5) Any person employed in a hazardous position after July 1, 1972, shall be required to undergo a thorough medical examination by a licensed physician, and a copy of the medical report of the physician shall be retained on file by the employee's department or county and made available to the system upon request.

(6) If doubt exists regarding the benefits payable to a hazardous position employee under this section, the board shall determine the benefits payable under KRS 61.510 to 61.705, ~~[or 78.510 to 78.852, ]~~or 16.505 to 16.652.

➔Section 77. KRS 61.595 is amended to read as follows:

(1) Effective July 1, 1990, upon retirement at normal retirement date or subsequent thereto, a ***Kentucky Employees Retirement System*** member may receive an annual retirement allowance, payable monthly during his lifetime, which shall consist of an amount equal to ~~[two and two-tenths percent (2.2%) for the County Employees Retirement System and ]~~one and ninety-seven hundredths percent (1.97%) ~~[for the~~

1 ~~Kentucky Employees Retirement System ]~~of final compensation multiplied by the
2 number of years of service credit, except that:
3 (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement
4 System who was participating in one (1) of the state-administered retirement
5 systems as of January 1, 1998, and continues to participate through January 1,
6 1999, shall receive an annual retirement allowance, payable monthly during
7 his lifetime, which shall consist of an amount equal to two percent (2%) of
8 final compensation multiplied by the number of years of service credit. Any
9 Kentucky Employees Retirement System member whose effective date of
10 retirement is between February 1, 1999, and January 31, 2009, and who has at
11 least twenty (20) years of service credit in one (1) of the state-administered
12 retirement systems and who was participating in one (1) of the state-
13 administered retirement systems as of January 1, 1998, and continues to
14 participate through January 1, 1999, shall receive an annual retirement
15 allowance, payable monthly during his lifetime, which shall consist of an
16 amount equal to two and two-tenths percent (2.2%) of final compensation
17 multiplied by the number of years of service credit. Notwithstanding the
18 provisions of KRS 61.565, the funding for this paragraph shall be provided
19 from existing funds of the retirement allowance account;
20 (b) ~~[For a member of the County Employees Retirement System whose~~
21 ~~participation begins on or after August 1, 2004, the annual retirement~~
22 ~~allowance upon retirement at normal retirement date or later shall be equal to~~
23 ~~two percent (2%) of final compensation multiplied by the number of years of~~
24 ~~service credit and shall be payable monthly during his lifetime;~~
25 ~~(c) ]~~The annual normal retirement allowance for members of the General
26 Assembly, who serve during the 1974 or 1976 General Assembly, and will
27 have eight (8) years or more of total legislative service as of January 6, 1978,

shall not be less than two hundred forty dollars ($240) multiplied by the number of years of service as a member of the General Assembly;

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

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

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

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

   d. One and three-quarters percent (1.75%) of final compensation for each year of service if the member has earned greater than twenty-six (26) but no more than thirty (30) years of service at retirement; and

2. Two percent (2.0%) of final compensation for each year of service earned in excess of thirty (30) years of service at retirement;

(e) The annual normal retirement allowance for members of the General Assembly who will have fewer than eight (8) years of service as of December 31, 1975, shall be as prescribed in Chapter 116, section 36(1), Acts of the 1972 General Assembly for legislative service prior to January 1, 1974;

(f) Former members of the General Assembly who have eight (8) or more years of legislative service prior to the 1976 Regular Session are eligible for an

increased retirement allowance of two hundred forty dollars ($240) times the years of legislative service, if the member pays to the Kentucky Employees Retirement System thirty-five percent (35%) of the actuarial cost of the higher benefit, as determined by the system, except that a former member with sixteen (16) or more years of legislative service, or his beneficiary, who is receiving a retirement allowance, also is eligible under this section and may apply for a recomputation of his retirement allowance. The employer's share of sixty-five percent (65%) of the computed actuarial cost shall be paid from the State Treasury to the Kentucky Employees Retirement System upon presentation of a properly documented claim to the Finance and Administration Cabinet. If any member with sixteen (16) or more years of legislative service previously applied for and is receiving a retirement allowance, he may reapply and his retirement allowance shall be recomputed in accordance with this paragraph, and he shall thereafter be paid in accordance with the option selected by him at the time of the reapplication; and

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

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

(b) A member of the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~ who begins participating before September 1, 2008, who has twenty-seven (27) or more years of service credit, at least fifteen (15) of which are current service, may retire with no reduction in the retirement allowance. A member who begins participating before September 1, 2008, who has earned vested service credit in a retirement system, other than the Teachers' Retirement System, sponsored by a Kentucky institution of higher education, the Council on Postsecondary Education, or the Higher Education Assistance Authority, may count the vested service toward attaining the necessary years of service credit as provided in KRS 61.559(2)(c) and (d) to qualify for a retirement allowance. The credit from a Kentucky institution of higher education, the Council on Postsecondary Education, or the Higher Education Assistance Authority shall not be used toward the minimum fifteen (15) years of current service required by KRS 61.559(2)(c) and (d) or to calculate his retirement allowance pursuant to this section. The provisions of this paragraph shall not be construed to limit the use of Teachers' Retirement System credit pursuant to KRS 61.680(2)(a).

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

(3) Subsections (1) and (2) of this section shall not apply to members who begin participating in the system on or after January 1, 2014. Members who begin

1 participating in the system on or after January 1, 2014, shall receive the retirement
2 benefits prescribed by KRS 61.597.
3 ➔Section 78. KRS 61.597 is amended to read as follows:
4 (1) A member of the Kentucky Employees Retirement System ~~[or County Employees~~
5 ~~Retirement System ]~~who is not participating in a hazardous duty position as
6 provided by KRS 61.592, whose participation in the systems begins on or after
7 January 1, 2014, shall receive the retirement benefits provided by this section in lieu
8 of the retirement benefits provided under KRS 61.559 and 61.595. The retirement
9 benefit provided by this section shall be known as the hybrid cash balance plan and
10 shall operate as another benefit tier within the Kentucky Employees Retirement
11 System~~[ and the County Employees Retirement System]~~.
12 (2) The hybrid cash balance plan shall provide a retirement benefit based upon the
13 member's accumulated account balance, which shall include:
14 (a) Contributions made by the member as provided by KRS 16.505 to 16.652
15 ***and***~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~, except for employee
16 contributions prescribed by KRS 61.702(2)(b);
17 (b) An employer pay credit of four percent (4%) of the creditable compensation
18 earned by the employee for each month the employee is contributing to the
19 hybrid cash balance plan provided by this section; and
20 (c) Interest credits added annually to the member's accumulated account balance
21 as provided by this section.
22 (3) (a) Member contributions and employer pay credits as provided by subsection
23 (2)(a) and (b) of this section shall be credited to the member's account
24 monthly as contributions are reported and posted to the system in accordance
25 with KRS 61.675~~[ and 78.625]~~.
26 (b) Interest credits, as provided by subsection (2)(c) of this section, shall be
27 credited to the member's account annually on June 30 of each fiscal year, as

determined by subsection (4) of this section.

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

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

1. Four percent (4%); plus

2. Seventy-five percent (75%) of the system's geometric average net investment return in excess of a four percent (4%) rate of return.

(c) If the member did not contribute to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by four percent (4%).

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

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

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

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

(5) (a) Upon termination of employment, a member who has less than five (5) years

of service credited under KRS 16.543(1) ***and***[,] 61.543(1)[~~, and 78.615(1)~~], who elects to take a refund of his or her accumulated account balance as provided by KRS 61.625, shall forfeit the accumulated employer credit, and shall only receive a refund of his or her accumulated contributions.

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

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

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

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

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

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

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

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

(8) The provisions of this section shall not apply to members who began participating in the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~ prior to January 1, 2014.

➔Section 79. KRS 61.598 is amended to read as follows:

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

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

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

(2) For employees retiring on or after January 1, 2014, the last participating employer shall be required to pay for any additional actuarial costs resulting from annual increases in an employee's creditable compensation greater than ten percent (10%) over the employee's last five (5) fiscal years of employment that are not the direct result of a bona fide promotion or career advancement. The cost shall be determined by the retirement systems and the system may promulgate administrative regulations in accordance with KRS Chapter 13A to administer this section.

(3) (a) The Kentucky Retirement Systems shall determine whether increases in creditable compensation during the last five (5) fiscal years of employment prior to retirement constitute a bona fide promotion or career advancement.

(b) Lump-sum payments for compensatory time paid to an employee upon

termination of employment shall be exempt from the provisions of this section.

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

(5) Any employer who disagrees with a determination made by the system in accordance with this section may request a hearing and appeal the decision in accordance with KRS 61.645(16). The systems shall not charge interest, or consider the costs due under this section as delinquent contributions, during the pendency of the hearing process and appeal.

(6) For any additional actuarial costs charged to the employer under this section, the systems shall allow the employer to pay the costs over a period, not to exceed one (1) year, without interest.

➔Section 80. KRS 61.600 is amended to read as follows:

(1) Any person may qualify to retire on disability, subject to the following conditions:

(a) The person shall have sixty (60) months of service, twelve (12) of which shall be current service credited under KRS 16.543(1) ***or***[~~,~~] 61.543(1)[~~, or 78.615(1)~~];

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

(c) The person's application shall be on file in the retirement office no later than twenty-four (24) months after the person's last day of paid employment, as defined in KRS 61.510, in a regular full-time position, as defined in KRS 61.510[~~ or 78.510~~]; and

(d) The person shall receive a satisfactory determination pursuant to KRS 61.665.

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

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

(a) The person, since his last day of paid employment, has been mentally or physically incapacitated to perform the job, or jobs of like duties, from which he received his last paid employment. In determining whether the person may return to a job of like duties, any reasonable accommodation by the employer as provided in 42 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 shall be considered;

(b) The incapacity is a result of bodily injury, mental illness, or disease. For purposes of this section, "injury" means any physical harm or damage to the human organism other than disease or mental illness;

(c) The incapacity is deemed to be permanent; and

(d) The incapacity does not result directly or indirectly from bodily injury, mental illness, disease, or condition which pre-existed membership in the system or reemployment, whichever is most recent. For purposes of this subsection, reemployment shall not mean a change of employment between employers participating in the retirement systems administered by the Kentucky Retirement Systems with no loss of service credit.

(4) Paragraph (d) of subsection (3) of this section shall not apply if:

(a) The incapacity is a result of bodily injury, mental illness, disease, or condition which has been substantially aggravated by an injury or accident arising out of or in the course of employment; or

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

(5) (a) 1. An incapacity shall be deemed to be permanent if it is expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months from the person's last day of paid employment in a regular full-time position.

2. The determination of a permanent incapacity shall be based on the medical evidence contained in the member's file and the member's residual functional capacity and physical exertion requirements.

(b) The person's residual functional capacity shall be the person's capacity for work activity on a regular and continuing basis. The person's physical ability shall be assessed in light of the severity of the person's physical, mental, and other impairments. The person's ability to walk, stand, carry, push, pull, reach, handle, and other physical functions shall be considered with regard to physical impairments. The person's ability to understand, remember, and carry out instructions and respond appropriately to supervision, coworkers, and work pressures in a work setting shall be considered with regard to mental impairments. Other impairments, including skin impairments, epilepsy, visual sensory impairments, postural and manipulative limitations, and environmental restrictions, shall be considered in conjunction with the person's physical and mental impairments to determine residual functional capacity.

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

1. Sedentary work shall be work that involves lifting no more than ten (10) pounds at a time and occasionally lifting or carrying articles such as

large files, ledgers, and small tools. Although a sedentary job primarily involves sitting, occasional walking and standing may also be required in the performance of duties.

2. Light work shall be work that involves lifting no more than twenty (20) pounds at a time with frequent lifting or carrying of objects weighing up to ten (10) pounds. A job shall be in this category if lifting is infrequently required but walking and standing are frequently required, or if the job primarily requires sitting with pushing and pulling of arm or leg controls. If the person has the ability to perform substantially all of these activities, the person shall be deemed capable of light work. A person deemed capable of light work shall be deemed capable of sedentary work unless the person has additional limitations such as the loss of fine dexterity or inability to sit for long periods.

3. Medium work shall be work that involves lifting no more than fifty (50) pounds at a time with frequent lifting or carrying of objects weighing up to twenty-five (25) pounds. If the person is deemed capable of medium work, the person shall be deemed capable of light and sedentary work.

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

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

➔Section 81. KRS 61.607 is amended to read as follows:

Notwithstanding any other provisions of KRS 16.505 to 16.652 ***or***[~~,~~] 61.510 to 61.705[~~, or 78.510 to 78.852~~], a maximum disability benefit is hereby established which shall apply, upon disability retirement, to any disabled employee's account to which service credit is added to determine disability benefits or in any case where disability benefits are determined by computing a percentage of the disabled employee's final monthly rate of pay. The maximum disability benefit shall be determined by the following formula:

(1) Add the monthly benefit payable to the disabled employee from the retirement system, using the monthly disability retirement allowance (not optional plan) but excluding dependent children's allowances, if any, to his monthly benefit, if any, from Social Security, even though these payments may not begin for a period of time as required for qualification under the federal Social Security law, excluding spouse or dependent benefits, and his monthly benefit, if any, from workers' compensation, even though these payments may not have begun as of the date the disabled member applies for disability retirement benefits, excluding spouse or dependent children's allowances, from workers' compensation, to arrive at a projected combined monthly benefit.

(2) If the projected combined monthly benefit exceeds one hundred percent (100%) of the disabled employee's final rate of pay or his final compensation, whichever is greater, his disability retirement allowance from the retirement system shall be reduced to an amount which would cause his projected combined monthly benefit to equal one hundred percent (100%) of his final rate of pay or his final compensation, whichever is greater; however, the disability retirement allowance shall not be reduced below an amount which would result from a computation of his disability retirement allowance from the retirement system using the disabled employee's actual total service.

(3) The system may pay estimated benefits to a disabled employee, upon qualification

for disability retirement, based on an estimate of his Social Security and workers' compensation benefits until the amounts are actually determined, at which time a final calculation of the member's actual benefits shall be determined and his account corrected retroactive to his effective retirement date.

(4) Any increase in Social Security benefits or workers' compensation benefits which becomes law, regardless of their effective date, subsequent to the disabled employee's effective retirement date, shall not be considered in determination of the maximum benefit payable, as the maximum benefit payable is based on the amount of combined benefits under these programs as of the disabled employee's effective retirement date.

(5) Any disabled recipient whose potential payments from the system were reduced as provided for in this section shall advise the system if his payments under the Federal Social Security Act or Workers' Compensation Act cease at any time subsequent to his effective retirement date. Upon investigation, if the system determines that the disabled recipient continues to be eligible for disability benefits, the system may increase his retirement allowance by adding to his payment an amount equal to the reduction applied upon the effective retirement date in accordance with subsection (2) of this section.

***(6) The amount of combined disability benefit payments made to an individual on or after July 1, 2017, from the Kentucky Retirement Systems or the County Employees Retirement System shall not be increased as a result of the passage of this Act.***

➔Section 82. KRS 61.621 is amended to read as follows:

(1) Notwithstanding any provision of any statutes to the contrary, effective June 1, 2000, any employee participating in one (1) of the state-administered retirement systems who is not in a hazardous duty position, as defined in KRS 61.592 ***or Section 6 of this Act***, shall be eligible for minimum benefits equal to the benefits

1 payable under this section**,**~~[ or]~~ KRS 61.702***, or Section 40 of this Act,*** if the
2 employee dies or becomes totally and permanently disabled to engage in any
3 occupation for remuneration or profit as a result of a duty-related injury.
4 (2) (a) For purposes of this section, "duty-related injury" means:
5 1. a. A single traumatic event that occurs while the employee is
6 performing the duties of his position; or
7 b. A single act of violence committed against the employee that is
8 found to be related to his job duties, whether or not it occurs at his
9 job site; and
10 2. The event or act of violence produces a harmful change in the human
11 organism evidenced by objective medical findings.
12 (b) Duty-related injury does not include the effects of the natural aging process, a
13 communicable disease unless the risk of contracting the disease is increased
14 by nature of the employment, or a psychological, psychiatric, or stress-related
15 change in the human organism unless it is the direct result of a physical injury.
16 (3) (a) If the employee dies as a result of a duty-related injury and is survived by a
17 spouse, the surviving spouse shall be the beneficiary, and this shall supersede
18 the designation of all previous beneficiaries of the deceased employee's
19 retirement account.
20 (b) The surviving spouse may elect to receive the benefits payable under KRS
21 61.640 or other applicable death benefit statutes, or may elect to receive a
22 lump-sum payment of ten thousand dollars ($10,000) and a monthly payment
23 equal to twenty-five percent (25%) of the member's monthly final rate of pay
24 beginning in the month following the member's death and continuing each
25 month until death.
26 (4) If the employee is determined to be disabled as provided in KRS 61.600, or other
27 applicable disability statutes in any other state-administered retirement system, as

the result of a duty-related injury, the employee may elect to receive benefits determined under the provisions of KRS 61.605, or other applicable disability statutes in any other state-administered retirement system, except that the monthly retirement allowance shall not be less than twenty-five percent (25%) of the employee's monthly final rate of pay. For purposes of determining disability, the service requirement in KRS 61.600(1)(a), or other applicable statutes in any other state-administered retirement system, shall be waived.

(5) In the period of time following a member's death or disability during which dependent children survive, a monthly payment shall be made for each dependent child who is alive which shall be equal to ten percent (10%) of the deceased or disabled member's monthly final rate of pay; however, total maximum dependent children's benefits shall not exceed forty percent (40%) of the deceased or disabled member's monthly final rate of pay at the time any particular payment is due. The payment shall commence in the month following the date of death or disability of the member and shall be payable to the beneficiaries, or to a legally appointed guardian, or as directed by the system. Benefits for death as a result of a duty-related injury shall be payable under this subsection notwithstanding an election by a beneficiary to withdraw the deceased member's accumulated account balance as provided in KRS 61.625 or benefits under any other provisions of KRS 61.515 to 61.705 or other applicable death benefit statutes in any other state-administered retirement system.

(6) (a) A spouse applying for benefits under this section who is also eligible for benefits under KRS 61.640 ***or Section 31 of this Act*** may elect to receive benefits under KRS 61.640(2)(a) or (b) ***or paragraph (2)(a) or (2)(b) of Section 31 of this Act*** while the application for benefits under this section is pending.

(b) If a final determination results in a finding of eligibility for benefits under this

section, the system shall recalculate the benefits due the spouse in accordance with this subsection.

(c) If the spouse has been paid less than the amount of benefits to which the spouse was entitled to receive under this section, the system shall pay the additional funds due to the spouse.

(d) If the spouse has been paid more than the benefit the spouse was eligible to receive under this section, then the system shall deduct the amount owed by the spouse from the ten thousand dollars ($10,000) lump-sum payment and from the monthly retirement allowance payments until the amount owed to the systems has been recovered.

(7) This section shall be known as "The Fred Capps Memorial Act."

➔Section 83. KRS 61.623 is amended to read as follows:

(1) A recipient who begins receiving a retirement allowance August 1, 2000, or after, from the Kentucky Employees Retirement System~~[, the County Employees Retirement System,]~~ or the State Police Retirement System shall have the retirement allowance paid by electronic fund transfer to a financial institution designated by the recipient except as provided by subsection (5) of this section.

(2) When an individual becomes eligible to receive a monthly retirement allowance, the retirement system shall provide an authorization for deposit of retirement payment form to the recipient to have the monthly retirement allowance deposited to an account in a financial institution.

(3) The recipient shall provide the information and authorization required for the electronic transfer of funds from the State Treasurer's office to the designated financial institution.

(4) At any time while receiving a retirement allowance, the recipient may change the designated institution by completing a new authorization for deposit of retirement payment form and filing the form at the retirement office in Frankfort. The last

authorization for deposit of retirement payment on file at the retirement office shall control the electronic transfer of the recipient's retirement allowance.

(5) (a) A recipient may request to be paid by check issued by the State Treasurer instead of by electronic transfer by completing and filing at the retirement office a request for payment by check form.

(b) The request shall be approved if:

1. The recipient certifies that he does not currently have an account with a financial institution; or

2. The recipient's bank certifies that it does not participate in the electronic funds transfer program.

(c) The retirement office shall, every five (5) years, require the recipient to certify that the original conditions under which he requested payment by check continue. If the original conditions do not exist, the recipient shall complete an authorization for direct deposit of retirement payment form and file it with the retirement office.

➔Section 84. KRS 61.625 is amended to read as follows:

(1) (a) Prior to the member's effective retirement date, a member if living, or if not living, his designated beneficiary, shall have the right to request a refund of his accumulated account balance if the member's employment has been terminated and the member is not participating in the same system.

(b) Upon the death of a member occurring on or after his or her effective retirement date, the member's beneficiary shall have the right to request a refund of the member's accumulated contributions, reduced by the amount of any retirement allowances previously received.

(2) Payments made under this section shall be in lieu of any other benefits due for the period of service under any of the provisions of KRS 16.505 to 16.652 ***or***[~~,~~] 61.510 to 61.705[~~, and 78.510 to 78.852~~], unless the period of service is regained as

provided under KRS 61.552. Payments of taxable distributions made pursuant to this section shall be subject to state and federal tax as appropriate.

(3) A refund of contributions of members whose benefits have been terminated pursuant to KRS 6.696 shall be governed by that section.

(4) A refund of contributions to members whose benefits have been terminated pursuant to KRS 61.535(3) shall be governed by the provisions of that subsection.

➔Section 85. KRS 61.630 is amended to read as follows:

(1) If a retired member who did not elect an optional retirement plan dies at any time on or after the first day of the month in which the member received or would have received his or her first retirement allowance but before receiving total retirement allowances provided in KRS 16.510 to 16.652 ***and***~~[,]~~ KRS 61.515 to 61.705, ~~[and KRS 78.520 to 78.852 ]~~at least equal to his accumulated contributions as of the date of his retirement, the difference between the accumulated contributions and the total allowances shall be payable in a lump sum to the properly designated beneficiary. If a living person designated as the beneficiary predeceases the retired member, the estate shall become the beneficiary. If a spouse designated as the beneficiary is divorced from the retired member as of the member's death, the estate shall become the beneficiary.

(2) If a retired member who elected an optional retirement plan and his beneficiary both die at any time on or after the first day of the month in which the member received or would have received his or her first retirement allowance but before receiving total retirement allowances provided in KRS 16.510 to 16.652 ***and***~~[,]~~ KRS 61.515 to 61.705, ~~[and KRS 78.520 to 78.852 ]~~at least equal to the retired member's accumulated contributions as of the date of his retirement, the difference between the accumulated contributions and the total allowances shall be payable in a lump sum to the estate of the last deceased, except that the retired member's estate shall receive the payment if the beneficiary was the spouse and they were divorced as of

the date of the member's death. If the retired member and beneficiary die simultaneously, the estate of the retired member shall become the beneficiary.

(3) If a beneficiary receiving a lifetime retirement allowance under KRS 16.578 or 61.640 dies before receiving total retirement allowances provided in KRS 16.510 to 16.652 ***and***[~~,~~] KRS 61.515 to 61.705, [~~and KRS 78.520 to 78.852~~ ]at least equal to the member's accumulated contributions as of the date of the member's death, the difference between the accumulated contributions and the total allowances shall be payable in a lump sum to the estate of the beneficiary.

(4) If a beneficiary receiving a retirement allowance for sixty (60) or one hundred twenty (120) months certain under KRS 16.576, 16.578, or 61.640, or a beneficiary receiving a retirement allowance under KRS 61.635(5), (6), or (7), dies before receiving all payments under the plan, the executor or administrator of his estate shall receive a lump sum payment which shall be the actuarial equivalent to the remaining payments.

(5) If the system is unable to verify a recipient's whereabouts or whether the recipient is living, the system shall suspend the recipient's retirement allowance. If the recipient is located, the system shall restore to the recipient all suspended retirement allowances.

➔Section 86. KRS 61.637 is amended to read as follows:

(1) A retired member who is receiving monthly retirement payments under any of the provisions of KRS 61.510 to 61.705[~~ and 78.510 to 78.852~~] and who is reemployed as an employee by a participating agency prior to August 1, 1998, shall have his retirement payments suspended for the duration of reemployment. Monthly payments shall not be suspended for a retired member who is reemployed if he anticipates that he will receive less than the maximum permissible earnings as provided by the Federal Social Security Act in compensation as a result of reemployment during the calendar year. The payments shall be suspended at the

beginning of the month in which the reemployment occurs.

(2) Employer and employee contributions shall be made as provided in KRS 61.510 to 61.705~~[ and 78.510 to 78.852]~~ on the compensation paid during reemployment, except where monthly payments were not suspended as provided in subsection (1) of this section or would not increase the retired member's last monthly retirement allowance by at least one dollar ($1), and the member shall be credited with additional service credit.

(3) In the month following the termination of reemployment, retirement allowance payments shall be reinstated under the plan under which the member was receiving payments prior to reemployment.

(4) (a) Notwithstanding the provisions of this section, the payments suspended in accordance with subsection (1) of this section shall be paid retroactively to the retired member, or his estate, if he does not receive more than the maximum permissible earnings as provided by the Federal Social Security Act in compensation from participating agencies during any calendar year of reemployment.

(b) If the retired member is paid suspended payments retroactively in accordance with this section, employee contributions deducted during his period of reemployment, if any, shall be refunded to the retired employee, and no service credit shall be earned for the period of reemployment.

(c) If the retired member is not eligible to be paid suspended payments for his period of reemployment as an employee, his retirement allowance shall be recomputed under the plan under which the member was receiving payments prior to reemployment as follows:

1. The retired member's final compensation shall be recomputed using creditable compensation for his period of reemployment; however, the final compensation resulting from the recalculation shall not be less than

that of the member when his retirement allowance was last determined;

2. If the retired member initially retired on or subsequent to his normal retirement date, his retirement allowance shall be recomputed by using the formula in KRS 61.595(1);

3. If the retired member initially retired prior to his normal retirement date, his retirement allowance shall be recomputed using the formula in KRS 61.595(2), except that the member's age used in computing benefits shall be his age at the time of his initial retirement increased by the number of months of service credit earned for service performed during reemployment;

4. The retirement allowance payments resulting from the recomputation under this subsection shall be payable in the month following the termination of reemployment in lieu of payments under subparagraph 3. The member shall not receive less in benefits as a result of the recomputation than he was receiving prior to reemployment or would receive as determined under KRS 61.691; and

5. Any retired member who was reemployed prior to March 26, 1974, shall begin making contributions to the system in accordance with the provisions of this section on the first day of the month following March 26, 1974.

(5) A retired member, or his estate, shall pay to the retirement fund the total amount of payments which are not suspended in accordance with subsection (1) of this section if the member received more than the maximum permissible earnings as provided by the Federal Social Security Act in compensation from participating agencies during any calendar year of reemployment, except the retired member or his estate may repay the lesser of the total amount of payments which were not suspended or fifty cents ($0.50) of each dollar earned over the maximum permissible earnings

during reemployment if under age sixty-five (65), or one dollar ($1) for every three dollars ($3) earned if over age sixty-five (65).

(6) (a) "Reemployment" or "reinstatement" as used in this section shall not include a retired member who has been ordered reinstated by the Personnel Board under authority of KRS 18A.095.

(b) A retired member who has been ordered reinstated by the Personnel Board under authority of KRS 18A.095 or by court order or by order of the Human Rights Commission and accepts employment by an agency participating in the Kentucky Employees Retirement System~~[ or County Employees Retirement System]~~ shall void his retirement by reimbursing the system in the full amount of his retirement allowance payments received.

(7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this section shall no longer apply to a retired member who is reemployed in a position covered by the same retirement system from which the member retired. Reemployed retired members shall be treated as new members upon reemployment. Any retired member whose reemployment date preceded August 1, 1998, who does not elect, within sixty (60) days of notification by the retirement systems, to remain under the provisions of subsections (1) to (4) of this section shall be deemed to have elected to participate under this subsection.

(b) A retired member whose disability retirement was discontinued pursuant to KRS 61.615 and who is reemployed in one (1) of the systems administered by the Kentucky Retirement Systems prior to his or her normal retirement date shall have his or her accounts combined upon termination for determining eligibility for benefits. If the member is eligible for retirement, the member's service and creditable compensation earned as a result of his or her reemployment shall be used in the calculation of benefits, except that the

member's final compensation shall not be less than the final compensation last used in determining his or her retirement allowance. The member shall not change beneficiary or payment option designations. This provision shall apply to members reemployed on or after August 1, 1998.

(8) A retired member or his employer shall notify the retirement system if he has accepted employment or is serving as a volunteer with an employer that participates in the retirement system from which the member retired. The retired member and the participating employer shall submit the information required or requested by the systems to confirm the individual's employment or volunteer status.

(9) If the retired member is under a contract, the member shall submit a copy of that contract to the retirement system, and the retirement system shall determine if the member is an independent contractor for purposes of retirement benefits. The retired member and the participating employer shall submit the information required or requested by the systems to confirm the individual's employment or volunteer status.

(10) If a member is receiving a retirement allowance, or has filed the forms required for a retirement allowance, and is employed within one (1) month of the member's initial retirement date in a position that is required to participate in the same retirement system from which the member retired, the member's retirement shall be voided and the member shall repay to the retirement system all benefits received. The member shall contribute to the member account established for him prior to his voided retirement. The retirement allowance for which the member shall be eligible upon retirement shall be determined by total service and creditable compensation.

(11) ~~[(a)~~ ]If a member of the Kentucky Employees Retirement System retires from a department which participates in more than one (1) retirement system and is reemployed within one (1) month of his initial retirement date by the same department in a position participating in another retirement system, the retired

member's retirement allowance shall be suspended for the first month of his retirement and the member shall repay to the retirement system all benefits received for the month.

~~[(b) A retired member of the County Employees Retirement System who after initial retirement is hired by the county from which the member retired shall be considered to have been hired by the same employer.]~~

(12) (a) If a hazardous member who retired prior to age fifty-five (55), or a nonhazardous member who retired prior to age sixty-five (65), is reemployed within six (6) months of the member's termination by the same employer, the member shall obtain from his previous and current employers a copy of the job description established by the employers for the position and a statement of the duties performed by the member for the position from which he retired and for the position in which he has been reemployed.

(b) The job descriptions and statements of duties shall be filed with the retirement office.

(13) If the retirement system determines that the retired member has been employed in a position with the same principal duties as the position from which the member retired:

(a) The member's retirement allowance shall be suspended during the period that begins on the month in which the member is reemployed and ends six (6) months after the member's termination;

(b) The retired member shall repay to the retirement system all benefits paid from systems administered by Kentucky Retirement Systems under reciprocity, including medical insurance benefits, that the member received after reemployment began;

(c) Upon termination, or subsequent to expiration of the six (6) month period from the date of termination, the retired member's retirement allowance based

on his initial retirement account shall no longer be suspended and the member shall receive the amount to which he is entitled, including an increase as provided by KRS 61.691;

(d) Except as provided in subsection (7) of this section, if the position in which a retired member is employed after initial retirement is a regular full-time position, the retired member shall contribute to a second member account established for him in the retirement system. Service credit gained after the member's date of reemployment shall be credited to the second member account; and

(e) Upon termination, the retired member shall be entitled to benefits payable from his second retirement account.

(14) (a) If the retirement system determines that the retired member has not been reemployed in a position with the same principal duties as the position from which he retired, the retired member shall continue to receive his retirement allowance.

(b) If the position is a regular full-time position, the member shall contribute to a second member account in the retirement system.

(15) (a) If a retired member is reemployed at least one (1) month after initial retirement in a different position, or at least six (6) months after initial retirement in the same position, and prior to normal retirement age, the retired member shall contribute to a second member account in the retirement system and continue to receive a retirement allowance from the first member account.

(b) Service credit gained after reemployment shall be credited to the second member account. Upon termination, the retired member shall be entitled to benefits payable from the second member account.

(16) A retired member who is reemployed and contributing to a second member account shall not be eligible to purchase service credit under any of the provisions of KRS

1 16.505 to 16.652 ***or***~~[,]~~ 61.510 to 61.705~~[, or 78.510 to 78.852]~~ which he was
2 eligible to purchase prior to his initial retirement.
3 (17) Notwithstanding any provision of subsections (1) to (7)(a) and (10) to (15) of this
4 section, the following shall apply to retired members who are reemployed by an
5 agency participating in one (1) of the systems administered by Kentucky Retirement
6 Systems on or after September 1, 2008:
7 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a member is
8 receiving a retirement allowance from one (1) of the systems administered by
9 Kentucky Retirement Systems, or has filed the forms required to receive a
10 retirement allowance from one (1) of the systems administered by Kentucky
11 Retirement Systems, and is employed in a regular full-time position required
12 to participate in one (1) of the systems administered by Kentucky Retirement
13 Systems or is employed in a position that is not considered regular full-time
14 with an agency participating in one (1) of the systems administered by
15 Kentucky Retirement Systems within three (3) months following the member's
16 initial retirement date, the member's retirement shall be voided, and the
17 member shall repay to the retirement system all benefits received, including
18 any health insurance benefits. If the member is returning to work in a regular
19 full-time position required to participate in one (1) of the systems
20 administered by Kentucky Retirement Systems:
21 1. The member shall contribute to a member account established for him or
22 her in one (1) of the systems administered by Kentucky Retirement
23 Systems, and employer contributions shall be paid on behalf of the
24 member by the participating employer; and
25 2. Upon subsequent retirement, the member shall be eligible for a
26 retirement allowance based upon total service and creditable
27 compensation, including any additional service or creditable

compensation earned after his or her initial retirement was voided;

(b) Except as provided by paragraphs (c) and (d) of this subsection, if a member is receiving a retirement allowance from one (1) of the systems administered by Kentucky Retirement Systems and is employed in a regular full-time position required to participate in one (1) of the systems administered by Kentucky Retirement Systems after a three (3) month period following the member's initial retirement date, the member may continue to receive his or her retirement allowance during the period of reemployment subject to the following provisions:

1. Both the employee and participating agency shall certify in writing on a form prescribed by the board that no prearranged agreement existed between the employee and agency prior to the employee's retirement for the employee to return to work with the participating agency. If an elected official is reelected to a new term of office in the same position and retires following the election but prior to taking the new term of office, he or she shall be deemed by the system as having a prearranged agreement under the provisions of this subparagraph and shall have his or her retirement voided. If the participating agency or employer fail to complete the certification, the member's retirement shall be voided and the provisions of paragraph (a) of this subsection shall apply to the member and the employer;

2. Notwithstanding any other provision of KRS Chapter 16 ***or***[~~,~~] 61[~~, or 78~~] to the contrary, the member shall not contribute to the systems and shall not earn any additional benefits for any work performed during the period of reemployment;

3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer shall pay employer contributions as specified by KRS 61.565 and 61.702

on all creditable compensation earned by the employee during the period of reemployment. The additional contributions paid shall be used to reduce the unfunded actuarial liability of the systems; and

4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer shall be required to reimburse the systems for the cost of the health insurance premium paid by the systems to provide coverage for the retiree, not to exceed the cost of the single premium~~[. Effective July 1, 2015, local school boards shall not be required to pay the reimbursement required by this subparagraph for retirees employed by the board for eighty (80) days or less during the fiscal year]~~;

(c) If a member is receiving a retirement allowance from the State Police Retirement System or from hazardous duty retirement coverage with the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~, or has filed the forms required to receive a retirement allowance from the State Police Retirement System or from hazardous duty retirement coverage with the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~, and is employed in a regular full-time position required to participate in the State Police Retirement System or in a hazardous duty position with the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~ within one (1) month following the member's initial retirement date, the member's retirement shall be voided, and the member shall repay to the retirement system all benefits received, including any health insurance benefits. If the member is returning to work in a regular full-time position required to participate in one (1) of the systems administered by Kentucky Retirement Systems:

1. The member shall contribute to a member account established for him or her in one (1) of the systems administered by Kentucky Retirement

Systems, and employer contributions shall be paid on behalf of the member by the participating employer; and

2. Upon subsequent retirement, the member shall be eligible for a retirement allowance based upon total service and creditable compensation, including any additional service or creditable compensation earned after his or her initial retirement was voided;

(d) If a member is receiving a retirement allowance from the State Police Retirement System or from hazardous duty retirement coverage with the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~ and is employed in a regular full-time position required to participate in the State Police Retirement System or in a hazardous duty position with the Kentucky Employees Retirement System~~[ or the County Employees Retirement System]~~ after a one (1) month period following the member's initial retirement date, the member may continue to receive his or her retirement allowance during the period of reemployment subject to the following provisions:

1. Both the employee and participating agency shall certify in writing on a form prescribed by the board that no prearranged agreement existed between the employee and agency prior to the employee's retirement for the employee to return to work with the participating agency. If an elected official is reelected to a new term of office in the same position and retires following the election but prior to taking the new term of office, he or she shall be deemed by the system as having a prearranged agreement under the provisions of this subparagraph and shall have his or her retirement voided. If the participating agency or employer fail to complete the certification, the member's retirement shall be voided and the provisions of paragraph (c) of this subsection shall apply to the

1 member and the employer;
2 2. Notwithstanding any other provision of KRS Chapter 16, ***or*** 61~~[, or 78]~~
3 to the contrary, the member shall not contribute to the systems and shall
4 not earn any additional benefits for any work performed during the
5 period of reemployment;
6 3. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
7 shall pay employer contributions as specified by KRS 61.565 and 61.702
8 on all creditable compensation earned by the employee during the period
9 of reemployment. The additional contributions paid shall be used to
10 reduce the unfunded actuarial liability of the systems; and
11 4. Except as provided by KRS 70.291 to 70.293 and 95.022, the employer
12 shall be required to reimburse the systems for the cost of the health
13 insurance premium paid by the systems to provide coverage for the
14 retiree, not to exceed the cost of the single premium;
15 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
16 who qualifies as a volunteer for an employer participating in one (1) of the
17 systems administered by Kentucky Retirement Systems and who is receiving
18 reimbursement of actual expenses, a nominal fee for his or her volunteer
19 services, or both, shall not be considered an employee of the participating
20 employer and shall not be subject to paragraphs (a) to (d) of this subsection if:
21 1. Prior to the retired member's most recent retirement date, he or she did
22 not receive creditable compensation from the participating employer in
23 which the retired member is performing volunteer services;
24 2. Any reimbursement or nominal fee received prior to the retired
25 member's most recent retirement date has not been credited as creditable
26 compensation to the member's account or utilized in the calculation of
27 the retired member's benefits;

3. The retired member has not purchased or received service credit under any of the provisions of KRS 61.510 to 61.705~~[ or 78.510 to 78.852]~~ for service with the participating employer for which the retired member is performing volunteer services; and

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

If a retired member, who provided volunteer services with a participating employer under this paragraph violates any provision of this paragraph, then he or she shall be deemed an employee of the participating employer as of the date he or she began providing volunteer services and both the retired member and the participating employer shall be subject to paragraphs (a) to (d) of this subsection for the period of volunteer service;~~[ and]~~

(f) Notwithstanding any provision of this section, any mayor or member of a city legislative body who has not participated in the County Employees Retirement System prior to retirement, but who is otherwise eligible to retire from the Kentucky Employees Retirement System or the State Police Retirement System, shall not be:

1. Required to resign from his or her position as mayor or as a member of the city legislative body in order to begin drawing benefits from the Kentucky Employees Retirement System or the State Police Retirement System; or

2. Subject to any provision of this section as it relates solely to his or her service as a mayor or member of the city legislative body***; and***

***(g) Retired members of the County Employees Retirement System who are***

***reemployed on or after September 1, 2008, by an employer participating in one (1) of the systems administered by Kentucky Retirement Systems shall not be eligible to earn a second retirement account in one (1) of the systems administered by Kentucky Retirement Systems for his or her service to the employer***.

➔Section 87. KRS 61.645 is amended to read as follows:

(1) The ~~[County Employees Retirement System, ]~~Kentucky Employees Retirement System~~[,]~~ and State Police Retirement System shall be administered by the board of trustees of the Kentucky Retirement Systems composed of ***eleven (11)***~~[thirteen (13)]~~ members, who shall be selected as follows:

(a) The secretary of the Personnel Cabinet shall serve as trustee for as long as he occupies the position of secretary under KRS 18A.015, except as provided under subsections (5) and (6) of this section;

(b) ~~[Three (3) trustees, who shall be members or retired from the County Employees Retirement System, elected by the members and retired members of the County Employees Retirement System;~~

~~(c) ]~~One (1) trustee, who shall be a member or retired from the State Police Retirement System, elected by the members and retired members of the State Police Retirement System;

***(c)***~~[(d)]~~ Two (2) trustees, who shall be members or retired from the Kentucky Employees Retirement System, elected by the members and retired members of the Kentucky Employees Retirement System; and

***(d)***~~[(e)]~~ ***Seven (7)***~~[Six (6)]~~ trustees, appointed by the Governor of the Commonwealth. Of the ***seven (7)***~~[six (6)]~~ trustees appointed by the Governor:

1. One (1) trustee shall be knowledgeable about the impact of pension requirements on local governments;***and***

2. ~~[One (1) trustee shall be appointed from a list of three (3) applicants~~

1 ~~submitted by the Kentucky League of Cities;~~
2 ~~3. One (1) trustee shall be appointed from a list of three (3) applicants~~
3 ~~submitted by the Kentucky Association of Counties;~~
4 ~~4. One (1) trustee shall be appointed from a list of three (3) applicants~~
5 ~~submitted by the Kentucky School Boards Association; and~~
6 ~~5. Two (2)]~~***Six (6)*** trustees shall have investment experience. For purposes
7 of this subparagraph, a trustee with "investment experience" means an
8 individual who does not have a conflict of interest, as provided by KRS
9 61.655, and who has at least ten (10) years of experience in one (1) of
10 the following areas of expertise:
11 a. A portfolio manager acting in a fiduciary capacity;
12 b. A professional securities analyst or investment consultant;
13 c. A current or retired employee or principal of a trust institution,
14 investment or finance organization, or endowment fund acting in
15 an investment-related capacity;
16 d. A chartered financial analyst in good standing as determined by the
17 CFA Institute;
18 e. A university professor, teaching economics or investment-related
19 studies; or
20 f. Any other professional with exceptional experience in the field of
21 public or private finances.
22 (2) The board is hereby granted the powers and privileges of a corporation, including
23 but not limited to the following powers:
24 (a) To sue and be sued in its corporate name;
25 (b) To make bylaws not inconsistent with the law;
26 (c) To conduct the business and promote the purposes for which it was formed;
27 (d) To contract for investment counseling, actuarial, auditing, medical, and other

professional or technical services as required to carry out the obligations of the board without limitation, notwithstanding the provisions of KRS Chapters 45, 45A, 56, and 57;

(e) To purchase fiduciary liability insurance;

(f) To acquire, hold, sell, dispose of, pledge, lease, or mortgage, the goods or property necessary to exercise the board's powers and perform the board's duties without limitation, notwithstanding the limitations of KRS Chapters 45, 45A, and 56; and

(g) The board shall reimburse any trustee, officer, or employee for any legal expense resulting from a civil action arising out of the performance of his official duties.

(3) (a) Notwithstanding the provisions of subsection (1) of this section, each trustee shall serve a term of four (4) years or until his successor is duly qualified except as otherwise provided in this section. An elected trustee or a trustee appointed by the Governor under subsection ***(1)(d)***~~[(1)(e)]~~ of this section, shall not serve more than three (3) consecutive four (4) year terms. An elected trustee or a trustee appointed by the Governor under subsection ***(1)(d)***~~[(1)(e)]~~ of this section, who has served three (3) consecutive terms may be elected or appointed again after an absence of four (4) years from the board.

(b) The term limits established by paragraph (a) of this subsection shall apply to trustees serving on or after July 1, 2012, and all terms of office served prior to July 1, 2012, shall be used to determine if the trustee has exceeded the term limits provided by paragraph (a) of this subsection.

(4) (a) The trustees selected by the membership of each of the various retirement systems shall be elected by ballot. For each trustee to be elected, the board may nominate, not less than six (6) months before a term of office of a trustee is due to expire, three (3) constitutionally eligible individuals.

(b) Individuals may be nominated by the retirement system members which are to elect the trustee by presenting to the executive director, not less than four (4) months before a term of office of a trustee is due to expire, a petition, bearing the name, last four digits of the Social Security number, and signature of no less than one-tenth (1/10) of the number voting in the last election by the retirement system members.

(c) Within four (4) months of the nominations made in accordance with paragraphs (a) and (b) of this subsection, the executive director shall cause to be prepared an official ballot. The ballot shall carry the name, address, and position title of each individual nominated by the board and by petition. Provisions shall also be made for write-in votes.

(d) The ballots shall be distributed to the eligible voters by mail to their last known residence address.

(e) The ballots shall be addressed to the Kentucky Retirement Systems in care of a predetermined box number at a United States Post Office located within Kentucky. Access to this post office box shall be limited to the board's contracted auditing firm. The individual receiving a plurality of votes shall be declared elected.

(f) The eligible voter shall cast his ballot by checking a square opposite the name of the candidate of his choice. He shall sign and mail the ballot at least thirty (30) days prior to the date the term to be filled is due to expire. The latest mailing date shall be printed on the ballot.

(g) The board's contracted auditing firm shall report in writing the outcome to the chair of the board of trustees. Cost of an election shall be payable from the funds of the system for which the trustee is elected.

(h) For purposes of this subsection, an eligible voter shall be a person who was a member of the retirement system on December 31 of the year preceding the

1 election year.
2 (i) Each individual who submits a request to be nominated by the board under
3 paragraph (a) of this subsection and each individual who is nominated by the
4 membership under paragraph (b) of this subsection shall:
5 1. Complete an application developed by the retirement systems which
6 shall include but not be limited to a disclosure of any prior felonies and
7 any conflicts of interest that would hinder the individual's ability to
8 serve on the board;
9 2. Submit a resume detailing the individual's education and employment
10 history and a cover letter detailing the member's qualifications for
11 serving as trustee to the board; and
12 3. Authorize the systems to have a criminal background check performed.
13 The criminal background check shall be performed by the Department of
14 Kentucky State Police.
15 (5) Any vacancy which may occur in an appointed position shall be filled in the same
16 manner which provides for the selection of the particular trustee, and any vacancy
17 which may occur in an elected position shall be filled by appointment by a majority
18 vote of the remaining trustees, and if the secretary of the Personnel Cabinet resigns
19 his position as trustee, it shall be filled by appointment made by the Governor;
20 however, any vacancy shall be filled only for the duration of the unexpired term.
21 (6) (a) Membership on the board of trustees shall not be incompatible with any other
22 office unless a constitutional incompatibility exists. No trustee shall serve in
23 more than one (1) position as trustee on the board; and if a trustee holds more
24 than one (1) position as trustee on the board, he shall resign a position.
25 (b) A trustee shall be removed from office upon conviction of a felony or for a
26 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court
27 of competent jurisdiction.

(c) A current or former employee of Kentucky Retirement Systems shall not be eligible to serve as a member of the board.

(7) Trustees who do not otherwise receive a salary from the State Treasury shall receive a per diem of eighty dollars ($80) for each day they are in session or on official duty, and they shall be reimbursed for their actual and necessary expenses in accordance with state administrative regulations and standards.

(8) (a) The board shall meet at least once in each quarter of the year and may meet in special session upon the call of the chair or the executive director.

(b) The board shall elect a chair and a vice chair. The chair shall not serve more than four (4) consecutive years as chair or vice-chair of the board. The vice-chair shall not serve more than four (4) consecutive years as chair or vice-chair of the board. A trustee who has served four (4) consecutive years as chair or vice-chair of the board may be elected chair or vice-chair of the board after an absence of two (2) years from the positions.

(c) A majority of the trustees shall constitute a quorum and all actions taken by the board shall be by affirmative vote of a majority of the trustees present.

(9) (a) The board of trustees shall appoint or contract for the services of an executive director and fix the compensation and other terms of employment for this position without limitation of the provisions of KRS Chapters 18A and 45A and KRS 64.640. The executive director shall be the chief administrative officer of the board.

(b) The board of trustees shall authorize the executive director to appoint the employees deemed necessary to transact the business of the system. For an appointee deemed to be in a policy-making position, the board shall determine the compensation and other terms of employment for the policy-making position without limitation of the provisions of KRS Chapter 18A. Anything in the Kentucky Revised Statutes to the contrary notwithstanding, the power

over and control of determining and maintaining an adequate complement of employees shall be under the exclusive jurisdiction of the board of trustees.

(c) Effective December 1, 2002, all employees of the Kentucky Retirement Systems shall be transferred to a personnel system adopted by the board. Employees of Kentucky Retirement Systems covered by the personnel system adopted by the board shall be:

1. Provided the same health insurance coverage as all other state government employees as provided in KRS 18A.225;
2. Eligible to participate in the deferred compensation system provided for all state government employees as provided in KRS 18A.250 to 18A.265;
3. Provided the same life insurance coverage provided all state employees as provided in KRS 18A.205 to 18A.215;
4. Reimbursed for all reasonable and necessary travel expenses and disbursements incurred or made in the performance of official duties in accordance with KRS Chapter 45;
5. Ensured equal employment opportunity regardless of race, color, gender, religion, national origin, disability, sexual orientation, or age;
6. Given those holidays and rights granted to state employees as provided in KRS 18A.190;
7. Paid a salary not less than the salary paid as of the date of transfer to the personnel system, unless voluntarily demoted or involuntarily demoted for cause;
8. Credited with all accumulated sick leave, compensatory time, and annual leave accumulated in accordance with KRS Chapter 18A, and for an employee leaving service, the system shall attest to the employee's accumulated sick leave, compensatory time, and annual leave which

shall be credited with other state and county employers to the extent provided for by statute or policy. The Kentucky Retirement Systems may, at the discretion of the board, accept from other state and county employers all accumulated sick leave, compensatory time, and annual leave for an employee leaving a state or county employer and accepting employment with the Kentucky Retirement Systems. The executive branch shall accept from the Kentucky Retirement Systems all accumulated sick leave, compensatory time, and annual leave for an employee leaving the Kentucky Retirement Systems and accepting employment with the executive branch. The Kentucky Retirement Systems shall accept from the executive branch all accumulated sick leave, compensatory time, and annual leave for an employee leaving the executive branch and accepting employment with the Kentucky Retirement Systems;

9. Classified with status upon transfer to the personnel system on December 1, 2002, if the employee was classified with status as a merit employee under KRS Chapter 18A. Any employee of the Kentucky Retirement Systems transferred on December 1, 2002, during the probationary period before earning classified status as a merit system employee under KRS Chapter 18A shall transfer all accrued probationary time and the time shall be credited to the probationary time required to attain classified status in the personnel system;

10. Ensured a grievance appeal procedure and the employee's right to have a representative present at each step of the grievance procedure; and

11. Ensured of the right of appeal in a manner consistent with the provisions of KRS 18A.095 to the Kentucky Personnel Board and employees classified with status in the personnel system shall not be dismissed,

demoted, suspended, or otherwise penalized except for cause.

(d) The board shall adopt by administrative regulation a fair, equitable, and comprehensive personnel policy with a minimum of the following provisions for the personnel system:

1. A code of conduct including provisions describing performance of duties, abuse of position, conflicts of interest, and outside employment;
2. An appointments plan including provisions describing the appointing authority, appointments, equal employment policy, sexual harassment policy, and drug-free workplace policy;
3. A classification plan including provisions describing class specifications, position actions, and employee actions;
4. A compensation plan based on qualifications, experience, and responsibilities and including provisions which describe a salary schedule, salary adjustments, salary advancements, and an employee suggestion program;
5. Separations, disciplinary actions, and appeal policies including provisions describing classified with status, exemptions from classified with status, lay-offs, abolishment of position, dismissals and notification of dismissal, dismissals during probationary period, disciplinary actions, right of appeal, grievance and appeal procedures, and an employee grievance and appeal committee;
6. Service and benefits regulations including provisions describing hours of work, fringe benefits, workers' compensation, payroll deductions, holidays, inclement weather days, compensatory time, retirement, resignations, employee evaluations, and political activities; and
7. Leave policies including provisions describing special leave, annual leave, court leave and jury duty, military leave, voting leave, educational

leave, sick leave, family medical leave, leave without pay, absence without leave, and blood donation leave.

(e) The board shall require the executive director and the employees as it thinks proper to execute bonds for the faithful performance of their duties notwithstanding the limitations of KRS Chapter 62.

(f) The board shall establish a system of accounting.

(g) The board shall do all things, take all actions, and promulgate all administrative regulations, not inconsistent with the provisions of KRS 16.505 to 16.652 ***and***~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~, necessary or proper in order to carry out the provisions of KRS 16.505 to 16.652 ***and***~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~. Notwithstanding any other evidence of legislative intent, it is hereby declared to be the controlling legislative intent that the provisions of KRS 16.505 to 16.652 ***and***~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~ conform with federal statute or regulation and meet the qualification requirements under 26 U.S.C. sec. 401(a), applicable federal regulations, and other published guidance. Provisions of KRS 16.505 to 16.652 ***and***~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~ which conflict with federal statute or regulation or qualification under 26 U.S.C. sec. 401(a), applicable federal regulations, and other published guidance shall not be available. The board shall have the authority to promulgate administrative regulations to conform with federal statute and regulation and to meet the qualification requirements under 26 U.S.C. sec. 401(a), including an administrative regulation to comply with 26 U.S.C. sec. 401(a)(9). The board shall have the authority to promulgate an administrative regulation to comply with any consent decrees entered into by the board in Civil Action No. 3:99CV500(C) in order to bring the systems into compliance with the Age Discrimination in Employment Act, 29 U.S.C. Section 621, et seq., as

amended.

(10) All employees of the board shall serve during its will and pleasure. Notwithstanding any statute to the contrary, employees shall not be considered legislative agents under KRS 6.611.

(11) The Attorney General, or an assistant designated by him, may attend each meeting of the board and may receive the agenda, board minutes, and other information distributed to trustees of the board upon request. The Attorney General may act as legal adviser and attorney for the board, and the board may contract for legal services, notwithstanding the limitations of KRS Chapter 12 or 13B.

(12) (a) The system shall publish an annual financial report showing all receipts, disbursements, assets, and liabilities. The annual report shall include a copy of an audit conducted in accordance with generally accepted auditing standards. Except as provided by paragraph (b) of this subsection, the board may select an independent certified public accountant or the Auditor of Public Accounts to perform the audit. If the audit is performed by an independent certified public accountant, the Auditor of Public Accounts shall not be required to perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at his discretion. All proceedings and records of the board shall be open for inspection by the public. The system shall make copies of the audit required by this subsection available for examination by any member, retiree, or beneficiary in the office of the executive director of the Kentucky Retirement Systems and in other places as necessary to make the audit available to all members, retirees, and beneficiaries. A copy of the annual audit shall be sent to the Legislative Research Commission no later than ten (10) days after receipt by the board.

(b) At least once every five (5) years, the Auditor of Public Accounts shall perform the audit described by this subsection, and the system shall reimburse

the Auditor of Public Accounts for all costs of the audit. The Auditor of Public Accounts shall determine which fiscal year during the five (5) year period the audit prescribed by this paragraph will be completed.

(13) All expenses incurred by or on behalf of the system and the board in the administration of the system during a fiscal year shall be paid from the retirement allowance account. Any other statute to the contrary notwithstanding, authorization for all expenditures relating to the administrative operations of the system shall be contained in the biennial budget unit request, branch budget recommendation, and the financial plan adopted by the General Assembly pursuant to KRS Chapter 48.

(14) Any person adversely affected by a decision of the board, except as provided under subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652 ***and***[~~,~~] 61.510 to 61.705[~~, and 78.510 to 78.852~~], may appeal the decision of the board to the Franklin Circuit Court within sixty (60) days of the board action.

(15) (a) A trustee shall discharge his duties as a trustee, including his duties as a member of a committee:

1. In good faith;
2. On an informed basis; and
3. In a manner he honestly believes to be in the best interest of the Kentucky Retirement Systems.

(b) A trustee discharges his duties on an informed basis if, when he makes an inquiry into the business and affairs of the Kentucky Retirement Systems or into a particular action to be taken or decision to be made, he exercises the care an ordinary prudent person in a like position would exercise under similar circumstances.

(c) In discharging his duties, a trustee may rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:

1. One (1) or more officers or employees of the Kentucky Retirement Systems whom the trustee honestly believes to be reliable and competent in the matters presented;
2. Legal counsel, public accountants, actuaries, or other persons as to matters the trustee honestly believes are within the person's professional or expert competence; or
3. A committee of the board of trustees of which he is not a member if the trustee honestly believes the committee merits confidence.

(d) A trustee shall not be considered as acting in good faith if he has knowledge concerning the matter in question that makes reliance otherwise permitted by paragraph (c) of this subsection unwarranted.

(e) Any action taken as a trustee, or any failure to take any action as a trustee, shall not be the basis for monetary damages or injunctive relief unless:

1. The trustee has breached or failed to perform the duties of the trustee's office in compliance with this section; and
2. In the case of an action for monetary damages, the breach or failure to perform constitutes willful misconduct or wanton or reckless disregard for human rights, safety, or property.

(f) A person bringing an action for monetary damages under this section shall have the burden of proving by clear and convincing evidence the provisions of paragraph (e)1. and 2. of this subsection, and the burden of proving that the breach or failure to perform was the legal cause of damages suffered by the Kentucky Retirement Systems.

(g) Nothing in this section shall eliminate or limit the liability of any trustee for any act or omission occurring prior to July 15, 1988.

(h) In discharging his or her administrative duties under this section, a trustee shall strive to administer the retirement system in an efficient and cost-

effective manner for the taxpayers of the Commonwealth of Kentucky.

(16) When an order by the system substantially impairs the benefits or rights of a member, retired member, or recipient, except action which relates to entitlement to disability benefits, or when an employer disagrees with an order of the system as provided by KRS 61.598, the affected member, retired member, recipient, or employer may request a hearing to be held in accordance with KRS Chapter 13B. The board may establish an appeals committee whose members shall be appointed by the chair and who shall have authority to act upon the recommendations and reports of the hearing officer on behalf of the board. The member, retired member, recipient, or employer aggrieved by a final order of the board following the hearing may appeal the decision to the Franklin Circuit Court, in accordance with KRS Chapter 13B.

(17) The board shall give the Kentucky Education Support Personnel Association twenty-four (24) hours notice of the board meetings, to the extent possible.

(18) The board shall establish a formal trustee education program for all trustees of the board. The program shall include but not be limited to the following:

(a) A required orientation program for all new trustees elected or appointed to the board. The orientation program shall include training on:

1. Benefits and benefits administration;

2. Investment concepts, policies, and current composition and administration of retirement systems investments;

3. Laws, bylaws, and administrative regulations pertaining to the retirement systems and to fiduciaries; and

4. Actuarial and financial concepts pertaining to the retirement systems.

If a trustee fails to complete the orientation program within one (1) year from the beginning of his or her first term on the board, the retirement systems shall withhold payment of the per diem and travel expenses due to the board

member under this section and KRS 16.640 ~~[and 78.780 ]~~until the trustee has completed the orientation program;

(b) Annual required training for board members on the administration, benefits, financing, and investing of the retirement systems. If a trustee fails to complete the annual required training during the calendar or fiscal year, the retirement systems shall withhold payment of the per diem and travel expenses due to the board member under this section and KRS 16.640 and 78.780 until the board member has met the annual training requirements; and

(c) The retirement systems shall incorporate by reference in an administrative regulation, pursuant to KRS 13A.2251, the trustee education program.

(19) In order to improve public transparency regarding the administration of the systems, the board of trustees shall adopt a best practices model by posting the following information to the retirement systems' Web site and shall make available to the public:

(a) Meeting notices and agendas for all meetings of the board. Notices and agendas shall be posted to the retirement systems' Web site at least seventy-two (72) hours in advance of the board or committee meetings, except in the case of special or emergency meetings as provided by KRS 61.823;

(b) The Comprehensive Annual Financial Report with the information as follows:

1. A general overview and update on the retirement systems by the executive director;
2. A listing of the board of trustees;
3. A listing of key staff;
4. An organizational chart;
5. Financial information, including a statement of plan net assets, a statement of changes in plan net assets, an actuarial value of assets, a schedule of investments, a statement of funded status and funding

progress, and other supporting data;

6. Investment information, including a general overview, a list of the retirement system's professional consultants, a total return on retirement systems investments over a historical period, an investment summary, contracted investment management expenses, transaction commissions, and a schedule of investments;

7. The annual actuarial valuation report on the pension benefit and the medical insurance benefit; and

8. A general statistical section, including information on contributions, benefit payouts, and retirement systems' demographic data;

(c) All external audits;

(d) All board minutes or other materials that require adoption or ratification by the board of trustees. The items listed in this paragraph shall be posted within seventy-two (72) hours of adoption or ratification of the board;

(e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;

(f) The retirement systems' summary plan description;

(g) A document containing an unofficial copy of the statutes governing the systems administered by Kentucky Retirement Systems;

(h) A listing of the members of the board of trustees and membership on each committee established by the board, including any investment committees;

(i) All investment holdings and commissions for each fund administered by the board. The board shall update the list of holdings and commissions on a quarterly basis for fiscal years beginning on or after July 1, 2008;

(j) An update of investment returns, asset allocations, and the performance of the funds against benchmarks adopted by the board for each fund and for each asset class administered by the board. The update shall be posted on a quarterly basis for fiscal years beginning on or after July 1, 2008;

(k) A searchable database of the systems' expenditures and a listing of each individual employed by the systems along with the employee's salary or wages. In lieu of posting the information required by this paragraph to the systems' Web site, the systems may provide the information through a Web site established by the executive branch to inform the public about executive branch agency expenditures and public employee salaries and wages. No provision of this paragraph shall require the systems to disclose confidential member information protected under KRS 61.661; and

(l) Information regarding the systems' financial and actuarial condition that is easily understood by the members, retired members, and the public.

(20) Notwithstanding the requirements of subsection (19) of this section, the retirement systems shall not be required to furnish information that is protected under KRS 61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the retirement systems' ability to competitively invest in real estate or other asset classes, or to competitively negotiate vendor fees.

(21) Notwithstanding any other provision of KRS 16.505 to 16.652 ***and***[~~,~~] 61.510 to 61.705[~~, and 78.510 to 78.852~~] to the contrary, no funds of the systems administered by Kentucky Retirement Systems, including fees and commissions paid to an investment manager, private fund, or company issuing securities, who manages systems assets, shall be used to pay fees and commissions to unregulated placement agents. For purposes of this subsection, "unregulated placement agent" means an individual or firm who solicits investments on behalf of an investment manager, private fund, or company issuing securities, who is prohibited by federal securities laws and regulations promulgated thereunder from receiving compensation for soliciting a government agency.

➔Section 88. KRS 61.650 is amended to read as follows:

(1) (a) The board shall be the trustee of the several funds created by KRS 16.510,

1 61.515, ***and*** 61.701, ~~[and 78.520, ]~~notwithstanding the provisions of any other
2 statute to the contrary, and shall have exclusive power to invest and reinvest
3 such funds in accordance with federal law.
4 (b) 1. The board shall establish an investment committee whose membership
5 shall be composed of the following:
6 a. ***At least (3)***~~[The two (2)]~~ trustees appointed by the Governor
7 pursuant to ***paragraph (1)(d)2. of Section 87 of this Act***~~[KRS~~
8 ~~61.645(1)(e)5.]~~; and
9 b. ***Additional***~~[Three (3)]~~ trustees appointed by the board chair.
10 2. The investment committee shall have authority to implement the
11 investment policies adopted by the board and act on behalf of the board
12 on all investment-related matters and to acquire, sell, safeguard,
13 monitor, and manage the assets and securities of the several funds.
14 (c) A trustee, officer, employee, or other fiduciary shall discharge duties with
15 respect to the retirement system:
16 1. Solely in the interest of the members and beneficiaries;
17 2. For the exclusive purpose of providing benefits to members and
18 beneficiaries and paying reasonable expenses of administering the
19 system;
20 3. With the care, skill, and caution under the circumstances then prevailing
21 that a prudent person acting in a like capacity and familiar with those
22 matters would use in the conduct of an activity of like character and
23 purpose;
24 4. Impartially, taking into account any differing interests of members and
25 beneficiaries;
26 5. Incurring any costs that are appropriate and reasonable; and
27 6. In accordance with a good-faith interpretation of the law governing the

retirement system.

(2) All securities acquired under authority of KRS 61.510 to 61.705 shall be registered in the name "Kentucky Retirement Systems" or nominee name as provided by KRS 286.3-225 and every change in registration, by reason of sale or assignment of such securities, shall be accomplished pursuant to written policies adopted by the board.

(3) The board, in keeping with its responsibility as trustee and wherever consistent with its fiduciary responsibilities, shall give priority to the investment of funds in obligation calculated to improve the industrial development and enhance the economic welfare of the Commonwealth.

(4) The contents of real estate appraisals, engineering or feasibility estimates, and evaluations made by or for the system relative to the acquisition or disposition of property, until such time as all of the property has been acquired or sold, shall be excluded from the application of KRS 61.870 to 61.884 and shall be subject to inspection only upon order of a court of competent jurisdiction.

(5) Based upon market value at the time of purchase, the board shall limit the amount of assets managed by any one (1) active or passive investment manager to fifteen percent (15%) of the assets in the pension and insurance funds.

➔Section 89. KRS 61.652 is amended to read as follows:

(1) The Kentucky Employees Excess Benefit Plan established in KRS 61.663~~[, the County Employees Excess Benefit Plan established in KRS 78.652,]~~ and the State Police Excess Benefit Plan established in KRS 16.568 shall be administered by the board of trustees of the Kentucky Retirement Systems. The board shall have the same authority in its administration as it has in the administration of the Kentucky Employees Retirement System~~[, the County Employees Retirement System,]~~ and the State Police Retirement System.

(2) The plans shall constitute qualified governmental excess benefit plans as provided in 26 U.S.C. sec. 415(m).

(3) All retired members and beneficiaries of the three (3) retirement systems administered by the Kentucky Retirement Systems whose effective retirement dates are July 1, 1998, or after, and whose retirement allowances have been limited by 26 U.S.C. sec. 415 shall be participants in the plans. Each member's participation in the plans shall be determined each fiscal year and will cease for any year in which the retirement allowance is not limited by 26 U.S.C. sec. 415.

(4) A participant shall receive a benefit equal to the difference between the retirement allowance otherwise payable from the system prior to any reduction or limitation required by 26 U.S.C. sec. 415 and the actual retirement allowance payable as limited by 26 U.S.C. sec. 415. The benefit shall be subject to withholding for applicable state and federal taxes. The benefit shall be paid in accordance with the retirement payment option selected by the member or beneficiary for the retirement allowance.

(5) (a) The board, in accordance with the recommendation of the actuary, shall determine the required contribution for each of the ***two (2)***[~~three (3)~~] plans to pay benefits each fiscal year. The required contribution for each of the ***two (2)***[~~three (3)~~] plans in each fiscal year shall be the total amount of benefits payable under this section to all participants plus the amount required to pay the administrative expenses of the plan and the employer's share of any employment taxes on the benefits paid from the plan.

(b) The required contribution shall be paid by the participating employers.

(c) The required contribution for each plan shall be deposited into the separate fund. The plan is intended to be exempt from federal income tax under 26 U.S.C. sec. 115 and 26 U.S.C. sec. 415(m)(1).

(d) The benefit liability of each plan shall be determined on a fiscal year basis, and contributions shall not be accumulated to pay benefits in future fiscal years. Any assets of the plans not used to pay benefits in the current fiscal year

shall be used for payment of the administrative expenses of the plan for the current or future fiscal years or shall be paid to the appropriate retirement system as an additional employer contribution.

(6) The benefits payable from the plans shall be treated in accordance with KRS 61.690.

(7) The board shall promulgate administrative regulations to modify the benefits payable under the plans as necessary for the plans to be qualified under 26 U.S.C. sec. 415(m).

(8) The provisions of this section, and any administrative regulations promulgated as a result of this section, shall be applied retroactively to retired members, and beneficiaries, whose effective retirement dates are between July 1, 1998, and July 14, 2000.

➔Section 90. KRS 61.660 is amended to read as follows:

(1) The State Treasurer shall be the custodian of the funds received under authority of KRS 61.510 to 61.705 ***and***~~[,]~~ 16.510 to 16.652~~[ and 78.510 to 78.852]~~ and shall be responsible for the safekeeping of all cash and securities in his custody. All payments from the fund shall be made by him on warrants issued by the Finance and Administration Cabinet. Payments may be in the form of checks, which shall clearly show on the envelope or other mailing device the name and address of the Kentucky Retirement Systems, or direct deposit bank transfers.

(2) The board shall appoint a custodian or custodians of the cash and securities acquired under authority of KRS 61.510 to 61.705 ***and***~~[,]~~ 16.510 to 16.652~~[, and 78.510 to 78.852]~~; and the custodian or custodians shall be responsible for the safekeeping of all cash and securities in his custody.

➔Section 91. KRS 61.665 is amended to read as follows:

(1) The board shall employ at least three (3) physicians, licensed in the state and not members of the system, upon terms and conditions it prescribes to serve as medical

examiners, whose duty it shall be to pass upon all medical examinations required under KRS 61.510 to 61.705 ***and***[~~,~~] 16.505 to 16.652[~~, and 78.510 to 78.852~~], to investigate all health or medical statements and certificates made by or in behalf of any person in connection with the payment of money to the person under KRS 61.510 to 61.705 ***and***[~~,~~] 16.505 to 16.652[~~, and 78.510 to 78.852~~], and who shall report in writing to the system the conclusions and recommendations upon all matters referred to them. The board may employ one (1) or more licensed mental health professionals in making recommendations regarding mental impairments.

(2) (a) Each person requesting disability retirement shall file at the retirement office an application for disability retirement and supporting medical information to report the person's physical and mental condition. The person shall also file at the retirement office a complete description of the job and duties from which he received his last pay as well as evidence that the person has made a request for reasonable accommodation as provided for in 42 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630. The person shall certify to the retirement office that the application for disability retirement and supporting medical information are ready to be evaluated by the medical examiners in accordance with paragraph (d) of this subsection. If, after good faith efforts, the person informs the system that he has been unable to obtain the employment or medical information, the system shall assist the person in obtaining the records and may use the authority granted pursuant to KRS 61.685(1) to obtain the records. If the person fails to file, at the retirement office within one hundred eighty (180) days of the date the person filed his notification of retirement, any of the forms, certifications, or information required by this subsection, the person's application for disability retirement shall be void. Any subsequent filing of an application for disability retirement or supporting medical information shall not be evaluated, except as provided in paragraph (f) of this

subsection or KRS 61.600(2).

(b) The employer shall file at the retirement office a complete description of the job and duties for which the person was last paid and shall submit a detailed description of reasonable accommodations attempted.

(c) The cost of medical examinations and the filing of the medical information, reports, or data with the retirement office shall be paid by the person applying for disability retirement.

(d) The system shall select three (3) medical examiners to evaluate the medical evidence submitted by the person. The medical examiners shall recommend that disability retirement be approved, or that disability retirement be denied. If there is evidence of a mental impairment, the medical examiners may request the board's licensed mental health professional to assist in determining the level of the mental impairment.

(e) If two (2) or more of the three (3) medical examiners recommend that the person be approved for disability retirement, the system shall make retirement payments in accordance with the retirement plan selected by the person.

(f) If two (2) or more of the three (3) medical examiners recommend that the person be denied disability retirement, the system shall send notice of this recommendation by United States first-class mail to the person's last address on file in the retirement office. The person shall have one hundred eighty (180) days from the day that the system mailed the notice to file at the retirement office additional supporting medical information and certify to the retirement office that the application for disability retirement and supporting medical information are ready to be evaluated by the medical examiners or to appeal his denial of disability retirement by filing at the retirement office a request for a formal hearing. Any subsequent filing of an application for disability retirement or supporting medical information shall not be evaluated,

1 except as provided in KRS 61.600(2).
2 (g) If two (2) or more of the three (3) medical examiners recommend that the
3 person be approved for disability retirement based upon the evaluation of
4 additional supporting medical information in accordance with paragraph (f) of
5 this subsection, the system shall make retirement payments in accordance with
6 the retirement plan selected by the person.
7 (h) If two (2) or more of the three (3) medical examiners recommend that the
8 person be denied disability retirement based upon the evaluation of additional
9 supporting medical information in accordance with paragraph (f) of this
10 subsection, the system shall send notice of this recommendation by United
11 States first-class mail to the person's last address on file in the retirement
12 office. The person shall have one hundred eighty (180) days from the day that
13 the system mailed the notice to appeal his denial of disability retirement by
14 filing at the retirement office a request for a formal hearing.
15 (i) The medical examiners shall be paid a reasonable amount by the retirement
16 system for each case evaluated.
17 (j) Notwithstanding the foregoing provisions of this section, the system may pay
18 for one (1) or more medical examinations of the person requested by the
19 medical examiners for the purpose of providing medical information deemed
20 necessary by the medical examiners. The system may require the person to
21 submit to one (1) or more medical examinations.
22 (3) (a) Any person whose disability benefits have been reduced, discontinued, or
23 denied pursuant to subsection (2)(f) or (2)(h) of this section may file at the
24 retirement office a request for a formal hearing to be conducted in accordance
25 with KRS Chapter 13B. The right to demand a formal hearing shall be limited
26 to a period of one hundred eighty (180) days after the person had notice of the
27 system's determination, as described in subsection (2)(f) or (2)(h) of this

section. The request for a formal hearing shall be filed with the executive director, at the retirement office in Frankfort. The request for a formal hearing shall include a short and plain statement of the reasons the denial of disability retirement is being contested.

(b) Failure of the person to request a formal hearing within the period of time specified shall preclude the person from proceeding any further with the application for disability retirement, except as provided in KRS 61.600(2). This paragraph shall not limit the person's right to appeal to a court.

(c) The system may require the person requesting the formal hearing to submit to one (1) or more medical or psychological examinations. Notice of the time and place of the examination shall be mailed to the person or his legal representative. The system shall be responsible for the cost of the examination.

(d) A final order of the board shall be based on substantial evidence appearing in the record as a whole and shall set forth the decision of the board and the facts and law upon which the decision is based.

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

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

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

(6) The system, pursuant to regulations, may refer an employee determined by it to be disabled to the Kentucky Office of Vocational Rehabilitation for evaluation and, if appropriate, retraining.

(a) The cost of the evaluation and retraining shall be paid by the system in

accordance with the regulations established by the board.

(b) The member shall perform all acts that are necessary to enroll in and satisfy the requirements of Vocational Rehabilitation as prescribed by the board. This shall include the exchange of confidential information between Kentucky Retirement Systems and the Kentucky Office of Vocational Rehabilitation as necessary to conduct the rehabilitation process. Failure of the member to cooperate with the system or Vocational Rehabilitation may result in his disability allowance being discontinued, reduced, or denied until the member complies with the agency requests. If the refusal continues for one (1) year, all his rights to any further disability allowance shall cease.

➔Section 92. KRS 61.670 is amended to read as follows:

(1) (a) As soon as practicable after its organization, the board shall adopt the actuarial tables necessary for the administration of the system and for the annual determination of actuarial assets and liabilities of the system.

(b) The board shall cause an actuarial valuation to be made annually. The valuation shall at a minimum include:

1. A description of the actuarial assumptions used in the actuarial valuation, which shall be reasonably related to the experience of the system and represent the actuary's best estimate of anticipated experience;

2. A description of any funding methods utilized or required by state law in the development of the actuarial valuation results;

3. A description of any changes in actuarial assumptions and methods from the previous year's actuarial valuation;

4. The actuarially recommended contribution rate for employers for the upcoming budget periods;

5. A twenty (20) year projection of the funding levels, unfunded liabilities,

and actuarially recommended contribution rates for employers based upon the actuarial assumptions, funding methods, and experience of the system as of the valuation date; and

6. A sensitivity analysis that evaluates the impact of changes in system assumptions, including but not limited to the investment return assumption, payroll growth assumption, and medical inflation rates, on employer contribution rates, funding levels, and unfunded liabilities.

(c) At least once in each five (5) year period, the board shall cause an actuarial investigation to be made of all the experience under the retirement system relative to the actuarial assumptions and funding methods previously adopted by the board. The actuarial investigation shall include at a minimum a summary of the changes in actuarial assumptions and funding methods recommended in the investigation and the projected impact of the recommended changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a twenty (20) year period.

(d) Pursuant to the actuarial investigation the board shall, from time to time, revise the actuarial tables previously adopted by the board and shall thereupon revise the bases of the rates of contributions required under KRS 61.510 to 61.692 ***and***[~~,~~] KRS 16.505 to 16.652[~~, and KRS 78.510 to 78.852~~].

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

(f) All actuarial investigations, analyses, and valuations shall be certified to the board by an actuary who shall be a fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries.

(2) A copy of each five (5) year actuarial investigation, actuarial analysis, and annual valuation required by subsection (1) of this section shall be forwarded electronically to the Legislative Research Commission no later than ten (10) days after receipt by the board, and the Legislative Research Commission shall distribute the information received to the committee staff and co-chairs of any committee that has jurisdiction over the Kentucky Retirement Systems. The actuarial valuation required by subsection (1)(b) of this section shall be submitted no later than November 15 following the close of the fiscal year.

(3) The Legislative Research Commission may employ an actuary with the same qualifications as the actuary employed by the board, and the board shall, free of charge, provide the actuary employed by the Commission with the same data provided to its own actuary, and any supplementary data he may require. The actuary employed by the Commission shall review the assumptions, determinations and recommendations of the board actuary, and legislative proposals related to the retirement systems, and report his findings to the Commission and to the board. The board shall pay fifty percent (50%) of the cost of the Commission's actuary, and the Commission shall pay the other fifty percent (50%).

➔Section 93. KRS 61.675 is amended to read as follows:

(1) The employer shall prepare the records and, from time to time, shall furnish the information the system may require in the discharge of its duties. Upon employment of an employee, the employer shall inform him of his duties and obligations in connection with the system as a condition of employment.

(2) The system may at any time conduct an audit of the employer in order to determine if the employer is complying with the provisions of KRS 16.505 to 16.652 ***and***[~~,~~]

61.610 to 61.705~~[, or 78.510 to 78.852]~~. The system shall have access to and may examine all books, accounts, reports, correspondence files, and records of any employer. Every employer, employee, or agency reporting official of a department ~~[or county, as defined in KRS 78.510(3),]~~ having records in his possession or under his control, shall permit access to and examination of the records upon the request of the system.

(3) (a) Any agency participating in the Kentucky Employees Retirement System which is not an integral part of the executive branch of state government shall file the following at the retirement office on or before the tenth day of the month following the period being reported:

1. The employer and employee contributions required under KRS 61.560, 61.565, and 61.702;
2. The employer contributions and reimbursements for retiree health insurance premiums required under KRS 61.637; and
3. A record of all contributions to the system on the forms prescribed by the board.

(b) If the agency fails to file all contributions and reports on or before the tenth day of the month following the period being reported, interest on the delinquent contributions at the actuarial rate adopted by the board compounded annually, but not less than one thousand dollars ($1,000), shall be added to the amount due the system.

➔Section 94. KRS 61.680 is amended to read as follows:

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

(2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714, upon death, disability, or service retirement, a member's accounts under the Legislators' Retirement Plan, State Police Retirement System, Kentucky Employees Retirement System, County Employees Retirement System, and Teachers' Retirement System, except for service prohibited by KRS 161.623(2), shall be consolidated for the purpose of determining eligibility and amount of benefits, including those members who participate in the hybrid cash balance plan within the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System on or after January 1, 2014***, and regardless of the transition of administration of the County Employees Retirement System as provided by this Act***. Vested service credit in a retirement system, other than the Teachers' Retirement System, sponsored by a Kentucky institution of higher education and accepted by the Kentucky Employees Retirement System or the County Employees Retirement System, may be used to determine eligibility for twenty-seven (27) year retirement for an employee who begins participating before September 1, 2008, but not the amount of benefits. The computation of benefits shall be based on the applicable formula in each system and service credit in each system, but the final compensation, excluding compensation earned under KRS 161.155(10), shall be determined as if all service were in one (1) system. If the member has prior service in more than one (1) system, he shall obtain at least twelve (12) months' current service in each system in which he has prior service in order to validate the prior service in each system for purposes of determining consolidated benefits under this section. Upon the determination of benefits, each system shall pay the applicable percentage of total benefits.

(b) The provisions of paragraph (a) of this subsection shall be waived if the member notifies the system of his desire to maintain separate retirement accounts in the State Police Retirement System, Kentucky Employees Retirement System, or County Employees Retirement System.

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

(3) A member with service credit in the Kentucky Employees Retirement System, State Police Retirement System, or the County Employees Retirement System who becomes the holder of an office entitling him to membership in the Judicial Retirement Plan or the Legislators' Retirement Plan, but who does not elect within thirty (30) days after taking office in such service to participate in the plan, in accordance with KRS 6.505 or 21.360, shall be deemed to have elected to retain membership in the system in which he is a member, either the Kentucky Employees Retirement System, State Police Retirement System, or the County Employees Retirement System. In that event, the agency employing the member shall withhold employee contributions, or picked-up employee contributions after August 2, 1982, make employer contributions and remit these contributions to the system in which the member retained his membership. Any person entitled to membership in the Judicial Retirement Plan or the Legislators' Retirement Plan, who does not elect within thirty (30) days after taking office to participate in the plan, in accordance with KRS 6.505 or 21.360, and who at the time of taking office is not a contributing member of, or does not have service credit in, any of the retirement systems mentioned in this section, or the Teachers' Retirement System, shall participate in the Kentucky Employees Retirement System. A member of one (1) of the state-administered retirement plans who ceases to contribute to the plan as provided in

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

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

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

(c) Any member of the General Assembly who upon election is a contributing member of the Teachers' Retirement System and who does not elect within thirty (30) days after taking office to participate in the Legislators' Retirement Plan, in accordance with KRS 6.505, shall during his term of office participate in the Kentucky Employees Retirement System unless an election to retain membership in the Teachers' Retirement System is filed in writing within ninety (90) days after his term of office begins. No contributions may be made to the Teachers' Retirement System for the same period of service under the

Legislators' Retirement Plan or the Kentucky Employees Retirement System as a member of the General Assembly, but contributions made to the Teachers' Retirement System while a member of the General Assembly shall be transferred to the Legislators' Retirement Plan, as provided for in KRS 6.535, when the member elects to join the Legislators' Retirement Plan, and service credit in the Legislators' Retirement Plan shall be granted as provided for in KRS 6.505(5).

(5) Effective July 1, 1974, any member of the Kentucky Employees Retirement System or County Employees Retirement System who is working in a position covered by one (1) of these retirement systems and his employee contributions, service credit and employer contributions made on his behalf are being transferred to the other retirement system shall contribute to the system in which his employer participates, or after August 1, 1982, the employer shall pick up the employee contributions, and no further contributions or service credit shall be transferred to the system in which he elected to retain membership, as subsection (2) of this section eliminates the necessity of the transfers.

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

(7) Notwithstanding the provisions of subsection (2) of this section, a person who does not have the amount of service required for service retirement in the State Police Retirement System, Kentucky Employees Retirement System, County Employees Retirement System, Legislators' Retirement Plan, or Teachers' Retirement System, but who is a member of one (1) of the systems or is a former member of one (1) or

more of the systems with valid service credit therein, shall become eligible for service retirement benefits attributable to the amount of his actual service credit in each system in which he has service credit when his combined service credit in all the systems, plus any service credit he has in the Judicial Retirement Plan, is equal to that required for service retirement in each respective system. The computation of benefits shall be based on the applicable formula in each system and service credit in each system, except that total service in all systems, unless prohibited by KRS 161.623(2), shall be used to determine the reduction for early retirement, if any. Except as provided in KRS 21.360, the final compensation shall be determined by using the creditable compensation reported to the State Police Retirement System, Kentucky Employees Retirement System, County Employees Retirement System, Legislators' Retirement Plan, or Teachers' Retirement System and only as much of the compensation earned in the Judicial Retirement Plan as is needed to satisfy the final compensation requirement applicable in the respective retirement systems.

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

➔Section 95. KRS 61.690 is amended to read as follows:

(1) Except as otherwise provided by this section and KRS 61.705(4), all retirement allowances and other benefits accrued or accruing to any person under the provisions of KRS 61.510 to 61.705 ***and***~~[,]~~ 16.505 to 16.652~~[, and 78.510 to 78.852]~~, and the accumulated account balance and cash securities in the funds created under KRS 61.510 to 61.705 ***and***~~[,]~~ 16.505 to 16.652~~[, and 78.510 to 78.852]~~, are hereby exempt from any state, county, or municipal tax, and shall not be subject to execution, attachment, garnishment, or any other process, and shall not be assigned.

(2) Notwithstanding the provisions of subsection (1) of this section, retirement benefits accrued or accruing to any person under the provisions of KRS 61.510 to 61.705 ***and***~~[,]~~ 16.505 to 16.652~~[, and 78.510 to 78.852]~~ on or after January 1, 1998, shall be subject to the tax imposed by KRS 141.020, to the extent provided in KRS 141.010 and 141.0215.

(3) Qualified domestic relations orders issued by a court or administrative agency shall be honored by the retirement system if:

(a) The benefits payable pursuant to the order meet the requirements of a qualified domestic relations order as provided by 26 U.S.C. sec. 414(p). The retirement system shall follow applicable provisions of 26 U.S.C. sec. 414(p) in administering qualified domestic relations orders;

(b) The order meets the requirements established by the retirement system and by subsections (3) to (11) of this section. The board of trustees of the retirement system shall establish the requirements, procedures, and forms necessary for the administration of qualified domestic relations orders by promulgation of administrative regulations in accordance with KRS Chapter 13A; and

(c) The order is on the form established by the retirement system pursuant to the retirement system's authority provided under paragraph (3)(b) of this subsection.

(4) A qualified domestic relations order shall not:

(a) Require the retirement system to take any action not authorized under state or federal law;

(b) Require the retirement system to provide any benefit, allowance, or other payment not authorized under state or federal law;

(c) Grant or be construed to grant the alternate payee any separate right, title, or interest in or to any retirement benefit other than to receive payments from the participant's account in accordance with the administrative regulations

promulgated by the retirement system and as provided by subsections (3) to (11) of this section; or

(d) Grant any separate interest to any person other than the participant.

(5) Any qualified domestic relations order submitted to the retirement system shall specify the dollar amount or percentage amount of the participant's benefit to be paid to the alternate payee. In calculating the amount to be paid to the alternate payee, the court or administrative agency that is responsible for issuing the order shall follow the requirements set forth in the administrative regulations promulgated by the board of trustees. Notwithstanding any other statute to the contrary, the board shall not be required to honor a qualified domestic relations order that does not follow the requirements set forth in the administrative regulations promulgated by the board of trustees.

(6) If the qualified domestic relations order meets the requirements established by the system and by subsections (3) to (11) of this section, payments to the alternate payee shall begin under the following conditions:

(a) If the participant is retired and is receiving a monthly retirement allowance, the month following the date the retirement system receives a qualified domestic relations order that complies with the administrative regulations promulgated by the retirement system and subsections (3) to (11) of this section; or

(b) If the participant is not retired, the month of the participant's effective retirement date in which the first retirement allowance is payable to the participant or the month in which the participant receives a refund of his or her accumulated account balance as provided by KRS 61.625.

(7) An alternate payee's benefits and rights under a qualified domestic relations order shall terminate upon the earlier of:

(a) The death of the participant;

(b) The death of the alternate payee; or

(c) The termination of the participant's benefits under any of the provisions of KRS 16.505 to 16.652 ***and***~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~.

(8) An alternate payee shall not receive a monthly payment under a qualified domestic relations order if the participant is not receiving a monthly retirement allowance.

(9) The cost of living adjustment provided to the participant pursuant to KRS 61.691 shall be divided between the participant and alternate payee in a qualified domestic relations order as follows:

(a) If the order specifies the alternate payee is to receive a percentage of the participant's benefit, then the cost of living adjustment shall be divided between the participant and the alternate payee based upon the percentage of the total benefit each is receiving upon the participant's retirement or upon the date the order is approved by the retirement system, whichever is later; or

(b) If the order specifies that the alternate payee is to receive a set dollar amount of the participant's benefit, then the order shall specify that:

1. The cost of living adjustment shall be divided between the participant and the alternate payee based upon the percentage of the total benefit each is receiving upon the participant's retirement or upon the date the order is approved by the retirement system, whichever is later; or

2. The alternate payee shall receive no cost of living adjustment.

If the order does not specify the division of the cost of living adjustment as required by this paragraph, then no cost of living adjustment shall be payable to the alternate payee. If no cost of living adjustment is provided to the alternate payee, then the participant shall receive the full cost of living adjustment he or she would have received if the order had not been applied to the participant's account.

(10) Except in cases involving child support payments, the retirement system may charge

reasonable and necessary fees and expenses to the recipient and the alternate payee of a qualified domestic relations order for the administration of the qualified domestic relations order by the retirement system. All fees and expenses shall be established by administrative regulations promulgated by the board of trustees of the retirement system. The qualified domestic relations order shall specify whether the fees and expenses provided by this subsection shall be paid:

(a) Solely by the participant;

(b) Solely by the alternate payee; or

(c) Equally shared by the participant and alternate payee.

(11) The retirement system shall honor a qualified domestic relations order issued prior to July 15, 2010, if:

(a) The order was on file and approved by the retirement system prior to July 15, 2010. All benefits, including cost of living adjustments payable to the alternate payee, for orders that meet the requirements of this paragraph shall not be eliminated or reduced as a result of the provisions of subsections (3) to (10) of this section and KRS 61.510(27)~~[ and 78.510(26)]~~; or

(b) The order or an amended version of the order meets the requirements established by this section and the administrative regulations promulgated by the retirement system. The order shall not apply to benefit payments issued by the retirement system prior to the date the order was approved by the retirement system.

➔Section 96. KRS 61.691 is amended to read as follows:

(1) Effective August 1, 1996, to July 1, 2008, a recipient of a retirement allowance under KRS 16.505 to 16.652 ***and***~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~ shall have his retirement allowance increased on July 1 of each year by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year as published by the federal Bureau of Labor

Statistics, not to exceed five percent (5%). In determining the annual employer contribution rate, only the cost of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on August 1, 1996, to July 1, 2008, shall not be considered as benefits protected by the inviolable contract provisions of KRS 16.652 ***and***~~[,]~~ 61.692~~[, and 78.852]~~. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in their judgment the welfare of the Commonwealth so demands.

(2) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a retirement allowance under KRS 16.505 to 16.652 ***and***~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~ shall have his or her retirement allowance increased by one and one-half percent (1.5%), if:

1. The funding level of the system is greater than one hundred percent (100%) and subsequent legislation authorizes the use of any surplus actuarial assets to provide an increase in retirement allowances described by this subsection for the system which has the surplus actuarial assets; or

2. The General Assembly appropriates sufficient funds or directs payment of funds to fully prefund the increase described by this subsection in the year the increase is provided.

(b) The board of trustees of the Kentucky Retirement Systems shall, at least thirty (30) days prior to the beginning of regular sessions of the General Assembly held in even-numbered years, advise the General Assembly of the following:

1. Which systems have a funding level greater than one hundred percent (100%) and can support an increase in recipients' retirement allowances as provided by paragraph (a) of this subsection over the next budget biennium without reducing the funding level of the system below one hundred percent (100%); and

2. If no surplus actuarial assets are available, the level of funds needed to fully prefund an increase for system recipients over the next budget biennium if a one and one-half percent (1.5%) increase is provided annually over the biennium.

(c) For purposes of this subsection, "funding level" means the actuarial value of assets divided by the actuarially accrued liability expressed as a percentage that is determined and reported by the system's actuary in the system's actuarial valuation.

(d) The full increase described by this subsection shall only be provided if the recipient has been receiving a benefit for at least twelve (12) months prior to the effective date of the increase. If the recipient has been receiving a benefit for less than twelve (12) months prior to the effective date of the increase provided by this subsection, the increase shall be reduced on a pro rata basis for each month the recipient has not been receiving benefits in the twelve (12) months preceding the effective date of the increase.

(e) In determining the annual employer contribution rate, only the cost of increases granted as of the most recent valuation date shall be recognized.

(f) The benefits of this subsection as provided on July 1, 2009, and thereafter shall not be considered as benefits protected by the inviolable contract provisions of KRS 16.652 ***and***~~[,]~~ 61.692~~[, and 78.852]~~. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if, in its judgment, the welfare of the Commonwealth so demands.

(3) A reemployed retired member whose payments are suspended as provided under KRS 61.637 shall be eligible for an increase in his suspended retirement allowance as provided under this section, computed as if he were receiving the retirement allowance at the time the increase under this section is effective.

(4) In addition to the increase to a recipient's retirement allowance as provided by

subsection (2) of this section, the General Assembly may, by subsequent legislation, provide supplemental increases to a recipient's retirement allowance to help adjust for actual changes in the recipient's cost of living if the General Assembly appropriates sufficient funds to fully prefund the benefit in the year the increase is provided.

➔Section 97. KRS 61.701 is amended to read as follows:

(1) (a) There is hereby created and established a trust fund to be known as "Kentucky Retirement Systems insurance trust fund." All assets received in the trust fund shall be deemed trust funds to be held and applied solely as provided in this section. Assets of the trust fund shall not be used for any other purpose and shall not be used to pay the claims of creditors or any individual, person, or employer participating in the Kentucky Employees Retirement System~~[, County Employees Retirement System,]~~ or State Police Retirement System.

(b) The trust fund is intended to be established as a trust exempt from taxation under 26 U.S.C. sec. 115.

(2) The trust fund is created for the purpose of providing a trust separate from the retirement funds. Trust fund assets are dedicated for use for health benefits as provided in KRS 61.702, and as permitted under 26 U.S.C. secs. 105 and 106, to retired recipients and employees of employers participating in the Kentucky Employees Retirement System~~[, County Employees Retirement System,]~~ and State Police Retirement System, and to certain of their dependents or beneficiaries, including but not limited to qualified beneficiaries as described in 42 U.S.C. secs. 300bb-1 et seq.

(3) The trust fund shall be administered by the board of trustees of the Kentucky Retirement Systems and the board shall serve as trustees of the fund. The board shall manage the assets of the fund in the same manner in which it administers the retirement funds, except that separate accounting and financial reporting shall be

maintained for the trust fund.

(4) In addition to the requirements of subsection (2) of this section, the employers participating in the trust fund are limited to the Commonwealth, political subdivisions of the Commonwealth, and entities whose income is exempt from taxation under 26 U.S.C. sec. 115. No other entity may participate in the trust fund.

(5) If the trust fund is terminated, the assets in the trust fund may revert, after the payment of all liabilities, to the participating employers as determined by the board of trustees.

(6) The board of trustees may adopt regulations and procedures and take all action necessary and appropriate to provide that the income of the trust fund is exempt from taxation under Title 26 of United States Code.

(7) The establishment of Kentucky Retirement Systems insurance trust fund shall not diminish or expand the rights of any recipients, employees, or dependents to health benefits.

➔Section 98. KRS 61.702 is amended to read as follows:

(1) (a) 1. The board of trustees of Kentucky Retirement Systems shall arrange by appropriate contract or on a self-insured basis to provide a group hospital and medical insurance plan for present and future recipients of a retirement allowance from the Kentucky Employees Retirement System~~[, County Employees Retirement System,]~~ and State Police Retirement System, except as provided in subsection (8) of this section. The board shall also arrange to provide health care coverage through an insurer licensed pursuant to Subtitle 38 of KRS Chapter 304 and offering a managed care plan as defined in KRS 304.17A-500, as an alternative to group hospital and medical insurance for any person eligible for hospital and medical benefits under this section.

2. Any person who chooses coverage under a hospital and medical

insurance plan shall pay, by payroll deduction from the retirement allowance or by another method, the difference in premium between the cost of the hospital and medical insurance plan coverage and the benefits to which he would be entitled under this section.

3. For purposes of this section, "hospital and medical insurance plan" may include, at the board's discretion, any one (1) or more of the following:

a. Any hospital and medical expense policy or certificate, provider-sponsored integrated health delivery network, self-insured medical plan, health maintenance organization contract, or other health benefit plan;

b. Any health savings account as permitted by 26 U.S.C. sec. 223 or health reimbursement arrangement or a similar account as may be permitted by 26 U.S.C. sec. 105 or 106. Such arrangement or account, in the board's discretion, may reimburse any medical expense permissible under 26 U.S.C. sec. 213; or

c. A medical insurance reimbursement program established by the board through the promulgation of administrative regulation under which members purchase individual health insurance coverage through a health insurance exchange established under 42 U.S.C. sec. 18031 or 18041.

(b) The board may authorize present and future recipients of a retirement allowance from any of the three (3) retirement systems to be included in the state employees' group for hospital and medical insurance and shall provide benefits for recipients equal to those provided to state employees having the same Medicare hospital and medical insurance eligibility status, except as provided in subsection (8) of this section. Notwithstanding the provisions of any other statute, recipients shall be included in the same class as current state

employees in determining medical insurance policies and premiums.

(c) For recipients of a retirement allowance who are not eligible for the same level of hospital and medical benefits as recipients living in Kentucky having the same Medicare hospital and medical insurance eligibility status, the board shall provide a medical insurance reimbursement plan as described in subsection (7) of this section.

(d) Notwithstanding anything in KRS Chapter 61 to the contrary, the board of trustees, in its discretion, may take necessary steps to ensure compliance with 42 U.S.C. secs. 300bb-1 et seq., including but not limited to receiving contributions and premiums from, and providing benefits pursuant to this section to, persons entitled to continuation coverage under 42 U.S.C. secs. 300bb-1 et seq., regardless of whether such persons are recipients of a retirement allowance.

(2) (a) Each employer participating in the State Police Retirement System as provided for in KRS 16.505 to 16.652~~[, each employer participating in the County Employees Retirement System as provided in KRS 78.510 to 78.852,]~~ and each employer participating in the Kentucky Employees Retirement System as provided for in KRS 61.510 to 61.705 shall contribute to the Kentucky Retirement Systems insurance trust fund the amount necessary to provide hospital and medical insurance as provided for under this section. Such employer contribution rate shall be developed by appropriate actuarial method as a part of the determination of each respective employer contribution rate to each respective retirement system determined under KRS 61.565.

(b) 1. Each employer described in paragraph (a) of this subsection shall deduct from the creditable compensation of each member having a membership date on or after September 1, 2008, an amount equal to one percent (1%)

of the member's creditable compensation. The deducted amounts shall be credited to accounts established pursuant to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~.

2. The employer shall file the contributions as provided by subparagraph 1. of this paragraph at the retirement office in accordance with KRS 61.675~~[ and 78.625]~~. Any interest or penalties paid on any delinquent contributions shall be credited to accounts established pursuant to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~. Notwithstanding any minimum compensation requirements provided by law, the deductions provided by this paragraph shall be made, and the compensation of the member shall be reduced accordingly.

3. Each employer shall submit payroll reports, contributions lists, and other data as may be required by administrative regulation promulgated by the board of trustees pursuant to KRS Chapter 13A.

4. Every member shall be deemed to consent and agree to the deductions made pursuant to this paragraph, and the payment of salary or compensation less the deductions shall be a full and complete discharge of all claims for services rendered by the person during the period covered by the payment, except as to any benefits provided by KRS 16.505 to 16.652 ***and***~~[,]~~ 61.510 to 61.705~~[, and 78.510 to 78.852]~~. No member may elect whether to participate in, or choose the contribution amount to accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~. The member shall have no option to receive the contribution required by this paragraph directly instead of having the contribution paid to accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds

established in KRS 16.510 ***and***[,] 61.515[, and 78.520]. No member may receive a rebate or refund of contributions. If a member establishes a membership date prior to September 1, 2008, pursuant to KRS 61.552(1) or 61.552***(22)***[(23)], then this paragraph shall not apply to the member and all contributions previously deducted in accordance with this paragraph shall be refunded to the member without interest. The contribution made pursuant to this paragraph shall not act as a reduction or offset to any other contribution required of a member or recipient under KRS 16.505 to 16.652 ***and***[,] 61.510 to 61.705[, and 78.510 to 78.852].

5. The board of trustees, at its discretion, may direct that the contributions required by this paragraph be accounted for within accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***[,] 61.515[, and 78.520] through the use of separate accounts.

(3) (a) The premium required to provide hospital and medical benefits under this section shall be paid:

1. Wholly or partly from funds contributed by the recipient of a retirement allowance, by payroll deduction, or otherwise;
2. Wholly or partly from funds contributed by the Kentucky Retirement Systems insurance trust fund;
3. Wholly or partly from funds contributed to accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***[,] 61.515[, and 78.520];
4. Wholly or partly from funds contributed by another state-administered retirement system under a reciprocal arrangement, except that any portion of the premium paid from the Kentucky Retirement Systems insurance trust fund or accounts established pursuant to 26 U.S.C. sec.

401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~ under a reciprocal agreement shall not exceed the amount that would be payable under this section if all the member's service were in one (1) of the systems administered by the Kentucky Retirement Systems;

5. Partly from subparagraphs 1. to 4. of this paragraph, except that any premium for hospital and medical insurance over the amount contributed by the Kentucky Retirement Systems insurance trust fund; accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~; or another state-administered retirement system under a reciprocal agreement shall be paid by the recipient by an automatic electronic transfer of funds. If the board provides for cross-referencing of insurance premiums, the employer's contribution for the working member or spouse shall be applied toward the premium, and the Kentucky Retirement Systems insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~ shall pay the balance, not to exceed the monthly contribution; or

6. In full from the Kentucky Retirement Systems insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~ for all recipients of a retirement allowance from any of the three (3) retirement systems where such recipient is a retired former member of one (1) or more of the three (3) retirement systems (not a beneficiary or dependent child receiving benefits) and had two hundred and forty (240) months or more of service upon retirement. Should such recipient have less than two hundred forty (240) months of service but have at least one hundred

eighty (180) months of service, seventy-five percent (75%) of such premium shall be paid from the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~, provided such recipient agrees to pay the remaining twenty-five percent (25%) by payroll deduction from his retirement allowance or by another method. Should such recipient have less than one hundred eighty (180) months of service but have at least one hundred twenty (120) months of service, fifty percent (50%) of such premium shall be paid from the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~, provided such recipient agrees to pay the remaining fifty percent (50%) by payroll deduction from his retirement allowance or by another method. Should such recipient have less than one hundred twenty (120) months of service but have at least forty-eight (48) months of service, twenty-five percent (25%) of such premium shall be paid from the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~, provided such recipient agrees to pay the remaining seventy-five percent (75%) by payroll deduction from his retirement allowance or by another method. Notwithstanding the foregoing provisions of this subsection, an employee participating in one (1) of the retirement systems administered by the Kentucky Retirement Systems who becomes disabled in the line of duty as defined in KRS 16.505(19) or 61.621, shall have his premium paid in full as if he had two hundred forty (240) months or more of service. Further, an employee participating in one (1) of the retirement systems administered by the

Kentucky Retirement Systems who is killed in the line of duty as defined in KRS 16.505(19) or 61.621, shall have the premium for the beneficiary, if the beneficiary is the member's spouse, and for each dependent child paid so long as they individually remain eligible for a monthly retirement benefit. "Months of service" as used in this section shall mean the total months of combined service used to determine benefits under any or all of the ***two (2)***~~[three (3)]~~ retirement systems, except service added to determine disability benefits shall not be counted as "months of service." For current and former employees of the Council on Postsecondary Education who were employed prior to January 1, 1993, and who earn at least fifteen (15) years of service credit in the Kentucky Employees Retirement System, "months of service" shall also include vested service in another retirement system other than the Kentucky Teachers' Retirement System sponsored by the Council on Postsecondary Education.

(b) 1. For a member electing insurance coverage through the Kentucky Retirement Systems, "months of service" shall include, in addition to service as described in paragraph (a) of this subsection, service credit in one (1) of the other state-administered retirement plans.

2. Effective August 1, 1998, the Kentucky Retirement Systems shall compute the member's combined service, including service credit in another state-administered retirement plan, and calculate the portion of the member's premium to be paid by the insurance trust fund accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~, according to the criteria established in paragraph (a) of this subsection. Each state-administered retirement plan annually shall pay to the insurance trust

fund the percentage of the system's cost of the retiree's monthly contribution for single coverage for hospital and medical insurance which shall be equal to the percentage of the member's number of months of service in the other state-administered retirement plan divided by his total combined service. The amounts paid by the other state-administered retirement plans and the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~ shall not be more than one hundred percent (100%) of the monthly contribution adopted by the respective boards of trustees.

3. A member may not elect coverage for hospital and medical benefits under this subsection through more than one (1) of the state-administered retirement plans.

4. A state-administered retirement plan shall not pay any portion of a member's monthly contribution for medical insurance unless the member is a recipient or annuitant of the plan.

5. The premium paid by the Kentucky Retirement Systems insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~ shall not exceed one hundred percent (100%) of the monthly contribution rate toward hospital and medical insurance coverage approved by the board of trustees of the Kentucky Retirement Systems.

(4) (a) Group rates under the hospital and medical insurance plan shall be made available to the spouse, each dependent child, and each disabled child, regardless of the disabled child's age, of a recipient who is a former member or the beneficiary, if the premium for the hospital and medical insurance for the spouse, each dependent child, and each disabled child, or beneficiary is

paid by payroll deduction from the retirement allowance or by another method. For purposes of this subsection only, a child shall be considered disabled if he has been determined to be eligible for federal Social Security disability benefits or meets the dependent disability standard established by the Department of Employee Insurance in the Personnel Cabinet.

(b) The other provisions of this section notwithstanding, the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***[~~,~~] 61.515[~~, and 78.520~~] shall pay a percentage of the monthly contribution for the spouse and for each dependent child of a recipient who was a member of the General Assembly and is receiving a retirement allowance based on General Assembly service, of the Kentucky Employees Retirement System and determined to be in a hazardous position[~~, of the County Employees Retirement System, and determined to be in a hazardous position or of the State Police Retirement System~~]. The percentage of the monthly contribution paid for the spouse and each dependent child of a recipient who was in a hazardous position shall be based solely on the member's service with the State Police Retirement System or service in a hazardous position using the formula in subsection (3)(a) of this section[~~, except that for any recipient of a retirement allowance from the County Employees Retirement System who was contributing to the system on January 1, 1998, for service in a hazardous position, the percentage of the monthly contribution shall be based on the total of hazardous service and any nonhazardous service as a police or firefighter with the same agency, if that agency was participating in the County Employees Retirement System but did not offer hazardous duty coverage for its police and firefighters at the time of initial participation~~].

(c) The insurance trust fund or accounts established pursuant to 26 U.S.C. sec.

401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ KRS 61.515~~[, and 78.520]~~ shall continue the same level of coverage for a recipient who was a member of the ***system***~~[County Employees Retirement System]~~ after the age of sixty-five (65) as before the age of sixty-five (65), if the recipient is not eligible for Medicare coverage. If the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~ provides coverage for the spouse or each dependent child of a former member of the ***system***~~[County Employees Retirement System]~~, the insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~ shall continue the same level of coverage for the spouse or each dependent child after the age of sixty-five (65) as before the age of sixty-five (65), if the spouse or dependent child is not eligible for Medicare coverage.

(5) After July 1, 1998, notwithstanding any other provision to the contrary, a member who holds a judicial office but did not elect to participate in the Judicial Retirement Plan and is participating instead in the Kentucky Employees Retirement System~~[, the County Employees Retirement System, or the State Police Retirement System,]~~ as provided in KRS 61.680, and who has at least twenty (20) years of total service, one-half (1/2) of which is in a judicial office, shall receive the same hospital and medical insurance benefits, including paid benefits for spouse and dependents, as provided to persons retiring under the provisions of KRS 21.427. The Administrative Office of the Courts shall pay the cost of the medical insurance benefits provided by this subsection.

(6) Premiums paid for hospital and medical insurance coverage procured under authority of this section shall be exempt from any premium tax which might otherwise be required under KRS Chapter 136. The payment of premiums by the

insurance trust fund or accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 ***and***~~[,]~~ 61.515~~[, and 78.520]~~ shall not constitute taxable income to an insured recipient. No commission shall be paid for hospital and medical insurance procured under authority of this section.

(7) The board shall promulgate an administrative regulation to establish a medical insurance reimbursement plan to provide reimbursement for hospital and medical insurance premiums of recipients of a retirement allowance who are not eligible for the same level of hospital and medical benefits as recipients living in Kentucky and having the same Medicare hospital and medical insurance eligibility status. An eligible recipient shall file proof of payment for hospital and medical insurance at the retirement office. Reimbursement to eligible recipients shall be made on a quarterly basis. The recipient shall be eligible for reimbursement of substantiated medical insurance premiums for an amount not to exceed the total monthly premium determined under subsection (3) of this section. The plan shall not be made available if all recipients are eligible for the same coverage as recipients living in Kentucky.

(8) (a) 1. For employees having a membership date on or after July 1, 2003, and before September 1, 2008, participation in the insurance benefits provided under this section shall not be allowed until the employee has earned at least one hundred twenty (120) months of service in the state-administered retirement systems.

2. For an employee having a membership date on or after September 1, 2008, participation in the insurance benefits provided under this section shall not be allowed until the employee has earned at least one hundred eighty (180) months of service credited under KRS 16.543(1), 61.543(1), ~~[or 78.615(1) ]~~or another state-administered retirement system.

(b) An employee who meets the minimum service requirements as provided by paragraph (a) of this subsection shall be eligible for benefits as follows:

1. For employees who are not in a hazardous position, a monthly insurance contribution of ten dollars ($10) for each year of service as a participating employee.

2. For employees who are in a hazardous position or who participate in the State Police Retirement System, a monthly insurance contribution of fifteen dollars ($15) for each year of service as a participating employee in a hazardous position or as a participating member of the State Police Retirement System. Upon the death of the retired member, the beneficiary, if the beneficiary is the member's spouse, shall be entitled to a monthly insurance contribution of ten dollars ($10) for each year of service the member attained as a participating employee in a hazardous position or as a participating member of the State Police Retirement System.

(c) 1. The minimum service requirement to participate in benefits as provided by paragraph (a) of this subsection shall be waived for a member who is disabled or killed in the line of duty as defined in KRS 16.505(19), and the member or his spouse and eligible dependents shall be entitled to the benefits payable under this subsection as though the member had twenty (20) years of service in a hazardous position.

2. The minimum service required to participate in benefits as provided by paragraph (a) of this subsection shall be waived for a member who is disabled in the line of duty as defined in KRS 61.621, and the member shall be entitled to the benefits payable under this subsection as though the member has twenty (20) years of service in a nonhazardous position.

3. The minimum service required to participate in benefits as provided by

paragraph (a) of this subsection shall be waived for a member who is killed in the line of duty as described in KRS 61.621, and the member's spouse and eligible dependents shall be entitled to the benefits payable under this subsection as though the member has twenty (20) years of service in a hazardous position.

(d) The monthly insurance contribution amount shall be increased July 1 of each year by one and one-half percent (1.5%). The increase shall be cumulative and shall continue to accrue after the member's retirement for as long as a monthly insurance contribution is payable to the retired member or beneficiary.

(e) The benefits of this subsection provided to a member whose participation begins on or after July 1, 2003, shall not be considered as benefits protected by the inviolable contract provisions of KRS 61.692 ***and***~~[,]~~ 16.652~~[, and 78.852]~~. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in its judgment the welfare of the Commonwealth so demands.

(f) An employee whose membership date is on or after September 1, 2008, who retires and is reemployed in a regular full-time position required to participate in one (1) of the systems administered by Kentucky Retirement Systems shall not be eligible for health insurance coverage or benefits provided by this section and shall take coverage with his or her employing agency during the period of reemployment in a regular full-time position.

➔Section 99. KRS 61.705 is amended to read as follows:

(1) Upon the death of a retired member of the Kentucky Employees Retirement System~~[, County Employees Retirement System,]~~ or State Police Retirement System who was receiving a monthly retirement allowance based on a minimum of forty-eight (48) months of service or whose retirement allowance based on a minimum of forty-eight (48) months was suspended in accordance with KRS

61.637, a death benefit of five thousand dollars ($5,000) shall be paid. If the retired member had more than one (1) account in the Kentucky Employees Retirement System~~[, County Employees Retirement System,]~~ or State Police Retirement System, ***or was eligible for a benefit under Section 41 of this Act from the County Employees Retirement System,*** the ***systems***~~[system]~~ shall pay only one (1) five thousand dollar ($5,000) death benefit. ***Each system's cost shall be prorated between the systems based upon the level of service credit in each system.*** Application for the death benefit made to the Kentucky Retirement Systems shall include acceptable evidence of death and of the eligibility of the applicant to act on the deceased retired member's behalf.

(2) The death benefit shall be paid to a beneficiary named by the retired member. Upon retirement or any time thereafter, the retired member may designate on the form prescribed by the board, death benefit designation, a person, the retired member's estate, a trust or trustee, or a licensed funeral home, as the beneficiary of the death benefit. The beneficiary for the death benefit may or may not be the same beneficiary designated in accordance with KRS 61.590(1). If the beneficiary designated under this section is a person and that person dies prior to the member, or if the beneficiary was the retired member's spouse and they were divorced on the date of the retired member's death, then the retired member's estate shall become the beneficiary, unless the retired member has filed a subsequent death benefit designation. If a licensed funeral home is designated as beneficiary and the licensed funeral home cannot be reasonably identified or located by Kentucky Retirement Systems at the time of the retired member's death, then the retired member's estate shall become the beneficiary of the death benefit.

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

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

➔Section 100. KRS 70.292 is amended to read as follows:

(1) A county sheriff's office in the Commonwealth of Kentucky may employ police officers who have retired under the State Police Retirement System, Kentucky Employees Retirement System, or the County Employees Retirement System as provided by KRS 70.291 to 70.293.

(2) An individual employed under KRS 70.291 to 70.293 shall have:

(a) 1. Participated in the Law Enforcement Foundation Program fund under KRS 15.410 to 15.515; or

2. Retired as a commissioned officer pursuant to KRS Chapter 16;

(b) Retired with at least twenty (20) years of service credit;

(c) Been separated from service for the period required by KRS 61.637 ***or Section 40 of this Act*** so that the member's retirement is not voided;

(d) Retired with no administrative charges pending; and

(e) Retired with no pre-existing agreement between the individual and the sheriff's office prior to the individual's retirement for the individual to return to work for the sheriff's office.

➔Section 101. KRS 70.293 is amended to read as follows:

(1) Individuals employed under KRS 70.291 to 70.293 shall:

(a) Serve for a term not to exceed one (1) year. The one (1) year employment term may be renewed annually at the discretion of the employing sheriff's office;

(b) Receive compensation according to the standard procedures applicable to the employing sheriff's office; and

(c) Be employed based upon need as determined by the employing sheriff's office.

(2) Notwithstanding any provisions of KRS 16.505 to 16.652, 18A.225 to 18A.2287,

61.510 to 61.705, or 78.510 to 78.852 to the contrary:

(a) Individuals employed under KRS 70.291 to 70.293 shall continue to receive all retirement and health insurance benefits to which they were entitled upon retiring in the applicable system administered by Kentucky Retirement Systems ***or the County Employees Retirement System***;

(b) Individuals employed under KRS 70.291 to 70.293 shall not be eligible to receive health insurance coverage through the sheriff's office or the fiscal court of the sheriff's county;

(c) The sheriff's office or fiscal court of the sheriff's office shall not pay any employer contributions or retiree health expense reimbursements to the Kentucky Retirement Systems required by KRS 61.637(17) ***or subsection (4) of Section 42 of this Act*** for individuals employed under KRS 70.291 to 70.293; and

(d) The sheriff's office or fiscal court of the sheriff's office shall not pay any insurance contributions to the state health insurance plan, as provided by KRS 18A.225 to 18A.2287, for individuals employed under KRS 70.291 to 70.293.

(3) Individuals employed under KRS 70.291 to 70.293 shall be subject to any merit system, civil service, or other legislative due process provisions applicable to the sheriff's office. A decision not to renew a one (1) year appointment term under this section shall not be considered a disciplinary action or deprivation subject to due process.

➔Section 102. KRS 78.530 is amended to read as follows:

(1) (a) Each county and school board, as defined in KRS 78.510, will participate in the system by appropriate order authorizing such participation which has been entered and duly recorded in the records of the governing body of the county or school board. In cases where general purpose county government does not participate, but the sheriff and his employees or the county clerk and his

employees do, the sheriff or the clerk shall retain the order in his office. The authority to issue and properly record such order of participation being hereby granted, permits such county to participate in the system. The effective date of such participation shall be fixed in the order.

(b) Notwithstanding any statute to the contrary, after April 9, 2002, the systems shall deny the request for participation of any agency which does not have an irrevocable contract with the state Personnel Cabinet for health insurance coverage under KRS 18A.225 to 18A.229 for its active employees, except that:

1. County governments entering the system between April 9, 2002, and July 1, 2003, under this section shall be excluded from this requirement; and

2. Agencies entering the system on or after April 9, 2002, which were established by a merger or an interlocal agreement to provide public services shall be excluded from this requirement if all agencies entering into the merger or interlocal agreement had an initial participation date with the system prior to April 9, 2002.

(2) Once a county or school board participates, it shall thereafter continue to participate, except as provided in KRS 78.535.

(3) (a) Concurrent with the adoption of the appropriate resolution to participate in the system, a county may elect the alternate participation plan which will require the county to purchase on behalf of each employee electing coverage, at the time the county elected to participate in the system as provided under ***paragraph (1)(b) and (1)(c) of Section 4 of this Act***~~[KRS 78.540(2)]~~, current service credit for employment in regular full-time positions between July 1, 1958, and the participation date of the county. Cities which participate in the system pursuant to subsection (6) of this section, KRS 79.080, 90.400, 90.410,

95.520, 95.621, 95.761, 95.768, 95.852, or 96.180 shall be required to purchase on behalf of each employee electing coverage only as much service credit as the employee has accumulated in the city-administered plan, up to the participation date of the city. Accumulated service shall include service for which an employee received a refund pursuant to KRS 95.620 or 95.866, if such refund has been repaid. If the employee has not yet repaid the refund, he may make payment to the system by any method acceptable to the system, and the requirement of five (5) years of continuous reemployment prior to repayment of refunds shall not apply. Upon the employee's repayment, the city shall purchase the associated service credit for the employee. Cost of such service credit over and above that which would be funded within the existing employer contribution rate shall be determined by the board's consulting actuary. The expense of such actuarial service shall be paid by the county;

(b) The county shall establish a payment schedule subject to approval by the board for payment of the cost of such service over and above that which would be funded within the existing employer contribution rate. The maximum period allowed in a payment schedule shall be thirty (30) years, with interest at the rate actuarially assumed by the board. A shorter period is desirable and the board may approve any payment schedule provided it is not longer than a thirty (30) year period, except that cities which participate in the system pursuant to subsection (6) of this section, KRS 79.080, 90.400, 90.410, 95.520, 95.621, 95.761, 95.768, 95.852, or 96.180 may, at their option, extend the payment schedule to a maximum of thirty (30) years, may choose to make level payments at the interest rate actuarially assumed by the board over the life of the payment schedule chosen, and may retain employer contributions and the earnings thereon attributable to employees electing coverage;

(c) A city entering the system under the alternate participation plan, may, by

ordinance, levy a special property tax to pay for current service credit purchased for the period between July 1, 1958, and the participation date of the city. The special tax shall be to pay, within a period of no more than fifteen (15) years, for the cost of such service credit over that which would be funded within the existing employer contribution rate, as determined by the board's consulting actuary. The reason for levying the special tax and the disposition of the proceeds shall be part of the ordinance levying the tax. The special tax shall be rescinded when the unfunded prior service liability has been amortized, and shall not be subject to the provisions of KRS 132.017 or 132.027. In addition, the city may maintain any tax, the proceeds of which had been devoted to funding pension obligations under the locally administered plan prior to participation in the system, for the purpose of funding current service costs incurred after the date of participation. The city may increase the tax to pay current service costs which exceed the local pension system costs to which the tax had been devoted, but the city shall not collect from the tax more revenues than are necessary to pay current service costs incurred after the date of participation. The city may continue the tax so long as it participates in the system, and the tax shall not be subject to the provisions of KRS 132.017 or 132.027. The city shall not collect either tax authorized by this paragraph if its participation has been terminated pursuant to ***Section 3 of this Act***~~[KRS 61.522]~~;

(d) The county may at a later date purchase current service credit from July 1, 1958, to the participation date of the county by alternate participation plan for those employees who rejected membership in the system at the time the county first participated. In addition, the employer shall pay the employer contributions on the creditable compensation of the employees who later elect membership from the participation date of the county to the date the member

elects participation. The employee shall pay the employee contributions on his creditable compensation from the participation date of the county to the date he elects membership plus interest at the current actuarial rate compounded annually on the employee and employer contributions. Cost of the service credit over and above that which would be funded within the existing employer contribution rate shall be determined by the board's consulting actuary. The expense of the actuarial service shall be paid by the county. The county shall pay the cost of the service by lump sum or by adding it to the existing payment schedule established under paragraph (b) of this subsection;

(e) A county which did not participate by alternate participation may, until July 1, 1991, purchase current service credit for those employees who rejected membership in the system at the time the county first participated. The employer shall pay the employer contributions on the creditable compensation of the employees who later elect membership from the participation date of the county to the date the member elects participation. The employee shall pay the employee contributions on his creditable compensation from the participation date of the county to the date he elects membership plus interest at the current actuarial rate compounded annually on the employee and employer contributions. The county shall pay the cost of the service credit by lump sum or by establishing a payment schedule under paragraph (b) of this subsection; and

(f) A county which participated in the system but did not elect the alternate participation plan may at a later date elect the alternate participation plan. In this case, the county shall purchase on behalf of each employee participating in the system current service credit for employment in regular full-time positions between July 1, 1958, or a later date selected by the county government, and the participation date of the county. The county shall also

purchase, for employees who decide to participate when the county elects the alternate participation plan, current service credit for employment in regular full-time positions between July 1, 1958, or the later date selected by the county government, and the participation date of the county. In addition, the county shall pay the employer contributions on the creditable compensation of the employees who later elect membership from the participation date of the county to the date the member elects participation. The employee shall pay the employee contributions on his creditable compensation from the participation date of the county to the date he elects membership plus interest at the current actuarial rate compounded annually on the employee and employer contributions. Cost of the service credit over that which would be funded within the existing employer contribution rate shall be determined by the board's consulting actuary. The expense of the actuarial service shall be paid by the county. The county shall pay the cost of the service by lump sum or by a payment schedule established under paragraph (b) of this subsection.

(g) Notwithstanding any other provision of the Kentucky Revised Statutes to the contrary, this subsection shall not apply to members who begin participating in the system on or after January 1, 2014, and no county that elects to participate in the system on or after January 1, 2014, shall be eligible to participate under the alternate participation plan.

(4) Every school board not participating on June 21, 1974, shall enact a resolution of participation no later than July 1, 1976.

(5) The order of the governing body of a county, as provided for in subsection (1) of this section, may exclude from participation in the system hospitals and any other semi-independent agency. Each such excluded agency shall be identified in the order authorizing participation and such excluded agency may participate in the system as a separate agency.

(6) (a) After August 1, 1988, except as permitted by KRS 65.156, no local government retirement system shall be created pursuant to KRS 70.580 to 70.598 and any local government retirement systems created pursuant to KRS 79.080, 90.400, 90.410, 95.768, and KRS Chapter 96 shall be closed to new members. New employees who would have been granted membership in such retirement systems shall instead be granted membership in the County Employees Retirement System. Employees who would have been granted membership in retirement systems created pursuant to KRS 95.768, or any other policemen or firefighters who would have been granted membership in retirement systems created pursuant to KRS 79.080, 90.400, or 90.410, or any such policemen or firefighter members employed on or prior to August 1, 1988, who transfer to the County Employees Retirement System, shall be certified by their employers as working in hazardous positions. Each city participating in the County Employees Retirement System pursuant to this subsection shall execute the appropriate order authorizing such participation, shall select the alternate participation plan as described in subsection (3) of this section, and shall pay for the actuarial services necessary to determine the additional costs of alternate participation. Cities which closed their local pension systems to new members and participated in the system prior to July 15, 1988, whose employees at the time of transition were given the option to join the system shall not be required to offer said employees a second option to join the system.

(b) Notwithstanding any statute to the contrary, after April 9, 2002, the ***system***~~[systems]~~ shall deny the request for participation of any agency which does not have an irrevocable contract with the state Personnel Cabinet for health insurance coverage under KRS 18A.225 to 18A.229 for its active employees, except that agencies entering the system on or after April 9, 2002,

which were established by a merger or an interlocal agreement to provide public services shall be excluded from this requirement if all agencies entering into the merger or interlocal agreement had an initial participation date with the system prior to April 9, 2002.

(7) Any city which closed a police and firefighter pension plan to new members between January 1, 1988, and July 15, 1988, and participated in the system under the alternate participation plan shall, if its police and firefighters were not covered by Social Security, or any city which operates a pension under KRS 90.400 or 90.410, shall be required to certify that its police and firefighters are working in hazardous positions, and shall offer its police and firefighters in service at the time of entry a second option to participate under hazardous duty coverage if they were not offered hazardous duty coverage at the time of their first option. The provisions of subsection (3)(b) of this section notwithstanding, a city affected by this subsection may, at its option, extend its payment schedule to the County Employees Retirement System for alternate participation to thirty (30) years at the rate actuarially assumed by the board.

➔Section 103. KRS 95.022 is amended to read as follows:

(1) As used in this section:

(a) "City" means any incorporated city, consolidated local government, unified local government, urban-county government, or charter county government, operating under the law of this Commonwealth, and the offices and agencies thereof; and

(b) "Police officer" has the same meaning as "police officer" in KRS 15.420 and as "officer" in KRS 16.010.

(2) Subject to the limitations of subsection (7) of this section, a city may employ individuals as police officers under this section who have retired from the Kentucky Employees Retirement System, the County Employees Retirement System, or the

State Police Retirement System.

(3) To be eligible for employment under this section, an individual shall have:

(a) Participated in the Law Enforcement Foundation Program fund under KRS 15.410 to 15.510 or retired as a commissioned officer pursuant to KRS Chapter 16;

(b) Retired with at least twenty (20) years of service credit;

(c) Been separated from service for the period required by KRS 61.637 ***or Section 42 of this Act*** so that the member's retirement is not voided;

(d) Retired with no administrative charges pending; and

(e) Retired with no preexisting agreement between the individual and the city prior to the individual's retirement for the individual to return to work for the city.

(4) Individuals employed under this section shall:

(a) Serve for a term not to exceed one (1) year. The one (1) year employment term may be renewed annually at the discretion of the employing city;

(b) Receive compensation according to the standard procedures applicable to the employing city; and

(c) Be employed based upon need as determined by the employing city.

(5) Notwithstanding any provisions of KRS 16.505 to 16.652, 18A.225 to 18A.2287, 61.510 to 61.705, or 78.510 to 78.852 to the contrary:

(a) Individuals employed under this section shall continue to receive all retirement and health insurance benefits to which they were entitled upon retiring in the applicable system administered by Kentucky Retirement Systems ***or the County Employees Retirement System***;

(b) Individuals employed under this section shall not be eligible to receive health insurance coverage through the employing city;

(c) The city shall not pay any employer contributions or retiree health expense

reimbursements to the Kentucky Retirement Systems required by KRS 61.637(17) ***or subsection (4) of Section 42 of this Act*** for individuals employed under this section; and

(d) The city shall not pay any insurance contributions to the state health insurance plan, as provided by KRS 18A.225 to 18A.2287, for individuals employed under this section.

(6) Individuals employed under this section shall be subject to any merit system, civil service, or other legislative due process provisions applicable to the employing city. A decision not to renew a one (1) year appointment term under this section shall not be considered a disciplinary action or deprivation subject to due process.

(7) A city government shall be limited in the number of retired police officers that it may hire under this section as follows:

(a) A city government that employed an average of five (5) or fewer police officers over the course of calendar year 2015 shall not be limited in the number of officers that they may hire under this section;

(b) A city government that employed an average of more than five (5) but fewer than one hundred (100) police officers over the course of calendar year 2015 shall not hire more than five (5) police officers or a number equal to twenty-five percent (25%) of the police officers employed by the city in calendar year 2015, whichever is greater; and

(c) A city government that employed an average of ~~[more than ]~~one hundred (100) ***or more*** police officers over the course of calendar year 2015 shall not hire more than twenty-five (25) police officers or a number equal to ten percent (10%) of the police officers employed by the city in calendar year 2015, whichever is greater.

➔Section 104. KRS 95.290 is amended to read as follows:

(1) The city legislative body in cities of the first class may enact ordinances providing

for a system of pensions for retired and disabled members of the police and fire divisions of the department of public safety and their dependents, may appropriate funds for the purpose of paying such pensions, may allot and pay to the policemen's pension fund or the firefighters' pension fund or either or both of them, all fines and forfeitures imposed upon members of the respective divisions, and may provide for, assess, and collect contributions from the members for the benefit of the fund.

(2) (a) There shall be a governing body of the policemen's pension fund, and a governing body of the firefighters' pension fund. The governing bodies of the respective funds shall hold title to all assets in their respective funds, and shall have exclusive authority relating to investment of the assets of the funds, including contracting with investment advisors or managers to perform investment services as deemed necessary and prudent by the board. A majority of the governing body of each fund shall be composed of persons receiving pension benefits from the respective pension systems, and no more than one (1) member of the city legislative body may be a member of the governing body of either the policemen's or the firefighters' pension fund, except if there are fewer than six (6) active and retired members of the policemen's or the firefighters' pension fund, the governing body of the pension fund shall be composed of the mayor, city treasurer or chief financial officer, and two (2) employees appointed by the mayor from the city's respective police department or fire department. To be effective, an action of the governing body of a fund shall require only a simple majority of the votes cast at a properly convened meeting of the governing body where a quorum is present, with a quorum being a majority of the members of a governing body.

(b) If all liabilities to all individuals entitled to benefits from the policemen's pension fund or firefighters' pension fund have been satisfied, the ordinances establishing the fund may be repealed by the majority vote of the duly elected

members of the entire legislative body. If repealed, the governing body of the policemen's or firefighters' pension fund shall, within sixty (60) days of repeal, proceed with the liquidation of any residual assets of the fund. All residual assets liquidated pursuant to this paragraph shall be distributed by the governing body to the city's general fund provided the return of assets complies with federal and state law governing the distribution of assets. Within thirty (30) days following the distribution of residual assets, the governing body of the fund shall as its last act file a complete report with the legislative body of the city, for retention by the city clerk the same as for other city records, of the actions taken to dissolve the fund and liquidate residual assets of the fund.

(3) Any policemen's pension fund or any firefighters' pension fund established under the provisions of this section shall be held or distributed for, and only for, any of the following purposes of the respective fund as applicable:

(a) Paying pensions, and any bonus payments under applicable ordinances;

(b) Making payments to the city for transfer to the County Employees Retirement System for alternate participation pursuant to KRS 78.530(3)(a) and 78.531(2) or for the distribution of residual assets in the event the fund is dissolved pursuant to subsection (2)(b) of this section;

(c) Transferring pension assets through investment contract or other financial instrument for the purpose of amortizing unfunded service liabilities; and

(d) Payment from the city to the County Employees Retirement System for future pension contributions required pursuant to ***Sections 12 and 40 of this Act***~~[KRS 61.565]~~.

Pursuant to the terms of this section, if policemen of the city of the first class elect entry into the County Employees Retirement System and thereby create excess funds over those required to provide for the purposes set forth in paragraphs (a), (b),

and (c) of this subsection, these excess funds shall be distributed to the city for use by the city for any other purpose it may elect, including, but not limited to, the establishment of a reserve for payment under paragraph (d) of this subsection. The governing board of the fund may annually expend for the necessary expenses connected with the fund, including but not limited to expenses for medical, actuarial, accounting, and legal services, the amount such governing board deems proper.

(e) Payment from the city to the County Employees Retirement System for future pension contributions required pursuant to ***Sections 12 and 40 of this Act***[~~KRS 61.565~~]. Pursuant to the terms of this section, if firefighters of the city of the first class elect entry into the County Employees Retirement System and thereby create excess funds over those required to provide for the purposes set forth in paragraphs (a), (b), and (c) of this subsection, these excess funds shall be distributed according to the terms of an agreement negotiated between the city and the union organization representing the firefighters. The city may use its share of the distributed excess funds for any purpose it may elect, including, but not limited to, the establishment of a reserve for payment under paragraph (e) of this subsection.

(4) (a) The governing body of each pension fund shall insure that all of the assets in the fund are distributed for the purposes in subsection (3) of this section, and only for these purposes. If in any calendar year the assets in either fund exceed those needed for the actuarial liability for payment of pension benefits and any anticipated liabilities under subsection (3)(b) and (c) of this section, the legislative body of the city establishing the pension system shall insure by pension bonus ordinance that a portion of these excess funds be distributed in an equitable manner to all eligible pension recipients. Nothing in this subsection shall be construed to require any change to be made to any pension

ordinance as it exists on July 15, 1998.

(b) The governing board of either fund may annually expend for the necessary expenses connected with the fund, including but not limited to expenses for medical, actuarial, accounting, and legal or other professional services, the amount such governing board deems proper.

(5) Any ordinance establishing a pension fund under this section shall make equitable provision for the rights of persons having an interest in assets transferred to the fund from any fund heretofore established by statute.

(6) To assure equal protection for the beneficiaries of either fund, any action taken by the city executive or legislative body in cities of the first class that affects a policemen's pension fund or a firefighters' pension fund established under this section shall, to the maximum extent permitted by law, treat each fund in a uniform manner and shall not cause any change to be made to the structure or operation of either fund, whether through legislation, litigation, compromise, settlement, or otherwise, unless any proposed change is offered to the other fund before it takes effect. Nothing in this subsection shall be construed to require any change to be made to any pension ordinance as it exists on July 15, 1998.

(7) The legislative body in a city of the first class shall issue the appropriate order, pursuant to KRS 78.530(1), directing participation for policemen in the County Employees Retirement System. All new employees who would have been granted membership in the local policemen's pension system shall be members of the County Employees Retirement System. All active members of the local policemen's pension system at the time of transition to the County Employees Retirement System may choose membership in the County Employees Retirement System or may retain membership in the local system. The city shall elect the alternate participation plan, pursuant to KRS 78.530(3), for policemen who transfer to the County Employees Retirement System. Notwithstanding the provisions of KRS

78.530(3)(b), the city may, at its option, extend the payment period for the cost of alternate participation to a maximum of twenty (20) years with the interest at the rate actuarially assumed by the board. The city shall have the right to use assets in the local pension fund, other than assets necessary to pay benefits to the remaining active members of the local policemen's pension system and to retirees and their survivors as determined by actuarial valuation, to assist in the payment of the annual installment cost of alternate participation. All policemen who become members of the County Employees Retirement System pursuant to this section shall be granted hazardous duty coverage, and the city may, at its option, purchase accumulated sick leave for each policeman upon retirement pursuant to KRS 78.616.

(8) The legislative body in a city of the first class may issue the appropriate order, pursuant to KRS 78.530(1), directing participation for firefighters in the County Employees Retirement System. In the event that the legislative body in a city of the first class issues such an order, then all new employees who would have been granted membership in the local firefighters' pension system shall be members of the County Employees Retirement System. All active members of the local firefighters' pension system at the time of transition to the County Employees Retirement System may choose membership in the County Employees Retirement System or may retain membership in the local system. The city shall elect the alternate participation plan, pursuant to KRS 78.530(3), for firefighters who transfer to the County Employees Retirement System. Notwithstanding the provisions of KRS 78.530(3)(b), the city may, at its option, extend the payment period for the cost of alternate participation to a maximum of twenty (20) years with the interest at the rate actuarially assumed by the board. The city shall have the right to use assets in the local firefighters' pension fund, other than assets necessary to pay benefits to the remaining active members of the local firefighters' pension system and to retirees

and their survivors as determined by actuarial valuation, to assist in the payment of the annual installment cost of alternate participation. After certification by the County Employees Retirement System of eligibility for hazardous duty coverage, each firefighter who becomes a member of the County Employees Retirement System pursuant to this section shall be granted hazardous duty coverage.

(9) Notwithstanding the provisions of ***Sections 12 and 40 of this Act***~~[KRS 61.565]~~, which relate to the contributions required of participating employers, any city of the first class participating in the County Employees Retirement System hazardous duty pension plan which has in effect a collective bargaining agreement with a group of employees who participate in said plan, shall have the right to enter into agreement with its employees or with their respective collective bargaining representatives. This agreement may include, but is not limited to, specifications of what portion of the required employer contribution shall be borne by the participating employer and what portion shall be borne by the participating employee. This provision in no way modifies the employer's obligation to remit the contributions required by the County Employees Retirement System pursuant to ***Sections 12 and 40 of this Act***~~[KRS 61.565]~~, whether such contributions are borne by the city or by its participating employees.

(10) With regard to the employer participation or employer contributions pursuant to ***Sections 12 and 40 of this Act***~~[KRS 61.565]~~ as it relates to future pension contribution requirements or as it relates to payback period or interest charge for service liability cost under alternate participation, if any statute or any resolution of the appropriate state board of trustees having authority over employer participation or employer contribution grants any terms or conditions to any city of the home rule class, or to any county, or to any urban-county government, which are more favorable in terms of participation than terms or conditions granted to any city of the first class, then said provisions for employer participation or contribution shall

be available to the city of the first class, at its option and effective upon adoption by the city of the first class and notification to the County Employees Retirement System.

➔Section 105. KRS 161.155 is amended to read as follows:

(1) As used in this section:

(a) "Teacher" shall mean any person for whom certification is required as a basis of employment in the common schools of the state;

(b) "Employee" shall mean any person, other than a teacher, employed in the public schools, whether on a full or part-time basis;

(c) "Immediate family" shall mean the teacher's or employee's spouse, children including stepchildren and foster children, grandchildren, daughters-in-law and sons-in law, brothers and sisters, parents and spouse's parents, and grandparents and spouse's grandparents, without reference to the location or residence of said relative, and any other blood relative who resides in the teacher's or employee's home;

(d) "Sick leave bank" shall mean an aggregation of sick leave days contributed by teachers or employees for use by teachers or employees who have exhausted all sick leave and other available paid leave days; and

(e) "Assault" shall mean an act that intentionally causes injury so significant that the victim is determined to be, by certification of a physician or surgeon duly qualified under KRS Chapter 342, incapable of performing the duties of his or her job.

(2) Each district board of education shall allow to each teacher and full-time employee in its common school system not less than ten (10) days of sick leave during each school year, without deduction of salary. Sick leave shall be granted to a teacher or employee if he or she presents a personal affidavit or a certificate of a physician stating that the teacher or employee was ill, that the teacher or employee was absent

for the purpose of attending to a member of his or her immediate family who was ill, or for the purpose of mourning a member of his or her immediate family. The ten (10) days of sick leave granted in this subsection may be taken by a teacher or employee on any ten (10) days of the school year and shall be granted in addition to accumulated sick leave days that have been credited to the teacher or employee under the provisions of subsection (4) of this section.

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

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

(b) The district shall pay, for up to one (1) year from the time of the assault, the difference between the salary of the teacher or employee and any workers' compensation income benefits received by the teacher or employee resulting from the assault. Payments by the district shall include payments for intermittent work time missed as a result of the assault during the one (1) year period. If the teacher's or employee's workers' compensation income benefits cease during the one (1) year period after the assault, the district shall also

cease to make payments under this paragraph;

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

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

(e) Payments to a teacher or employee under paragraphs (a) and (b) of this subsection shall be coordinated with workers' compensation benefits under KRS Chapter 342, disability retirement benefits for teachers under KRS 161.661 to 161.663, and disability retirement benefits for employees under KRS 61.600 to 61.621 and ***Sections 26 to 30 of this Act***~~[78.545]~~ so that the teacher or employee receives income equivalent to his or her full contracted salary, but in no event shall the combined payments exceed one hundred percent (100%) of the teacher's or employee's full contracted salary.

(4) Days of sick leave not taken by an employee or a teacher during any school year shall accumulate without limitation and be credited to that employee or teacher. Accumulated sick leave may be taken in any school year. Any district board of education may, in its discretion, allow employees or teachers in its common school system sick leave in excess of the number of days prescribed in this section and may allow school district employees and teachers to use up to three (3) days' sick leave per school year for emergency leave pursuant to KRS 161.152(3). Any accumulated sick leave days credited to an employee or a teacher shall remain so credited in the event he or she transfers his or her place of employment from one (1) school district to another within the state or to the Kentucky Department of Education or transfers from the Department of Education to a school district.

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

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

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

(8) (a) A district board of education shall establish a sick leave donation program to permit teachers or employees to voluntarily contribute sick leave to teachers or employees in the same school district who are in need of an extended absence from school. A teacher or employee who has accrued more than fifteen (15) days' sick leave may request the board of education to transfer a designated amount of sick leave to another teacher or employee who is authorized to receive the sick leave donated. A teacher or employee may not request an amount of sick leave be donated that reduces his or her sick leave balance to less than fifteen (15) days.

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

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

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

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

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

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

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

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

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

(9) A teacher or employee may use up to thirty (30) days of sick leave following the birth or adoption of a child or children. Additional days may be used when the need

is verified by a physician's statement.

(10) (a) After July 1, 1982, a district board of education may compensate, at the time of retirement or upon the death of a member in active contributing status at the time of death who was eligible to retire by reason of service, an employee or a teacher, or the estate of an employee or teacher, for each unused sick leave day. The rate of compensation for each unused sick leave day shall be based on a percentage of the daily salary rate calculated from the employee's or teacher's last annual salary, not to exceed thirty percent (30%). Payment for unused sick leave days shall be incorporated into the annual salary of the final year of service for inclusion in the calculation of the employee's or teacher's retirement allowance only at the time of his or her initial retirement; provided that the member makes the regular retirement contribution for members on the sick leave payment. The accumulation of these days includes unused sick leave days held by the employee or teacher at the time of implementation of the program.

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

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

(12) The death benefit provided in subsection (10) of this section may be cited as the

1 Baughn Benefit.
2 ➔Section 106. KRS 161.675 is amended to read as follows:
3 (1) The board of trustees shall arrange by appropriate contract or on a self-insured basis
4 to provide a broad program of group hospital and medical insurance for present and
5 future eligible recipients of a retirement allowance from the Teachers' Retirement
6 System. The board of trustees may also arrange to provide health insurance
7 coverage through an insurer licensed pursuant to Subtitle 38 of KRS Chapter 304
8 and offering a managed care plan as defined in KRS 304.17A-500 as an alternative
9 to group hospital and medical insurance for persons eligible for hospital and
10 medical benefits under this section. The board of trustees may authorize eligible
11 recipients of a retirement allowance from the Teachers' Retirement System who are
12 less than age sixty-five (65) to be included in the state-sponsored health insurance
13 that is provided to active teachers and state employees under KRS 18A.225.
14 Members who are sixty-five (65) or older and retired for service shall not be eligible
15 to participate in the state employee health insurance program as described in KRS
16 18A.225.
17 (2) (a) The coverage provided shall be as set forth in the contracts and the
18 administrative regulations of the board of trustees. The board of trustees may
19 change the levels of coverage and eligibility conditions to meet the changing
20 needs of the annuitants and, when necessary, to contain the expenses of the
21 insurance program within the funds available to finance the insurance
22 program, except as provided by paragraph (b) of this subsection. The contracts
23 and administrative regulations shall provide for but not be limited to hospital
24 room and board, surgical procedures, doctors' care in the hospital, and
25 miscellaneous hospital costs. An annuitant whose effective date of retirement
26 is July 1, 1974, and thereafter, must have a minimum of five (5) years'
27 creditable Kentucky service in the Teachers' Retirement System or five (5)

years of combined creditable service in the state-administered retirement systems if the member is retiring under the reciprocity provisions of KRS 61.680**,**~~[ and]~~ 61.702***, and Section 40 of this Act***. An annuitant shall not elect coverage through more than one (1) of the state-administered retirement systems. The board of trustees shall offer coverage to the disabled child of an annuitant regardless of the disabled child's age if the annuitant pays the entire premium for the disabled child's coverage. A child shall be considered disabled if he has been determined to be eligible for federal Social Security disability benefits.

(b) Individuals who become members of the Kentucky Teachers' Retirement System on or after July 1, 2008, shall not be eligible for benefits under this section unless the member has at least fifteen (15) or more years of service credited under KRS 161.500 or another state-administered retirement system.

(3) All expenses for benefits under this section shall be paid from the funding provisions contained in KRS 161.420(5), from a trust fund established by the board under 26 U.S.C. sec. 115, premium charges received from the annuitants and the spouses, and from funds that may be appropriated or allocated by statute.

(4) (a) The board of trustees shall determine the amount of health insurance supplement payments that the Teachers' Retirement System will provide to assist eligible annuitants in paying the cost of their health insurance, based on the funds available in the medical insurance fund and any trust fund established by the board for this purpose under 26 U.S.C. sec. 115. The board of trustees shall establish the maximum monthly amounts of health insurance supplement payments that will be made by the Kentucky Teachers' Retirement System for eligible annuitants. The board of trustees shall annually establish the percentage of the maximum monthly health insurance supplement payment that will be made, based on age and years of service credit of eligible

recipients of a retirement allowance. Monthly health insurance supplement payments made by the retirement system may not exceed the amount of the single coverage insurance premium chosen by the eligible annuitants. In order to qualify for health insurance supplements, the annuitant must agree to pay the difference between the insurance premium and the applicable supplement payment, by payroll deduction from his retirement allowance, or by a payment method approved by the retirement system.

(b) The board shall, effective July 1, 2010, have the authority to charge retired members who are not paying the Standard Medicare Part B premium an amount equal to the Standard Medicare Part B premium in addition to any other payments determined by the board to be necessary to contain costs within the available funding. If the board determines that retired members who are not paying the Standard Medicare Part B premium should pay the equivalent of the Standard Medicare Part B premium, the board shall phase in the premium according to the following schedule:

July 1, 2010.....Thirty-three percent (33%)

July 1, 2011.....Sixty-seven percent (67%)

July 1, 2012, and thereafter.....One hundred percent (100%)

Nothing in this paragraph shall limit the board's authority to change the levels of coverage, eligibility conditions, or levels of health insurance supplement for retirees in order to contain costs within available funding.

(c) The board of trustees may offer, on a full-cost basis, health care insurance coverage provided by the retirement system to spouses and dependents of eligible annuitants not otherwise eligible for regular coverage. Recipients of a retirement allowance from the retirement system must agree to pay the cost of this coverage by payroll deduction from their retirement allowance or by a payment method approved by the retirement system.

(d) The board of trustees shall offer, on a full-cost basis, health insurance coverage provided by the retirement system to the disabled child of an annuitant, regardless of the age of the disabled child. A child shall be considered disabled for purposes of this section if the child has been determined to be eligible for federal Social Security disability benefits.

(5) The board of trustees is empowered to require the annuitant and the annuitant's spouse to pay a premium charge to assist in the financing of the hospital and medical insurance program. The board of trustees is empowered to pay the expenses for insurance coverage from the medical insurance fund, from any trust fund established by the board for this purpose under 26 U.S.C. sec. 115, from the premium charges received from the annuitants and the spouses, and from funds that may be appropriated or allocated by statute. The board may provide insurance coverage by making payment to insurance carriers including health insurance plans that are available to active and retired state employees and active teachers, institutions, and individuals for services performed, or the board of trustees may elect to provide insurance on a "self-insurance" basis or a combination of these provisions.

(6) The board of trustees may approve health insurance supplement payments to eligible annuitants who are less than sixty-five (65) years of age, as reimbursement for hospital and medical insurance premiums made by annuitants for their individual coverage. Eligible annuitants or recipients are those annuitants who are not eligible for Medicare and who do not reside in Kentucky or in an area outside of Kentucky where comparable coverage is available. The reimbursement payments shall not exceed the minimum supplement payment that would have been made had the annuitant lived in Kentucky. Eligible annuitants or recipients shall submit proof of payment to the retirement system for hospital and medical insurance that they have obtained. Reimbursement payments shall be made on a quarterly basis.

(7) Contracts negotiated may include the provision that a stated amount of hospital cost or period of hospitalization shall incur no obligation on the part of the insurance carrier or the retirement system or any trust fund established for this purpose by the board.

(8) The board of trustees is empowered to promulgate administrative regulations to assure efficient operation of the hospital and medical insurance program.

(9) Premiums paid for hospital and medical insurance coverage procured under authority of this section shall be exempt from any premium tax which might otherwise be required under KRS Chapter 136. The payment of premiums by the medical insurance fund or another trust fund established by the board for this purpose shall not constitute taxable income to an insured recipient.

(10) In the event that a member is providing services on less than a full-time basis under KRS 161.605, the retirement system may pay the full cost of the member's health insurance coverage for the full fiscal year that the member is providing those services, at the conclusion of which, the retirement system may then bill the active employer and the active employer shall reimburse the retirement system for the cost of the health insurance coverage incurred by the retirement system on a pro rata basis for the time that the member was employed by the active employer.

➔Section 107. KRS 61.557 is amended to read as follows:

(1) Inasmuch as the takeover of the Kentucky State Employment Service by the federal government, through its United States Employment Service and War Manpower Commission, was recognized by both federal and state governments as a temporary measure during the war emergency, and the employment service was, in fact, returned to the state government at the close of the emergency period, the employees of the service are recognized as employees of the Commonwealth for the purposes of KRS 61.510 to 61.692 during the period of control by the federal government, in the same manner as if they had been employed in another

department of the government of the Commonwealth during that period.

(2) If a parted employer rejoins a department as a result of the cancellation of a contract or lease arrangement, thereby causing each employee thereof to again become an employee as defined in KRS 61.510(5), the system may negotiate with the publicly held corporation or other similar organizations for payment for the years of service credit under the system for all employees working on the date the contract or other lease arrangement is canceled in order to avoid an impairment in the retirement benefits of the employees, if any payment accepted by the system for the service is based on a formula consistent with the provisions of KRS 61.552(***6)***[~~(7)~~]. No payment made pursuant to this section shall be picked up by the employer, as described in KRS 61.560(4).

➔Section 108. The following KRS sections are repealed:

78.533 Employees of Metropolitan Park and Recreation Board of Jefferson County, credit for former service.

78.534 Participation of qualified circuit clerks and deputy clerks -- Transfer of service credit.

78.532 Employees formerly employed by private employer -- Credit for former service.

78.542 Required participation by retired hazardous members in an elected city or county office on June 21, 2001 -- Election not to participate -- Purchase of service credit.

78.545 Matters not specified in KRS 78.510 to 78.852.

212.434 Prior service credit.

➔Section 109. All administrative decisions made by the Kentucky Retirement Systems board of trustees prior to July 1, 2017, on behalf of the County Employees Retirement System, including but not limited to approval for hazardous positions, administrative decisions, and disability determinations, shall be implemented on July 1, 2017, and shall not be reversed except under the authority granted by KRS 78.510 to 78.852 to the County Employees Retirement System board of trustees.

➔Section 110. The three elected trustees of the County Employees Retirement System who are serving as trustees of the Kentucky Retirement Systems immediately prior to the effective date of this Act shall serve as the three elected trustees of the County Employees Retirement System board as provided by Section 46 of this Act and shall serve for the duration of the terms for which they were elected.

➔Section 111. No provisions of this Act shall increase or decrease benefits being paid to retirees, beneficiaries, or recipients of the Kentucky Retirement Systems or the County Employees Retirement System nor shall any provisions of this Act increase or decrease benefits that have accrued to members of the Kentucky Retirement Systems or the County Employees Retirement System on the effective date of this Act.

➔Section 112. The provisions of this Act shall not be construed to limit the General Assembly's authority to amend, reduce, or suspend any provision of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, that the General Assembly had the authority to amend, reduce, or suspend, prior to July 1, 2017.

➔Section 113. Notwithstanding KRS 12.028(5), the General Assembly confirms Executive Order 2016-340, dated June 17, 2016, to the extent it is not otherwise confirmed or superseded by this Act.

➔Section 114. Sections 1 to 112 of this Act take effect July 1, 2017.