

AN ACT relating to retirement and declaring an emergency.

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

SECTION 91. A NEW SECTION OF KRS CHAPTER 6 IS CREATED TO READ AS FOLLOWS:

- (1) There is hereby established the Kentucky Pension Investment Review Commission, which shall be composed of the following seven (7) members:*
 - (a) Three (3) individuals appointed by the Governor;*
 - (b) Two (2) individuals appointed by the President of the Senate; and*
 - (c) Two (2) individuals appointed by the Speaker of the House of Representatives.*
- (2) Each member appointed to the commission by the Governor, the President of the Senate, or the Speaker of the House:*
 - (a) Shall not be an active, inactive, or retired member of the state-administered retirement systems; and*
 - (b) 1. Shall have at least ten (10) years of investment experience and expertise with pension funds or financial institutions; or*
 - 2. Shall hold a certification as a chartered financial analyst (CFA) and have at least five (5) years of investment experience and expertise with pension funds or financial institutions.*
- (3) The Kentucky Pension Investment Review Commission shall elect a chair and vice chair from its membership and shall meet at least once every six (6) months, or more frequently as determined by the chair. A majority of the entire membership of the commission shall constitute a quorum, and all actions of the commission shall be by vote of a majority of the commission.*
- (4) Professional, clerical, and other staffing needs shall be provided by the Legislative Research Commission.*
- (5) The Kentucky Pension Investment Review Commission shall be charged with:*
 - (a) Conducting a comprehensive operational and governance review of the past*

investments of the state-administered retirement systems. The initial review shall be completed no later than December 1, 2009;

(b) Reviewing and recommending appropriate investment policies and practices, investment benchmarks, and asset allocations and portfolio strategies for the state-administered retirement systems;

(c) Reviewing the securities litigation policies and programs of the state-administered retirement systems, including the amount of losses recovered by the state-administered retirement systems under their current securities litigation policies and programs, and providing recommendations to the 2010 General Assembly to ensure the state-administered retirement systems are recovering an appropriate level of losses due to securities fraud; and

(d) Providing and filing an annual report summarizing the findings and recommendations of the commission as provided by paragraphs (a) to (c) of this subsection to the Governor and the Legislative Research Commission.

(6) Notwithstanding any provision of KRS Chapter 6, 16, 61, 78, or 161 to the contrary, each state-administered retirement system shall furnish any and all investment or investment-related information or data and any actuarial analysis or projections requested by the commission, at no cost to the commission.

(7) In order to carry out its duties under this section, the commission may contract for the services of a nationally recognized independent investment advisor with extensive experience advising public pension plans who is capable of reviewing investment benchmarks, investment portfolio strategies, investment returns, and asset allocations of the state-administered retirement systems, subject to review and approval by the Legislative Research Commission.

(8) Members of the commission who do not otherwise receive a salary from the State Treasury shall receive a per diem of two hundred fifty dollars (\$250) 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.

(9) (a) All members of the commission shall comply with the Executive Branch Code of Ethics established in KRS Chapter 11A.

(b) In addition to compliance with the code of ethics required in paragraph (a) of this subsection, a member of the commission shall not have any direct or indirect interest in the findings or recommendations of the commission that puts the member's personal interest in conflict with that of the duties of the commission.

(c) Any investment advisor contracted by the commission pursuant to subsection (7) of this section shall abide by the CFA Institute Code of Ethics and Standards of Professional Conduct and shall not simultaneously serve as an investment advisor to the commission and one (1) of the state-administered retirement systems.

(10) For purposes of this section, "state-administered retirement system" includes:

(a) 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 KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852;

(b) The Kentucky Teachers' Retirement System established under KRS 161.220 to 161.716;

(c) The Judicial Retirement Plan established under KRS 21.345 to 21.580; and

(d) The Legislators' Retirement Plan established under KRS 6.500 to 6.577.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 6 IS CREATED TO READ AS FOLLOWS:

(1) There is created a permanent subcommittee of the Legislative Research Commission to be known as the Public Employee Benefit Oversight Committee. The subcommittee shall be composed of eight (8) members appointed as follows: three (3) members of the Senate appointed by the President of the Senate; one (1)

member of the minority party in the Senate appointed by the Minority Floor Leader in the Senate; three (3) members of the House of Representatives appointed by the Speaker of the House of Representatives; and one (1) member of the minority party in the House of Representatives appointed by the Minority Floor Leader in the House of Representatives. The members of the subcommittee shall serve for terms of two (2) years, and the members appointed from each chamber shall elect one (1) member from their chamber to serve as co-chair. Any vacancy which may occur in the membership of the subcommittee shall be filled by the appointing authority who made the original appointment.

(2) On an alternating basis, each co-chair shall have the first option to set the monthly meeting date. A monthly meeting may be canceled by agreement of both co-chairs. The co-chairs shall have joint responsibilities for subcommittee meeting agendas and presiding at subcommittee meetings. The members of the subcommittee shall be compensated for attending meetings as provided in KRS 7.090(3).

(3) Any professional, clerical, or other employees required by the subcommittee shall be provided in accordance with KRS 7.090(4) and (5).

(4) A majority of the entire membership of the Public Employee Benefit Oversight Committee shall constitute a quorum, and all actions of the subcommittee shall be by vote of a majority of its entire membership.

(5) The Public Employee Benefit Oversight Committee shall be charged with:

(a) Examining the benefits, financing, and administration of the state-administered retirement systems on an ongoing basis;

(b) Examining the benefits, financing, and administration of the Public Employees Health Plan established pursuant to KRS Chapter 18A and any health plans established by the state-administered retirement systems on an ongoing basis;

(c) At the request of the Speaker of the House of Representatives or the

President of the Senate, reviewing legislative proposals or issues related to the state-administered retirement systems, the Public Employees Health Plan established pursuant to KRS Chapter 18A, and the health plans established by the state-administered retirement systems; and

(d) Providing an annual report and any additional information and recommendations as determined by the subcommittee to the Speaker of the House of Representatives, the President of the Senate, the Minority Floor Leader of the House of Representatives, and the Minority Floor Leader of the Senate.

(6) Except for information protected under KRS 61.661 or 161.585 or information specific to the account of a current or former employee or retiree, each state-administered retirement system shall provide any and all information, including any actuarial analysis, to the subcommittee. The cost of providing the information to the subcommittee shall be included in the administrative budget of each state-administered retirement system.

(7) For purposes of this section, "state-administered retirement system" includes:

(a) 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 KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852;

(b) The Kentucky Teachers' Retirement System established under KRS 161.220 to 161.716;

(c) The Judicial Retirement Plan established under KRS 21.345 to 21.580; and

(d) The Legislators' Retirement Plan established under KRS 6.500 to 6.577.

âSection 91. 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~~[financial]~~ liability of any state-administered retirement system~~[public retirement system administered by~~

~~an agency of state government~~] 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~~[public]~~ retirement system, including:

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

2. A projection of the annual cost to the ~~systems~~[system] of implementing the legislation for at least ~~twenty (20)~~~~[ten (10)]~~ years. The annual 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~~[proposes to increase benefits, increase benefit participation, or provide liability assumption for]~~ more than one (1) state-administered~~[public]~~ retirement system, the actuarial analysis shall project costs for each affected state-administered~~[public]~~ 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~~[public]~~ retirement system actuarially unsound or, in the case of a system already actuarially unsound, more unsound.~~[An advanced funding]~~ Actuarial cost methods and assumptions that meet actuarial standards of practice established by the Actuarial Standards Board~~[method]~~ shall be used in all cost projections.

~~(d)~~~~(b)~~ An actuarial analysis required by this section shall be prepared by an actuary who is a fellow of the Society of Actuaries, a member of the American Academy of Actuaries, or an enrolled actuary under the Employees' Retirement Income Security Act of 1974.

- (3) *(a)* An actuary commissioned to make an actuarial analysis^[study] that is required by this section, or for the purpose of seeking appropriations for a state-administered^[public] retirement system ~~administered by an agency of state government~~, shall include in the analysis^[study] a complete definition of each actuarial term used in the analysis^[study] and, either in the analysis^[study] 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^[in the valuation made for the study].
- (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 term "state-administered retirement system" includes:
- (a)* 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 KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852;
- (b)* The Kentucky Teachers' Retirement System established under KRS 161.220 to 161.716;
- (c)* The Judicial Retirement Plan established under KRS 21.345 to 21.580; and
- (d)* The Legislators' Retirement Plan established under KRS 6.500 to 6.577.

âSection 91. KRS 6.505 is amended to read as follows:

- (1) Each legislator in office on July 1, 1980, may within thirty (30) days after that date, and any legislator thereafter taking office may within thirty (30) days after the date thereof, elect to make monthly contributions to the Legislators' Retirement Plan, in an amount equal to five percent (5%) of his monthly creditable compensation, as defined in KRS 61.510(13). The election shall be effective to establish membership in the plan as of July 1, 1980, or as of the date from which the thirty (30) day period is measured, as the case may be. Provided, however, that any legislator who was in office on July 1, 1980, and who is in office at the time he makes the election may, after the expiration of the thirty (30) day period and until May 1, 1982, make the election, in which event he shall pay to the Legislators' Retirement Plan, for the months between July 1, 1980, and the date of his election such sum as, when added to any member's contribution by him that is transferred from another retirement system under KRS 6.535, will equal the member's contribution required by this section. If the member makes his election after February 1, 1981, he shall in addition pay to the plan interest on the foregoing sum, at six percent (6%) per annum, calculated as if the sum consisted of equal monthly payments, one (1) of which was due at the end of each month between July 1, 1980, and the date the election was made. The election shall be addressed to and filed with the secretary of the Finance and Administration Cabinet and shall constitute an authorization to the secretary to thereafter cause to be deducted from the member's monthly creditable compensation an amount equal to five percent (5%) thereof, as a voluntarily elected contribution by the member towards the funding of the Legislators' Retirement Plan. Such election shall operate to create an inviolable contract between such member and the Commonwealth, guaranteeing to and vesting in the member the rights and benefits provided for under KRS 6.515 to 6.530. An election once made under this section either to participate or not to participate in the Legislators' Retirement Plan, shall be considered to apply to all future service as a legislator, whether in the same or a different office as a legislator, and whether or not it is in successive terms.

- (2) A legislator entitled to elect membership in the retirement system who failed to elect membership within thirty (30) days after taking office may elect membership not later than August 31, 2005. An election, upon being made pursuant to this section, shall operate to create an inviolable contract between the member and the Commonwealth, guaranteeing to and vesting in the member the rights and benefits provided for under the terms and conditions of KRS 6.500 to 6.577.
- (3) When any legislator makes a delayed election of membership in the Legislators' Retirement Plan under subsection (2) of this section, his active membership in the Kentucky Employees Retirement System shall terminate, as of the date his membership in the Legislators' Retirement Plan becomes effective, and any credit in the Kentucky Employees Retirement System, earned for service as a legislator, which he then has or which he subsequently regains while being an active member of the Legislators' Retirement Plan, shall be transferred to and counted as service credit in the Legislators' Retirement Plan, and shall no longer constitute credit in the Kentucky Employees Retirement System, except for the purpose of validating any other credit in that system if the member pays the difference, if any, between the amount transferred from the Kentucky Employees Retirement System and the actuarial value of the transferred service. However, any credit he then has in the Kentucky Employees Retirement System, earned for service in any capacity other than a legislator, shall not be affected. No person may attain credit in more than one (1) of the retirement plans or systems mentioned in this section for the same period of service. When credit is transferred from the Kentucky Employees Retirement System to the Legislators' Retirement Plan, the Kentucky Employees Retirement System shall transfer to the Legislators' Retirement Fund an amount equal to the employee's and employer's contributions attributable to that credit, together with interest on the contributions from the date made to the date of transfer at the actuarially-assumed interest rate of the Kentucky Employees Retirement System in effect at the time the contributions were made, compounded annually at that same interest rate.

- (4) The state 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 so picked up shall be treated as employer contributions in determining tax treatment under the United States Internal Revenue Code and KRS 141.010(10). 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. The state 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 6.500 to 6.535 in the same manner and to the same extent as employee contributions made prior to August 1, 1982.
- (5) When any legislator elects membership in the Legislators' Retirement Plan in accordance with this section, his active membership in the Kentucky Employees Retirement System, State Police Retirement System, County Employees Retirement System, or Teachers' Retirement System shall terminate, as of the date his membership in the Legislators' Retirement Plan becomes effective, and any credit in such other system or systems, earned for service as a legislator, which he then has or which he subsequently regains while being an active member of the Legislators' Retirement Plan, shall be transferred to and counted as service credit in the Legislators' Retirement Plan, and shall no longer constitute credit in such other retirement system except for the purpose of validating any other credit in that system. However, any credit he then has in such other retirement system, earned for service in any capacity other than a legislator, shall not be affected. No person may attain credit in more than one (1) of the retirement plans or systems mentioned in this section, for the same period of service.

- (6) A member of the Legislators' Retirement Plan who would be entitled, under KRS 61.552, to repurchase credit in the Kentucky Employees Retirement System, for previous service as a legislator, which credit had been lost by refund of contributions, may pay the amount required by KRS 61.552 directly to the Legislators' Retirement Plan and thereby obtain credit in that plan for such service, rather than making payment to the Kentucky Employees Retirement System for credit which would be transferred to the Legislators' Retirement Plan. In such event, the Kentucky Employees Retirement System shall transfer to the Legislators' Retirement Plan an amount equal to the employer's contributions that originally were made to the Kentucky Employees Retirement System for the regained service credit, with interest as provided in KRS 6.535. Six (6) months' current service shall be required in the Legislators' Retirement Plan in order for the repurchased credit to remain in force, the same as provided in KRS 61.552.

(7) *Effective July 1, 2008, the Legislators' Retirement Plan shall be closed to new members. Legislators who have not previously participated in the Legislators' Retirement Plan and who begin their first term of office as a legislator on or after July 1, 2008, shall not be eligible to participate in the Legislators' Retirement Plan, but shall instead participate in the Kentucky Employees Retirement System under the nonhazardous benefit structure.*

âSection 91. KRS 6.521 is amended to read as follows:

- (1) As of July 1 of each year, the board of trustees of the Kentucky Judicial Form Retirement System shall recompute the monthly benefits of persons then receiving benefits under the Legislators' Retirement Plan, by using the following formula: three and one-half percent (3.5%) times fifty-five percent (55%) of the final compensation of the office in which the credit was earned for a person retiring as of the recomputation date, times the number of years of service credit (not to exceed twenty-eight (28) years). In making the recomputation, the same reduction factor, in case of an actuarially reduced benefit or a surviving spouse's benefit, shall be used as

was used in determining the benefit then being received. If the benefit as recomputed in accordance with this section is higher than the benefit then being received, the recomputed benefit shall thereafter be paid monthly, commencing as of the date specified for the recomputation, subject to future adjustment at ensuing recomputations in accordance with this section.

- (2) Effective August 1, 1998, ~~to~~~~[and on]~~ July 1, ~~2008~~~~[of each year thereafter]~~, a recipient of a monthly pension benefit from the Legislators' Retirement Plan shall have his or her benefit 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 state's appropriation to the Legislators' Retirement Fund, only the costs of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on August 1, 1998, to July 1, 2008,~~[and thereafter]~~ shall not be considered as benefits protected by the inviolable contract provisions of KRS 6.505. 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) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a monthly pension benefit from the Legislators' Retirement Plan who retired from the Legislators' Retirement Plan before July 1, 2018, shall have his or her benefit increased by one and one-half percent (1.5%), provided the recipient has been receiving a retirement 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 a benefit in the twelve (12) months preceding the effective date of the increase. In determining the state's appropriation to the Legislators' Retirement Fund, only the costs of increases granted as of the most

recent valuation date shall be recognized. 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 Section 4 of this Act. 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.

(4) In addition to the increase to a recipient's retirement allowance as provided by subsection (3) 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.

(5) The board of trustees of the Judicial Form Retirement System is authorized to develop a program whereby members of the Legislators' Retirement Plan who retire on or after July 1, 2018, may elect to receive an actuarially reduced retirement allowance that is increased annually after retirement by a fixed percentage.

âSection 91. KRS 21.350 is amended to read as follows:

- (1) Except as provided in subsections~~[subsection]~~ (2) and (4) of this section, membership in the retirement system established by KRS 21.350 to 21.510 shall consist of, and be confined to, Justices of the Supreme Court, Judges of the Court of Appeals created by Section 111 of the Constitution of Kentucky, Circuit Judges, and Judges of the District Court, who have elected to participate in accordance with KRS 21.360.
- (2) Any person who was a member on December 31, 1975, by virtue of holding on that date the office of commissioner of the former Court of Appeals or director of the Administrative Office of the Courts shall continue in membership so long as he continues to render service in any capacity in or for the Court of Justice.

- (3) The limitation of membership made by this section does not affect rights to benefits based on service rendered before the 1978 amendment to this section took effect.

(4) Effective July 1, 2008, the Judicial Retirement Plan shall be closed to new members. Any Justice or Judge who has not previously participated in the Judicial Retirement Plan and who first begins serving as a Justice or Judge on or after July 1, 2008, shall not participate in the Judicial Retirement Plan, but shall instead participate in the Kentucky Employees Retirement System under the nonhazardous benefit structure.

âSection 91. KRS 21.405 is amended to read as follows:

- (1) As of July 1, 1982, the board of trustees of the Kentucky Judicial Form Retirement System shall recompute the monthly benefits of persons then receiving benefits under the Judicial Retirement Plan by using the same service credit rate and the same number of years of service that were used in computing the benefits then being received but substituting, in lieu of the "final compensation" that was used in the computation of the benefit then being received an amount equal to fifty-five percent (55%) of the final compensation of the office in which the credit was earned for a person retiring as of June 30, 1982.
- (2) As of July 1, 1983, and as of July 1 of each year thereafter, the board of trustees of the Kentucky Judicial Form Retirement System shall recompute the monthly benefits of persons then receiving benefits under the Judicial Retirement Plan by using the following formula: two and three-fourths percent (2.75%) times fifty-five percent (55%) of the final compensation of the office in which the retirement credit was earned for a person retiring as of the recomputation date, times the number of years of service credit (not to exceed thirty-six (36) years).
- (3) In making the recomputations provided for in subsections (1) and (2) of this section, the same reduction factor, in case of an actuarially reduced benefit or a surviving spouse's benefit, shall be used as was used in determining the benefit then being received. If the benefit as recomputed in accordance with subsection (1) or (2) of this

section is higher than the benefit then being received, the recomputed benefit shall thereafter be paid monthly, commencing as of the date specified for the recomputation, subject to future adjustment at ensuing annual recomputations in accordance with subsection (2) of this section. For the purposes of this section, the following office equivalents shall be used: Judge of former Court of Appeals - Justice of Supreme Court; any position other than judge or justice that was covered by the Judicial Retirement System - Judge of the present Court of Appeals.

- (4) Effective August 1, 1998, ~~to [and on] July 1, 2008 [of each year thereafter]~~, a recipient of a monthly pension benefit from the Kentucky Judicial Retirement Plan shall have his or her benefit 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 state's appropriation to the Judicial Retirement Fund, only the costs of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on August 1, 1998, to July 1, 2008, ~~[and thereafter]~~ shall not be considered as benefits protected by the inviolable contract provisions of KRS 21.480. 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.

- (5) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a monthly pension benefit from the Kentucky Judicial Retirement Plan who retires before July 1, 2018, shall have his or her benefit increased by one and one-half percent (1.5%), provided 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 (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. In determining the

state's appropriation to the Judicial Retirement Fund, only the costs of increases granted as of the most recent valuation date shall be recognized. 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 21.480. 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.

(6) In addition to the increase to a recipient's retirement allowance as provided by subsection (5) 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.

(7) The board of trustees of the Judicial Form Retirement System is authorized to develop a program whereby members of the Kentucky Judicial Retirement Plan who retire on or after July 1, 2018, may elect to receive an actuarially reduced retirement allowance that is increased annually after retirement by a fixed percentage.

âSection 91. KRS 16.505 is amended to read as follows:

As used in KRS 16.510 to 16.652, unless the context otherwise requires:

- (1) "System" means the State Police Retirement System created by KRS ~~16.505~~^[16.510] 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 contribution 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~~^{16.510} to 16.652, and any other amounts the member shall have contributed, including interest credited. *For employees who begin participating on or after July 1, 2008, accumulated contributions shall also include all employee contributions, employer contributions, and investment return credited to the member's annuity savings account as provided by Section 43 of this Act.*
- (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 July 1, 2008, creditable compensation shall not include lump-sum payments for compensatory time that are paid to an employee as a result of termination of employment;*

(9) "Final compensation"~~at any time~~ means:

- (a) For a member who begins participating before July 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 July 1, 2008, the creditable compensation of a member during the thirty-six (36) months of service credit prior to retirement, divided by three (3);*

(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) "Actuarially equivalent benefits" means benefits which are of equal value when computed upon the basis of actuarial tables adopted by the board, except that, in case of disability retirement, the options authorized by KRS 61.635 shall be computed by adding ten (10) years to the age of the member. 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 July 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 July 1, 2008, the first day of the month following a member's sixty-fifth 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~~~~[16.510]~~ 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 July 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 July 1, 2008, the retirement date declared by a member if:

1. The member is not less than fifty-five (55) 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; or

2. The member is not less than sixty (60) years of age and has ten (10) 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~~^{16.510} 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 be considered a recipient only for purposes of KRS 61.691;
- (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 contribution 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, 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;
- (33) "Participating" means an employee is currently earning service credit in the system as provided in KRS 16.543; and
- (34) "Month" means a calendar month.

âSection 91. KRS 16.545 is amended to read as follows:

- (1) (a) Except for members over age fifty-five (55) on July 1, 1958, who shall not be required to contribute, each member shall, commencing on July 1, 1998, contribute for each pay period for which he receives compensation, eight percent (8%) of his creditable compensation. *The provisions of this paragraph shall apply to a member who begins participating before July 1, 2008.*
(b) Each member who begins participating on or after July 1, 2008, shall contribute for each pay period for which he receives compensation, seven percent (7%) of his creditable compensation.
- (2) The employer shall cause to be deducted from the compensation of each member for each and every payroll period subsequent to July 1, 1958, the contributions payable by such member as provided in KRS 16.510 to 16.652.
- (3) Every member shall be deemed to consent to deductions made as provided herein; and the payment of salary or compensation less such deduction shall be a full and complete discharge of all claims for services rendered by such person during the period covered by such payment, except as to any benefits provided by KRS 16.510 to 16.652.
- (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 so 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 such time as 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 16.510 to 16.652 in the same manner and to the same extent as employee contributions made prior to August 1, 1982.

âSection 91. 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)~~^{two (2)} accounts: the "member contribution account," "the member's annuity savings account," or the "retirement allowance account."

âSection 91. KRS 16.560 is amended to read as follows:

- (1) The member contribution account shall be the account to which all members' contributions, or contributions picked up by the employer after August 1, 1982, and interest allowances as provided in KRS ~~16.505~~^{16.510} to 16.652 shall be credited; only funds from this account shall be used to return accumulated contributions of a member when required by reason of any provision of KRS ~~16.505~~^{16.510} to 16.652. Prior to the member's retirement, death, or refund in accordance with KRS 61.625, no funds shall be made available from the member's contribution account.
- (2) Each member's contribution or contribution picked up by the employer shall be credited to the member contribution~~individual~~ account of the contributing member.
- (3) Each member on June 30 of each year shall have his member contribution~~individual~~ account credited with interest.

- (a) For a member who begins participating before July 1, 2008, interest shall be credited to his member contribution account at a rate determined by the board but not less than two and one-half percent (2.5%) per annum on the accumulated contributions of the member in the member contribution account on June 30 of the preceding fiscal year.*
- (b) For a member who begins participating on or after July 1, 2008, interest shall be credited to his member contribution account at a rate of two and one-half percent (2.5%) per annum on the accumulated contributions of the member in his member contribution account on June 30 of the preceding fiscal year.* ~~[and]~~

The amounts ~~of interest~~ ~~[so]~~ credited *to the member contribution account under this subsection* shall be transferred from the retirement allowance account.

- (4) Upon the retirement of a member, his accumulated contribution shall be transferred from the member's contribution account to the retirement allowance account.
- (5) Included as a part of such member's contribution account shall be his accumulated contributions in the Kentucky Employees Retirement System, if any, transferred to this system.

âSection 91. KRS 16.576 is amended to read as follows:

- (1) *(a) Any member who begins participating before July 1, 2008, who has* ~~[with]~~ 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~~ ~~[time]~~ 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 July 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 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 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 Kentucky State Police Retirement System, 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 July 1, 2008, shall receive an annual retirement allowance, payable monthly during his lifetime, equal to:
1. One and sixty-one hundredths percent (1.61%) of final compensation for the first twenty (20) years of service earned by the employee at retirement; and

2. Two percent (2%) of final compensation for each year of service credit earned by the employee in excess of twenty (20) 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 shall receive the remaining payments monthly for the duration of the ten (10) years. The provisions of KRS 61.702 notwithstanding, the member who retired on June 17, 1978, or thereafter, and his spouse and dependents or beneficiary 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 dependents or beneficiary 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 July 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.

âSection 91. 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 July 1, 2008, there shall be no reduction in the retirement allowance ~~if the~~^[of a] member ~~who~~ 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 July 1, 2008, 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.

âSection 91. KRS 16.645 is amended to read as follows:

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

- (1) Cessation of membership, as provided for by KRS 61.535;
- (2) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- (3) Actuarial bases, as provided for by KRS 61.670;
- (4) Duties of the employer, as provided for by KRS 61.675;
- (5) Exemption of benefits of the system for taxation, as provided for by KRS 61.690;
- (6) Retirement allowance increase, as provided for by KRS 61.691;
- (7) Calculation of retirement allowance, as provided for by KRS 61.595(3) and (4);
- (8) Beneficiaries to be designated by member, change, rights, as provided for by KRS 61.542;

- (9) Year of service credit, as provided for by KRS 61.545;
- (10) Refund of contributions, death after retirement, as provided by KRS 61.630;
- (11) Custodian of fund, payments made, when, as provided for by KRS 61.660;
- (12) Credit for service prior to membership date, as provided for by KRS 61.526;
- (13) Transfer of dormant accounts, as provided for by KRS 61.626;
- (14) Member's account, confidential, as provided for by KRS 61.661;
- (15) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- (16) Correction of errors in records, as provided for by KRS 61.685;
- (17) Maximum disability benefit, as provided for by KRS 61.607;
- (18) Retirement application procedure, effective retirement date, as provided for by KRS 61.590;
- (19) Employer contributions, as provided for by KRS 61.565;
- (20) Reinstatement of lost service credit, purchase of service credit, interest paid, and delayed contribution and installment payments, as provided for by KRS 61.552;
- (21) Reciprocal arrangement between systems, as provided by KRS 61.680;
- (22) Refund of contributions, conditions, as provided by KRS 61.625;
- (23) Hospital and medical insurance plan, as provided by KRS 61.702;
- (24) Death benefit, as provided by KRS 61.705;
- (25) Disability retirement allowance, reduction, and discontinuance, as provided by KRS 61.615;
- (26) Service credit, Armed Forces, as provided by KRS 61.555;
- (27) Reinstated employee, contributions on creditable compensation, as provided for by KRS 61.569;
- (28) Statement to be made under oath, good faith reliance, as provided for in KRS 61.699;
- (29) Retirement of persons in hazardous positions, as provided for by KRS 61.592;
- (30) Direct deposit of recipient's retirement allowance as provided in KRS 61.623;
- (31) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- (32) Payment of small amounts upon death of member, retiree, or recipient without formal

administration of the estate as provided in KRS 61.703;

(33) Suspension of retirement payments on reemployment, reinstatement, recomputation of allowance, waiver of provisions in certain instances, reemployment in a different position, as provided for by KRS 61.637; ~~and~~

(34) Medical examination and financial review after disability retirement, staff review, as provided in KRS 61.610; and

(35) Annuity savings account established for employees who begin participating on or after July 1, 2008, as provided in Section 43 of this Act.

âSection 91. KRS 16.652 is amended to read as follows:

It is hereby declared that in consideration of the contributions by the member, and in further consideration of benefits received by the state from the member's employment, KRS 16.510 to 16.645, except as provided in KRS 6.696 effective September 16, 1993, shall 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. For members participating on or after July 1, 2008, the General Assembly reserves the right to suspend or reduce the benefits provided in KRS 16.505 to 16.652 if in its judgment the welfare of the Commonwealth so demands. For members participating before July 1, 2008, the General Assembly reserves the right to suspend or reduce any legislative changes to benefits under KRS 16.505 to 16.652 that are enacted after the effective date of this Act if in its judgment the welfare of the Commonwealth so demands.

âSection 91. KRS 61.510 is amended to read as follows:

As used in KRS 61.510~~[61.515]~~ to 61.705, unless the context otherwise requires:

(1) "System" means the Kentucky Employees Retirement System created by KRS 61.510~~[61.515]~~ 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~~[61.515] 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~~[61.515] 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' contribution 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 employees who begin participating on or after July 1, 2008, accumulated contributions shall also include all employee contributions, employer contributions, and investment return credited to the member's annuity savings account as provided by Section 43 of this Act;*
- (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 an employee who begins participating on or after July 1, 2008, creditable compensation shall not include lump-sum payments for compensatory time that are paid to an employee as a result of termination of employment;

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

- (a) For a member who **begins participating before July 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; or

- (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; or
- (c) For a member who *begins participating before July 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; *or*
- (d) For a member who begins participating on or after July 1, 2008, who is not employed in a hazardous position, as provided in Section 25 of this Act, the creditable compensation of a member during the sixty (60) months of service credit prior to retirement, divided by five (5); or*
- (e) For a member who begins participating on or after July 1, 2008, who is employed in a hazardous position, as provided in Section 25 of this Act, the creditable compensation of a member during the thirty-six (36) months of*

service credit prior to retirement, divided by three (3);

- (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 from time to time adopted by the board, except 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. 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~~^{61.515} 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;
- (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 contribution 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;

- (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 be considered a recipient only for purposes of KRS 61.691;
- (28) "Level-percentage-of-payroll amortization method" means a method of determining the annual amortization payment on the unfunded past service 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 past service 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, 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; and
- (35) "Month" means a calendar month.

âSection 91. KRS 61.546 is amended to read as follows:

- (1) Any member of the Kentucky Employees Retirement System or the State Police Retirement System whose retirement date is July 14, 1984, or thereafter, shall receive credit for unused sick leave accrued while contributing to the retirement system from which the retirement benefit is to be paid in accordance with this section.
- (2) Upon the member's notification of retirement as prescribed in KRS 16.576 or 61.590, the employer shall certify the retiring member'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 the state service and rounded to the nearest number of whole months. 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 ~~16.505~~~~[16.510]~~ to 16.652 or KRS 61.510 to 61.705 and for the purpose of determining whether the member is eligible to receive a retirement allowance under KRS ~~16.505~~~~[16.510]~~ to 16.652 or KRS 61.510 to 61.705, except as provided by subsection (3) of this section. All months of accumulated sick leave~~[in excess of six (6) months]~~ shall be added to the member's service credit, and the last participating Kentucky Employees Retirement Systems employer shall pay to the retirement system the value of all months of~~the additional~~ service credit based on the formula adopted by the board, except as provided by subsection (3) of this section. All of a state policeman's sick leave balance, expressed in months, except as provided by subsection (3) of this section, shall be added to his service credit for the purposes of determining his annual retirement allowance and whether the member is eligible to receive a retirement allowance under KRS ~~16.505~~~~[16.510]~~ to 16.652, and the Kentucky Department of State Police shall pay to the retirement system the value of all service credit based on the formula adopted by the board.

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

(a) 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;

(b) The service credited for accumulated unused sick leave and added to the member's service credit shall be used for purposes of determining the member's annual retirement allowance under KRS 16.505 to 16.652 and 61.510 to 61.705; and

(c) The service credited for unused accumulated sick leave and added to the member's service credit shall not be used to determine whether a member is eligible to receive a retirement allowance under any of the provisions of

KRS 16.505 to 16.652 and 61.510 to 61.705.

- (4)** The provisions of this section shall not apply to a participating agency whose employees are not employed by the Commonwealth until the agency certifies to the system that a sick leave program has been formally adopted and is universally administered within the agency.

âSection 91. 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 contributions under the provisions of KRS 16.645(22), 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 contribution 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.
- (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.

- (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.
- (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.

- (b) 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 Kentucky Retirement Systems may obtain credit for the period of his service with an area development district created pursuant to KRS 147A.050 or with a business development corporation created pursuant to KRS 155.001 to 155.230 if that service was not covered by a state-administered retirement system. The member shall pay to the retirement system in which he participates a delayed contribution payment, as determined by the board's actuary. The employee may obtain credit for employment with a business development corporation 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. Payment may be by lump sum or the employee may pay by increments.
- (6) After August 1, 2000, service credit obtained under the subsections of this section which do not require the employee to have a minimum number of years of service credit to be eligible to make a purchase shall be disallowed and the recontribution of refund, including interest as determined by the board or other payment, if any, shall be paid to the member if the member does not obtain for service performed six (6) months' additional current service credit in one (1) of the state-administered retirement systems. The service requirement shall be waived if the member dies or becomes disabled as provided for by KRS 16.582 or 61.600.
- (7) The members shall not receive benefit of service for the same period of time in another public defined benefit retirement fund.
- (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.

- (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);
- (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;
- (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 (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;
- (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.
- (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~~~~[16.510]~~ to 16.652, KRS ~~61.510~~~~[61.515]~~ to 61.705, or KRS ~~78.510~~~~[78.520]~~ to 78.852 prior to June 19, 1976, shall be credited to the individual member's contribution account in the appropriate retirement system and considered as accumulated contributions of the member.
- (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).
- (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).

- (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.
- (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.
- (15) 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 obtain credit for prior or current service for any period of authorized maternity leave, unpaid leave authorized under the Federal Family and Medical Leave Act, or for any period of

authorized sick leave without pay, by paying to the respective retirement system a delayed contribution payment. 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.

(16) 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~~^[16.510] to 16.652, ~~61.510~~^[61.515] to 61.705, or ~~78.510~~^[78.520] to 78.852 by making installment payments in lieu of a lump-sum payment.

(a) The cost of the service shall be computed in the same manner as for a lump-sum payment which shall be the principal; and interest, at the actuarial rate in effect at the time the member elects to make the purchase compounded annually, shall be added for the period that the installments are to be made. Multiple service purchases may be combined under a single installment purchase; however, no employee may make more than one (1) installment purchase at the same time. Once multiple service purchases have been combined in an installment purchase, the employee may not separate the purchases or pay a portion of one (1) of the purchases. The employee may elect to stop the installment payments by notifying the retirement 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.

(b) 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.

(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 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 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. If the original installment purchase was for multiple service purchases, the employee may not separate those purchases under a new installment purchase.
- (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~~~~[16.510]~~ to 16.652, ~~61.510~~~~[61.515]~~ to 61.705, or ~~78.510~~~~[78.520]~~ 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 contribution account in the appropriate retirement system and shall be considered accumulated contributions of the member.
- (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 (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.

- (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.
- (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 154.01-720, may purchase service credit for the time served in the corps by making delayed contribution payments.

- (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 mental health and mental retardation services program, 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 mental health and mental retardation program, 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.
- (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).
- (23) (a) Any person who is entitled to service credit for employment which was not reported in accordance with KRS 16.543, 61.543, or KRS 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 July 1, 2008, shall be considered service credited under KRS 16.543(1), 61.543(1), or 78.615(1) for purposes of determining eligibility for retirement benefits under KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852.

- (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 KRS 78.610(4), by the employer.

- (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) months of service if under age sixty-five (65) in the systems administered by the Kentucky Retirement Systems and who has total service in all state-administered retirement systems of at least one hundred eighty (180) months of service credit may purchase a combined maximum total of five (5) years of retirement service credit which is not otherwise purchasable under any of the provisions of KRS ~~16.505~~~~[16.510]~~ to 16.652, KRS 61.510 to 61.705, and KRS 78.510 to 78.852. The purchase price for the retirement service credit shall be calculated and paid for as a delayed contribution payment. The payment shall not be picked up, as described in KRS 16.545(4), KRS 61.560(4), KRS 78.610(4), by the employer, and the employee's payment shall be paid into the individual member's contribution account in the appropriate retirement system and shall be considered accumulated contributions of the member. Payment by the member may be by lump sum or by increments. The service purchased under this subsection shall not be used in determining a retirement allowance until the member has accrued at least two hundred forty (240) months of service, excluding service purchased under this subsection. If the member does not accrue at least two hundred forty (240) months of service, excluding service purchased under this subsection, upon retirement, death, or written request following termination, the payment, plus interest as provided in KRS 61.575, shall be refunded.

- (26) 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 Kentucky Retirement Systems, may obtain credit in the County Employees Retirement System for the period of that employee's service with a community action agency created under KRS 273.405 to 273.453 if that service was not covered by a state-administered retirement system. The member shall pay to the retirement system a delayed contribution payment. 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.
- (27) 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 retirement systems administered by the Kentucky Retirement Systems may obtain current service credit for up to forty-eight (48) months for his or her period of service as a Domestic Relations Commissioner by paying to the retirement system a delayed contribution payment no later than December 31, 2002. Payment may be made by lump sum or under an installment agreement. The 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.
- (28) The board of trustees is authorized to establish a program, subject to a favorable ruling from the Internal Revenue Service, to provide for the purchase of service credit under any of the provisions of KRS ~~16.505~~~~[16.510]~~ to 16.552, ~~61.510~~~~[61.515]~~ to 61.705, and ~~78.510~~~~[78.520]~~ to 78.852, pursuant to the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2).
- (29) An employee may obtain credit for regular full-time service with an agency prior to August 1, 1998, for which the employee did not receive credit due to KRS 61.637(1), by paying a delayed contribution. The payment shall not be picked up by the

employer, except as provided in subsection (28) of this section, and shall be credited to the employee's second retirement account. Service credit obtained under this subsection shall not be used in determining benefits under KRS 61.702. The employee may purchase credit for service prior to August 1, 1998, if:

- (a) The employee retired from one (1) of the retirement systems administered by the Kentucky Retirement Systems and was reemployed prior to August 1, 1998, earning less than the maximum permissible earnings under the Federal Social Security Act;
 - (b) The employee elected to participate in a second retirement account effective August 1, 1998, in accordance with KRS 61.637(7); and
 - (c) The employee 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 a second account in the systems administered by Kentucky Retirement Systems.
- (30) An employee participating 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 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).
- (31) 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).

Section 91. 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, KRS 61.510 to 61.705, and KRS 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 July 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 Section 31 of this Act.
- (2) This provision shall not apply to KRS 61.552(1) and (23), or KRS 61.592(3)(c).
- (3) Service purchased on or after August 1, 2004, under the provisions of KRS 16.505 to 16.652, KRS 61.510 to 61.705, and KRS 78.510 to 78.852, except for service purchased under subsections (1) and (23) of KRS 61.552, 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, KRS 61.510 to 61.705, ~~and~~ KRS 78.510 to 78.852, except for service purchased under subsections (1) and (23) of KRS 61.552, 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, KRS 61.510 to 61.705, and

KRS 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, KRS 61.510 to 61.705, and KRS 78.510 to 78.852, based on service earned as a participating employee.

âSection 91. KRS 61.559 is amended to read as follows:

- (1) In lieu of any other benefits due under KRS 61.510 to 61.705 and KRS 78.510~~[78.520]~~ to 78.852, a member ***who begins participating before July 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 July 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 July 1, 2008, is eligible for a retirement allowance determined under Section 26 of this Act 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-two (62) 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.

âSection 91. KRS 61.560 is amended to read as follows:

- (1) (a) Each employee shall, commencing on August 1, 1986, contribute for each pay period for which he receives compensation five percent (5%) of his creditable compensation, unless he did not elect membership pursuant to KRS 61.545(3), and except that members of the General Assembly, who elect the survivorship option provided in subsection~~[subsections]~~ (13)~~[and (14)]~~ of KRS 61.635, shall each contribute six and six-tenths percent (6.6%) of creditable compensation commencing with the payroll period immediately following his election of the option. Any other provisions of KRS 61.515 to 61.705 notwithstanding, any reemployed retiree, as described in KRS 61.637, shall contribute five percent (5%) of his creditable compensation, or the amount required by KRS 61.592(3) if applicable, if he anticipates that he will receive more 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 provisions of this paragraph shall apply to employees who begin participating before July 1, 2008.

(b) Each employee who begins participating on or after July 1, 2008, shall contribute for each pay period for which he receives compensation four percent (4%) of his creditable compensation.
- (2) Each employer shall cause to be deducted from the creditable compensation of each employee for each and every payroll period the contribution payable by each such employee as provided in KRS 61.515 to 61.705.
- (3) The deductions provided for herein 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 herein; and payment of salary or compensation less such deductions shall be a full and complete discharge of all claims for services rendered by such person during the period covered by such payment, except as to any benefits provided by KRS 61.515

to 61.705.

- (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 so 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 such time as 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 61.515 to 61.705 in the same manner and to the same extent as employee contributions made prior to August 1, 1982.

âSection 91. KRS 61.565 is amended to read as follows:

- (1) Each employer participating in the State Police Retirement System as provided for in KRS 16.510 to 16.652, each employer participating in the County Employees Retirement System as provided for in KRS 78.520 to 78.852, and each employer participating in the Kentucky Employees Retirement System as provided for in KRS 61.515 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 "past service contribution" which shall be computed by amortizing the total unfunded past service liability over a period of thirty (30) years using the level-percentage-of-payroll method. This method shall be

used beginning with the 1990 actuarial valuation. The initial thirty (30) year amortization period shall begin with the 1990 valuation. Any significant increase in past service liability due to benefit improvements after the 1990 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 past service liability shall be determined by actuarial method consistent with the methods prescribed for determining the normal contribution rate. Normal contributions and the past service liability contribution shall be determined on actuarial bases adopted by the board.
- (3) Normal contribution and the past service 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. The board may amend contribution rates as of July 1 of the second year of a biennium, 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.
- (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, 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) (a) Notwithstanding any provision of this section or any other statute to the contrary, the employer contribution rates for the Kentucky Employees Retirement System from July 1, 2008, through June 30, 2009, shall be ten and one-hundredth percent (10.01%), consisting of five and seventy-nine hundredths percent (5.79%) for pension and four and twenty-two hundredths percent (4.22%) for insurance, for nonhazardous duty

employees; and twenty-four and thirty-five hundredths percent (24.35%), consisting of seven and fifty-nine hundredths percent (7.59%) for pension and sixteen and seventy-six hundredths percent (16.76%) for insurance, for hazardous duty employees; and for the same period, the employer contribution for employees of the State Police Retirement System shall be thirty and seven hundredths (30.07%) percent, consisting of sixteen and one-fifth percent (16.20%) for pension and thirteen and eighty-seven hundredths percent (13.87%) for insurance.

(b) Notwithstanding the provisions of this section or any other statute to the contrary, the employer contribution rates for the Kentucky Employees Retirement System from July 1, 2009, through June 30, 2010, shall be eleven and sixty-one hundredths percent (11.61%), consisting of six and sixty-five hundredths percent (6.65%) for pension and four and ninety-six hundredths percent (4.96%) for insurance, for nonhazardous duty employees; and twenty-four and sixty-nine hundredths percent (24.69%), consisting of seven and seven-tenths percent (7.7%) for pension and sixteen and ninety-nine hundredths percent (16.99%) for insurance, for hazardous duty employees; and for the same period, the employer contribution for employees of the State Police Retirement System shall be thirty-three and eight hundredths (33.08%) percent, consisting of seventeen and eighty-two hundredths percent (17.82%) for pension and fifteen and twenty-six hundredths percent (15.26%) for insurance.

(6) It is the intent of the General Assembly to begin phasing into the full actuarially required contribution rates for the Kentucky Employees Retirement System and the State Police Retirement System.

(a) For the employer contribution rate for the Kentucky Employees Retirement System pertaining to nonhazardous employees, it is the intent of the General Assembly to work towards the goal of contributing the actuarially

required employer contribution as follows:

1. Forty-four percent (44%) of the actuarially required contribution for fiscal year beginning July 1, 2010;
2. Forty-eight percent (48%) of the actuarially required contribution for fiscal year beginning July 1, 2011;
3. Fifty-three percent (53%) of the actuarially required contribution for fiscal year beginning July 1, 2012;
4. Fifty-seven percent (57%) of the actuarially required contribution for fiscal year beginning July 1, 2013;
5. Sixty-one percent (61%) of the actuarially required contribution for fiscal year beginning July 1, 2014;
6. Sixty-five percent (65%) of the actuarially required contribution for fiscal year beginning July 1, 2015;
7. Sixty-nine percent (69%) of the actuarially required contribution for fiscal year beginning July 1, 2016;
8. Seventy-three percent (73%) of the actuarially required contribution for fiscal year beginning July 1, 2017;
9. Seventy-seven percent (77%) of the actuarially required contribution for fiscal year beginning July 1, 2018;
10. Eighty-one percent (81%) of the actuarially required contribution for fiscal year beginning July 1, 2019; and
11. Eighty-five percent (85%) of the actuarially required contribution for fiscal year beginning July 1, 2020.

(b) For the employer contribution rate for the Kentucky Employees Retirement System pertaining to hazardous employees, it is the intent of the General Assembly to work towards the goal of contributing the full actuarially required employer contribution as follows:

1. Seventy-six percent (76%) of the actuarially required contribution for

- fiscal year beginning July 1, 2010;
2. Seventy-nine percent (79%) of the actuarially required contribution for fiscal year beginning July 1, 2011;
 3. Eighty-three percent (83%) of the actuarially required contribution for fiscal year beginning July 1, 2012;
 4. Eighty-six percent (86%) of the actuarially required contribution for fiscal year beginning July 1, 2013;
 5. Eighty-nine percent (89%) of the actuarially required contribution for fiscal year beginning July 1, 2014;
 6. Ninety-two percent (92%) of the actuarially required contribution for fiscal year beginning July 1, 2015; and
 7. Ninety-five percent (95%) of the actuarially required contribution for fiscal year beginning July 1, 2016.
- (c) For the employer contribution rate for the State Police Retirement System, it is the intent of the General Assembly to work towards the goal of contributing the full actuarially required employer contribution as follows:
1. Sixty percent (60%) of the actuarially required contribution for fiscal year beginning July 1, 2010;
 2. Sixty-five percent (65%) of the actuarially required contribution for fiscal year beginning July 1, 2011;
 3. Seventy percent (70%) of the actuarially required contribution for fiscal year beginning July 1, 2012;
 4. Seventy-five percent (75%) of the actuarially required contribution for fiscal year beginning July 1, 2013;
 5. Eighty percent (80%) of the actuarially required contribution for fiscal year beginning July 1, 2014;
 6. Eighty-five percent (85%) of the actuarially required contribution for fiscal year beginning July 1, 2015;

7. Ninety percent (90%) of the actuarially required contribution for fiscal year beginning July 1, 2016; and

8. Ninety-five percent (95%) of the actuarially required contribution for fiscal year beginning July 1, 2017.

âSection 91. KRS 61.570 is amended to read as follows:

All of the assets of the system shall be held and invested in the Kentucky employees retirement fund and credited, according to the purpose for which they are held, to one (1) of three (3)~~two (2)~~ accounts, namely, the members' contribution account, the member's annuity savings account, and the retirement allowance account.

âSection 91. KRS 61.575 is amended to read as follows:

- (1) The members' contribution account shall be the account to which all members' contributions, or contributions picked up by the employer after August 1, 1982, and interest allowances as provided in KRS 61.510 to 61.692 shall be credited. From this account shall be paid the accumulated contributions of a member required to be returned to him upon withdrawal, or paid in the event of his death before retirement. Prior to the member's retirement, death, or refund in accordance with KRS 61.625, no funds shall be made available from the member contribution account.
- (2) Each member's contribution or contribution picked up by the employer shall be credited to the member contribution~~individual~~ account of the contributing member.
- (3) Each member on June 30 of each year shall have his member contribution~~individual~~ account credited with interest.
 - (a) For a member who begins participating before July 1, 2008, interest shall be credited to his member contribution account at a rate determined by the board but not less than two percent (2%) per annum on the accumulated contributions of the member in the member contribution account on June 30 of the preceding fiscal year.
 - (b) For a member who begins participating on or after July 1, 2008, interest shall be credited to his member contribution account at a rate of two and

one-half percent (2.5%) per annum on the accumulated contributions of the member in the member contribution account on June 30 of the preceding fiscal year.~~[and]~~

The amounts ~~of interest~~~~[so]~~ credited to the member contribution account under this subsection shall be transferred from the retirement allowance account.

- (4) Upon the retirement of a member, his accumulated contributions shall be transferred from the members' contribution account to the retirement allowance account.

âSection 91. 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 July 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; and
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.

- (b) "Hazardous position" for employees who begin participating in the County Employees Retirement System on or after July 1, 2008, means police officers and firefighters as defined in KRS 61.315(1), paramedics, 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 Office 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~~[, but a county, narrowly defined as one (1) of Kentucky's one hundred and twenty (120) counties, the provisions of KRS 78.510(3) notwithstanding, shall request hazardous duty coverage for its full-time paid firefighters]~~. 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.
- (b) Each employer desiring to provide hazardous duty coverage to employees who begin participating in the County Employees Retirement System on or after July 1, 2008, may request the board approve hazardous duty coverage for those positions that meet the criteria set forth in paragraph (b) of subsection (1) 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 paragraph (b) of subsection (1) 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 systems. The systems shall determine whether the employees whose names have been certified by the employer are working in positions meeting the definition of a hazardous position in paragraph (b) of subsection (1) 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 systems.

- (3) (a) 1. An employee who begins participating in the Kentucky Employees Retirement System or the County Employees Retirement System before July 1, 2008, 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]~~
2. An employee who begins participating in the Kentucky Employees Retirement System or the County Employees Retirement System on or after July 1, 2008, 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, seven percent (7%) 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.
- (4) The normal retirement age, retirement allowance, 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~~~~[16.510]~~ 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~~~~[61.515]~~ to 61.705, or ~~78.510~~~~[78.520]~~ to 78.852, or ~~16.505~~~~[16.510]~~ to 16.652.
- âSection 91. KRS 61.595 is amended to read as follows:

- (1) Effective July 1, 1990, upon retirement at normal retirement date or subsequent thereto, a 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 Kentucky Employees Retirement System of final compensation multiplied by the number of years of service credit, except that:
- (a) Effective February 1, 1999, a member of the Kentucky Employees Retirement System who was participating in one of the state-administered retirement systems as of January 1, 1998, and continues to participate through January 1, 1999, shall receive an annual retirement allowance, payable monthly during his lifetime, which shall consist of an amount equal to two percent (2%) of final compensation multiplied by the number of years of service credit. Any Kentucky Employees Retirement System member whose effective date of retirement is between February 1, 1999, and January 31, 2009, and who has at least twenty (20) years of service credit in one of the state-administered retirement systems and who was participating in one of the state-administered retirement systems as of January 1, 1998, and continues to participate through January 1, 1999, shall 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%) of final compensation multiplied by the number of years of service credit. Notwithstanding the provisions of KRS 61.565, the funding for this paragraph shall be provided from existing funds of the retirement allowance account;

- (b) For a member of the County Employees Retirement System whose participation begins on or after August 1, 2004, the annual retirement allowance upon retirement at normal retirement date or later shall be equal to two percent (2%) of final compensation multiplied by the number of years of service credit and shall be payable monthly during his lifetime;
- (c) The annual normal retirement allowance for members of the General Assembly, who serve during the 1974 or 1976 General Assembly, and will 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;
- (d) For a member of the Kentucky Employees Retirement System or the County Employees Retirement System who begins participating on or after July 1, 2008, the annual retirement allowance upon retirement at normal retirement date or later shall be equal to:
 - 1. One and fourteen hundredths percent (1.14%) of final compensation for the first thirty (30) years of service earned by the employee at retirement; and
 - 2. One and three-quarters percent (1.75%) of final compensation for each year of service credit earned by the employee 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)~~~~(e)~~ 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;

~~(g)~~~~(f)~~ 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); and

~~(h)~~~~(g)~~ The annual retirement allowance for a member of the Kentucky employees retirement system or County Employees Retirement System shall not exceed the maximum benefit as set forth in the Internal Revenue Code.

- (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 July 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 July 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 July 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) The retirement allowance shall be calculated by using the member's known creditable compensation prior to his last month's employment and an estimate of his creditable compensation during the last month he was employed. Based upon this calculation, the State Treasurer shall be requested to issue the initial retirement payment.
- (4) A new calculation shall be made when the official report has been received of the member's creditable compensation during his last month's employment. However, the retirement allowance determined in accordance with subsection (3) of this section 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.

âSection 91. KRS 61.635 is amended to read as follows:

- (1) Each member shall have the right to elect to have his 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 upon retirement under any of the provisions of KRS 16.505~~[16.510]~~ to 16.652, KRS 61.510~~[61.515]~~ to 61.705, and KRS 78.510~~[78.520]~~ 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 lifetime and have the retirement allowance continued after his death to his 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 lifetime and have two-thirds

(2/3) of the retirement allowance continue after his death to his beneficiary during the lifetime of the person.

- (4) Survivorship fifty percent (50%). The member may elect to receive a decreased retirement allowance during his lifetime and have one-half (1/2) of the retirement allowance continued after his death to his 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 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 beneficiary shall receive the remaining payments monthly, for the duration of the one hundred twenty (120) months' 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 lifetime which shall guarantee payments for one hundred and eighty (180) months. If the member dies before receiving payments for one hundred and eighty (180) months, his beneficiary shall receive the remaining payments monthly for the duration of the one hundred and eighty (180) months' 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 lifetime which shall guarantee payments for two hundred and forty (240) months. If the member dies before receiving payments for two hundred and forty (240) months, his beneficiary shall receive the remaining payments for the duration of the two hundred and 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 effective retirement date through the month he attains age sixty-two (62) at which time his retirement allowance shall be decreased for the remainder of his lifetime;
 - (b) Survivor rights. The member may elect to receive an increased retirement allowance from his effective retirement date through the month he 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 attains age sixty-two (62), or the month following the month he would have attained age sixty-two (62), in event of his death, and have the retirement allowance continue after his death to his 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 lifetime an increased retirement allowance based on his annual benefit payable for life. The payment shall begin on his effective retirement date and continue through the month he attains age sixty (60) at which time his retirement allowance shall be decreased for the remainder of his lifetime.

- (10) Pop-up option. The member may elect to receive a decreased retirement allowance during his lifetime and have the retirement allowance continued after his death to his 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. The member 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 KRS 61.595 (1).
- (12) Partial lump sum option.
 - (a) No survivor rights. ~~A~~[The] member **retiring on or before July 1, 2008,** 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~~[The] member **retiring on or before July 1, 2008,** 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 beneficiary during the

lifetime of the person.

(13) ~~In addition to the optional forms of annuities permitted under this section, the board may establish additional optional forms of annuities. The additional forms of annuities shall be based on actuarial equivalent values, with due regard to selection against the fund.~~

(14) The other provisions of this section notwithstanding, the beneficiary of a retired member of the General Assembly shall, after the member's death, receive sixty-six and two-thirds percent (66-2/3%) of the member's retirement allowance during his or her lifetime if the member of the General Assembly has elected this option and has made contributions in accordance with subsection ~~(14)~~(15) of this section and of KRS 61.560. The retirement allowance of the retired member of the General Assembly shall not be actuarially reduced to provide for this survivor benefit.

~~(14)~~(15) A member of the General Assembly who wishes to obtain the survivorship option specified in subsection ~~(13)~~(14) of this section shall so notify the Kentucky retirement systems:

- (a) Within thirty (30) days after first becoming a member of the General Assembly if he is not a member of the General Assembly on July 15, 1980; or
- (b) Within thirty (30) days after July 15, 1980, if he is a member of the General Assembly on July 15, 1980.

~~(15)~~(16) The system shall forward to members of the General Assembly a form on which a member may elect the option provided for in subsections ~~(13)~~(14) and ~~(14)~~(15) of this section.

~~(16)~~(17) The options described in subsections (2), (3), (4), (8)(b), (10), (12)(b), and ~~(13)~~(14) of this section shall be extended to the member only if the designated beneficiary is a person.

âSection 91. 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~~[61.515] to 61.705 and ~~78.510~~[78.520] 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~~~~[61.515]~~ to 61.705 and ~~78.510~~~~[78.520]~~ 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;
 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; and
- (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 with an agency that participates in the retirement system from which the member retired.
- (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.
- (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.

- (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 16.510 to 16.652, KRS 61.515 to 61.705, or KRS 78.520 to 78.852 which he was eligible to purchase prior to his initial retirement.

(17) Notwithstanding any provision of subsections (1) to (7) and (10) to (15) of this section, the following shall apply to retired members who are reemployed by an agency participating in one (1) of the systems administered by Kentucky Retirement Systems on or after July 1, 2008:

(a) If a member is receiving a retirement allowance from one (1) of the systems administered by Kentucky Retirement Systems, or has filed the forms required to receive 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 or is employed in a position that is not considered regular full-time with an agency participating in one (1) of the systems administered by Kentucky Retirement Systems within twelve (12) months 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;

(b) 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 twelve (12) month period following the member's initial retirement date, the member may continue to receive their retirement allowance during the period of

reemployment subject to the following provisions:

1. Both the employee and participating agency 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 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, 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; and
3. 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.

âSection 91. KRS 61.645 is amended to read as follows:

- (1) (a) 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 nine (9) members, who, prior to January 1, 2010, shall be selected as follows:

1.[(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;

2.[(b)] Two (2) 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;

~~3.1(e)}~~ 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;

~~4.1(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

~~5.1(e)}~~ Three (3) trustees, appointed by the Governor of the Commonwealth. Of the three (3) trustees appointed by the Governor, one (1) shall be knowledgeable about the impact of pension requirements on local governments.

(b) Effective January 1, 2010, the Kentucky Employees Retirement System, the State Police Retirement System, and the County Employees Retirement System shall be administered by the board of trustees of the Kentucky Retirement Systems composed of nine (9) members, who shall be selected as follows:

1. 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;

2. Three (3) trustees, appointed by the Governor of the Commonwealth and confirmed by the Senate;

3. One (1) trustee, appointed by the Governor from a list of three (3) individuals who are members or retired members of the State Police Retirement System and who are selected by the members and retired members of the State Police Retirement System. The trustee shall be confirmed by the Senate; and

4. Four (4) trustees, appointed by the Governor from a list of three (3) individuals for each trustee being appointed by the Governor, who are members or retired member of the Kentucky Employees Retirement

System and who are selected by the members and retired members of the Kentucky Employees Retirement System. The trustees shall be confirmed by the Senate.

Elected and appointed trustees of the Kentucky Retirement Systems on December 31, 2009, shall continue to serve on the board for the remainder of their term. The two (2) trustees of the Kentucky Employees Retirement System and the two (2) trustees of the County Employees Retirement System in office on December 31, 2009, shall be the four (4) trustees representing the Kentucky Employees Retirement System as provided by subparagraph 4. of this paragraph and shall serve the remainder of their terms of office. The appointed trustees as provided by subsection (1)(a)5. of this section shall be the three (3) trustees appointed by the Governor under subparagraph 2. of this paragraph and shall serve the remainder of their appointed terms of office. The one (1) trustee of the State Police Retirement System in office on December 31, 2009, shall be the one (1) trustee representing the State Police Retirement System as provided by subparagraph 3. of this paragraph and shall serve the remainder of his or her term of office. The board of trustees as established by this paragraph shall, effective January 1, 2010, replace the board of trustees established by subsection (1)(a) of this section to provide for the administration of the Kentucky Employees Retirement System, the State Police Retirement System, and the County Employees Retirement System.

- (2) The board is hereby granted the powers and privileges of a corporation, including but not limited to the following powers:
- (a) To sue and be sued in its corporate name;
 - (b) To make bylaws not inconsistent with the law;
 - (c) To conduct the business and promote the purposes for which it was formed;
 - (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) 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 shall not serve more than three ~~(3)[five (5)]~~ consecutive four (4) year terms. An elected trustee who has served three ~~(3)[five (5)]~~ consecutive terms may be elected again after an absence of four (4) years from the board.
- (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 in accordance with the board established by subsection (1)(a) of this section, 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. For each trustee to be elected in accordance with the board established by subsection (1)(b) of this section, the board may nominate, not less than six (6) months before a term of office of a trustee is due to expire, six (6) 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, 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.
- (5) Any vacancy which may occur in an appointed position shall be filled in the same manner which provides for the selection of the particular trustee, and any vacancy which may occur in an elected position shall be filled by appointment by a majority vote of the remaining trustees, and if the secretary of the Personnel Cabinet resigns his position as trustee, it shall be filled by appointment made by the Governor;

however, any vacancy shall be filled only for the duration of the unexpired term.

- (6) (a) Membership on the board of trustees shall not be incompatible with any other office unless a constitutional incompatibility exists. No trustee shall serve in more than one (1) position as trustee on the board; and if a trustee holds more than one (1) position as trustee on the board, he shall resign a position.
- (b) A trustee shall be removed from office upon conviction of a felony or for a finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court of competent jurisdiction.
- (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) 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. It shall elect a chair and a vice chair. 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, layoffs, 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 ~~61.510~~~~[61.515]~~ to 61.705, ~~16.505~~~~[16.510]~~ to 16.652, and ~~78.510~~~~[78.520]~~ to 78.852, necessary or proper in order to carry out the provisions of KRS ~~61.510~~~~[61.515]~~ to 61.705, ~~16.505~~~~[16.510]~~ to 16.652, and ~~78.510~~~~[78.520]~~ 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 ~~61.510~~~~[61.515]~~ to 61.705, ~~16.505~~~~[16.510]~~ to 16.652, and ~~78.510~~~~[78.520]~~ 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 ~~61.510~~~~[61.515]~~ to 61.705, ~~16.505~~~~[16.510]~~ to 16.652, and ~~78.510~~~~[78.520]~~ 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) 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. 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.
- (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~~[16.510]~~ to 16.652, 61.510~~[61.515]~~ to 61.705, and 78.510~~[78.520]~~ 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 paragraphs (e)1. and (e)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, the affected member, retired member, or recipient 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, or recipient 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 benefits and**

benefits administration; investment concepts, policies, and current composition and administration of retirement systems investments; laws, bylaws, and administrative regulations pertaining to the retirement systems and to fiduciaries; and 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 KRS 78.780 until the trustee has completed the orientation program; and

(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.

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; and*
- (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.*
- (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.*

âSection 91. 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~~~~[16.510]~~ 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~~~~[16.510]~~ to 16.652, 61.510 to 61.692, 78.510 to 78.852, ***Sections 44 to 73 of this Act***, 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, ***the Local Government 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. 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 July 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, the Local Government 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 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, **Local Government 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, **Local Government 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.

âSection 91. KRS 61.691 is amended to read as follows:

- (1) *If a member begins participating in one (1) of the systems administered by Kentucky Retirement Systems before July 1, 2008, and retires before July 1, 2018, the following shall apply:*

(a) Effective August 1, 1996, ~~to~~~~[and on]~~ July 1, ~~2008~~~~[of each year thereafter]~~, a recipient of a retirement allowance under KRS ~~16.505~~~~[16.510]~~ to 16.652 and KRS ~~61.510~~~~[61.515]~~ to 61.705 and KRS ~~78.510~~~~[78.520]~~ 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,*~~[and thereafter]~~ shall not be considered as benefits protected by the inviolable contract provisions of KRS 61.692, 16.652, 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.

(b) *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%), provided 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. 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 July 1, 2009, and thereafter shall not be considered as benefits protected by the inviolable contract provisions of KRS 61.652, 16.692, 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.

(c) In addition to the increase to a recipient's retirement allowance as provided by paragraph (b) of this subsection, 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.

(d) The benefits provided by this subsection shall not apply if the General Assembly does not enact employer contribution rates sufficient to meet the funding schedules prescribed by subsection (6) of Section 22 of this Act.

(2) The benefits provided under subsection (1) of this section shall not apply to:

(a) Members of one (1) of the systems administered by the Kentucky Retirement Systems who retire on or after July 1, 2018; or

(b) Members who begin participating in one (1) of the systems administered by the Kentucky Retirement Systems on or after July 1, 2008.

The board is authorized to develop a program whereby members described in paragraphs (a) and (b) of this subsection may elect to receive an actuarially reduced retirement allowance that is increased annually after retirement by a fixed percentage.

(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.

âSection 91. KRS 61.692 is amended to read as follows:

It is hereby declared that in consideration of the contributions by the members and in further consideration of benefits received by the state from the member's employment, KRS 61.510 to 61.705 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. *For members participating on or after July 1, 2008, the General Assembly reserves the right to suspend or reduce the benefits provided in KRS 61.510 to 61.705 if in its judgment the welfare of the Commonwealth so demands. For members participating before July 1, 2008, the General Assembly reserves the right to suspend or reduce any legislative changes to benefits under KRS 61.510 to 61.705 that are enacted after the effective date of this Act if in its judgment the welfare of the Commonwealth so demands.*

âSection 91. KRS 61.701 is amended to read as follows:

- (1) 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 are not available for any other purpose and are not available to pay the claims of creditors of any individual, person, or employer participating in the Kentucky Employees Retirement System, County Employees Retirement System, or State Police Retirement System. 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~~[pursuant to 26 U.S.C. sec. 106]~~ for the purpose of providing a *trust* fund separate from the retirement funds. *Trust fund assets are dedicated for use for health*~~[and is to be used to provide fringe]~~ 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. sec. 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 *trust* fund in the same manner in which it administers the retirement funds. *However, 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 the income of which 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 the United States Code.*
- (7) The establishment of the Kentucky Retirement Systems Insurance Trust Fund does not diminish or expand the rights of any benefit recipients, employees, or dependents to health benefits.*

âSection 91. KRS 61.702 is amended to read as follows:

- (1) (a) 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. Any person who chooses coverage under a managed care plan shall pay, by payroll deduction from the retirement allowance or by another method, the difference in premium between the cost of the managed care plan coverage and the benefits to which he would be entitled under this section.

- (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. sec. 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. sec.

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~~~~[16.510]~~ 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 July 1, 2008, an amount equal to one percent (1%) of the member's creditable compensation. The deducted amounts shall be credited to the Kentucky Retirement Systems Insurance Trust Fund established by Section 33 of this Act.

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 the Kentucky Retirement Systems Insurance Trust Fund. 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 regulations

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, 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, the Kentucky Retirement Systems Insurance Trust Fund. The member shall have no option to receive the contribution required by this paragraph directly instead of having the contribution paid to the Kentucky Retirement Systems Insurance Trust Fund. No member may receive a rebate or refund of contributions. 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, 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 the Kentucky Retirement Systems Insurance Trust Fund 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 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 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;

4. Partly from subparagraphs 1., 2., or 3., except that any premium for hospital and medical insurance over the amount contributed by the Kentucky Retirement Systems insurance fund or another state-administered retirement system under a reciprocal agreement shall be paid by the recipient. 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 fund shall pay the balance, not to exceed the monthly contribution.
5. In full from the Kentucky Retirement Systems insurance trust fund 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 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 fund

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 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 KRS 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 KRS 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 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) 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 of the other state-administered retirement plans.

1. 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, 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 shall not be more than one hundred percent (100%) of the monthly contribution adopted by the respective boards of trustees.

2. 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.

3. 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.

4. The premium paid by the Kentucky Retirement Systems Insurance Trust Fund 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. A child shall be considered disabled if he has been determined to be eligible for federal Social Security disability benefits.
- (b) The other provisions of this section notwithstanding, the insurance **trust** fund 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 shall continue the same level of coverage for a

recipient who was a member of the 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 provides coverage for the spouse or each dependent child of a former member of the County Employees Retirement System, the insurance trust fund 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 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 July 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 July 1, 2008, who is not employed in a hazardous position, as provided by Section 25 of this Act, participation in the insurance benefits provided under this section shall not be allowed unless:
- a. The employee is sixty-five (65) years of age and 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; or
- b. The employee is sixty (60) years of age and has earned at least two hundred forty (240) months of service credited under KRS 16.543(1), 61.543(1), or 78.615(1) or another state-administered retirement system.
3. For an employee having a membership date on or after July 1, 2008, who is a member of the State Police Retirement System or who is employed in a hazardous position, as provided by Section 25 of this Act, 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)~~~~(a)~~ An employee who *meets the minimum requirements as provided by paragraph (a) of this subsection*~~earns at least one hundred twenty (120) months of service in the state-administered retirement systems]~~ 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)~~~~(b)~~ The *minimum*~~[one hundred twenty (120) months of]~~ 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) or KRS 61.621, and the member or his beneficiary shall be entitled to the benefits payable under this subsection as though the member had twenty (20) years of service in a hazardous position.

~~(d)~~~~(e)~~ The monthly insurance contribution amount shall be increased July 1 of each year by *one and one-half percent (1.5%)*~~[the percentage change 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%)]. 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) An employee whose membership date is on or after July 1, 2008, who is not eligible to receive the benefits provided by paragraph (b) of this subsection due to age but who 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 may purchase health insurance coverage through the retirement system, provided the employee pays the full cost of the premium required for coverage.

~~(d)~~ 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, 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.

(g) An employee whose membership date is on or after July 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 their employing agency during the period of reemployment in a regular full-time position.

âSection 91. KRS 78.510 is amended to read as follows:

As used in KRS ~~78.510~~~~[78.520]~~ 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 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, charter county government, or urban-county 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 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~~[78.520]~~ 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 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, 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' contribution 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 employees who begin participating on or after July 1, 2008, accumulated contributions shall also include all employee contributions, employer contributions, and investment return credited to the member's annuity savings account as provided by Section 43 of this Act;*
- (13) "Creditable compensation" means all salary, wages, 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 78.610(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 service with the system in which it is recorded if it is equal to or greater than one thousand dollars (\$1,000). If 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, 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). *For an employee who begins participating on or after July 1, 2008, creditable compensation shall not include lump-sum payments for compensatory time that are paid to an employee as a result of termination of employment;*

(14) "Final compensation" means:

- (a) For a member who *begins participating before July 1, 2008, who* is *not* employed in a ~~*hazardous*~~^{nonhazardous} 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; or
- (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) 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; or

- (c) For a member who **begins participating before July 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; **or**

(d) For a member who begins participating on or after July 1, 2008, who is not employed in a hazardous position, as provided in Section 25 of this Act, the creditable compensation of a member during the sixty (60) months of service credit prior to retirement, divided by five (5); or

(e) For a member who begins participating on or after July 1, 2008, who is employed in a hazardous position, as provided in Section 25 of this Act, the creditable compensation of a member during the thirty-six (36) months of service credit prior to retirement, divided by three (3);

- (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 as are from time to time adopted by the board, except in case of disability retirement, the options authorized by KRS 61.635 shall be computed by adding ten (10) years to the age of the member. 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 ~~78.510~~[78.520] to 78.852;
- (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;
- (20) "Agency reporting official" means the person designated by the participating 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~~[78.520] 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 six (6) months in any event;

- (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 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 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 be considered a recipient only for purposes of KRS 61.691;

- (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 Kentucky Retirement Systems office building in Frankfort;
- (30) "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 contribution 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; and
- (32) "Month" means a calendar month.

âSection 91. KRS 78.545 is amended to read as follows:

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

- (1) Cessation of membership, conditions, as provided for by KRS 61.535;
- (2) Statement of member and employer, as provided for by KRS 61.540;
- (3) Beneficiary to be designated by member, change, rights, as provided for by KRS 61.542;
- (4) Service credit determination, as provided for by KRS 61.545;

- (5) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- (6) Service credit, Armed Forces, as provided for by KRS 61.555;
- (7) Normal and early retirement eligibility requirements, as provided for by KRS 61.559;
- (8) Retirement allowance increases as provided for by KRS 61.691;
- (9) Retirement application procedure, effective retirement date, as provided for by KRS 61.590;
- (10) Disability retirement, conditions, as provided for by KRS 61.600;
- (11) Disability retirement, allowance, as provided for by KRS 61.605;
- (12) Medical examination after disability retirement, as provided for by KRS 61.610;
- (13) Disability retirement allowance, reduction, as provided for by KRS 61.615;
- (14) Determination of retirement allowance, as provided for by KRS 61.595;
- (15) Refund of contributions, conditions, as provided for by KRS 61.625;
- (16) Refund of contributions, death after retirement, as provided for by KRS 61.630;
- (17) Optional retirement plans, as provided for by KRS 61.635;
- (18) Suspension of retirement payments on reemployment, reinstatement, as provided for by KRS 61.637;
- (19) Death before retirement, beneficiary's options, as provided for by KRS 61.640;
- (20) Board of trustees, conflict of interest, as provided for by KRS 61.655;
- (21) Custodian of funds, payments made, when, as provided for by KRS 61.660;
- (22) Medical examiners and hearing procedures, as provided for by KRS 61.665;
- (23) Actuarial bases, as provided for by KRS 61.670;
- (24) Employer's administrative duties, as provided for by KRS 61.675;
- (25) Correction of errors in records, as provided for by KRS 61.685;
- (26) Exemptions of retirement allowances, as provided for by KRS 61.690;
- (27) Credit for service prior to membership date, as provided for by KRS 61.526;
- (28) Creditable compensation of fee officers, as provided for by KRS 61.541;
- (29) Transfer of dormant accounts, as provided for by KRS 61.626;
- (30) Members' account, confidential, as provided for by KRS 61.661;

- (31) Retirement plan for employees determined to be in a hazardous position, as provided for by KRS 61.592;
- (32) Maximum disability benefit, as provided for by KRS 61.607;
- (33) Consent of employees to deductions and reciprocal arrangement between systems, as provided for by KRS 61.680;
- (34) Employer contributions, as provided for by KRS 61.565;
- (35) Recontribution and delayed contribution payments, purchase of service credit, interest, and installment payments, as provided for by KRS 61.552;
- (36) Hospital and medical insurance plan, as provided by KRS 61.702;
- (37) Death benefit, as provided by KRS 61.705;
- (38) Reinstated employee, contributions on creditable compensation, as provided for by KRS 61.569;
- (39) Statement to be made under oath, good faith reliance, as provided for in KRS 61.699;
- (40) Disability procedure for members in hazardous positions as provided for in KRS 61.582;
- (41) Direct deposit of recipient's retirement allowance as provided for in KRS 61.623;
- (42) Death or disability from a duty-related injury as provided in KRS 61.621;
- (43) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525; ~~and~~
- (44) Payment of small accounts upon death of member, retiree, or recipient without formal administration of the estate as provided in KRS 61.703; *and*
- (45) Annuity savings account established for employees who begin participating on or after July 1, 2008, as provided in Section 43 of this Act.**

âSection 91. KRS 78.610 is amended to read as follows:

- (1) **(a)** Each employee shall, commencing on August 1, 1990, contribute, for each pay period for which he receives compensation, five percent (5%) of his creditable compensation unless he did not elect membership pursuant to KRS 61.545(3).
- (b) Each employee who begins participating on or after July 1, 2008, shall contribute, for each pay period for which he receives compensation, four**

percent (4%) of his creditable compensation.

- (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.

âSection 91. KRS 78.616 is amended to read as follows:

- (1) Any 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 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. 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 systems on or after July 1, 2008, 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 employees who begin participating on or after July 1, 2008, the maximum amount of sick leave months added to the employee's total service credit shall not exceed twelve (12) months.**

(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.

âSection 91. KRS 78.630 is amended to read as follows:

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)~~[two (2)]~~ accounts, namely, the members' contribution account, the member's annuity savings account, and the retirement allowance account.

âSection 91. KRS 78.640 is amended to read as follows:

- (1) The members' contribution account shall be the account to which 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. From this account shall be paid the accumulated contributions of a member required to be returned to him upon withdrawal, or paid in the event of his death before retirement. Prior to the member's retirement, death, or refund in accordance with KRS 61.625, no funds shall be made available from the member contribution account.
- (2) Each member's contribution or contribution picked up by the employer shall be credited to the member contribution~~[individual]~~ account of the contributing member.
- (3) Each member on June 30 of each year shall have his member~~[individual]~~ contribution~~[individual]~~ account credited with interest.

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

(b) For a member who begins participating on or after July 1, 2008, interest shall be credited to his member contribution account at a rate of two and one-half percent (2.5%) per annum on the accumulated contributions of the member on June 30 in the member contribution account of the preceding fiscal year.~~[and]~~

The amounts of interest~~[so]~~ credited to the member contribution account under this subsection shall be transferred from the retirement allowance account.

- (4) Upon the retirement of a member, his accumulated contributions shall be transferred

from the members' contribution account to the retirement allowance account.

âSection 91. KRS 78.852 is amended to read as follows:

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. *For members participating on or after July 1, 2008, the General Assembly reserves the right to suspend or reduce the benefits provided in KRS 78.510 to 78.852 if in its judgment the welfare of the Commonwealth so demands. For members participating before July 1, 2008, the General Assembly reserves the right to suspend or reduce any legislative changes to benefits under the provisions of KRS 78.510 to 78.852 that are enacted after the effective date of this Act if in its judgment the welfare of the Commonwealth so demands.*

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78 IS CREATED TO READ AS FOLLOWS:

It is the intent of the General Assembly to transfer classified school board members and retired members participating in or retired from a classified school board position in the County Employees Retirement System to the Kentucky Employees Retirement System effective January 1, 2010. The retirement systems are hereby required to file a legislative proposal on or before December 15, 2008, with the Legislative Research Commission to successfully transfer school board members and retired members participating in or retired from a classified school board position in the County Employees Retirement System to the Kentucky Employees Retirement System effective January 1, 2010.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 61 IS CREATED TO READ AS FOLLOWS:

(1) For employees who begin participating in the Kentucky Employees Retirement

System, the County Employees Retirement System, or the State Police Retirement System on or after July 1, 2008, an annuity savings account shall be established for each employee. The annuity savings account shall be the account to which all amounts described by this section shall be deposited. The annuity savings account shall be established in the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System, as provided by KRS 61.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852.

- (2) (a) Each employer shall deduct from the creditable compensation for each member who begins participating on or after July 1, 2008, an amount equal to one percent (1%) of the member's creditable compensation.
- (b) The deducted amounts shall be credited to the annuity savings account established for the individual employee under this section.
- (c) Every member who begins participating on or after July 1, 2008, shall be deemed to consent to the deductions made pursuant to this paragraph and the payment of salary or compensation less such 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, 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, the annuity savings account. The contributions 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, 61.510 to 61.705, and 78.510 to 78.852.
- (d) Each employer shall pick up the employee contributions under this subsection in accordance with Section 414(h) of the Internal Revenue Code. These contributions, although designated as employee contributions, are being paid by the employer directly to the retirement system. The employee shall have no option to receive these contributions directly.

(3) (a) For employees who begin participating in the Kentucky Employees Retirement System or the County Employees Retirement System on or after July 1, 2008, who are not employed in a hazardous position, as provided by Section 25 of this Act, the employer shall contribute and report a lump-sum payment to the annuity savings account established for the employee in the amount of two percent (2%) of the employee's annualized monthly salary after the employee has earned five (5) years of service credit in the systems administered by Kentucky Retirement Systems.

(b) For employees who begin participating in the Kentucky Employees Retirement System or the County Employees Retirement System on or after July 1, 2008, who are employed in a hazardous position, as provided by Section 25 of this Act, and for employees who begin participating in the State Police Retirement System on or after July 1, 2008, the employer shall contribute and report a lump-sum payment to the annuity savings account established for the employee in the amount of two and one-half percent (2.5%) of the employees annualized monthly salary after the employee has earned two (2) years of service credit in the systems administered by Kentucky Retirement Systems.

(4) For employees who begin participating in the Kentucky Employees Retirement System or the County Employees Retirement System on or after July 1, 2008, who are not employed in a hazardous position, as provided by Section 25 of this Act, the employer shall contribute and report monthly the following amounts to the employee's annuity savings account:

(a) Two percent (2%) of the employee's creditable compensation if the employee has earned at least five (5) years of service credit in the systems administered by Kentucky Retirement Systems;

(b) Two and one-quarter percent (2.25%) of the employee's creditable compensation if the employee has earned at least ten (10) years of service

credit in the systems administered by Kentucky Retirement Systems; or

(c) Two and one-half percent (2.50%) of the employee's creditable compensation if the employee has earned at least twenty (20) years of service credit in the systems administered by Kentucky Retirement Systems.

(5) For employees who begin participating in the Kentucky Employees Retirement System or the County Employees Retirement System on or after July 1, 2008, who are employed in a hazardous position, as provided by Section 25 of this Act, and for members who begin participating in the State Police Retirement System on or after July 1, 2008, the employer shall contribute and report monthly the following amounts to the employee's annuity savings account:

(a) Two and one-half percent (2.5%) of the employee's creditable compensation if the employee has earned at least two (2) years of service credit in the systems administered by Kentucky Retirement Systems;

(b) Two and three-quarters percent (2.75%) of the employee's creditable compensation if the employee has earned at least ten (10) years of service credit in the systems administered by Kentucky Retirement Systems; or

(c) Three percent (3%) of the employee's creditable compensation if the employee has earned at least fifteen (15) years of service credit in the systems administered by Kentucky Retirement Systems.

(6) During the first five (5) years the member contributes to the annuity savings account, all funds in the account shall be invested in the same manner and asset allocation as the total portfolio of the pension funds administered by Kentucky Retirement Systems. Once the member has contributed for a five (5) year period, the member shall have the opportunity to adjust the asset allocation of their annuity savings account based upon the procedures and options established by the board of trustees.

(7) The amounts the employer shall contribute and report under subsections (3) to (5) of this section to the employee's annuity savings account shall be in addition

to the employer contribution rate established pursuant to KRS 61.565 for the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System.

(8) At least quarterly, or on a more routine basis as determined by the board, the systems shall adjust the balance of the funds in the annuity savings account to credit the member's account with investment income or losses creditable to the funds in the annuity savings account.

(9) Unless authorized by the Internal Revenue Code, no funds shall be made available from the annuity savings account prior to the member's retirement, death, or refund in accordance with KRS 61.625.

(10) The employer shall file the contributions as provided by subsections (2) to (5) of this section at the retirement office in accordance with KRS 61.675 and 78.625.

(11) The board of trustees shall be permitted to establish distribution options for the annuity savings account. These options may include lump-sum payments, periodic payments, or lifetime annuity payments. If the board establishes a lifetime annuity option, the balance of the member's individual account in the annuity savings account shall be transferred to the retirement allowance account and shall not continue to be adjusted post-annuitization.

(12) The board of trustees shall have the authority to establish new plans under the Internal Revenue Code or amend the plans currently established under the Internal Revenue Code to carry out the provisions of this section.

(13) The board of trustees shall have the authority to promulgate administrative regulations in accordance with Chapter 13A that are necessary to carry out the provisions of this section.

âSECTION 91. KRS CHAPTER 78A IS ESTABLISHED AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

As used in Sections 44 to 73 of this Act, unless the context otherwise requires:

(1) "System" means the Local Government Employees Retirement System;

- (2) "Board" means the board of trustees of the Local Government Employees Retirement System as provided in Section 64 of this Act;
- (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, charter county government, or urban-county government participating in the system by appropriate order in accordance with Section 47 of this Act. If the board is willing to accept the agency, organization, or corporation, the board shall have the authority to determine the eligibility of the agency to participate. "County" does not mean local boards of education;
- (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- (5) "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. "Employee" does not include persons engaged as independent contractors or seasonal, emergency, temporary, or part-time workers. In case of any doubt, the board shall determine if a person is an employee within the meaning of KRS Sections 44 to 73 of this Act;
- (6) "Employer" means a county, 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;
- (7) "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;
- (8) "Service" means the total of current service and prior service;
- (9) "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;

(10) "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;

(11) "Accumulated contributions" means the sum of all amounts deducted from the compensation of a member and credited to his individual account in the members' contribution account, including employee contributions picked up after August 1, 1982, pursuant to subsection (4) of Section 53 of this Act, together with interest credited on the amounts, and any other amounts the member has contributed thereto, including interest credited thereon. For employees who begin participating on or after July 1, 2008, accumulated contributions shall also include all employee contributions, employer contributions, and investment return credited to the member's Annuity Savings Account as provided by Section 62 of this Act;

(12) "Creditable compensation" means all salary, wages, 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 subsection (4) of Section 53 of this Act. 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 service with the system in which it is recorded if it is equal to or greater than one thousand dollars (\$1,000). If 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, sick leave except as provided in KRS 78.616(5), and other items determined by the board shall be excluded. "Creditable compensation" also includes 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, and 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 an employee whose membership date is on or after July 1, 2008, "creditable compensation" does not include lump-sum payments for compensatory time that are paid to an employee as a result of termination of employment;

(13) "Final compensation" means:

- (a) For a member whose membership date is before July 1, 2008, who is employed in a nonhazardous position, 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; or
- (b) For a member whose membership date is before July 1, 2008, who is employed in a nonhazardous position, 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; or

(c) For a member whose membership date is before July 1, 2008, and who is employed in a hazardous duty position, 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; or

(d) For a member whose membership date is on or after July 1, 2008, and who is employed in a nonhazardous position, the creditable compensation of a member during the sixty (60) months of service credit prior to retirement, divided by five (5); or

(e) For a member whose membership date is on or after July 1, 2008, and who is employed in a hazardous duty position, the creditable compensation of a member during the thirty-six (36) months of service credit prior to retirement, divided by three (3);

(14) "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 subsection (4) of Section 53 of this Act. 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;

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

(16) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the actuarial tables as are from time to time adopted by the board, except in case of disability retirement, the options authorized by KRS 61.635 shall be computed by adding ten (10) years to the age of the member. No disability retirement option shall be less than the same option computed under early retirement;

(17) "Normal retirement date" means:

(a) For a member who is employed in a nonhazardous position, the sixty-fifth birthday of a member unless otherwise provided in Sections 44 to 73 of this Act;

(b) For a member whose membership date is before July 1, 2008, and who is employed in a hazardous duty position, the fifty-fifth birthday of a member unless otherwise provided in Sections 44 to 73 of this Act; or

(c) For a member whose membership date is on or after July 1, 2008, and who is employed in a hazardous duty position, the sixty-fifth birthday of a member unless otherwise provided in Sections 44 to 73 of this Act;

(18) "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;

(19) "Agency reporting official" means the person designated by the participating 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 Sections 44 to 73 of this Act;

(20) "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 hours actually worked in a calendar or fiscal year, except:

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

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

(c) Temporary or 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;

(22) "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;

(23) "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;

(24) "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;

(25) "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 be considered a "recipient" only for purposes of KRS 61.691;

(26) "Person" means a natural person;

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

(28) "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 and the payment shall not be picked up by the employer. A delayed contribution payment shall be deposited to the member's contribution 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;

(29) "Participating" means an employee is currently earning service credit in the system as provided in Section 54 of this Act;

(30) "Membership Date" means the month in which the member first began participating in the Local Government Employees Retirement System, except that for members who were transferred to the Local Government Employees Retirement System from the County Employees Retirement System on July 1, 2009, it means the date on which the member began participating in the County Employees Retirement System;

(30) "Month" means a calendar month;

(31) "Hazardous duty position" means a position that meets the requirement of Section 69 of this Act and has been approved by the board as hazardous; and

(32) "Nonhazardous position" means a position that does not meet the requirements of Section 69 of this Act and has not been approved by the board as a hazardous

duty position.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

There is hereby created and established:

- (1) A retirement system for employees to be known as the Local Government Employees Retirement System, by and in which name it shall, pursuant to the provisions of Sections 44 to 73 of this Act, transact all of its business and shall have the powers and privileges of a corporation; and
- (2) The local government employees retirement fund, which shall consist of all the assets of the system as set forth in Sections 44 to 73 of this Act. All assets received in the fund shall be deemed trust funds to be held and applied solely as provided in Sections 44 to 73 of this Act.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

- (1) On July 1, 2009, each employer participating in the County Employees Retirement System who is not a school board, as defined by 78.510(4), shall cease participation in the County Employees Retirement System and shall participate in the Local Government Employees Retirement System by appropriate order pursuant to Section 47 of this Act.
- (2) Effective July 1, 2009, members who are employed in a regular full-time position with an employer participating in the Local Government Employees Retirement System shall participate in the Local Government Employees Retirement System.
- (3) Effective July 1, 2009, any service credit earned by a member or retired member of the County Employees Retirement System with an employer required to participate in the Local Government Employees Retirement System as provided by subsection (1) of this section shall be transferred to the Local Government Employees Retirement System.
- (4) On July 1, 2009, sufficient funds shall be transferred from the County Employees

Retirement System to the Local Government Employees Retirement System to fund benefits and administrative expenses of the Local Government Employees Retirement System.

(5) On or after July 1, 2009, but no later than July 1, 2010, the board of trustees of the Local Government Employees Retirement System and the County Employees Retirement System shall distribute the assets and liabilities of the County Employees Retirement System between the County Employees Retirement System and the Local Government Employees Retirement System to reflect the transfer of members and retired members from the County Employees Retirement System to the Local Government Employees Retirement System. If the board of the Local Government Employees Retirement System and the County Employees Retirement System fail to come to agreement on the distribution of assets and liabilities of the County Employees Retirement System, the distribution shall be determined by act of the General Assembly.

(6) The transfer of a member's service credit from the County Employees Retirement System to the Local Government Employees Retirement System, in accordance with this section, shall terminate any credit in the County Employees Retirement System earned for service with an employer who is not a school board, as defined in KRS 78.510(4). Any service credit in the County Employees Retirement earned with an employer who is a school board, or for service in any other state-administered retirement system shall not be affected.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

(1) (a) Each county as defined in Section 44 of this Act will participate in the system by appropriate order authorizing its participation which has been entered and duly recorded in the records of the governing body of the county. If the 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 an order of participation issued and properly recorded under this section authorizes a 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 for its active employees, except that county governments entering the system between April 9, 2002, and July 1, 2003, under this section shall be excluded from this requirement.

(2) A county that issues an order of participation shall thereafter continue to participate, except as provided in Section 50 of this Act.

(3) The order of the governing body of a county issued in accordance with subsection (1) of this section may exclude from participation in the system hospitals and any other semi-independent agency. Each excluded agency shall be identified in the order authorizing participation and the excluded agency may participate in the system as a separate agency.

(4) An agency whose participation in the Local Government Employees Retirement System has been terminated by the board of trustees in accordance with Section 50 of this Act may at a later date request participation in the retirement system by the adoption of an appropriate order as authorized by subsection (1) of this section. The board may accept the participation of that agency if it is determined that such participation is in the best interest of the agency, the employees thereof and the Local Government Employees Retirement System.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

(1) Effective July 1, 2009, any county attorney who employs persons paid from the county attorney's delinquent tax fees, federal or state grant funds received for the

county attorney's delinquent child support collection responsibilities, or any other funding source not subject to the control of the fiscal court, urban-county government, or Prosecutors Advisory Council, or any county attorney who supplements the wages of a Local Government Employees Retirement System or Kentucky Employees Retirement System member from these sources, shall participate as an employer in the Local Government Employees Retirement System or the Kentucky Employees Retirement System in the manner prescribed in this section.

(2) It shall be the responsibility of each county attorney participating as an employer in the Local Government Employees Retirement System or the Kentucky Employees Retirement System to determine membership in the appropriate retirement system for each employee being paid in the manner described in subsection (1) of this section. In making this determination, the participating county attorney shall consider whether the job function of each affected employee is related to:

- (a) The prosecutorial duties of the county attorney's office and is therefore subject to Kentucky Employees Retirement System membership; or
- (b) The legal representation of the fiscal court and other county officers and is therefore subject to Local Government Employees Retirement System membership.

The county attorney shall certify the same to the board on forms provided by the board. For persons already participating in the Local Government Employees Retirement System or the Kentucky Employees Retirement System whose wages are supplemented by the participating county attorney, the county attorney shall make the required contributions for the supplementary wages to the person's current retirement system.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

If a county participating in the system or an employer thereof, or an eligible county which elects to participate in the system or an employer thereof, has acquired a private corporation, company, organization, or entity:

(1) The county may elect, by adopting an order appropriate to its governing body under Section 47 of this Act, that the employees of the former private employer who participate in a retirement plan be eligible for participation in the system; and

(2) If the county adopts the order, regular full-time employees of the former private employer shall be eligible for current service and prior service for the period of time the employees were employed by the acquired private employer if the employee elects to participate in the system as provided in subsection (3) of Section 51 of this Act.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

(1) If a participating county fails to fully comply with Sections 44 to 73 of this Act, the board shall notify the county in writing of its failure to comply and shall inform the county that the failure shall be deemed to be cause for termination of the participation of the county in the system.

(2) In not less than ninety (90) days after the issuance of the notice in accordance with subsection (1) of this section, the board may terminate the participation of the county in the system unless the county has fully complied or has made satisfactory arrangements to comply. The board shall determine the effective date of the termination of participation.

(3) The county may appeal the decision of the board to the Franklin Circuit Court.

(4) Employees of the county who are members of the system on the effective date of termination of participation shall have the privilege of continuing in membership in the system until their county employment is terminated. The employees shall continue to make contributions to the system in accordance with the provisions of

Section 53 of this Act, and the county shall contribute employer contributions for the employees in accordance with Section 67 of this Act.

(5) Notwithstanding subsection (4) of this section, the aggregate amount of the employer contributions during a fiscal year of a county whose participation has been terminated by the board shall be not less than the amount the system is required to pay in retirement allowances during the fiscal year to former employees of the county and the beneficiaries of the former employees. In determining the amount of retirement allowances, the system shall allow credit for the member contributions paid by the former employees.

(6) In lieu of terminating the participation of a county that fails to fully comply with Sections 44 to 73 of this Act, the board may file an action in the Franklin Circuit Court to collect money owed and to attach so much of the general fund of the delinquent county as is necessary to achieve full compliance with KRS 78.625.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

Membership in the system shall consist of the following:

(1) All persons who are transferred from the County Employees Retirement System to the Local Government Employees Retirement System as provided by Section 46 of this Act;

(2) All persons who become employees of a participating county after the date the county first participates in the system, except:

(a) A person who did not elect membership pursuant to KRS 61.545(3);

(b) Mayors and members of city legislative bodies who decline prior to their participation in the system; and

(c) City managers or other appointed local government executives who participate in a retirement system, other than Social Security, who decline prior to their participation in the system;

(3) (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 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 Sections 44 to 73 of this Act;

(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;

(4) All persons who declined participation in subsection (1) of this section and who later elect to participate. Persons who elect to participate under this subsection may purchase service credit for any prior years by paying a delayed contribution payment. The service shall not be included in the member's total service for purposes of determining benefits under Section 34 of this Act; and

(5) Membership in the system shall not include those employees who are simultaneously participating in another state-administered defined benefit plan within Kentucky other than those administered by the Kentucky Retirement Systems, except for employees who have ceased to contribute to one (1) of the state-administered retirement plans as provided in KRS 21.360.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED 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, and does not elect within the time set forth in Sections 44 to 73 of this Act to become a member and thereby make contributions required of him by Sections 44 to 73 of this Act, 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 KRS 61.552.

SECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

- (1) (a) Each employee whose membership date is before July 1, 2008, who is participating in a nonhazardous position shall contribute, for each pay period for which he receives compensation, five percent (5%) of his creditable compensation unless he did not elect membership pursuant to KRS 61.545(3).
- (b) Each employee whose membership date is on or after July 1, 2008, who is participating in a nonhazardous position shall contribute, for each pay period for which he receives compensation, four percent (4%) of his creditable compensation unless he did not elect membership pursuant to KRS 61.545(3).
- (c) Each employee whose membership date is before July 1, 2008, who is participating in a hazardous duty position shall contribute, for each pay period for which he receives compensation, eight percent (8%) of his creditable compensation unless he did not elect membership pursuant to KRS 61.545(3).
- (d) Each employee whose membership date is on or after July 1, 2008, who is participating in a hazardous duty position shall contribute, for each pay period for which he receives compensation, seven percent (7%) of his creditable compensation unless he did not elect membership pursuant to KRS 61.545(3).
- (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 Sections 44 to 73 of this Act. 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 Sections 44 to 73 of this Act.

(4) Each employer shall, solely for the purpose of compliance with Section 414(h) of the 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 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 Sections 44 to 73 of this Act in the same manner and to the same extent as employee contributions made prior to August 1, 1982.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

(1) (a) Employee contributions shall be deducted each payroll period from the

creditable compensation of each employee of an agency participating in the system while he is classified as regular full-time as defined in Section 44 of this Act, unless the person did not elect to become a member as provided by KRS 61.545(3) or by subsection (3) of Section 51 of this Act. After August 1, 1982, employee contributions shall be picked up by the employer pursuant to subsection (4) of Section 53 of this Act.

(b) For employees 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.

(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 KRS 61.555; and

(b) A member on 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 Section 44 of this Act, and his employer shall pay employer contributions or the contributions shall be picked up in accordance with Sections 53 and 67 of this Act. 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 56 of this Act.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

All of the assets of the system shall be held and invested in the local government employees retirement fund and credited, according to the purpose for which they are held, to one (1) of three (3) accounts, namely, the members' contribution account, the member's annuity savings account, and the retirement allowance account.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

(1) The members' contribution account shall be the account to which all members' contributions, or contributions picked up by the employer after August 1, 1982, and interest allowances as provided in Sections 44 to 73 of this Act shall be credited. From this account shall be paid the accumulated contributions of a member required to be returned to him upon withdrawal, or paid in the event of his death before retirement. Prior to the member's retirement, death, or refund in accordance with KRS 61.625, no funds shall be made available from the member contribution account.

(2) Each member's contribution or contribution picked up by the employer shall be credited to the member contribution account of the contributing member.

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

(a) For a member whose membership date is before July 1, 2008, interest shall be credited to his member contribution account at a rate determined by the board but not less than two percent (2%) per annum on the accumulated

contributions of the member in the member contribution account on June 30 of the preceding fiscal year.

(b) For a member whose membership date is on or after July 1, 2008, interest shall be credited to his member contribution account at a rate of two and one-half percent (2.5%) per annum on the accumulated contributions of the member in his member contribution account on June 30 of the preceding fiscal year.

The amounts of interest credited to a member contribution account under this subsection shall be transferred from the retirement allowance account.

(4) Upon the retirement of a member, his accumulated contributions shall be transferred from the members' contribution account to the retirement allowance account.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

The retirement allowance account shall be the account in which shall be accumulated all employer contributions and amounts transferred from the members' contribution 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' contribution account the interest credited annually to each member's individual account as provided in Sections 44 to 73 of this Act.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

There is created and established:

(1) An excess benefit plan to be known as the Local Government Employees Retirement System Excess Benefit Plan. The plan is created for the purpose of providing the retirement allowances payable from the retirement systems under

Sections 44 to 73 of this Act that would otherwise be limited by 26 U.S.C. sec. 415; and

- (2) The Local Government Employees Retirement System Excess Benefit fund, a state fund which shall consist of all the assets of the plan.

The administration and assets of the plan shall be as set forth in KRS 61.652.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

- (1) For a member whose membership date is before July 1, 2008, and who is participating in a nonhazardous position, the following shall be administered in the same manner and subject to the same limitations and requirements as provided for the County Employees Retirement System:

(a) Normal and early retirement eligibility requirements as provided for by KRS 61.559; and

(b) Determination of retirement allowance as provided for in KRS 61.595.

- (2) For a member whose membership date is before July 1, 2008, who is participating in a hazardous duty position, the following shall be administered in the same manner and subject to the same limitations and requirements as provided for the County Employees Retirement System:

(a) Normal retirement as provided for by KRS 16.576; and

(b) Early retirement as provided for by KRS 16.577.

- (3) Notwithstanding any other statute to the contrary, in cases where the benefits provided to members of the Local Government Employees Retirement System whose membership date is before July 1, 2008, are not specified by Sections 44 to 73 of this Act, then the provisions KRS 78.510 to 78.852 shall be applicable.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

- (1) A member, whose membership date is on or after July 1, 2008, and who is participating in a nonhazardous position is eligible for a retirement allowance

determined under Section 61 of this Act 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), 78.615(1), or subsection (1) of Section 54 of this Act 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), 78.615(1), or subsection (1) of Section 54 of this Act or another state-administered retirement system; or
 - (c) The member is sixty-two (62) years of age or older and has at least ten (10) years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or subsection (1) of Section 54 of this Act or another state-administered retirement system.
- (2) A member, whose membership date is on or after July 1, 2008, and who is participating in a hazardous duty position, is eligible for a retirement allowance determined under Section 61 of this Act if:
- (a) The member has at least twenty-five (25) years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or subsection (1) of Section 54 of this Act or another state-administered retirement system;
 - (b) 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), 78.615(1), or subsection (1) of Section 54 of this Act or another state-administered retirement system;
 - (c) The member is not less than fifty-five (55) years of age and has fifteen (15) years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or subsection (1) of Section 54 of this Act or another state-administered

retirement system; or

(d) The member is not less than sixty (60) years of age and has ten (10) of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or subsection (1) of Section 54 of this Act or another state-administered retirement system.

(3) Upon retirement prior to reaching 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 to reflect the earlier commencement of benefits.

(4) For member of the Local Government Employees Retirement System, whose membership date is on or after July 1, 2008, there shall be no reduction in the retirement allowance if:

(a) The member is a hazardous duty member and is eligible to retire under subsection (2)(a) of this section; or

(b) The member is a nonhazardous member and is eligible to retire under subsection (1)(b) of this section.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

(1) A member whose membership date is on or after July 1, 2008, and who is participating in a nonhazardous position shall receive an annual retirement allowance, payable monthly during his lifetime, equal to

(a) One and fourteen hundredths percent (1.14%) of final compensation for the first thirty (30) years of service earned by the employee at retirement; and

(b) One and three-quarters percent (1.75%) of final compensation for each year of service credit earned by the employee in excess of thirty (30) years of service at retirement.

(2) A member whose membership date is on or after July 1, 2008, and who is

participating in a hazardous position shall receive an annual retirement allowance, payable monthly during his lifetime, equal to:

- (a) One and sixty-one hundredths percent (1.61%) of final compensation for the first twenty (20) years of service earned by the employee at retirement; and
- (b) Two percent (2.0%) of final compensation for each year of service credit earned by the employee in excess of twenty (20) years of service at retirement.

SECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

- (1) For employees whose membership date in the Local Government Employees Retirement System is on or after July 1, 2008, an annuity savings account shall be established for each employee. The annuity savings account shall be the account to which all amounts described by this section shall be deposited. The annuity savings account shall be established in the Local Government Employees Retirement System as provided in Sections 44 to 73 of this Act.
- (2) (a) Each employer shall deduct from the creditable compensation for each member who begins participating on or after July 1, 2008, an amount equal to one percent (1%) of the member's creditable compensation.
 - (b) The deducted amounts shall be credited to the annuity savings account established for the individual employee under this section.
 - (c) Every member who begins participating on or after July 1, 2008, shall be deemed to consent to the deductions made pursuant to this subsection and the payment of salary or compensation less such deductions shall be a full and complete discharge of all claims for services rendered by such person during the period covered by the payment, except as to any benefits provided by Sections 44 to 73 of this Act. No member may elect whether to participate in, or choose the contribution amount to, the annuity savings

account. The contributions made pursuant to this subsection shall not act as a reduction or offset to any other contribution required of a member or recipient under Sections 44 to 73 of this Act.

(d) Each employer shall pick up the employee contributions under this subsection in accordance with Section 414(h) of the Internal Revenue Code. These contributions, although designated as employee contributions, are being paid by the employer directly to the retirement system. The employee shall have no option to receive these contributions directly.

(3) (a) For employees whose membership date in the Local Government Employees Retirement System is on or after July 1, 2008, and who is employed in a nonhazardous position, the employer shall contribute and report a lump-sum payment to the annuity savings account established for the employee in the amount of two percent (2%) of the employees annualized monthly salary after the employee has completed five (5) years of service credit.

(b) For employees whose membership date in the Local Government Employees Retirement System is on or after July 1, 2008, and who are employed in a hazardous duty position, the employer shall contribute and report a lump-sum payment to the annuity savings account established for the employee in the amount of two and one-half percent (2.5%) of the employees annualized monthly salary after the employee has earned two (2) years of service credit.

(4) For employees whose membership date in the Local Government Employees Retirement System is on or after July 1, 2008, who are employed in a nonhazardous position, the employer shall contribute and report monthly the following amounts to the employee's annuity savings account:

(a) Two percent (2%) of the employee's creditable compensation if the employee has earned at least five (5) years of service credit;

- (b) Two and one-quarter percent (2.25%) of the employee's creditable compensation if the employee has earned at least ten (10) years of service credit; or*
 - (c) Two and one-half percent (2.50%) of the employee's creditable compensation if the employee has earned at least twenty (20) years of service credit.*
- (5) For employees whose membership date in the Local Government Employees Retirement System is on or after July 1, 2008, and who are employed in a hazardous duty position, the employer shall contribute and report monthly the following amounts to the employee's annuity savings account:*
 - (a) Two and one-half percent (2.5%) of the employee's creditable compensation if the employee has earned at least two (2) year of service credit;*
 - (b) Two and three-quarters percent (2.75%) of the employee's creditable compensation if the employee has earned at least ten (10) years of service credit; or*
 - (c) Three percent (3%) of the employee's creditable compensation if the employee has earned at least fifteen (15) years of service credit.*
- (6) During the first five (5) years the member contributes to the annuity savings account, all funds in the account shall be invested in the same manner and asset allocation as the total portfolio of the pension funds administered by Kentucky Retirement Systems. Once the member has contributed for a five (5) year period, the member shall have the opportunity to adjust the asset allocation of their annuity savings account based upon the procedures and options established by the board of trustees.*
- (7) The amounts the employer shall contribute and report under subsections (2) to (5) of this section to the employee's annuity savings account shall be in addition to the employer contribution rate established pursuant to Section 67 of this Act for the Local Government Employees Retirement System.*

- (8) At least quarterly, or on a more routine basis as determined by the board, the systems shall adjust the balance of the funds annuity savings account to credit the member's account with investment income or losses creditable to the funds in the annuity savings account.
- (9) Unless authorized by the Internal Revenue Code, no funds shall be made available from the annuity savings account prior to the member's retirement, death, or refund in accordance with KRS 61.625.
- (10) The employer shall file the contributions as provided by subsections (2) to (5) of this section at the retirement office in accordance with KRS 78.625.
- (11) The board of trustees shall be permitted to establish distribution options for the annuity savings account. These options may include lump-sum payments, periodic payments, or lifetime annuity payments. If the board establishes a lifetime annuity option, the balance of the member's individual account in the annuity savings account shall be transferred to the retirement allowance account and shall not continue to be adjusted post-annuitization.
- (12) The board of trustees shall have the authority to establish new plans under the Internal Revenue Code or amend the plans currently established under the Internal Revenue Code to carry out the provisions of this section.
- (13) The board of trustees shall have the authority to promulgate administrative regulations in accordance with Chapter 13A that are necessary to carry out the provisions of this section.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO
READ AS FOLLOWS:

The following shall apply to retired members who are reemployed by an agency participating in the Local Government Employees Retirement System:

- (1) If a member is receiving a retirement allowance from the Local Government Employees Retirement System or has filed the forms required to receive a retirement allowance from the Local Government Employees Retirement System,

and is employed in a regular full-time position required to participate in the Local Government Employees Retirement System or is employed in a position that is not considered regular full-time with an agency participating in the Local Government Employees Retirement Systems 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 Local Government Employees Retirement System:

(a) The member shall contribute to a member account established for him or her in the Local Government Employees Retirement System and employer contributions shall be paid on behalf of the member by the participating employer; and

(b) 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;

(2) If a member is receiving a retirement allowance from the Local Government Employees Retirement System and is employed in a regular full-time position required to participate in the Local Government Employees Retirement System after a one (1) month period following the member's initial retirement date, the member may continue to receive their retirement allowance during the period of reemployment subject to the following provisions:

(a) Both the employee and participating agency 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 the participating agency or employer fail to complete the certification, the member's retirement shall be

voided and subsection (1) of this section shall apply to the member and the employer;

(b) Notwithstanding any other provision of Chapter 78A 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 and no contributions shall be made by the employee or employer.

SECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

(1) The Local Government Employees Retirement System shall be administered by a separate board of trustees within the Kentucky Retirement Systems and shall be composed of nine (9) trustees, who shall be selected as follows:

(a) Three (3) trustees appointed by the Governor from a list of nine (9) applicants submitted by Kentucky League of Cities;

(b) Three (3) trustees appointed by the Governor from a list of nine (9) applicants submitted by the Kentucky Association of Counties;

(c) Two (2) trustees, selected by the members or retired members of the Local Government Employees Retirement System who participated in a nonhazardous position. The two (2) elected trustees representing the County Employees Retirement System on July 1, 2008, shall serve as the two (2) trustees required by this paragraph and shall serve in this trustee position for the remainder of their current term as an elected trustee of the County Employees Retirement System; and

(d) One (1) trustee, selected by the members or retired members of the Local Government Employees Retirement System who participated in a hazardous duty position.

(2) The board is hereby granted the powers and privileges of a corporation, including but not limited to the following powers:

- (a) To sue and be sued in its corporate name;
 - (b) To make bylaws not inconsistent with the law;
 - (c) To conduct the business and promote the purposes for which it was formed;
 - (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 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) To 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) 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 shall not serve more than three (3) consecutive four (4) year terms. An elected trustee who has served three (3) consecutive terms may be elected again after an absence of four (4) years from the board.
- (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, 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.

(5) Any vacancy which occurs in an appointed position shall be filled in the same manner which provides for the selection of the particular trustee, and any vacancy which occurs in an elected position shall be filled by appointment by a majority vote of the remaining trustees. However, any vacancy shall be filled only for the duration of the unexpired term.

(6) (a) Membership on the board of trustees shall not be incompatible with any other office unless a constitutional incompatibility exists. No trustee shall

serve in more than one (1) position as trustee on the board, and if a trustee holds more than one (1) position as trustee on the board, he shall resign a position.

(b) A trustee shall be removed from office upon conviction of a felony or for a finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court of competent jurisdiction.

(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) 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. It shall elect a chair and a vice chair. 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 have the same executive director and administrative staff as the Kentucky Retirement Systems board of trustees as provided by Section 29 of this Act. The executive director shall be the chief administrative officer of the board and shall supervise the employees of the board consistent with and in the same manner as provided by Section 29 of this Act.

(b) The board shall establish a system of accounting.

(c) The board shall do all things, take all actions, and promulgate all administrative regulations, not inconsistent with Sections 44 to 73 of this Act, necessary or proper in order to carry out the provisions of Sections 44 to 73 of this Act. Notwithstanding any other evidence of legislative intent, it is hereby declared to be the controlling legislative intent that the provisions of Sections 44 to 73 of this Act 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 Section 44 to 73 of this Act 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. sec. 621 et seq., as amended.

(10) 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.

(11) 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. 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 or her 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.

(12) 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.

(13) Any person adversely affected by a decision of the board, except as provided under subsection (15) of this section or KRS 61.665, involving Sections 44 to 73 of this Act, may appeal the decision of the board to the Franklin Circuit Court within sixty (60) days of the board action.

(14) (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 Local Government Employees Retirement System.

(b) A trustee discharges his duties on an informed basis if, when he makes an inquiry into the business and affairs of the Local Government Employees Retirement System 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 Local Government Employees Retirement System.

(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.

(15) 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, the affected member, retired member, or recipient 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, or recipient 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.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

- (1) (a) The board shall be the trustee of the funds created by Sections 44 to 73 of this Act, notwithstanding the provisions of any other statute to the contrary, and shall have exclusive power to invest and reinvest such funds in accordance with federal law.
- (b) The board may establish an investment committee whose members shall be appointed by the board chair. The investment committee shall have authority to implement policy and act on behalf of the board on all investment-related matters with full power to acquire, sell, safeguard, monitor, and manage the assets and securities of the several funds.
- (c) A trustee, officer, employee, or other fiduciary shall discharge duties with respect to the retirement system:
1. Solely in the interest of the members and beneficiaries;
 2. For the exclusive purpose of providing benefits to members and beneficiaries and paying reasonable expenses of administering the system;
 3. With the care, skill, and caution under the circumstances then

prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose;

4. Impartially, taking into account any differing interests of members and beneficiaries;

5. Incurring any costs that are appropriate and reasonable; and

6. In accordance with a good-faith interpretation of the law governing the retirement system.

(2) All securities acquired under authority of Sections 44 to 73 of this Act shall be registered in the name "Local Government Employees Retirement System" 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 by the signatures of the chair of the board of trustees or a trustee appointed by the chair and the executive director of the systems.

(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.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

(1) The board shall be the trustee of the several funds created by Sections 44 to 73 of this Act, and shall have full power to invest and reinvest such funds subject to the limitations that no investments shall be made except upon the exercise of bona

vide 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 these 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 these investments and any moneys belonging to the funds.

(2) All securities acquired under the authority of Sections 44 to 73 of this Act shall be registered in the name "Local Government Employees Retirement System" 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 by the signatures of the chair of the board of trustees or a trustee appointed by the chair and executive director of the systems.

(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.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

(1) Each employer participating in the Local Government Employees Retirement System as provided for in Sections 44 to 73 of this Act shall contribute annually to 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 "past-service contribution" which shall be computed by amortizing the total unfunded past service liability over a period of thirty (30) years using the level-percentage-of-payroll method. Any significant increase in past-service liability due to benefit

improvements after the initial 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 past-service liability shall be determined by actuarial method consistent with the methods prescribed for determining the normal contribution rate. Normal contributions and the past-service liability contribution shall be determined on actuarial bases adopted by the board.

(3) Normal contribution and the past-service contribution rates shall be determined by the board on the basis of the annual actuarial valuation prior to the beginning of a fiscal year.

(4) 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 subsections (1) to (3) of this section.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

(1) 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 assets and liabilities of the system. The board shall cause an actuarial valuation to be made annually. The valuation shall include a description of the actuarial assumptions used, and the assumptions shall be reasonably related to the experience of the system and represent the actuary's best estimate of anticipated experience. At least once in each ten (10) year period, the board shall cause an actuarial investigation to be made of all the experience under the retirement system. Pursuant to the 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 Section 67 of this Act. All the investigations and valuations shall be certified to the board by a fellow of the Society of Actuaries.

- (2) A copy of each ten (10) year actuarial investigation and annual valuation shall be forwarded to the Legislative Research Commission. The annual valuation shall be forwarded no later than ten (10) days after receipt by the board.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

- (1) (a) "Hazardous position" for employees whose membership date in the Local Government Employees Retirement System is before July 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.
- (b) "Hazardous position" for employees whose membership date in the Local Government Employees Retirement System on or after July 1, 2008, means police officers and firefighters as defined in KRS 61.315(1), paramedics, 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.
- (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.

(b) Each employer desiring to provide hazardous duty coverage to employees whose membership date in the Local Government Employees Retirement System is on or after July 1, 2008, may request the board approve hazardous duty coverage for those positions that meet the criteria set forth in paragraph (b) of subsection (1) 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 paragraph (b) of subsection (1) 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 systems. The systems shall determine whether the employees whose names have been certified by the employer are working in positions meeting the definition of a hazardous position in paragraph (b) of subsection (1) 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 systems.

(3) (a) 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 Section 67 of this Act;

(b) 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.

(4) The normal retirement age, retirement allowance, 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, except as otherwise provided in Sections 44 to 73 of this Act.

(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 Sections 44 to 73 of this Act.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

Notwithstanding the provisions of KRS 61.702, the board of trustees of the Local Government Employees Retirement System may, for plan years occurring on or after January 1, 2013, arrange by appropriate contract or on a self-insured basis to provide a group health insurance plan for present and future recipients of a retirement allowance from the Local Government Employees Retirement System. The level of coverage, benefits, and premium payments made on behalf of recipients by the system shall abide by the contractual obligations as provided by KRS 61.702.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

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, Sections 44 to 73 of this Act 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. For members participating on or after July 1, 2008, the General Assembly reserves the right to suspend or reduce the benefits provided in Sections 44 to 73 of this Act if in its judgment the welfare of the Commonwealth so demands. For members participating before July 1, 2008, the General Assembly reserves the right to suspend or reduce any legislative changes to benefits under Sections 44 to 73 of this Act that are enacted after the effective date of this Act if in its judgment the welfare of the Commonwealth so demands.

SECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO
READ AS FOLLOWS:

The following matters shall be administered in the same manner subject to the same limitations and requirements as provided for the Kentucky Employees Retirement System as follows, except that "board" means the board of trustees of the Local Government Employees Retirement System:

- (1) Credit for service prior to membership date, as provided for by KRS 61.526;
- (2) Cessation of membership, conditions, as provided for by KRS 61.535;
- (3) Statement of member and employer, as provided for by KRS 61.540;
- (4) Creditable compensation of fee officers, as provided for by KRS 61.541;
- (5) Beneficiary to be designated by member, change, rights, as provided for by KRS 61.542;
- (6) Service credit determination, as provided for by KRS 61.545;
- (7) Cessation of membership, loss of benefits, as provided for by KRS 61.550;
- (8) Recontribution and delayed contribution payments, purchase of service credit, interest, and installment payments, as provided for by KRS 61.552;
- (9) Purchase of service credit effective July 1, 2001, as provided in KRS 61.5525;
- (10) Service credit, Armed Forces, as provided for by KRS 61.555;
- (11) Reinstated employee, contributions on creditable compensation, as provided for

by KRS 61.569;

(12) Retirement application procedure, effective retirement date, as provided for by KRS 61.590;

(13) Disability retirement, conditions, as provided for by KRS 61.600;

(14) Disability retirement, allowance, as provided for by KRS 61.605;

(15) Maximum disability benefit, as provided for by KRS 61.607;

(16) Medical examination after disability retirement, as provided for by KRS 61.610;

(17) Disability retirement allowance, reduction, as provided for by KRS 61.615;

(18) Death or disability from a duty-related injury as provided in KRS 61.621;

(19) Direct deposit of recipient's retirement allowance as provided for in KRS 61.623;

(20) Refund of contributions, conditions, as provided for by KRS 61.625;

(21) Transfer of dormant accounts, as provided for by KRS 61.626;

(22) Refund of contributions, death after retirement, as provided for by KRS 61.630;

(23) Optional retirement plans, as provided for by KRS 61.635;

(24) Death before retirement, beneficiary's options, as provided for by KRS 61.640;

(25) Board of trustees, conflict of interest, as provided by KRS 61.655;

(26) Custodian of funds, payments made, when, as provided for by KRS 61.660;

(27) Members' account, confidential, as provided for by KRS 61.661;

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

(29) Employer's administrative duties, as provided for by KRS 61.675;

(30) Consent of employees to deductions and reciprocal arrangement between systems, as provided for by KRS 61.680;

(31) Correction of errors in records, as provided for by KRS 61.685;

(32) Exemptions of retirement allowances, as provided for by KRS 61.690;

(33) Statement to be made under oath, good faith reliance, as provided for in KRS 61.699;

(34) Hospital and medical insurance plan, as provided by KRS 61.702;

(35) Payment of small accounts upon death of member, retiree, or recipient without

formal administration of the estate as provided in KRS 61.703;

(36) Death benefit, as provided by KRS 61.705; and

(37) Disability procedure for members in a hazardous duty position as provided in KRS 16.582.

âSECTION 91. A NEW SECTION OF KRS CHAPTER 78A IS CREATED TO READ AS FOLLOWS:

The following matters shall be administered in the same manner subject to the same limitations and requirements as provided for the County Employees Retirement System as follows, except that "board" means the board of trustees of the Local Government Employees Retirement System:

(1) Purchase of service credit with retirement systems for unused sick leave, as provided for by KRS 78.616; and

(2) Contributions forwarded to the board and suspension of benefits on delinquency as provided for in KRS 78.625.

âSection 91. 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 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 only the employee's or teacher's initial retirement allowance; 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 Baughn Benefit.

Section 91. KRS 161.220 is amended to read as follows:

- (1) "Retirement system" means the arrangement provided for in KRS ~~161.220~~~~[161.230]~~ to 161.716 and KRS 161.990 for payment of allowances to members;
- (2) "Retirement allowance" means the amount annually payable during the course of his natural life to a member who has been retired by reason of service;
- (3) "Disability allowance" means the amount annually payable to a member retired by reason of disability;
- (4) "Member" means the commissioner of education, deputy commissioners, associate commissioners, and all division directors in the State Department of Education, and any full-time teacher or professional occupying a position requiring certification or graduation from a four (4) year college or university, as a condition of employment, and who is employed by public boards, institutions, or agencies as follows:
- (a) Local boards of education;
 - (b) Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Western Kentucky University, and any community colleges established under the control of these universities;
 - (c) State-operated secondary area vocational education or area technology centers, Kentucky School for the Blind, and Kentucky School for the Deaf;
 - (d) The State Department of Education, the Education Professional Standards Board, other public education agencies as created by the General Assembly, and those members of the administrative staff of the Teachers' Retirement System of the State of Kentucky whom the board of trustees may designate by administrative regulation;
 - (e) Regional cooperative organizations formed by local boards of education or other public educational institutions listed in this subsection, for the purpose of providing educational services to the participating organizations;

- (f) All full-time members of the staffs of the Kentucky Association of School Administrators, Kentucky Education Association, Kentucky Vocational Association, Kentucky High School Athletic Association, Kentucky Academic Association, and the Kentucky School Boards Association who were members of the Kentucky Teachers' Retirement System or were qualified for a position covered by the system at the time of employment by the association in the event that the board of directors of the respective association petitions to be included. The board of trustees of the Kentucky Teachers' Retirement System may designate by resolution whether part-time employees of the petitioning association are to be included. The state shall make no contributions on account of these employees, either full-time or part-time. The association shall make the employer's contributions, including any contribution that is specified under KRS 161.550. The provisions of this paragraph shall be applicable to persons in the employ of the associations on or subsequent to July 1, 1972;
- (g) Employees of the Council on Postsecondary Education who were employees of the Department for Adult Education and Literacy and who were members of the Kentucky Teachers' Retirement System at the time the department was transferred to the council pursuant to Executive Order 2003-600;
- (h) The Office of Career and Technical Education, except that the executive director shall not be a member;
- (i) The Office of Vocational Rehabilitation;
- (j) The Kentucky Educational Collaborative for State Agency Children;
- (k) The Governor's Scholars Program;
- (l) Any person who is retired for service from the retirement system and is reemployed by an employer identified in this subsection in a position that the board of trustees deems to be a member;
- (m) Employees of the former Cabinet for Workforce Development who are transferred to the Kentucky Community and Technical College System and who

occupy positions covered by the Kentucky Teachers' Retirement System shall remain in the Teachers' Retirement System. New employees occupying these positions, as well as newly created positions qualifying for Teachers' Retirement System coverage that would have previously been included in the former Cabinet for Workforce Development, shall be members of the Teachers' Retirement System;

- (n) Effective January 1, 1998, employees of state community colleges who are transferred to the Kentucky Community and Technical College System shall continue to participate in federal old age, survivors, disability, and hospital insurance and a retirement plan other than the Kentucky Teachers' Retirement System offered by Kentucky Community and Technical College System. New employees occupying positions in the Kentucky Community and Technical College System as referenced in KRS 164.5807(5) that would not have previously been included in the former Cabinet for Workforce Development, shall participate in federal old age, survivors, disability, and hospital insurance and have a choice at the time of employment of participating in a retirement plan provided by the Kentucky Community and Technical College System, including participation in the Kentucky Teachers' Retirement System, on the same basis as faculty of the state universities as provided in KRS 161.540 and 161.620; and
 - (o) Employees of the Office of General Counsel, the Office of Budget and Administrative Services, and the Office of Quality and Human Resources within the Office of the Secretary of the former Cabinet for Workforce Development and the commissioners of the former Department for Adult Education and Literacy and the former Department for Technical Education who were contributing to the Kentucky Teachers' Retirement System as of July 15, 2000;
- (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940, and

became a member of the retirement system created by 1938 (1st Extra. Sess.) Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year after that date, and any teacher who was a member of a local teacher retirement system in the public elementary or secondary schools of the state on or before July 1, 1940, and continued to be a member of the system until he, with the membership of the local retirement system, became a member of the state Teachers' Retirement System or who becomes a member under the provisions of KRS 161.470(4);

- (6) "New teacher" means any member not a present teacher;
- (7) "Prior service" means the number of years during which the member was a teacher in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior service shall be allowed or credited to any teacher;
- (8) "Subsequent service" means the number of years during which the teacher is a member of the Teachers' Retirement System after July 1, 1941;
- (9) "Final average salary" means the average of the five (5) highest annual salaries which the member has received for service in a covered position and on which the member has made contributions, or on which the public board, institution, or agency has picked-up member contributions pursuant to KRS 161.540(2), or the average of the five (5) years of highest salaries as defined in KRS 61.680(2)(a), which shall include picked-up member contributions. Additionally, the board of trustees may approve a final average salary based upon the average of the three (3) highest salaries for members who are at least fifty-five (55) years of age and have a minimum of twenty-seven (27) years of Kentucky service credit. However, if any of the five (5) or three (3) highest annual salaries used to calculate the final average salary was paid within the three (3) years immediately prior to the date of the member's retirement, the amount of salary to be included for each of those three (3) years for the purpose of calculating the final average salary shall be limited to the lesser of:
 - (a) The member's actual salary; or
 - (b) The member's annual salary that was used for retirement purposes during each

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

This limitation shall not apply if the member receives an increase in salary in a percentage exceeding that received by the other members, and this increase was accompanied by a corresponding change in position or in length of employment. This limitation shall also not apply to the payment to a member for accrued annual leave *if the individual becomes a member before July 1, 2008*, or accrued sick leave which is authorized by statute and which shall be included as part of a retiring member's annual compensation for the member's last year of active service;

- (10) "Annual compensation" means the total salary received by a member as compensation for all services performed in employment covered by the retirement system during a fiscal year. Annual compensation shall not include payment for any benefit or salary adjustments made by the public board, institution, or agency to the member or on behalf of the member which is not available as a benefit or salary adjustment to other members employed by that public board, institution, or agency. Annual compensation shall not include the salary supplement received by a member under KRS 158.6455 or 158.782 on or after July 1, 1996. Under no circumstances shall annual compensation include compensation that is earned by a member while on assignment to an organization or agency that is not a public board, institution, or agency listed in subsection (4) of this section. In the event that federal law requires that a member continue membership in the retirement system even though the member is on assignment to an organization or agency that is not a public board, institution, or agency listed in subsection (4) of this section, the member's annual compensation for retirement purposes shall be deemed to be the annual

compensation, as limited by subsection (9) of this section, last earned by the member while still employed solely by and providing services directly to a public board, institution, or agency listed in subsection (4) of this section. The board of trustees shall determine if any benefit or salary adjustment qualifies as annual compensation.

For an individual who becomes a member on or after July 1, 2008, annual compensation shall not include lump-sum payments upon termination of employment for accumulated annual or compensatory leave;

- (11) "Age of member" means the age attained on the first day of the month immediately following the birthdate of the member. This definition is limited to retirement eligibility and does not apply to tenure of members;
- (12) "Employ," and derivatives thereof, means relationships under which an individual provides services to an employer as an employee, as an independent contractor, as an employee of a third party, or under any other arrangement as long as the services provided to the employer are provided in a position that would otherwise be covered by the Kentucky Teachers' Retirement System and as long as the services are being provided to a public board, institution, or agency listed in subsection (4) of this section;
- (13) "Regular interest" means interest at three percent (3%) per annum, *except for an individual who becomes a member on or after July 1, 2008, "regular interest" means interest at two and one-half percent (2.5%) per annum for purposes of crediting interest to the teacher savings account or any other contributions made by the employee that are refundable to the employee upon termination of employment;*
- (14) "Accumulated contributions" means the contributions of a member to the teachers' savings fund, including picked-up member contributions as described in KRS 161.540(2), plus accrued regular interest;
- (15) "Annuitant" means a person who receives a retirement allowance or a disability allowance;

- (16) "Local retirement system" means any teacher retirement or annuity system created in any public school district in Kentucky in accordance with the laws of Kentucky,
- (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The retirement plan year is concurrent with this fiscal year. A contract for a member employed by a local board of education may not exceed two hundred sixty-one (261) days in the fiscal year;
- (18) "Public schools" means the schools and other institutions mentioned in subsection (4) of this section;
- (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was receiving, at the time of death of the member, at least one-half (1/2) of the support from the member for maintenance, including board, lodging, medical care, and related costs;
- (20) "Active contributing member" means a member currently making contributions to the Teachers' Retirement System, who made contributions in the next preceding fiscal year, for whom picked-up member contributions are currently being made, or for whom these contributions were made in the next preceding fiscal year;
- (21) "Full-time" means employment in a position that requires services on a continuing basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year basis;
- (22) "Full actuarial cost," when used to determine the payment that a member must pay for service credit means the actuarial value of all costs associated with the enhancement of a member's benefits or eligibility for benefit enhancements, including health insurance supplement payments made by the retirement system. The actuary for the retirement system shall determine the full actuarial value costs and actuarial cost factor tables as provided in KRS 161.400; and
- (23) "Last annual compensation" means the annual compensation, as defined by subsection (10) of this section and as limited by subsection (9) of this section, earned by the member during the most recent period of contributing service, either

consecutive or nonconsecutive, that is sufficient to provide the member with one (1) full year of service credit in the Kentucky Teachers' Retirement System, and which compensation is used in calculating the member's initial retirement allowance, excluding bonuses, retirement incentives, payments for accumulated sick, annual, personal and compensatory leave, and any other lump-sum payment. *For an individual who becomes a member on or after July 1, 2008, payments for annual or compensatory leave shall not be included in determining the member's last annual compensation.*

âSection 91. KRS 161.250 is amended to read as follows:

- (1) *(a)* The general administration and management of the retirement system, and the responsibility for its proper operation and for making effective provisions of KRS 161.155 and 161.220 to 161.714 are vested in a board of trustees to be known as the "Board of Trustees of the Teachers' Retirement System of the State of Kentucky."
- (b)* The board of trustees shall consist of the chief state school officer, the State Treasurer, and seven (7) other trustees elected as provided in KRS 161.260. Four (4) of the elective trustees shall be members of the retirement system, to be known as teacher trustees, two (2) shall be persons who are not members of the teaching profession, to be known as the lay trustees, and one (1) shall be an annuitant of the retirement system to be known as the retired teacher trustee. One (1) teacher trustee shall be elected annually for a four-year term. The retired teacher trustee shall be elected every four (4) years. The chief state school officer and the State Treasurer are considered ex officio members of the board of trustees and may designate in writing a person to represent them at board meetings.
- (c) Elective trustees shall not serve more than three (3) consecutive four (4) year terms. An elective trustee who has served three (3) consecutive terms may be elected again after an absence of four (4) years from the board of*

trustees.

- (2) A member, retired member, or designated beneficiary may appeal the retirement system's decisions that materially affect the amount of service retirement allowance, amount of service credit, eligibility for service retirement, or eligibility for survivorship benefits to which that member, retired member, or designated beneficiary claims to be entitled. All appeals must be in writing and filed with the retirement system within thirty (30) days of the claimant's first notice of the retirement system's decision. For purposes of this section, notice shall be complete and effective upon the date of mailing of the retirement system's decision to the claimant at the claimant's last known address. Failure by the claimant to file a written appeal with the retirement system within the thirty (30) day period shall result in the decision of the retirement system becoming permanent with the effect of a final and unappealable order. Appeals may include a request for an administrative hearing which shall be conducted in accordance with the provisions of KRS Chapter 13B. The board of trustees may establish an appeals committee whose members shall be appointed by the chairperson and who shall have the authority to act upon the report and recommendation of the hearing officer by issuing a final order on behalf of the full board of trustees. A member, retired member, or designated beneficiary who has filed a timely, written appeal of a decision of the retirement system may, following the administrative hearing and issuance of the final order by the board of trustees, appeal the final order of the board of trustees to the Franklin Circuit Court in accordance with the provisions of KRS Chapter 13B.

- (3) The board of trustees 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 to the board. The orientation program shall include training on benefits and benefits administration; investment concepts, policies, and current composition and

administration of retirement system investments; laws, bylaws, and administrative regulations pertaining to the retirement system and to fiduciaries; and actuarial and financial concepts pertaining to the retirement system. 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 system shall withhold payment of the per diem and travel expenses due to the board member under KRS 161.290 until the trustee has completed the orientation program;

(b) Annual required training for trustees on the administration, benefits, financing, and investing of the retirement system. If a trustee fails to complete the annual required training during the calendar or fiscal year, the retirement system shall withhold payment of the per diem and travel expenses due to the board member under KRS 161.290 until the board member has met the annual training requirements; and

(c) The retirement system shall incorporate by reference in an administrative regulation, pursuant to KRS 13A.2251, the trustee education program.

(4) In order to improve public transparency regarding the administration of the system, the board of trustees shall adopt a best practices model by posting the following information to the retirement system's 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 system's 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 system by the executive secretary;

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 system 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 system 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 system's summary plan description;
- (g) The retirement system's law book;
- (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; and

(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.

(5) Notwithstanding the requirements of subsection (4) of this section, the retirement system shall not be required to furnish information that is protected under KRS 161.585, exempt under KRS 61.878, or that if disclosed would compromise the retirement system's ability to competitively invest in real estate or other asset classes, or to competitively negotiate vendor fees.

(6) For any benefit improvements the General Assembly has authorized the board of trustees to establish under KRS 161.220 to 161.716 that require formal adoption by the board, the board shall establish the benefits by promulgation of administrative regulations in accordance with KRS Chapter 13A.

âSection 91. KRS 161.420 is amended to read as follows:

All of the assets of the retirement system are for the exclusive purpose of providing benefits to members and annuitants and defraying reasonable expenses of administering the system. The board of trustees shall be the trustee of all funds of the system and shall have full power and responsibility for administering the funds. It is hereby declared that the restrictions and rights provided herein shall not be subject to reduction or impairment by alteration, amendment, or repeal. All the assets of the retirement system shall be credited according to the purpose for which they are held to one (1) of the following funds:

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

- (2) The teachers' savings fund shall consist of the contributions paid by members of the retirement system into this fund and regular interest assigned by the board of trustees from the guarantee fund. A member may not borrow any amount of his or her accumulated contributions to this fund, or any interest earned thereon. The accumulated contributions of a member returned to him upon his withdrawal or paid to his estate or designated beneficiary in the event of his death shall be paid from the teachers' savings fund. Any accumulated contributions forfeited by a failure of a teacher or his estate to claim these contributions shall be transferred from the teachers' savings fund to the guarantee fund. The accumulated contributions of a member shall be transferred from the teachers' savings fund to the allowance reserve fund in the event of retirement by reason of service or disability;
- (3) The state accumulation fund shall consist of funds appropriated by the state for the purpose of providing annuities and survivor benefits, including any sums appropriated for meeting unfunded liabilities, together with regular interest assigned by the board of trustees from the guarantee fund. At the time of retirement or death of a member there shall be transferred from the state accumulation fund to the allowance reserve fund an amount which together with the sum transferred from the teachers' savings fund will be sufficient to provide the member a retirement allowance and provide for benefits under KRS 161.520 and 161.525;
- (4) The allowance reserve fund shall be the fund from which shall be paid all retirement allowances and benefits provided under KRS 161.520 and 161.525. In addition, whenever a change in the status of a member results in an obligation on this fund, there shall be transferred to this fund from the teachers' savings fund and the state accumulation fund, the amounts as may be held in those funds for the account or benefit of the member;
- (5) The medical insurance fund shall consist of amounts accumulated for the purpose of providing benefits as provided in KRS 161.675, *including*:-]
- (a) For individuals who become members before July 1, 2008, one and one-*

~~half~~ ~~five tenths~~ percent (1.5%) of the gross annual payroll of all members shall be deposited to this fund. ~~One-half (1/2)~~ Of this amount, three quarters of one percent (0.75%) shall derive from member contributions as provided by Section 80 of this Act and three-quarters of one percent (0.75%) ~~one-half (1/2)~~ from a state appropriation;~~[-]~~

(b) For individuals who become members on or after July 1, 2008, two and one-half percent (2.5%) of the gross annual payroll of all members shall be deposited to this fund. Of this amount, one and three-quarters percent (1.75%) shall derive from member contributions as provided by Section 80 of this Act and three-quarters of one percent (0.75%) from a state appropriation;

(c) The board of trustees may allocate amounts up to ~~the~~ three and twenty-five hundredths percent (3.25%) of the total salaries of active members that the state appropriates annually as provided under KRS 161.550~~(1)~~~~[-]~~

(d) ~~In addition, the medical insurance fund shall be funded by the~~ Employer medical insurance fund stabilization contributions ~~contribution~~ as set forth in KRS 161.550~~(2)~~~~; and~~~~[-]~~

(e) ~~The medical insurance fund shall receive all~~ Interest income from the investments of the fund from contributions received by the fund under paragraphs (a) to (d) of this subsection, and from income earned on those investments.

All claims for benefits under KRS 161.675 shall be paid from this fund. Any amounts not required to meet current costs shall be maintained as a reserve for these benefits;

- (6) The guarantee fund shall be maintained to facilitate the crediting of uniform interest on the amounts of the other funds, except the expense fund, to finance operating expenses directly related to investment management services, and to provide a contingent fund out of which special requirements of any of the other funds may be covered. All income, interest, and dividends derived from the authorized deposits and

investments shall be paid into the guarantee fund. Any funds received from gifts and bequests, which the board is hereby authorized to accept and expend without limitation in a manner either expressed by the donor or deemed to be in the best interest of the membership, shall be credited to the guarantee fund. Any funds transferred from the teachers' savings fund by reason of lack of claimant or because of a surplus in any fund and any other moneys whose disposition is not otherwise provided for, shall also be credited to the guarantee fund. The interest allowed by the board of trustees to each of the other funds shall be paid to these funds from the guarantee fund. Any deficit occurring in any fund that would not be automatically covered shall be met by the payments from the guarantee fund to that fund. The board of trustees may, at any time during a fiscal year, transfer from the guarantee fund to the medical insurance fund an amount not to exceed four percent (4%) of the income earned from investments during the immediate past year;

- (7) The school employee annuity fund shall consist of those funds voluntarily contributed under the provisions of section 403(b) of the Internal Revenue Code by a retired member of the Teachers' Retirement System with accounts that existed on or after July 1, 1996. The contributions shall not be picked up as provided in KRS 161.540(2). Separate member accounts shall be maintained for each member. The board of trustees may promulgate administrative regulations pursuant to KRS Chapter 13A to manage this program;
- (8) The supplemental retirement benefit fund shall consist of those funds contributed by the employer for the purpose of constituting a qualified government excess benefit plan as described in Section 415 of the Internal Revenue Code for accounts that existed on or after July 1, 1996. The board of trustees ~~shall~~may promulgate administrative regulations pursuant to KRS Chapter 13A to administer this program; and
- (9) The life insurance benefit fund shall consist of amounts accumulated for the purpose of providing benefits provided under KRS 161.655. The board of trustees may

allocate to this fund a percentage of the employer and state contributions as provided under KRS 161.550. The allocation to this fund will be in an amount that the actuary determines necessary to fund the obligation of providing the benefits provided under KRS 161.655.

âSection 91. KRS 161.430 is amended to read as follows:

- (1) The board of trustees shall be the trustee of the funds of the retirement system and shall have full power and responsibility for the purchase, sale, exchange, transfer, or other disposition of the investments and moneys of the retirement system. The board shall, by administrative regulation, establish investment policies and procedures to carry out their responsibilities. The board shall employ experienced competent investment counselors to advise it on all matters pertaining to investment, except the board may employ qualified investment personnel to advise it on investment matters not to exceed fifty percent (50%) of the book value of the system's assets. All individuals associated with the investment and management of retirement system assets, whether contracted investment advisors or staff employees, shall adhere to "The Code of Ethics" and "The Standards of Professional Conduct" promulgated by the Association for Investment Management and Research. Effective July 1, 1991, no investment counselor shall manage more than forty percent (40%) of the funds of the retirement system. The board may appoint an investment committee consisting of the executive secretary and two (2) trustees to act for the board in all matters of investment, subject to the approval of the board of trustees. The board of trustees, in keeping with their responsibilities as trustees and wherever consistent with their fiduciary responsibilities, shall give priority to the investment of funds in obligations calculated to improve the industrial development and enhance the economic welfare of the Commonwealth. Toward this end, the board shall develop procedures for informing the business community of the potential for in-state investments by the retirement fund, accepting and evaluating applications for the in-state investment of funds, and working with members of the business community in executing in-state

investments which are consistent with the board's fiduciary responsibilities. The board shall include in the criteria it uses to evaluate in-state investments their potential for creating new employment opportunities and adding to the total job pool in Kentucky. The board may cooperate with the board of trustees of Kentucky Retirement Systems in developing its program and procedures, and shall report to the Legislative Research Commission annually on its progress in placing in-state investments. The first report shall be submitted by October 1, 1991, and subsequent reports shall be submitted by October 1 of each year thereafter. The report shall include the number of applications for in-state investment received, the nature of the investments proposed, the amount requested, the amount invested, and the percentage of applications which resulted in investments.

- (2) The board members and investment counselor shall discharge their duties with respect to the assets of the system solely in the interests of the active contributing members and annuitants and:
 - (a) For the exclusive purpose of providing benefits to members and annuitants and defraying reasonable expenses of administering the system;
 - (b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims;
 - (c) By diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
 - (d) In accordance with the laws, administrative regulations, and other instruments governing the system.
- (3) (a) In choosing and contracting for professional investment management services the board must do so prudently and in the interest of the members and annuitants. Any contract that the board makes with an investment counselor shall set forth policies and guidelines of the board with reference to standard

rating services and specific criteria for determining the quality of investments. Expenses directly related to investment management services shall be financed from the guarantee fund in amounts approved by the board.

- (b) An investment counselor appointed under this section shall acknowledge in writing his fiduciary responsibilities to the fund. To be eligible for appointment, an investment counselor must be:
 - 1. Registered under the Federal Investment Advisors Act of 1940; or
 - 2. A bank as defined by that Act; or
 - 3. An insurance company qualified to perform investment services under the laws of more than one (1) state.
- (4) No investment or disbursement of funds shall be made unless authorized by the board of trustees, except that the board, in order to ensure timely market transactions, shall establish investment guidelines, by administrative regulation, and may permit its staff and investment counselors employed pursuant to this section to execute purchases and sales of investment instruments within those guidelines without prior board approval.

(5) 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.

âSection 91. KRS 161.440 is amended to read as follows:

At the end of each fiscal year the board of trustees shall assign from the guarantee fund interest at the **regular interest** rate~~[of three percent (3%)]~~ to the teachers' savings fund, the state accumulation fund, and the allowance reserve fund. The amounts so allowed shall be due and payable to the funds and shall be annually credited thereto by the board of trustees from interest and other earnings on money of the retirement system.

âSection 91. KRS 161.540 is amended to read as follows:

- (1) **(a)** Effective July 1, 1988, each **individual who becomes a** member **before July 1, 2008,** shall contribute to the retirement system nine and eight hundred fifty-five

thousandths percent (9.855%) of annual compensation, except that university faculty members shall contribute eight and three hundred seventy-five thousandths percent (8.375%) of annual compensation.

(b) Each individual who becomes a member on or after July 1, 2008, shall contribute to the retirement system ten and eight hundred fifty-five thousandths percent (10.855%) of annual compensation, except that university faculty members shall contribute nine and three hundred seventy-five thousandths percent (9.375%) of annual compensation.

(c) Payments authorized by statute that are made to retiring members, **who became members of the system before July 1, 2008,** for not more than sixty (60) days of unused accrued annual leave shall be considered as part of the member's annual compensation, and shall be used only for the member's final year of active service. The contribution of members shall not exceed these applicable percentages on annual compensation. When a member retires, if it is determined that he has made contributions on a salary in excess of the amount to be included for the purpose of calculating his final average salary, any excess contribution shall be refunded to him in a lump sum at the time of the payment of his first retirement allowance. In the event a member is awarded a court-ordered back salary payment the employer shall deduct and remit the member contribution on the salary payment, plus interest to be paid by the employer, to the retirement system unless otherwise specified by the court order.

(2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for the purpose of compliance with Section 414(h) of the United States Internal Revenue Code, pick up the member contributions required by this section for all compensation earned after August 1, 1982, and the contributions so picked up shall be treated as employer contributions in determining tax treatment under the United States Internal Revenue Code and KRS 141.010(10). The picked-up member contribution shall satisfy all obligations to the retirement system satisfied prior to August 1, 1982, by

the member contribution, and the picked-up member contribution shall be in lieu of a member contribution. Each employer shall pay these picked-up member contributions from the same source of funds which is used to pay earnings to the member. The member shall have no option to receive the contributed amounts directly instead of having them paid by the employer to the system. Member contributions picked-up after August 1, 1982, shall be treated for all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent as member contributions made prior to August 1, 1982.

âSection 91. KRS 161.545 is amended to read as follows:

- (1) Members may make contributions and receive service credit for substitute, part-time, or any service other than regular full-time teaching as provided in the administrative regulations of the board of trustees if contributions were not otherwise made as a result of the service. Members placed on leave of absence may make contributions and receive service credit for this leave only if contributions are made by the end of the fiscal year next succeeding the year in which the leave was effective as provided in administrative regulations promulgated by the board of trustees. Contributions permitted after August 1, 1982, shall not be picked-up pursuant to KRS 161.540(2).
- (2) Active contributing members of the Teachers' Retirement System, or former members who are currently participating in a state-administered retirement system, who were granted leaves of absence since July 1, 1964, for reasons of health as defined under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs. 2601 et seq., child rearing, or to improve their educational qualifications, and did not qualify at the time of the leave of absence to make contributions to the retirement system for the leave of absence as provided in subsection (1) of this section, may obtain credit for the leave of absence under the following conditions:
 - (a) The leave of absence shall be verified by a copy of the board of education minutes which granted the leave of absence or by other documentation that was generated contemporaneously with the leave that is determined by the

retirement system to reasonably establish that a leave of absence was granted;
and

- (b) The member shall contribute the required percentage based on the salary received for the year immediately preceding the leave of absence plus interest at the rate of eight percent (8%) compounded annually from the beginning of the school year following the year of the leave of absence, and by depositing in the state accumulation fund an amount equal to this total.
- (c) The member shall receive credit for no more than two (2) years under the provisions of this subsection.
- (3) Contributions permitted under this section after August 1, 1982, shall not be picked-up pursuant to KRS 161.540(2).

(4) Notwithstanding any other provisions of this section to the contrary, purchase of service credit under subsection (2) of this section for individuals who become members on or after July 1, 2008, shall be purchasable only at the full actuarial cost.

âSection 91. KRS 161.5465 is amended to read as follows:

- (1) On or after August 1, 1998, a member of the Teachers' Retirement System in active contributing status who has a minimum of twenty (20) years of service credit may purchase up to a maximum of five (5) years of service credit that is not otherwise purchasable under any of the provisions of KRS ~~161.220~~~~[161.230]~~ to 161.716 and that meets the definition of nonqualified service as provided in Section 1526 of the Federal Taxpayer Relief Act of 1997. The member shall pay the full actuarial cost of the service credit as provided in KRS 161.220(22). The payment shall not be picked up by the employer as described in KRS 161.540(2), and the member's payment shall be credited to the member's contribution account and shall be considered accumulated contributions of the member. Payment by the member may be by lump sum or by installment payments as provided in KRS 161.597. Notwithstanding any other statute to the contrary, the Kentucky Teachers' Retirement System shall

recognize nonqualified service credit purchased with another retirement system only to the extent that the member had an equivalent number of full months of active employment in the position covered by the other retirement system during the period that the nonqualified service was purchased.

(2) This section shall not apply to individuals who become members on or after July 1, 2008, except that a teacher of a local school board may purchase up to ten (10) months of service under this section if the teacher is retiring and has completed the prior school year with at least twenty-six (26) years and two (2) months of service but less than twenty-seven (27) years of service.

âSection 91. KRS 161.600 is amended to read as follows:

- (1) Effective July 1, 1988, a member of the retirement system may qualify for service retirement by meeting one (1) of the following requirements:
 - (a) Attainment of age sixty (60) years and completion of five (5) years of Kentucky service;
 - (b) **1. For an individual who becomes a member before July 1, 2008,**
attainment of age fifty-five (55) years and completion of a minimum of five (5) years of Kentucky service with an actuarial reduction of the basic allowance of five percent (5%) for each year the member's age is less than sixty (60) years or for each year the member's years of Kentucky service credit is less than twenty-seven (27), whichever is the lesser number;
2. For an individual who becomes a member on or after July 1, 2008,
attainment of age fifty-five (55) years and completion of a minimum of ten (10) years of Kentucky service with an actuarial reduction of the basic retirement allowance of six percent (6%) for each year the member's age is less than sixty (60) years or for each year the member's years of Kentucky service credit is less than twenty-seven (27), whichever is the lesser number;
 - (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state

service earned in accordance with the provisions of KRS 161.515(2) may be used to meet this requirement; or

- (d) Completion of the necessary years of service under provisions of KRS 61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS 61.680. A member retiring under this paragraph who has not attained age fifty-five (55) shall incur an actuarial reduction of the basic allowance determined by the system's actuary for each year the member's service credit is less than twenty-seven (27).
- (2) Any person who has been a member in Kentucky for twenty-seven (27) years or more and who withdraws from covered employment may continue to pay into the fund each year until the end of the fiscal year in which he reaches the age of sixty-five (65) years, the current contribution rate based on the annual compensation received during the member's last full year in covered employment, less any payment received for accrued sick leave or accrued leave from an employer. The member shall be entitled to receive a retirement allowance as provided in KRS 161.620 at any time after withdrawing from covered employment and payment of contributions under this subsection. No member shall make contributions as provided for in this subsection if the member is at the same time making contributions to another retirement system in Kentucky supported wholly or in part by public funds.
- (3) Service credit in the Kentucky Employees Retirement System, the State Police Retirement System, the Legislators' Retirement Plan, the County Employees Retirement System, or the Judicial Retirement System may be used in meeting the service requirements of subsection (1)(a), (b), and (c) of this section, provided the service is subsequent to July 1, 1956. Upon death, disability, or service retirement, a member's accounts under all state supported retirement systems shall be consolidated, as provided by this section and by KRS 61.680, for the purpose of determining eligibility and amount of benefits, which shall include medical benefits. Upon determination of benefits, each system shall pay the applicable percentage of total

benefits. The effective date of retirement under this subsection shall be determined by each retirement system for the portion of the payments that will be made.

- (4) No retirement annuity shall be effective until written application and option election forms are filed with the retirement office in accordance with administrative regulations of the board of trustees.
- (5) The surviving spouse of an active contributing member, if named as beneficiary of the member's account, may purchase retirement credit that the member was eligible to purchase prior to the member's death.

âSection 91. KRS 161.605 is amended to read as follows:

Any member retired by reason of service may return to work in a position covered by the Kentucky Teachers' Retirement System and continue to receive his or her retirement allowance under the following conditions:

- (1) Any member who is retired with thirty (30) or more years of service may return to work in a full-time or a part-time position covered by the Kentucky Teachers' Retirement System and earn up to a maximum of seventy-five percent (75%) of the member's last annual compensation measured on a daily rate to be determined by the board of trustees. For purposes of determining whether the salary of a member returning to work is seventy-five percent (75%) or less of the member's last annual compensation, all remuneration paid and benefits provided to the member, on an actual dollar or fair market value basis as determined by the retirement system, shall be considered. Members who were retired on or before June 30, 2002, shall be entitled to return to work under the provisions of this section as if they had retired with thirty (30) years of service. Service credit purchased under the provisions of KRS 161.5465 may not be used to meet the thirty (30) year requirement set forth in this subsection.
- (2) Any member who is retired with less than thirty (30) years of service after June 30, 2002, may return to work in a full-time or part-time position covered by the Kentucky Teachers' Retirement System and earn up to a maximum of sixty-five

percent (65%) of the member's last annual compensation measured on a daily rate to be determined by the board of trustees. For purposes of determining whether the salary of a member returning to work is sixty-five percent (65%) or less of the member's last annual compensation, all remuneration paid and benefits provided to the member, on an actual dollar or fair market value basis as determined by the retirement system, shall be considered.

- (3) Reemployment of a retired member under subsection (1) or (2) of this section in a full-time teaching or nonteaching position in a local school district shall be permitted only if the employer certifies to the Kentucky Teachers' Retirement System that there are no other qualified applicants available to fill the teaching or nonteaching position. The employer may use any source considered reliable including but not limited to data provided by the Education Professional Standards Board and the Department of Education to determine whether other qualified applicants are available to fill the teaching or nonteaching position. The Kentucky Board of Education shall promulgate administrative regulations to establish procedures to determine whether other qualified applicants are available to fill a teaching or nonteaching position and, if not, for filling the position with a retired member who will then be permitted to return to work in that position under subsection (1) or (2) of this section. The administrative regulations shall assure that a retired member shall not be hired in a teaching or nonteaching position by a local school district until the superintendent of the school district assures the Kentucky Teachers' Retirement System that every reasonable effort has been made to recruit other qualified applicants for the position on an annual basis.
- (4) Under this section, an employer may employ full-time a number of retired members not to exceed three percent (3%) of the membership actively employed full-time by that employer. The board of trustees may reduce this three percent (3%) cap upon recommendation of the retirement system's actuary if a reduction is necessary to maintain the actuarial soundness of the retirement system. The board of trustees may

increase the three percent (3%) cap upon a determination that an increase is warranted to help address a shortage in the number of available teachers and upon the determination of the retirement system's actuary that the proposed cap increase allows the actuarial soundness of the retirement system to be maintained. For purposes of this subsection, "full-time" means the same as defined by KRS 161.220(21). A local school district may exceed the quota established by this subsection by making an annual written request to the Kentucky Department of Education which the department may approve on a year-by-year basis if the statewide quota has not been met. A district's written request to exceed its quota shall be submitted no sooner than two (2) weeks after the start of the school year.

- (5) A member returning to work in a full-time or part-time position under subsection (1) or (2) of this section will contribute to an account with the retirement system that will be administered independently from and with no reciprocal impact with the member's original retirement account. A member returning to work under subsection (1) or (2) of this section shall make contributions to the retirement system at the rate provided under KRS 161.540. The second account shall independently meet the five (5) year vesting requirement as well as all other conditions set forth in KRS 161.600(1) before any retirement allowance is payable from this account. The retirement allowance accruing under this second account shall be calculated pursuant to KRS 161.620(1)(b). This second account shall not entitle the member to a duplication of the benefits offered under KRS 161.620(7), 161.655, or 161.675, nor shall this second account provide the benefits offered by KRS 161.520, 161.525, 161.661, or 161.663. A member returning to work under subsection (1) or (2) of this section shall waive his or her medical insurance with the Kentucky Teachers' Retirement System during the period of reemployment and shall receive the medical insurance coverage that is generally provided by the member's active employer to the other members of the retirement system that the active employer employs. If medical insurance coverage is not available from the employer, the Kentucky Teachers' Retirement

System may provide coverage for the member. A member returning to work under subsection (1) or (2) of this section shall not be eligible to purchase service credit for any service provided after the member's effective date of retirement but prior to the date that the member returns to work. A member returning to work under subsection (1) or (2) of this section shall not be eligible to purchase service credit that the member would have otherwise been eligible to purchase prior to the member's initial retirement. A member who returns to work under subsection (1) or (2) of this section, or in the event of the death of the member, the member's estate or applicably designated beneficiary, shall be entitled, within ninety (90) days of the posting of the annual report submitted by the employer, to a refund of contributions as permitted and limited by KRS 161.470.

- (6) The board of trustees may annually, on July 1, adjust the current daily rate of a member's last annual compensation, for each full twelve (12) month period that has elapsed subsequent to the member earning his or her last annual compensation, by the percentage increase in the annual average of the consumer price index for all urban consumers for the calendar year preceding the adjustment as published by the Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each annual adjustment shall become part of the member's daily rate base. Failure to comply with the salary limitations set forth in subsections (1) and (2) of this section as may be adjusted by this subsection shall result in a reduction of the member's retirement allowance or any other benefit to which the member would otherwise be entitled on a dollar-for-dollar basis for each dollar that the member exceeds these salary limitations.
- (7) (a) A retired member returning to work under subsection (1) or (2) of this section shall have separated from service for a period of at least one (1) year if returning to work for the same employer on a full-time basis, and at least three (3) months if returning to work for a different employer on a full-time basis. A retired member returning to work under subsection (1) or (2) of this section on

a part-time basis shall have separated from service for a period of at least three (3) months before returning to work for any employer.

- (b) As an alternative to the separation-from-service requirements in paragraph (a) of this subsection, a retired member who is returning to work for the same employer in a full-time position under subsections (1) and (2) of this section may elect a separation-from-service of not less than two (2) months followed by a forfeiture of the retired member's retirement allowance on a month-to-month basis for each month that the member has separated from service for less than twelve (12) full months. A retired member returning to work for the same employer in a part-time position, or for a different employer in a full-time position, may elect an alternative separation-from-service requirement of at least two (2) months followed by a forfeiture of the member's retirement allowance for one (1) month. During the period that the member forfeits his or her retirement allowance and thereafter, member and employer contributions shall be made to the retirement system as a result of employment in any position subject to membership in the retirement system. The member shall contribute to an account with the retirement system subject to the conditions set forth in subsection (5) of this section. For purposes of measuring the separation-from-service requirements set forth throughout this section, a member's separation-from-service begins on the first day following the last day of paid employment for the member prior to retirement.
 - (c) Failure to comply with the separation-from-service requirements in this subsection voids a member's retirement and the member shall be required to return all the retirement benefits he or she received, with interest, for the period of time that the member returned to work without a sufficient separation from service.
- (8) (a) Effective July 1, 2004, local school districts may employ retired members in full-time or part-time teaching or administrative positions without limitation on

the compensation of the retired members that is otherwise required by subsections (1) and (2) of this section. Under provisions of this subsection, a local school district may only employ retired members to fill critical shortage positions for which there are no other qualified applicants as determined by the local superintendent. The number of retired members that a local school district may employ under this subsection shall be no more than two (2) members per local school district or one percent (1%) of the total active members employed by the local school district on a full-time basis as defined under KRS 161.220(21), whichever number is greater. Retired members returning to work under this subsection shall be subject to the separation-from-service requirements set forth in subsection (7) of this section. Retired members returning to work under this subsection shall waive their medical insurance coverage with the retirement system during their period of reemployment and receive medical insurance coverage that is offered to other full-time members employed by the local school district. Retired members returning to work under this subsection shall contribute to an account subject to the conditions set forth in subsection (5) of this section. Retired members returning to work under this subsection shall make contributions to the retirement system at the rate provided under KRS 161.540. The employer shall make contributions at the rate provided under KRS 161.550. Local school districts shall make annual payments to the retirement system on the compensation paid to the reemployed retirees at the rates determined by the retirement system's actuary that reflect any accrued liability resulting from the reemployment of these members.

- (b) The Department of Education may employ retired members in full-time or part-time teaching positions without the limitations on compensation otherwise required by subsections (1) and (2) of this section to fill critical shortage areas in the schools it operates, including the Kentucky School for the Blind, the Kentucky School for the Deaf, and the Kentucky Virtual High School. The

department shall be subject to the same requirements as local school districts as provided in paragraph (a) of this subsection.

- (9) Members who retired on or before June 30, 2002, may, for the fiscal year concluding on June 30, 2007, be reemployed under the one hundred (100) day provisions of this section as they existed on June 30, 2002, except that members returning to work under those provisions shall make contributions to the Kentucky Teachers' Retirement System at the rate provided under KRS 161.540 and members' employers shall make contributions to the Kentucky Teachers' Retirement System at the rates specified under KRS 161.550. Those members returning to work under the one hundred (100) day provisions of this section as they existed on June 30, 2002, shall further waive their medical insurance coverage with the retirement system during the period of reemployment and will instead receive the medical insurance coverage generally provided by their active employer to other members of the retirement system that the active employer employs. If medical insurance coverage is not available from the employer, the Kentucky Teachers' Retirement System may provide coverage for the member. Notwithstanding any other statute to the contrary, retired members returning to work shall under no circumstances be permitted to purchase as service credit service provided under the one hundred (100) day provisions of this section as they existed on June 30, 2002. Any member who exceeds the one hundred (100) day limitation of this subsection shall be subject to having his or her retirement voided and be required to return all retirement allowances and other benefits paid to the member or on the member's behalf since the effective date of retirement. In lieu of voiding a member's retirement, the system may reduce the member's retirement allowance or any other benefits to which the member would otherwise be entitled on a dollar-for-dollar basis for each dollar of compensation that the member earns in employment exceeding onehundred (100) days.
- (10) The return to work limitations set forth in this section and KRS 161.603 shall apply to retired members who are returning to work in the same position from which they

retired, or a position substantially similar to the one from which they retired, or any position listed in KRS 161.220(4) which requires membership in the retirement system. Positions which generally require certification or graduation from a four (4) year college or university as a condition of employment which are created, or changed to remove the position from coverage under KRS 161.220(4) are also subject to the return to work limitations set forth in this section and KRS 161.603. The board of trustees shall determine whether employment in a nonteaching position is subject to this subsection.

(11) The provisions of subsections (1) to (9) of this section are not subject to KRS 161.714.

(12) *Any member retired by reason of service may waive his annuity and return to full-time employment in a position covered by the Kentucky Teachers' Retirement System under the following conditions:*

(a) The member shall receive no annuity payments while employed in a covered position, shall waive his or her medical insurance coverage with the Kentucky Teachers' Retirement System during the period of reemployment, and shall receive the medical insurance coverage that is generally offered by the member's active employer to the other members of the retirement system employed by the active employer. The member's estate or, if there is a beneficiary applicably designated by the member, then the beneficiary, shall continue to be eligible for life insurance benefits as provided in KRS 161.655. Service subsequent to retirement shall not be used to improve an annuity, except as provided in paragraphs (b) and (c) of this subsection.

(b) Any member who waives regular annuity benefits and returns to teaching or covered employment shall be entitled to make contributions on the salaries received for this service and have his retirement annuity recalculated as provided in the regular retirement formula in KRS 161.620(1), less any applicable actuarial discount applied to the original

retirement allowance due to the election of a joint and last survivor option. Retirement option and beneficiary designation on original retirement shall not be altered by post-retirement employment, and dependents and spouses of the members shall not become eligible for benefits under KRS 161.520, 161.525, or 161.661 because of post-retirement employment.

(c) When a member returns to full-time teaching or covered employment as provided in paragraph (b) of this subsection, the employer is required to withhold and remit regular retirement contributions. The member must be employed full-time for at least one (1) consecutive contract year to be eligible to improve an annuity. The member shall be returned to the annuity rolls on July 1 following completion of the contract year or on the first day of the month following the month of termination of service if full-time employment exceeds one (1) consecutive contract year. Any discounts applied at the time of the original retirement due to service or age may be reduced or eliminated due to additional employment if full-time employment is for one (1) consecutive contract year or longer.

(d) A member retired by reason of service who has been employed the equivalent of twenty-five (25) days or more during a school year under KRS 161.605 may waive the member's retirement annuity and return to regular employment covered by the Kentucky Teachers' Retirement System during that school year a maximum of one (1) time during any five (5) year period, beginning with that school year.

(13) Retired members may be employed in a part-time teaching capacity by an agency described in KRS 161.220(4)(b) or (n), not to exceed the equivalent of twelve (12) teaching hours in any one (1) fiscal year. Retired members may be employed for a period not to exceed the equivalent of one hundred (100) days in any one (1) fiscal year in a part-time administrative or nonteaching capacity by an agency described in KRS 161.220(4)(b) or (n) in a position that would otherwise be covered by the

retirement system. The return to work provisions set forth in subsections (1) to (9) of this section shall not apply to retired members who return to work solely for an agency described in KRS 161.220(4)(b) or (n). Calculation of the number of days and teaching hours for part-time teaching, substitute teaching, or part-time employment in a nonteaching capacity under this section shall not exceed the ratio between a school year and the actual months of retirement for the member during that school year. The board of trustees by administrative regulation may establish fractional equivalents of a day of teaching service. Any member who exceeds the twelve (12) hour or one hundred (100) day limitations of this subsection shall be subject to having his or her retirement voided and be required to return all retirement allowances and other benefits paid to the member or on the member's behalf since the effective date of retirement. In lieu of voiding a member's retirement, the system may reduce the member's retirement allowance or any other benefit to which the member would otherwise be entitled on a dollar-for-dollar basis for each dollar of compensation that the member earns in employment exceeding twelve (12) hours, one hundred (100) days, or any apportionment of the two (2) combined.

~~(14)~~~~(13)~~ When a retired member returns to employment in a part-time teaching capacity or in a nonteaching capacity as provided in subsection ~~(13)~~~~(12)~~ of this section, the employer shall contribute annually to the retirement system on the compensation paid to the retired member at rates determined by the retirement system actuary that reflect accrued liability for retired members who return to work under subsection ~~(13)~~~~(12)~~ of this section.

~~(15)~~~~(14)~~ For retired members who return to work during any one (1) fiscal year in both a position described in KRS 161.220(4)(b) or (n) and in a position described under another provision under KRS 161.220(4), and for retired members who return to work in a position described under KRS 161.220(4)(b) or (n) in both a teaching and an administrative or nonteaching capacity, the board of trustees shall adopt a methodology for a pro rata apportionment of days and hours that the retired member

may work in each position.

âSection 91. KRS 161.620 is amended to read as follows:

- (1) The retirement allowance, in the form of a life annuity with refundable balance, of a member retiring for service shall be calculated as follows:
 - (a) For retirements effective July 1, 1998, and thereafter, except as otherwise provided by this section, the annual allowance for each year of service shall be two percent (2%) of the final average salary for service performed prior to July 1, 1983, and two and one-half percent (2.5%) of the final average salary for service performed after July 1, 1983, for all members not employed by a state college or university. The annual retirement allowance for each year of service performed by members of the Teachers' Retirement System who are members under the provisions of KRS 161.220(4)(b) or (n) shall be two percent (2%) of the final average salary. Actuarial discounts due to age or service credit at retirement may be applied as provided in this section.
 - (b) For individuals who become members of the Kentucky Teachers' Retirement System on or after July 1, 2002, and before July 1, 2008, except those persons who become members under KRS 161.220(4)(b) or (n), and who upon retirement have earned less than ten (10) full years of service credit, the retirement allowance shall be two percent (2%) of the member's final average salary for each year of service. For individuals who become members of the Kentucky Teachers' Retirement System on or after July 1, 2002, and before July 1, 2008, except those persons who become members under KRS 161.220(4)(b) or (n), and who upon retirement have earned at least ten (10) full years of service credit, the annual allowance for each year of service shall be two and one-half percent (2.5%) of the member's final average salary.
 - (c) The board of trustees may approve for members who initially retire on or after July 1, 2004, and who become members before July 1, 2008, except those persons who are members under KRS 161.220(4)(b) or (n), a retirement

allowance of three percent (3%) of the member's final average salary for each year of service credit earned in excess of thirty (30) years. This three percent (3%) factor shall be in lieu of the two and one-half percent (2.5%) factor provided for in paragraph (b) of this subsection for every year or fraction of a year of service in excess of thirty (30) years. Upon approval of this three percent (3%) retirement factor, the board of trustees may establish conditions of eligibility regarding the type of service credit that will qualify for meeting the requirements of this subsection. This subsection is optional with the board of trustees and shall not be subject to KRS 161.714.

(d) *For individuals who become members of the Kentucky Teachers' Retirement System on or after July 1, 2008, except those persons who become members under KRS 161.220(4)(b) or (n), the retirement allowance shall be:*

- 1. a. One and seven-tenths percent (1.7%) of the member's final average salary for each year of service if the member has earned ten (10) or less years of service at retirement;*
- b. Two percent (2%) of the member's final average salary 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. Two and three-tenths percent (2.3%) of the member's final average salary 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. Two and one-half percent (2.5%) of the member's final average salary 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. Three percent (3%) of the member's final average salary for each year*

of service earned in excess of thirty (30) years of service at retirement.

(e) For individuals who become members of the Kentucky Teachers' Retirement System on or after July 1, 2008, who are members under KRS 161.220(4)(b) or (n), the retirement allowance shall be:

1. One and one-half percent (1.5%) of the member's final average salary for each year of service if the member has earned ten (10) or less years of service at retirement;
2. One and seven-tenths percent (1.7%) of the member's final average salary 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;
3. One and eighty-five hundredths percent (1.85%) of the member's final average salary for each year of service if the member has earned greater than twenty (20) but less than twenty-seven (27) years of service at retirement; or
4. Two percent (2%) of the member's final average salary for each year of service if the member has earned twenty-seven (27) or more years of service at retirement.

(f) The retirement allowance of a member at retirement, as measured on a life annuity, shall not exceed the member's last yearly salary or the member's final average salary, whichever is the greater amount. For purposes of this section, "yearly salary" means the compensation earned by a member during the most recent period of contributing service, either consecutive or nonconsecutive, preceding the member's effective retirement date and shall be subject to the provisions of KRS 161.220(9) and (10).

- (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance of each retired member and of each beneficiary of a retirement option shall be increased in the amount of one and one-half percent (1.5%), provided the retired member had been retired for at least the full twelve (12) months immediately preceding the date

that the increase is effective. In the event that the retired member had been retired for less than the full twelve (12) months immediately preceding the date that the increase is effective, then the increase shall be reduced on a pro rata basis by each month that the retired member had not been retired for the full twelve (12) months immediately preceding the effective date of the increase.

- (3) Any member qualifying for retirement under a life annuity with refundable balance shall be entitled to receive an annual allowance amounting to not less than four hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the member. These minimums shall apply to the retired members receiving annuity payments and to those members retiring on or subsequent to the effective dates listed in this subsection. *This subsection and subsection (4) of this section shall not apply to individuals who become members of the Kentucky Teachers' Retirement System on or after July 1, 2008.*
- (4) The minimum retirement allowance provided in this section shall apply in the case of members retired or retiring under an option other than a life annuity with refundable balance in the same proportion to the benefits of the member and his beneficiary or beneficiaries as provided in the duly-adopted option tables at the time of the member's retirement.
- (5) Effective July 1, 2006, the monthly allowance of each retired member and each recipient of a retirement option of the retired member may be increased in an amount not to exceed eight-tenths of one percent (0.8%) of the monthly allowance in effect the previous month, provided the retired member had been retired for at least the full twelve (12) months immediately preceding the date that the increase is effective. In the event that the retired member had been retired for less than the full twelve (12) months immediately preceding the date that the increase is effective, then the increase shall be reduced on a pro rata basis by each month that the retired member had not been retired for the full twelve (12) months immediately preceding the effective date

of the increase. The level of increase provided for in this subsection shall be determined by the funding provided in the 2006-2008 biennium budget appropriation.

- (6) Effective July 1, 2007, the monthly allowance of each retired member and each recipient of a retirement option of the retired member may be increased in an amount not to exceed six-tenths of one percent (0.6%) of the monthly allowance in effect the previous month, provided the retired member had been retired for at least the full twelve (12) months immediately preceding the date that the increase is effective. In the event that the retired member had been retired for less than the full twelve (12) months immediately preceding the date that the increase is effective, then the increase shall be reduced on a pro rata basis by each month that the retired member had not been retired for the full twelve (12) months immediately preceding the effective date of the increase. The level of increase provided for in this subsection shall be determined by the funding provided in the 2006-2008 biennium budget appropriation.
- (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be payable for the benefit of an adult child of a member retired for service when the child's mental or physical condition is sufficient to cause dependency on the member at the time of retirement. Eligibility for this payment shall continue for the life of the child or until the time the mental or physical condition creating the dependency no longer exists or the child marries. Benefits under this subsection shall apply to legally adopted survivors provided the proceedings for the adoption were initiated at least one (1) year prior to the death of the member. The board of trustees shall be the sole judge of eligibility or dependency and may require formal application or information relating thereto.
- (8) Members of the Teachers' Retirement System shall be subject to the annuity income limitations imposed by Section 415 of the Internal Revenue Service Code.
- (9) Compensation in excess of the limitations imposed by Section 401(a)(17) of the Internal Revenue Code shall not be used in determining a member's retirement annuity. The limitation on compensation for eligible members shall not be less than

the amount which was allowed to be taken into account by the retirement system in effect on July 1, 1993. For this purpose, an eligible member is an individual who was a member of the retirement system before the first plan year beginning after December 31, 1995.

âSection 91. KRS 161.623 is amended to read as follows:

- (1) Effective July 1, 1982, and thereafter, a district board of education or other employer of members of the Teachers' Retirement System may compensate, at the time of retirement for service, an active contributing member for unused sick-leave days in accordance with this section.
- (2) Upon the member's application for service retirement, the employer shall certify the retiring member's unused accumulated sick-leave balance to the board of trustees of the Kentucky Teachers' Retirement System. The member's sick-leave balance, expressed in days, shall be divided by one hundred eighty-five (185) days to determine the amount of service credit that may be considered for addition to the member's retirement account for the purpose of determining the retirement allowance under KRS 161.620. Such sick-leave credit shall not be used for the purpose of determining whether the member is eligible to receive a retirement allowance.
- (3) The board shall compute the cost to the retirement system of the sick-leave credit for each retiring member and shall bill the last employer of the retiring member for such cost. The employer shall pay the cost of such service credit to the retirement system within fifteen (15) days after receiving notification of the cost from the board.
- (4) Retiring members who receive service credit under this section shall not be eligible to receive compensation for accrued sick leave under KRS 161.155(10) or any other statutory provision.
- (5) Employer participation is optional and the employer may opt to purchase less service credit than the member is eligible to receive provided the same percentage of reduction is made applicable to all retiring members of the employer during a school fiscal year.

- (6) The board of trustees shall formulate and adopt necessary rules and regulations for the administration of the foregoing provisions.
- (7) Payments to the retirement system for service credit obtained under this section or for compensation credit obtained under KRS 161.155(10) shall be based on the full actuarial cost as defined in KRS 161.220(22).

(8) For an individual who becomes a member on or after July 1, 2008, the maximum amount of unused accumulated sick leave that may be considered for addition to the member's retirement account for purposes of determining the retirement allowance under Section 35 of this Act shall not exceed three hundred (300) days.

âSection 91. KRS 161.675 is amended to read as follows:

- (1) The board of trustees shall arrange by appropriate contract or on a self-insured basis to provide a broad program of group hospital and medical insurance for present and future eligible recipients of a retirement allowance from the Teachers' Retirement System. The board of trustees may also arrange to provide health insurance 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 persons eligible for hospital and medical benefits under this section. The board of trustees may authorize present and future eligible recipients of a retirement allowance from the Teachers' Retirement System who are less than age sixty-five (65) to be included in the state-sponsored health insurance that is provided to active teachers and state employees under KRS 18A.225. Members who are sixty-five (65) or older and retired for service shall not be eligible to participate in the state employee health insurance program as described in KRS 18A.225.
- (2) **(a)** The coverage provided shall be as set forth in the contracts and the administrative regulations of the board of trustees. The board of trustees may change the levels of coverage and eligibility conditions to meet the changing needs of the annuitants and, when necessary, to contain the expenses of the

insurance program within the funds available to finance the insurance program, except as provided by paragraph (b) of this subsection. The contracts and administrative regulations shall provide for but not be limited to hospital room and board, surgical procedures, doctors' care in the hospital, and miscellaneous hospital costs. An annuitant whose effective date of retirement is July 1, 1974, and thereafter, must have a minimum of five (5) years' 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. A member retiring under the reciprocity provisions of KRS 61.680 and 61.702 may 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), 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. The board of trustees shall establish the

maximum monthly amounts of health insurance supplement payments that will be made by the 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 made by the retirement system, 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 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.
 - (c) 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 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.
- (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 insurance fund 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

âSection 91. The following KRS section is repealed:

161.603 Resumption of teaching by retired member -- Waiver of annuity payments.

âSection 91. Notwithstanding any provision of KRS 61.565 or 61.702 to the contrary, the employer contribution rates for the County Employees Retirement Systems from July 1, 2008, through June 30, 2009, shall be 11.08 percent, consisting of 7.76 percent for pension and 3.32 percent for insurance, for nonhazardous duty employees; and 27.49 percent, consisting of 15.04 percent for pension and 12.45 percent for insurance, for hazardous duty employees. Notwithstanding any provision of KRS 61.565, 61.702, or Section 67 of this Act to the contrary, the employer contribution rates for the County Employees Retirement Systems and the Local Government Employees Retirement System from July 1, 2009, through June 30, 2010, shall be 11.08 percent, consisting of 7.76 percent for pension and 3.32 percent for insurance, for nonhazardous duty employees; and 27.49 percent, consisting of 15.04 percent for pension and 12.45 percent for insurance, for hazardous duty employees.

âSection 91. The provisions of subsection (3) of Section 29 of this Act and subsection (1)(c) of Section 76 of this Act that reduce the term limits of elected or appointed members of the board of trustees of the Kentucky Retirement Systems and the Kentucky Teachers' Retirement System shall apply to terms of office beginning after July 1, 2008.

âSection 91. Whereas the financial health of public employee retirement systems are imperative to the public employees of the Commonwealth of Kentucky, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming law.