



**County Employees Retirement System
Board of Trustees – Special Meeting
July 12, 2023 at 2:00 pm ET (1:00 pm CT)
Live Video Conference/Facebook Live**

AGENDA

- | | |
|--------------------------------------|--------------------------|
| 1. Call to Order | Betty Pendergrass |
| 2. Opening Statement | Eric Branco |
| 3. Roll Call | Sherry Rankin |
| 4. Public Comment | Sherry Rankin |
| 5. 2024 Proposed Legislation* | Betty Pendergrass |
| 6. Closed Session* | Eric Branco |
| 7. Adjourn | Betty Pendergrass |

***Board May Take Action**



MEMORANDUM

DATE: July 3, 2023
TO: CERS Board of Trustees
FROM: Betty A Pendergrass, Chair
SUBJECT: Proposed 2024 Housekeeping Bill

The packet for the Special Called CERS Board meeting on July 12 includes a copy of the 2023 Housekeeping Bill that did not pass in the 2023 session. There are a few changes between the 2023 housekeeping request and the 2024 request:

- 2023 HB506 revised the waiting period for reemployment from three months to one month. (See HB 506, Section 2, page 13, and Section 3, pages 22-32).
- KPPA Legal has requested a few technical corrections to the changes outlined in 2023 HB587 (See addition to 2024 Housekeeping Bill)
- LRC staff has proposed a few technical corrections.

There were basically three administrative policy changes in the 2023 and 2024 housekeeping requests.

- Add a vocational expert to the medical review team(s) (See Section 22, page 153 of HB49).
- Permit telephone voting for Trustee elections (See Section 27, page 191 of HB49). The CERS Legislative Working Group opposed this change in 2023.
- Revise medical review process for disability applications (See Section 15, page 116). The CERS Legislative Working Group opposed this change in 2023. Erin Surratt has provided additional information to help explain the KPPA Staff request to revise the medical review process.

If you have any questions or need additional information after you review the Board packet, please let me know.

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1 AN ACT relating to the Kentucky Public Pensions Authority.

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

3 ➔Section 1. KRS 61.505 is amended to read as follows:

4 (1) There is created an eight (8) member Kentucky Public Pensions Authority whose
5 purpose shall be to administer and operate:

6 (a) A single personnel system for the staffing needs of the Kentucky Retirement
7 Systems and the County Employees Retirement System;

8 (b) A system of accounting that is developed by the Authority for the Kentucky
9 Retirement Systems and the County Employees Retirement System;

10 (c) Day-to-day administrative needs of the Kentucky Retirement Systems and the
11 County Employees Retirement System, including but not limited to:

12 1. Benefit counseling and administration;

13 2. Information technology and services, including a centralized
14 website~~[Web site]~~ for the Authority, the Kentucky Retirement Systems,
15 and the County Employees Retirement System;

16 3. Legal services;

17 4. Employer reporting and compliance;

18 5. Processing and distribution of benefit payments, and other financial,
19 investment administration, and accounting duties as directed by the
20 Kentucky Retirement Systems board of trustees or the County
21 Employees Retirement System board of trustees;

22 6. All administrative actions, orders, decisions, and determinations
23 necessary to carry out benefit functions required by the Kentucky
24 Retirement Systems and the County Employment Retirement System
25 statutes, including but not limited to administration of reduced and
26 unreduced retirement benefits, disability retirement, reemployment after
27 retirement, service purchases, computation of sick-leave credit costs,

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- 1 correction of system records, qualified domestic relations orders, and
2 pension spiking determinations; and
- 3 7. Completing and compiling financial data and reports;
- 4 (d) Any jointly held assets used for the administration of the Kentucky
5 Retirement Systems and the County Employees Retirement System, including
6 but not limited to real estate, office space, equipment, and supplies;
- 7 (e) The hiring of a single actuarial consulting firm who shall serve both the
8 Kentucky Retirement Systems and the County Employees Retirement System;
- 9 (f) The hiring of a single external certified public accountant who shall perform
10 audits for both the Kentucky Retirement Systems and the County Employees
11 Retirement System;
- 12 (g) The promulgation of administrative regulations as an authority or on behalf of
13 the Kentucky Retirement Systems and the County Employees Retirement
14 System, individually or collectively, provided such regulations are not
15 inconsistent with the provisions of this section and KRS 16.505 to 16.652,
16 61.505, 61.510 to 61.705, and 78.510 to 78.852, necessary or proper in order
17 to carry out the provisions of this section and duties authorized by KRS
18 16.505 to 16.652 and 61.510 to 61.705;
- 19 (h) A system of contracting management for administrative services; and
- 20 (i) Other tasks or duties as directed solely or jointly by the boards of the
21 Kentucky Retirement Systems or the County Employees Retirement System.
- 22 (2) The eight (8) member Kentucky Public Pensions Authority shall be composed of
23 the following individuals:
- 24 (a) The chair of the Kentucky Retirement Systems board of trustees;
- 25 (b) The chair of the County Employees Retirement System board of trustees;
- 26 (c) The investment committee chair of the Kentucky Retirement Systems board
27 of trustees, unless the investment committee chair is also the chair of the

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- 1 board of trustees in which case the chair of the Kentucky Retirement Systems
2 shall appoint an individual who serves on the investment committee;
- 3 (d) The investment committee chair of the County Employees Retirement System
4 board of trustees, unless the investment committee chair is also the chair of
5 the County Employees Retirement System board of trustees in which case the
6 chair of the County Employees Retirement System shall appoint an individual
7 who serves on the investment committee;
- 8 (e) Two additional (2) trustees of the Kentucky Retirement Systems board of
9 trustees selected by the chair of the Kentucky Retirement Systems board of
10 trustees of which one (1) shall be a trustee who was elected by the
11 membership of one (1) of the systems administered by Kentucky Retirement
12 Systems and one (1) shall be a trustee of Kentucky Retirement Systems who
13 was appointed by the Governor; and
- 14 (f) Two additional (2) trustees of the County Employees Retirement System
15 board of trustees selected by the chair of the County Employees Retirement
16 System board of trustees of which one (1) shall be a trustee who was elected
17 by the membership of the County Employees Retirement System and one (1)
18 shall be a trustee of the County Employees Retirement System who was
19 appointed by the Governor.
- 20 (3) The Kentucky Public Pensions Authority is hereby granted the powers and
21 privileges of a corporation, including but not limited to the following powers:
- 22 (a) To sue and be sued in its corporate name;
- 23 (b) To make bylaws not inconsistent with the law and in accordance with its
24 duties as provided by this section;
- 25 (c) To conduct the business and promote the purposes for which it was formed;
- 26 (d) To carry out the obligations of the Authority subject to KRS Chapters 45,
27 45A, 56, and 57;

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- 1 (e) To purchase fiduciary liability insurance; and
- 2 (f) The Kentucky Public Pensions Authority shall reimburse any Authority
3 member, officer, or employee for any legal expense resulting from a civil
4 action arising out of the performance of his or her official duties. The hourly
5 rate of reimbursement for any contract for legal services under this paragraph
6 shall not exceed the maximum hourly rate provided in the Legal Services
7 Duties and Maximum Rate Schedule promulgated by the Government
8 Contract Review Committee established pursuant to KRS 45A.705, unless a
9 higher rate is specifically approved by the secretary of the Finance and
10 Administration Cabinet or his or her designee.
- 11 (4) Any vacancy which may occur in an appointed position on the Kentucky Public
12 Pensions Authority shall be filled in the same manner which provides for the
13 selection of the particular member of the Authority. No person shall serve in more
14 than one (1) position as a member of the Authority and if a person holds more than
15 one (1) position as a member of the Authority, he or she shall resign a position.
- 16 (5) (a) Membership on the Authority shall not be incompatible with any other office
17 unless a constitutional incompatibility exists. No Authority member shall
18 serve in more than one (1) position as a member of the Authority.
- 19 (b) An Authority member shall be removed from office upon conviction of a
20 felony or for a finding of a violation of any provision of KRS 11A.020 or
21 11A.040 by a court of competent jurisdiction.
- 22 (c) A current or former employee of the County Employees Retirement System,
23 Kentucky Retirement Systems, or the Kentucky Public Pensions Authority
24 shall not be eligible to serve as a member of the Authority.
- 25 (6) Kentucky Public Pensions Authority members who do not otherwise receive a
26 salary from the State Treasury shall receive a per diem of eighty dollars (\$80) for
27 each day they are in session or on official duty, and they shall be reimbursed for

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1 their actual and necessary expenses in accordance with state administrative
 2 regulations and standards, except that the members shall not receive a per diem or
 3 receive reimbursements on the same day they receive a per diem or reimbursements
 4 for service to the Kentucky Retirement Systems board of trustees or County
 5 Employees Retirement Systems board of trustees.

6 (7) (a) The Authority shall meet at least once in each quarter of the year and may
 7 meet in special session upon the call of the chair or the executive director of
 8 the Authority.

9 (b) The Authority shall elect a chair and a vice chair. The chair shall not serve
 10 more than four (4) consecutive years as chair or vice chair of the Authority.
 11 The vice chair shall not serve more than four (4) consecutive years as chair or
 12 vice chair of the Authority. A member who has served four (4) consecutive
 13 years as chair or vice chair of the Authority may be elected chair or vice chair
 14 of the Authority after an absence of two (2) years from the positions.

15 (c) A majority of the Authority members shall constitute a quorum and all actions
 16 taken by the Authority shall be by affirmative vote of a majority of the
 17 Authority members present.

18 (d) The Authority shall post on the Authority's website~~[Web site]~~ and shall make
 19 available to the public:

20 1. All meeting notices and agendas of the Authority. Notices and agendas
 21 shall be posted to the Authority's website~~[Web site]~~ at least seventy-two
 22 (72) hours in advance of the Authority's meetings, except in the case of
 23 special or emergency meetings as provided by KRS 61.823;

24 2. All Authority minutes or other materials that require adoption or
 25 ratification by the Authority. The items listed in this subparagraph shall
 26 be posted within three (3) business days~~[seventy-two (72) hours]~~ of
 27 adoption or ratification of the Authority;

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- 1 3. All bylaws, policies, or procedures adopted or ratified by the Authority;
2 and
- 3 4. A listing of the members of the Authority and membership on each
4 committee established by the Authority.
- 5 (8) (a) The Kentucky Public Pensions Authority shall appoint or contract for the
6 services of an executive director and fix the compensation and other terms of
7 employment for this position without limitation of the provisions of KRS
8 Chapter 18A, 45A, and KRS 64.640. The executive director shall be the chief
9 administrative officer of the Authority, the Kentucky Retirement Systems
10 board of trustees, and the County Employees Retirement System board of
11 trustees. The executive director shall work cooperatively with the chief
12 executive officers of the Kentucky Retirement Systems and the County
13 Employees Retirement System. The Authority shall annually conduct a
14 performance evaluation of the executive director.
- 15 (b) The Kentucky Public Pensions Authority shall authorize the executive
16 director to appoint the employees deemed necessary to transact the duties of
17 the Authority for the purposes outlined in subsection (1) of this section. After
18 April 14, 2022, approval by the Authority shall be required for a petition to
19 the secretary of the Personnel Cabinet for the creation of any new unclassified
20 position pursuant to KRS 18A.115(1)(e), (g), (h), and (i).
- 21 (c) Effective April 1, 2021, the Kentucky Public Pensions Authority shall assume
22 responsibility of administering the staff of the Kentucky Retirement Systems
23 in order to provide the services established by this section.
- 24 (d) 1. All employees of the Kentucky Public Pensions Authority, except for
25 the executive director and no more than six (6) unclassified employees
26 of the Office of Investments employed pursuant to KRS 18A.115(1)(e),
27 (g), (h), and (i), shall be subject to the state personnel system established

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- 1 pursuant to KRS 18A.005 to 18A.204 and shall have their salaries
2 determined by the secretary of the Personnel Cabinet.
- 3 2. The employees exempted from the classified service under this
4 paragraph shall not be subject to the salary limitations specified in KRS
5 64.640(2) and (3).
- 6 3. The Kentucky Public Pensions Authority shall adopt a written salary and
7 classification plan fixing a range of compensation and written terms of
8 employment for any of the unclassified employees of the Office of
9 Investments it authorizes under this paragraph. The Authority shall
10 authorize the executive director to appoint up to six (6) unclassified
11 employees of the Office of Investments subject to the compensation
12 ranges and terms of employment the Authority has established. The
13 Authority may amend the written salary and classification plan adopted
14 under this paragraph at any time.
- 15 (e) The Authority shall annually review, approve, and submit a report to the
16 Public Pension Oversight Board detailing the number of employees of the
17 Authority, the salary paid to each employee, and the change in the salaries of
18 each individual employed by the Authority over the prior year.
- 19 (f) The Authority shall require the executive director and the employees as it
20 thinks proper to execute bonds for the faithful performance of their duties
21 notwithstanding the limitations of KRS Chapter 62.
- 22 (g) Notwithstanding any other provision of statute to the contrary, including but
23 not limited to any provision of KRS Chapter 12, the Governor shall have no
24 authority to change any provision of this section by executive order or action,
25 including but not limited to reorganizing, replacing, amending, or abolishing
26 the membership of the Kentucky Public Pensions Authority.
- 27 (9) All employees of the Authority shall serve during its will and pleasure.

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1 Notwithstanding any statute to the contrary, employees shall not be considered
2 legislative agents under KRS 6.611.

3 (10) The Attorney General, or an assistant designated by him or her, may attend each
4 meeting of the Authority and may receive the agenda, board minutes, and other
5 information distributed to Authority members upon request. The Attorney General
6 may act as legal adviser and attorney for the Authority, and the Authority may
7 contract for legal services, notwithstanding the limitations of KRS Chapter 12 or
8 13B.

9 (11) (a) 1. All expenses incurred by or on behalf of the Kentucky Public Pensions
10 Authority shall be paid by the systems administered by the Kentucky
11 Retirement Systems or the County Employees Retirement System and
12 shall be prorated, assigned, or allocated to each system as determined by
13 Kentucky Public Pensions Authority.

14 2. Until June 30, 2024, any additional initial costs determined by the
15 Authority to be attributable solely to establishing a separate County
16 Employees Retirement System board and the Kentucky Public Pensions
17 Authority as provided by this section and KRS 78.782 shall be paid by
18 the County Employees Retirement System. Until June 30, 2024, any
19 additional ongoing annual administrative and investment expenses that
20 occur after the establishment of a separate County Employees
21 Retirement System board and the Kentucky Public Pensions Authority
22 that are determined by the Authority to be a direct result of establishing
23 a separate County Employees Retirement System board and the
24 Kentucky Public Pensions Authority shall be paid by the County
25 Employees Retirement System. Beginning on and after July 1, 2024, any
26 annual administrative and investment expenses shall be prorated,
27 assigned, or allocated to each system as determined by the Kentucky

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- 1 Public Pensions Authority as provided by subparagraph 1. of this
2 paragraph but without attribution to the establishment of a separate
3 County Employees Retirement System board and the Kentucky Public
4 Pensions Authority.
- 5 3. In order to evaluate the results of establishing a separate County
6 Employees Retirement System board and the Kentucky Public Pensions
7 Authority, on or before November 15, 2022, and on or before November
8 15 following the close of each successive fiscal year, the Kentucky
9 Public Pensions Authority shall report to the Public Pensions Oversight
10 Board the annual administrative and investment expenses of the
11 Kentucky Retirement Systems and the County Employees Retirement
12 System. The report shall include but not be limited to the process or
13 manner the Authority used to prorate, assign, or allocate to each system
14 its share of the expenses, the amount of expenses prorated, assigned, or
15 allocated to each system itemized by category, and any efforts by the
16 systems or the Authority to reduce administrative costs and staffing
17 needs.
- 18 (b) Any other statute to the contrary notwithstanding, authorization for all
19 expenditures relating to the administrative operations of the Kentucky Public
20 Pensions Authority, the Kentucky Retirement Systems, and the County
21 Employees Retirement System shall be contained in the biennial budget unit
22 request, branch budget recommendation, and the financial plan adopted by the
23 General Assembly pursuant to KRS Chapter 48. The Kentucky Public
24 Pensions Authority shall approve the biennial budget unit request prior to its
25 submission by the Authority. The request from the Kentucky Public Pensions
26 Authority shall include any specific administrative expenses requested by the
27 Kentucky Retirement Systems board of trustees or the County Employees

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- 1 Retirement System board of trustees pursuant to KRS 61.645(13) or
2 78.782(13), as applicable, that are not otherwise expenses specified by
3 paragraph (a) of this subsection.
- 4 (12) (a) An Authority member shall discharge his or her duties as a member of the
5 Authority, including his or her duties as a member of a committee of the
6 Authority:
- 7 1. In good faith;
 - 8 2. On an informed basis; and
 - 9 3. In a manner he or she honestly believes to be in the best interest of the
10 County Employees Retirement System and the Kentucky Retirement
11 Systems, as applicable.
- 12 (b) An Authority member discharges his or her duties on an informed basis if,
13 when he or she makes an inquiry into the business and affairs of the
14 Authority, system, or systems or into a particular action to be taken or
15 decision to be made, he or she exercises the care an ordinary prudent person
16 in a like position would exercise under similar circumstances.
- 17 (c) In discharging his or her duties, an Authority member may rely on
18 information, opinions, reports, or statements, including financial statements
19 and other financial data, if prepared or presented by:
- 20 1. One (1) or more officers or employees of the Authority whom the
21 Authority member honestly believes to be reliable and competent in the
22 matters presented;
 - 23 2. Legal counsel, public accountants, actuaries, or other persons as to
24 matters the Authority member honestly believes are within the person's
25 professional or expert competence; or
 - 26 3. A committee of the Authority of which he or she is not a member if the
27 Authority member honestly believes the committee merits confidence.

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- 1 (d) An Authority member shall not be considered as acting in good faith if he or
 2 she has knowledge concerning the matter in question that makes reliance
 3 otherwise permitted by paragraph (c) of this subsection unwarranted.
- 4 (e) Any action taken as a member of the Authority, or any failure to take any
 5 action as an Authority member, shall not be the basis for monetary damages
 6 or injunctive relief unless:
- 7 1. The Authority member has breached or failed to perform the duties of
 8 the member's office in compliance with this section; and
 - 9 2. In the case of an action for monetary damages, the breach or failure to
 10 perform constitutes willful misconduct or wanton or reckless disregard
 11 for human rights, safety, or property.
- 12 (f) A person bringing an action for monetary damages under this section shall
 13 have the burden of proving by clear and convincing evidence the provisions of
 14 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
 15 breach or failure to perform was the legal cause of damages suffered by the
 16 Kentucky Retirement Systems or County Employees Retirement System, as
 17 applicable.
- 18 (g) In discharging his or her administrative duties under this section, an Authority
 19 member shall strive to administer the systems in an efficient and cost-
 20 effective manner for the taxpayers of the Commonwealth of Kentucky and
 21 shall take all actions available under the law to contain costs for the trusts,
 22 including costs for participating employers, members, and retirees.

23 ➔Section 2. KRS 16.505 is amended to read as follows:

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

- 25 (1) "System" means the State Police Retirement System created by KRS 16.505 to
 26 16.652;
- 27 (2) "Board" means the board of trustees of the Kentucky Retirement Systems;

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

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- 1 compensation," including employee contributions picked up after August 1,
2 1982, pursuant to KRS 16.545(4);
- 3 (b) Includes:
- 4 1. Lump-sum bonuses, severance pay, or employer-provided payments for
5 purchase of service credit, which shall be averaged over the employee's
6 total service with the system in which it is recorded if it is equal to or
7 greater than one thousand dollars (\$1,000);
 - 8 2. Lump-sum payments for creditable compensation paid as a result of an
9 order of a court of competent jurisdiction, the Personnel Board, or the
10 Kentucky Commission on Human Rights, or for any creditable
11 compensation paid in anticipation of settlement of an action before a
12 court of competent jurisdiction, the Personnel Board, or the Kentucky
13 Commission on Human Rights, including notices of violations of state
14 or federal wage and hour statutes or violations of state or federal
15 discrimination statutes, which shall be credited to the fiscal year during
16 which the wages were earned or should have been paid by the employer.
17 This subparagraph shall also include lump-sum payments for reinstated
18 wages pursuant to KRS 61.569, which shall be credited to the period
19 during which the wages were earned or should have been paid by the
20 employer;
 - 21 3. Amounts which are not includable in the member's gross income by
22 virtue of the member having taken a voluntary salary reduction provided
23 for under applicable provisions of the Internal Revenue Code; and
 - 24 4. Elective amounts for qualified transportation fringes paid or made
25 available on or after January 1, 2001, for calendar years on or after
26 January 1, 2001, that are not includable in the gross income of the
27 employee by reason of 26 U.S.C. sec. 132(f)(4); and

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- 1 (c) Excludes:
- 2 1. Living allowances, expense reimbursements, lump-sum payments for
- 3 accrued vacation leave, and other items determined by the board;
- 4 2. For employees who begin participating on or after September 1, 2008,
- 5 lump-sum payments for compensatory time; and
- 6 3. Any salary or wages paid to an employee for services as a Kentucky
- 7 State Police school resource officer as defined by KRS 158.441;
- 8 (9) "Final compensation" means:
- 9 (a) For a member who begins participating before September 1, 2008, the
- 10 creditable compensation of a member during the three (3) fiscal years he or
- 11 she was paid at the highest average monthly rate divided by the number of
- 12 months of service credit during the three (3) year period, multiplied by twelve
- 13 (12); the three (3) years may be fractional and need not be consecutive. If the
- 14 number of months of service credit during the three (3) year period is less than
- 15 twenty-four (24), one (1) or more additional fiscal years shall be used; or
- 16 (b) For a member who begins participating on or after September 1, 2008, but
- 17 prior to January 1, 2014, the creditable compensation of the member during
- 18 the three (3) complete fiscal years he or she was paid at the highest average
- 19 monthly rate divided by three (3). Each fiscal year used to determine final
- 20 compensation must contain twelve (12) months of service credit. If the
- 21 member does not have three (3) complete fiscal years that each contain twelve
- 22 (12) months of service credit, then one (1) or more additional fiscal years,
- 23 which may contain less than twelve (12) months of service credit, shall be
- 24 added until the number of months in the final compensation calculation is at
- 25 least thirty-six (36) months;
- 26 (10) "Final rate of pay" means the actual rate upon which earnings of a member were
- 27 calculated during the twelve (12) month period immediately preceding the

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- 1 member's effective retirement date, including employee contributions picked up
2 after August 1, 1982, pursuant to KRS 16.545(4). The rate shall be certified to the
3 system by the employer and the following equivalents shall be used to convert the
4 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
5 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half (7-
6 1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve
7 (12) months, or one (1) year;
- 8 (11) "Retired member" means any former member receiving a retirement allowance or
9 any former member who has filed the necessary documents for retirement benefits
10 and is no longer contributing to the retirement system;
- 11 (12) "Retirement allowance" means the retirement payments to which a retired member
12 is entitled;
- 13 (13) "Actuarial equivalent" means a benefit of equal value when computed upon the
14 basis of actuarial tables adopted by the board. In cases of disability retirement, the
15 options authorized by KRS 61.635 shall be computed by adding ten (10) years to
16 the age of the member, unless the member has chosen the Social Security
17 adjustment option as provided for in KRS 61.635(8), in which case the member's
18 actual age shall be used. For members who began participating in the system prior
19 to January 1, 2014, no disability retirement option shall be less than the same option
20 computed under early retirement;
- 21 (14) "Authorized leave of absence" means any time during which a person is absent
22 from employment but retained in the status of an employee in accordance with the
23 personnel policy of the Department of Kentucky State Police;
- 24 (15) "Normal retirement date" means:
- 25 (a) For a member who begins participating before September 1, 2008, the first
26 day of the month following a member's fifty-fifth birthday, except that for
27 members over age fifty-five (55) on July 1, 1958, it shall mean January 1,

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- 1 1959; or
- 2 (b) For a member who begins participating on or after September 1, 2008, the
- 3 first day of the month following a member's sixtieth birthday;
- 4 (16) "Disability retirement date" means the first day of the month following the last day
- 5 of paid employment;
- 6 (17) "Dependent child" means a child in the womb and a natural or legally adopted child
- 7 of the member who has neither attained age eighteen (18) nor married or who is an
- 8 unmarried full-time student who has not attained age twenty-two (22). Solely in the
- 9 cases where a member dies as a direct result of an act in line of duty as defined in
- 10 this section, dies as a result of a duty-related injury as defined in KRS 61.621,
- 11 becomes totally and permanently disabled as a direct result of an act in line of duty
- 12 as defined in this section, or becomes disabled as a result of a duty-related injury as
- 13 defined in KRS 61.621 and is eligible for the benefits provided by KRS
- 14 61.621(5)(a), "dependent child" also means a naturally or legally adopted disabled
- 15 child of the member, regardless of the child's age, if the child has been determined
- 16 to be eligible for federal Social Security disability benefits or is being claimed as a
- 17 qualifying child for tax purposes due to the child's total and permanent disability;
- 18 (18) "Optional allowance" means an actuarially equivalent benefit elected by the
- 19 member in lieu of all other benefits provided by KRS 16.505 to 16.652;
- 20 (19) "Act in line of duty" means:
- 21 (a) A single act occurring or a single thing done, which, as determined by the
- 22 board, was required in the performance of the duties specified in KRS 16.060;
- 23 (b) For employees in hazardous positions under KRS 61.592, a single act
- 24 occurring which was required in the performance of the principal duties of the
- 25 position as defined by the job description; or
- 26 (c) For employees participating in the State Police Retirement System and for
- 27 employees who are in hazardous positions under KRS 61.592, a single act of

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

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- 1 beneficiary by the member and drawing a retirement allowance as a result of the
2 member's death, or a dependent child drawing a retirement allowance. An alternate
3 payee of a qualified domestic relations order shall not be considered a recipient,
4 except for purposes of KRS 61.623;
- 5 (27) "Person" means a natural person;
- 6 (28) "Retirement office" means the Kentucky Public Pensions Authority office building
7 in Frankfort, unless otherwise designated by the Kentucky Public Pensions
8 Authority;
- 9 (29) "Vested" for purposes of determining eligibility for purchasing service credit under
10 KRS 61.552 means the employee has at least forty-eight (48) months of service if
11 age sixty-five (65) or older or at least sixty (60) months of service if under the age
12 of sixty-five (65). For purposes of this subsection, "service" means service in the
13 systems administered by the Kentucky Retirement Systems and County Employees
14 Retirement Systems;
- 15 (30) "Last day of paid employment" means the last date employer and employee
16 contributions are required to be reported in accordance with KRS 16.543 or 61.543
17 to the retirement office in order for the employee to receive current service credit
18 for the month. Last day of paid employment does not mean a date the employee
19 receives payment for accrued leave, whether by lump sum or otherwise, if that date
20 occurs twenty-four (24) or more months after previous contributions;
- 21 (31) "Objective medical evidence" means reports of examinations or treatments; medical
22 signs which are anatomical, physiological, or psychological abnormalities that can
23 be observed; psychiatric signs which are medically demonstrable phenomena
24 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
25 or contact with reality; or laboratory findings which are anatomical, physiological,
26 or psychological phenomena that can be shown by medically acceptable laboratory
27 diagnostic techniques, including but not limited to chemical tests,

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- 1 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 2 (32) "Fiscal year" of the system means the twelve (12) months from July 1 through the
3 following June 30, which shall also be the plan year. The "fiscal year" shall be the
4 limitation year used to determine contribution and benefit limits established by 26
5 U.S.C. sec. 415;
- 6 (33) "Participating" means an employee is currently earning service credit in the system
7 as provided in KRS 16.543;
- 8 (34) "Month" means a calendar month;
- 9 (35) "Membership date" means the date upon which the member began participating in
10 the system as provided by KRS 16.543;
- 11 (36) "Participant" means a member, as defined by subsection (21) of this section, or a
12 retired member, as defined by subsection (11) of this section;
- 13 (37) "Qualified domestic relations order" means any judgment, decree, or order,
14 including approval of a property settlement agreement, that:
- 15 (a) Is issued by a court or administrative agency; and
- 16 (b) Relates to the provision of child support, alimony payments, or marital
17 property rights to an alternate payee;
- 18 (38) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
19 participant, who is designated to be paid retirement benefits in a qualified domestic
20 relations order;
- 21 (39) "Accumulated employer credit" means the employer pay credit deposited to the
22 member's account and interest credited on such amounts as provided by KRS
23 16.583;
- 24 (40) "Accumulated account balance" means:
- 25 (a) For members who began participating in the system prior to January 1, 2014,
26 the member's accumulated contributions; or
- 27 (b) For members who began participating in the system on or after January 1,

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1 2014, in the hybrid cash balance plan as provided by KRS 16.583, the
2 combined sum of the member's accumulated contributions and the member's
3 accumulated employer pay credit; and

4 (41) "Monthly average pay" means:

5 (a) In the case of a member who dies as a direct result of an act in line of duty as
6 defined in this section or who dies as a result of a duty-related injury as
7 defined in KRS 61.621, the higher of the member's monthly final rate of pay
8 or the average monthly creditable compensation earned by the deceased
9 member during his or her last twelve (12) months of employment; or

10 (b) In the case where a member becomes totally and permanently disabled as a
11 direct result of an act in line of duty as defined in this section or becomes
12 disabled as a result of a duty-related injury as defined in KRS 61.621 and is
13 eligible for the benefits provided by KRS 61.621(5)(a), the higher of the
14 member's monthly final rate of pay or the average monthly creditable
15 compensation earned by the disabled member during his or her last twelve
16 (12) months of employment prior to the date the act in line of duty or duty-
17 related injury occurred.

18 ➔Section 3. KRS 16.652 is repealed, reenacted, and amended to read as follows:

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

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

27 ~~(b) The General Assembly reserves the right to amend, reduce, or suspend any~~

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1 ~~legislative changes to the provisions of KRS 16.505 to 16.652 that become~~
 2 ~~effective on or after July 1, 2018].~~

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

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

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

18 (3) The provisions of this section shall not be construed to limit the General Assembly's
 19 authority to amend, reduce, or suspend the benefits and rights of members of the
 20 State Police Retirement System as provided by KRS 16.505 to 16.652 that the
 21 General Assembly had the authority to amend, reduce, or suspend, prior to July 1,
 22 2013.

23 ➔Section 4. KRS 61.510 is amended to read as follows:

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

25 (1) "System" means the Kentucky Employees Retirement System created by KRS
 26 61.510 to 61.705;

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

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- 1 (3) "Department" means any state department or board or agency participating in the
2 system in accordance with appropriate executive order, as provided in KRS 61.520.
3 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the
4 General Assembly and any other body, entity, or instrumentality designated by
5 executive order by the Governor, shall be deemed to be a department,
6 notwithstanding whether said body, entity, or instrumentality is an integral part of
7 state government;
- 8 (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- 9 (5) "Employee" means the members, officers, and employees of the General Assembly
10 and every regular full-time, appointed or elective officer or employee of a
11 participating department, including the Department of Military Affairs. The term
12 does not include persons engaged as independent contractors, seasonal, emergency,
13 temporary, interim, and part-time workers. In case of any doubt, the board shall
14 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- 15 (6) "Employer" means a department or any authority of a department having the power
16 to appoint or select an employee in the department, including the Senate and the
17 House of Representatives, or any other entity, the employees of which are eligible
18 for membership in the system pursuant to KRS 61.525;
- 19 (7) "State" means the Commonwealth of Kentucky;
- 20 (8) "Member" means any employee who is included in the membership of the system
21 or any former employee whose membership has not been terminated under KRS
22 61.535;
- 23 (9) "Service" means the total of current service and prior service as defined in this
24 section;
- 25 (10) "Current service" means the number of years and months of employment as an
26 employee, on and after July 1, 1956, except that for members, officers, and
27 employees of the General Assembly this date shall be January 1, 1960, for which

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1 creditable compensation is paid and employee contributions deducted, except as
2 otherwise provided, and each member, officer, and employee of the General
3 Assembly shall be credited with a month of current service for each month he or
4 she serves in the position;

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

15 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
16 from the compensation of a member and credited to his or her individual account in
17 the members' account, including employee contributions picked up after August 1,
18 1982, pursuant to KRS 61.560(4), together with interest credited, on such amounts
19 and any other amounts the member shall have contributed thereto, including interest
20 credited thereon. For members who begin participating on or after September 1,
21 2008, "accumulated contributions" shall not include employee contributions that are
22 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the
23 funds established in KRS 16.510 and 61.515, as prescribed by KRS 61.702(3)(b);

24 (13) "Creditable compensation":

25 (a) Means all salary, wages, tips to the extent the tips are reported for income tax
26 purposes, and fees, including payments for compensatory time, paid to the
27 employee as a result of services performed for the employer or for time during

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1 which the member is on paid leave, which are includable on the member's
2 federal form W-2 wage and tax statement under the heading "wages, tips,
3 other compensation," including employee contributions picked up after
4 August 1, 1982, pursuant to KRS 61.560(4). For members of the General
5 Assembly, it shall mean all amounts which are includable on the member's
6 federal form W-2 wage and tax statement under the heading "wages, tips,
7 other compensation," including employee contributions picked up after
8 August 1, 1982, pursuant to KRS 6.505(4) or 61.560(4);

9 (b) Includes:

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

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1 during which the wages were earned or should have been paid by the
2 employer;

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

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

10 (c) Excludes:

11 1. Living allowances, expense reimbursements, lump-sum payments for
12 accrued vacation leave, and other items determined by the board;

13 2. For employees who begin participating on or after September 1, 2008,
14 lump-sum payments for compensatory time;

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

17 4. Any salary or wages paid to an employee for services as a Kentucky
18 State Police school resource officer as defined by KRS 158.441;

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

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

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- 1 (b) For a member who is employed in a nonhazardous position, whose effective
2 retirement date is between August 1, 2001, and January 1, 2009, and whose
3 total service credit is at least twenty-seven (27) years and whose age and years
4 of service total at least seventy-five (75), final compensation means the
5 creditable compensation of the member during the three (3) fiscal years the
6 member was paid at the highest average monthly rate divided by the number
7 of months of service credit during that three (3) years period multiplied by
8 twelve (12). The three (3) years may be fractional and need not be
9 consecutive. If the number of months of service credit during the three (3)
10 year period is less than twenty-four (24), one (1) or more additional fiscal
11 years shall be used. Notwithstanding the provision of KRS 61.565, the
12 funding for this paragraph shall be provided from existing funds of the
13 retirement allowance;
- 14 (c) For a member who begins participating before September 1, 2008, who is
15 employed in a hazardous position, as provided in KRS 61.592, the creditable
16 compensation of the member during the three (3) fiscal years he or she was
17 paid at the highest average monthly rate divided by the number of months of
18 service credit during that three (3) year period multiplied by twelve (12). The
19 three (3) years may be fractional and need not be consecutive. If the number
20 of months of service credit during the three (3) year period is less than twenty-
21 four (24), one (1) or more additional fiscal years shall be used;
- 22 (d) For a member who begins participating on or after September 1, 2008, but
23 prior to January 1, 2014, who is employed in a nonhazardous position, the
24 creditable compensation of the member during the five (5) complete fiscal
25 years immediately preceding retirement divided by five (5). Each fiscal year
26 used to determine final compensation must contain twelve (12) months of
27 service credit. If the member does not have five (5) complete fiscal years that

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- 1 each contain twelve (12) months of service credit, then one (1) or more
2 additional fiscal years, which may contain less than twelve (12) months of
3 service credit, shall be added until the number of months in the final
4 compensation calculation is at least sixty (60) months; or
- 5 (e) For a member who begins participating on or after September 1, 2008, but
6 prior to January 1, 2014, who is employed in a hazardous position as provided
7 in KRS 61.592, the creditable compensation of the member during the three
8 (3) complete fiscal years he or she was paid at the highest average monthly
9 rate divided by three (3). Each fiscal year used to determine final
10 compensation must contain twelve (12) months of service credit. If the
11 member does not have three (3) complete fiscal years that each contain twelve
12 (12) months of service credit, then one (1) or more additional fiscal years,
13 which may contain less than twelve (12) months of service credit, shall be
14 added until the number of months in the final compensation calculation is at
15 least thirty-six (36) months;
- 16 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
17 calculated during the twelve (12) month period immediately preceding the
18 member's effective retirement date, including employee contributions picked up
19 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
20 system by the employer and the following equivalents shall be used to convert the
21 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
22 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
23 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
24 one (1) year;
- 25 (16) "Retirement allowance" means the retirement payments to which a member is
26 entitled;
- 27 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the

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

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- 1 (b) Emergency positions which are positions utilized by the employer during:
- 2 1. An emergency as determined by the employer for a period not
- 3 exceeding thirty (30) working days and are nonrenewable; or
- 4 2. A state of emergency declared by the President of the United States or
- 5 the Governor of the Commonwealth of Kentucky that are created or
- 6 filled specifically for addressing the employer's needs during and as a
- 7 result of the declared emergency;
- 8 (c) Temporary positions which are positions of employment with a participating
- 9 department for a period of time not to exceed nine (9) months and are
- 10 nonrenewable;
- 11 (d) Part-time positions which are positions which may be permanent in duration,
- 12 but which require less than a calendar or fiscal year average of one hundred
- 13 (100) hours of work per month, determined by using the number of months
- 14 actually worked within a calendar or fiscal year, in the performance of duty;
- 15 and
- 16 (e) Interim positions which are positions established for a one-time or recurring
- 17 need not to exceed nine (9) months;
- 18 (22) "Vested" for purposes of determining eligibility for purchasing service credit under
- 19 KRS 61.552 means the employee has at least forty-eight (48) months of service if
- 20 age sixty-five (65) or older or at least sixty (60) months of service if under the age
- 21 of sixty-five (65). For purposes of this subsection, "service" means service in the
- 22 systems administered by the Kentucky Retirement Systems and County Employees
- 23 Retirement System;
- 24 (23) "Parted employer" means a department, portion of a department, board, or agency,
- 25 such as Outwood Hospital and School, which previously participated in the system,
- 26 but due to lease or other contractual arrangement is now operated by a publicly held
- 27 corporation or other similar organization, and therefore is no longer participating in

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- 1 the system. The term "parted employer" shall not include a department, board, or
2 agency that ceased participation in the system pursuant to KRS 61.522;
- 3 (24) "Retired member" means any former member receiving a retirement allowance or
4 any former member who has filed the necessary documents for retirement benefits
5 and is no longer contributing to the retirement system;
- 6 (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
7 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
8 pay. The rate shall be certified by the employer;
- 9 (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by
10 the member in accordance with KRS 61.542 or 61.705 to receive any available
11 benefits in the event of the member's death. As used in KRS 61.702, "beneficiary"
12 does not mean an estate, trust, or trustee;
- 13 (27) "Recipient" means the retired member or the person or persons designated as
14 beneficiary by the member and drawing a retirement allowance as a result of the
15 member's death or a dependent child drawing a retirement allowance. An alternate
16 payee of a qualified domestic relations order shall not be considered a recipient,
17 except for purposes of KRS 61.623;
- 18 (28) "Level percentage of payroll amortization method" means a method of determining
19 the annual amortization payment on the unfunded actuarial accrued liability as
20 expressed as a percentage of payroll over a set period of years but that may be
21 converted to a dollar value for purposes of KRS 61.565(1)(d). Under this method,
22 the percentage of payroll shall be projected to remain constant for all years
23 remaining in the set period of time and the unfunded actuarially accrued liability
24 shall be projected to be fully amortized at the conclusion of the set period of years;
- 25 (29) "Increment" means twelve (12) months of service credit which are purchased. The
26 twelve (12) months need not be consecutive. The final increment may be less than
27 twelve (12) months;

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- 1 (30) "Person" means a natural person;
- 2 (31) "Retirement office" means the Kentucky Public Pensions Authority's office
3 building in Frankfort, unless otherwise designated by the Kentucky Public Pensions
4 Authority;
- 5 (32) "Last day of paid employment" means the last date employer and employee
6 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
7 78.615 to the retirement office in order for the employee to receive current service
8 credit for the month. Last day of paid employment does not mean a date the
9 employee receives payment for accrued leave, whether by lump sum or otherwise,
10 if that date occurs twenty-four (24) or more months after previous contributions;
- 11 (33) "Objective medical evidence" means reports of examinations or treatments; medical
12 signs which are anatomical, physiological, or psychological abnormalities that can
13 be observed; psychiatric signs which are medically demonstrable phenomena
14 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
15 or contact with reality; or laboratory findings which are anatomical, physiological,
16 or psychological phenomena that can be shown by medically acceptable laboratory
17 diagnostic techniques, including but not limited to chemical tests,
18 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 19 (34) "Participating" means an employee is currently earning service credit in the system
20 as provided in KRS 61.543;
- 21 (35) "Month" means a calendar month;
- 22 (36) "Membership date" means:
- 23 (a) The date upon which the member began participating in the system as
24 provided in KRS 61.543;
- 25 (b) For a member electing to participate in the system pursuant to KRS
26 196.167(4) or 311A.022(2) who has not previously participated in the system
27 or the Kentucky Teachers' Retirement System, the date the member began

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- 1 participating in a defined contribution plan that meets the requirements of 26
2 U.S.C. sec. 403(b); or
- 3 (c) For members bound by an educational contract as a conditional employee to
4 the state of Kentucky prior to December 31, 2003, the date on which the
5 educational contract became effective;
- 6 (37) "Participant" means a member, as defined by subsection (8) of this section, or a
7 retired member, as defined by subsection (24) of this section;
- 8 (38) "Qualified domestic relations order" means any judgment, decree, or order,
9 including approval of a property settlement agreement, that:
- 10 (a) Is issued by a court or administrative agency; and
11 (b) Relates to the provision of child support, alimony payments, or marital
12 property rights to an alternate payee;
- 13 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
14 participant, who is designated to be paid retirement benefits in a qualified domestic
15 relations order;
- 16 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
17 member's account and interest credited on such amounts as provided by KRS
18 16.583 and 61.597;
- 19 (41) "Accumulated account balance" means:
- 20 (a) For members who began participating in the system prior to January 1, 2014,
21 the member's accumulated contributions; or
22 (b) For members who began participating in the system on or after January 1,
23 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
24 the combined sum of the member's accumulated contributions and the
25 member's accumulated employer credit;
- 26 (42) "Volunteer" means an individual who:
- 27 (a) Freely and without pressure or coercion performs hours of service for an

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- 1 employer participating in one (1) of the systems administered by Kentucky
2 Retirement Systems without receipt of compensation for services rendered,
3 except for reimbursement of actual expenses, payment of a nominal fee to
4 offset the costs of performing the voluntary services, or both; and
- 5 (b) If a retired member, does not become an employee, leased employee, or
6 independent contractor of the employer for which he or she is performing
7 volunteer services for a period of at least twelve (12) months following the
8 retired member's most recent retirement date;
- 9 (43) "Nominal fee" means compensation earned for services as a volunteer that does not
10 exceed five hundred dollars (\$500) per month with each participating employer.
11 Compensation earned for services as a volunteer from more than one (1)
12 participating employer during a month shall not be aggregated to determine whether
13 the compensation exceeds the five hundred dollars (\$500) per month maximum
14 provided by this subsection;
- 15 (44) "Nonhazardous position" means a position that does not meet the requirements of
16 KRS 61.592 or has not been approved by the board as a hazardous position;
- 17 (45) "Monthly average pay" means:
- 18 (a) In the case of a member who dies as a direct result of an act in line of duty as
19 defined in KRS 16.505 or who dies as a result of a duty-related injury as
20 defined in KRS 61.621, the higher of the member's monthly final rate of pay
21 or the average monthly creditable compensation earned by the deceased
22 member during his or her last twelve (12) months of employment; or
- 23 (b) In the case where a member becomes totally and permanently disabled as a
24 direct result of an act in line of duty as defined in KRS 16.505 or becomes
25 disabled as a result of a duty-related injury as defined in KRS 61.621 and is
26 eligible for the benefits provided by KRS 61.621(5)(a), the higher of the
27 member's monthly final rate of pay or the average monthly creditable

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1 compensation earned by the disabled member during his or her last twelve
 2 (12) months of employment prior to the date the act in line of duty or duty-
 3 related injury occurred;

4 (46) "Authority" means the Kentucky Public Pensions Authority as provided by KRS
 5 61.505;

6 (47) "Executive director" means the executive director of the Kentucky Public Pensions
 7 Authority;~~and~~

8 (48) "Instructional staff" means the employees of a state college or university
 9 participating under KRS 61.520 who are:

10 (a) Faculty;

11 (b) Staff responsible for teaching; or

12 (c) Other individuals employed in an administrative position that is eligible for
 13 participation in the Teachers' Insurance and Annuity Association (TIAA) of
 14 the Teachers' Retirement System;

15 **(49) "Agency reporting official" means the person designated by the participating**
 16 **employer who shall be responsible for forwarding all employer and employee**
 17 **contributions and a record of the contributions to the system and for performing**
 18 **other administrative duties pursuant to KRS 61.510 to 61.705; and**

19 **(50) "Gainful employment" means work in any capacity that is or may be performed**
 20 **with regularity and is or may be usually done for pay, whether pay is received or**
 21 **not received, including seasonal, volunteer, part-time, and on-call work.**

22 ➔Section 5. KRS 78.510 is amended to read as follows:

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

24 (1) "System" means the County Employees Retirement System **created by KRS 78.510**
 25 **to 78.852;**

26 (2) "Board" means the board of trustees of the system as provided in KRS 78.782;

27 (3) "County" means any county, or nonprofit organization created and governed by a

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- 1 county, counties, or elected county officers, sheriff and his or her employees,
2 county clerk and his or her employees, circuit clerk and his or her deputies, former
3 circuit clerks or former circuit clerk deputies, or political subdivision or
4 instrumentality, including school boards, cities, charter county governments, urban-
5 county governments, consolidated local governments, or unified local governments
6 participating in the system by order appropriate to its governmental structure, as
7 provided in KRS 78.530, and if the board is willing to accept the agency,
8 organization, or corporation, the board being hereby granted the authority to
9 determine the eligibility of the agency to participate;
- 10 (4) "School board" means:
- 11 (a) Any board of education participating in the system by order appropriate to its
12 governmental structure, as provided in KRS 78.530, and if the board is willing
13 to accept the agency or corporation, the board being hereby granted the
14 authority to determine the eligibility of the agency to participate; or
- 15 (b) A public charter school as defined in KRS 160.1590 if the public charter
16 school satisfies the criteria set by the Internal Revenue Service to participate
17 in a governmental retirement plan;
- 18 (5) "Examiner" means the medical examiners as provided in KRS 61.665;
- 19 (6) "Employee" means every regular full-time appointed or elective officer or
20 employee of a participating county and the coroner of a participating county,
21 whether or not he or she qualifies as a regular full-time officer. The term shall not
22 include persons engaged as independent contractors, seasonal, emergency,
23 temporary, and part-time workers. In case of any doubt, the board shall determine if
24 a person is an employee within the meaning of KRS 78.510 to 78.852;
- 25 (7) "Employer" means a county, as defined in subsection (3) of this section, the elected
26 officials of a county, or any authority of the county having the power to appoint or
27 elect an employee to office or employment in the county;

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- 1 (8) "Member" means any employee who is included in the membership of the system
2 or any former employee whose membership has not ceased under KRS 78.535;
- 3 (9) "Service" means the total of current service and prior service as defined in this
4 section;
- 5 (10) "Current service" means the number of years and months of employment as an
6 employee, on and after July 1, 1958, for which creditable compensation is paid and
7 employee contributions deducted, except as otherwise provided;
- 8 (11) "Prior service" means the number of years and completed months, expressed as a
9 fraction of a year, of employment as an employee, prior to July 1, 1958, for which
10 creditable compensation was paid. An employee shall be credited with one (1)
11 month of prior service only in those months he or she received compensation for at
12 least one hundred (100) hours of work. Twelve (12) months of current service in the
13 system shall be required to validate prior service;
- 14 (12) "Accumulated contributions" means the sum of all amounts deducted from the
15 compensation of a member and credited to his or her individual account in the
16 members' account, including employee contributions picked up after August 1,
17 1982, pursuant to KRS 78.610(4), together with interest credited, on the amounts,
18 and any other amounts the member shall have contributed thereto, including interest
19 credited thereon. "Accumulated contributions" shall not include employee
20 contributions that are deposited into accounts established pursuant to 26 U.S.C. sec.
21 401(h) within the fund established in KRS 78.520, as prescribed by KRS
22 78.5536(3)(b);
- 23 (13) "Creditable compensation":
- 24 (a) Except as limited by paragraph (c) of this subsection, means all salary, wages,
25 and fees, including payments for compensatory time, paid to the employee as
26 a result of services performed for the employer or for time during which the
27 member is on paid leave, which are includable on the member's federal form

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1 W-2 wage and tax statement under the heading "wages, tips, other
2 compensation", including employee contributions picked up after August 1,
3 1982, pursuant to KRS 78.610(4). The creditable compensation of fee officers
4 who receive salary, fees, maintenance, or other perquisites as a result of their
5 official duties is the gross amount received decreased by the cost of salary
6 paid deputies and clerks and the cost of office supplies and other official
7 expenses;

8 (b) Includes:

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

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- 1 employer;
- 2 4. Amounts which are not includable in the member's gross income by
- 3 virtue of the member having taken a voluntary salary reduction provided
- 4 for under applicable provisions of the Internal Revenue Code; and
- 5 5. Elective amounts for qualified transportation fringes paid or made
- 6 available on or after January 1, 2001, for calendar years on or after
- 7 January 1, 2001, that are not includable in the gross income of the
- 8 employee by reason of 26 U.S.C. sec. 132(f)(4); and
- 9 (c) Excludes:
- 10 1. Living allowances, expense reimbursements, lump-sum payments for
- 11 accrued vacation leave, sick leave except as provided in KRS 78.616(5),
- 12 and other items determined by the board;
- 13 2. For employees who begin participating on or after September 1, 2008,
- 14 lump-sum payments for compensatory time;
- 15 3. Training incentive payments for city officers paid as set out in KRS
- 16 64.5277 to 64.5279;
- 17 4. For employees who begin participating on or after August 1, 2016,
- 18 nominal fees paid for services as a volunteer; and
- 19 5. Any salary or wages paid to an employee for services as a Kentucky
- 20 State Police school resource officer as defined by KRS 158.441;
- 21 (14) "Final compensation" means:
- 22 (a) For a member who begins participating before September 1, 2008, who is
- 23 employed in a nonhazardous position, the creditable compensation of the
- 24 member during the five (5) fiscal years he or she was paid at the highest
- 25 average monthly rate divided by the number of months of service credit
- 26 during that five (5) year period multiplied by twelve (12). The five (5) years
- 27 may be fractional and need not be consecutive. If the number of months of

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- 1 service credit during the five (5) year period is less than forty-eight (48), one
2 (1) or more additional fiscal years shall be used;
- 3 (b) For a member who is employed in a nonhazardous position, whose effective
4 retirement date is between August 1, 2001, and January 1, 2009, and whose
5 total service credit is at least twenty-seven (27) years and whose age and years
6 of service total at least seventy-five (75), final compensation means the
7 creditable compensation of the member during the three (3) fiscal years the
8 member was paid at the highest average monthly rate divided by the number
9 of months of service credit during that three (3) year period multiplied by
10 twelve (12). The three (3) years may be fractional and need not be
11 consecutive. If the number of months of service credit during the three (3)
12 year period is less than twenty-four (24), one (1) or more additional fiscal
13 years shall be used;
- 14 (c) For a member who begins participating before September 1, 2008, who is
15 employed in a hazardous position, as provided in KRS 78.5520~~[61.592]~~, the
16 creditable compensation of the member during the three (3) fiscal years he or
17 she was paid at the highest average monthly rate divided by the number of
18 months of service credit during that three (3) year period multiplied by twelve
19 (12). The three (3) years may be fractional and need not be consecutive. If the
20 number of months of service credit during the three (3) year period is less than
21 twenty-four (24), one (1) or more additional fiscal years, which may contain
22 less than twelve (12) months of service credit, shall be used;
- 23 (d) For a member who begins participating on or after September 1, 2008, but
24 prior to January 1, 2014, who is employed in a nonhazardous position, the
25 creditable compensation of the member during the five (5) complete fiscal
26 years immediately preceding retirement divided by five (5). Each fiscal year
27 used to determine final compensation must contain twelve (12) months of

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- 1 service credit. If the member does not have five (5) complete fiscal years that
 2 each contain twelve (12) months of service credit, then one (1) or more
 3 additional fiscal years, which may contain less than twelve (12) months of
 4 service credit, shall be added until the number of months in the final
 5 compensation calculation is at least sixty (60) months; or
- 6 (e) For a member who begins participating on or after September 1, 2008, but
 7 prior to January 1, 2014, who is employed in a hazardous position as provided
 8 in KRS ~~78.5520~~^{61.592}, the creditable compensation of the member during
 9 the three (3) complete fiscal years he or she was paid at the highest average
 10 monthly rate divided by three (3). Each fiscal year used to determine final
 11 compensation must contain twelve (12) months of service credit. If the
 12 member does not have three (3) complete fiscal years that each contain twelve
 13 (12) months of service credit, then one (1) or more additional fiscal years,
 14 which may contain less than twelve (12) months of service credit, shall be
 15 added until the number of months in the final compensation calculation is at
 16 least thirty-six (36) months;
- 17 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
 18 calculated during the twelve (12) month period immediately preceding the
 19 member's effective retirement date, and shall include employee contributions
 20 picked up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be
 21 certified to the system by the employer and the following equivalents shall be used
 22 to convert the rate to an annual rate: two thousand eighty (2,080) hours for eight (8)
 23 hour workdays, one thousand nine hundred fifty (1,950) hours for seven and one-
 24 half (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks,
 25 twelve (12) months, one (1) year;
- 26 (16) "Retirement allowance" means the retirement payments to which a member is
 27 entitled;

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- 1 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
2 basis of the actuarial tables adopted by the board. In cases of disability retirement,
3 the options authorized by KRS 61.635 shall be computed by adding ten (10) years
4 to the age of the member, unless the member has chosen the Social Security
5 adjustment option as provided for in KRS 61.635(8), in which case the member's
6 actual age shall be used. For members who begin participating in the system prior
7 to January 1, 2014, no disability retirement option shall be less than the same option
8 computed under early retirement;
- 9 (18) "Normal retirement date", unless otherwise provided in KRS 78.510 to 78.852,
10 means:
- 11 (a) For a member with service in a nonhazardous position, the sixty-fifth birthday
12 of a member;
- 13 (b) For a member with service in a hazardous position who begins participating
14 before September 1, 2008, the first day of the month following a member's
15 fifty-fifth birthday; or
- 16 (c) For a member with service in a hazardous position who begins participating
17 on or after September 1, 2008, the first day of the month following a
18 member's sixtieth birthday;
- 19 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
20 following June 30, which shall also be the plan year. The "fiscal year" shall be the
21 limitation year used to determine contribution and benefits limits as set out in 26
22 U.S.C. sec. 415;
- 23 (20) "Agency reporting official" means the person designated by the participating
24 employer who shall be responsible for forwarding all employer and employee
25 contributions and a record of the contributions to the system and for performing
26 other administrative duties pursuant to ~~the provisions of~~ KRS 78.510 to 78.852;
- 27 (21) "Regular full-time positions," as used in subsection (6) of this section, shall mean

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- 1 all positions that average one hundred (100) or more hours per month, determined
2 by using the number of hours actually worked in a calendar or fiscal year, or eighty
3 (80) or more hours per month in the case of noncertified employees of school
4 boards, determined by using the number of hours actually worked in a calendar or
5 school year, unless otherwise specified, except:
- 6 (a) Seasonal positions, which although temporary in duration, are positions which
7 coincide in duration with a particular season or seasons of the year and that
8 may recur regularly from year to year, in which case the period of time shall
9 not exceed nine (9) months, except for employees of school boards, in which
10 case the period of time shall not exceed six (6) months;
- 11 (b) Emergency positions which are positions utilized by the employer during:
- 12 1. An emergency as determined by the employer for a period not
13 exceeding thirty (30) working days and are nonrenewable; or
- 14 2. A state of emergency declared by the President of the United States or
15 the Governor of the Commonwealth of Kentucky that are created or
16 filled specifically for addressing the employer's needs during and as a
17 result of the declared emergency;
- 18 (c) Temporary positions that are positions of employment with a participating
19 agency for a period of time not to exceed twelve (12) months and not
20 renewable;
- 21 (d) Probationary positions which are positions of employment with a participating
22 employer that do not exceed twelve (12) months and that are used uniformly
23 by the participating agency on new employees who would otherwise be
24 eligible for participation in the system. Probationary positions shall not be
25 renewable by the participating employer for the same employee, unless the
26 employee has not been employed with the participating employer for a period
27 of at least twelve (12) months; or

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- 1 (e) Part-time positions that are positions that may be permanent in duration, but
2 that require less than a calendar or fiscal year average of one hundred (100)
3 hours of work per month, determined by using the number of months actually
4 worked within a calendar or fiscal year, in the performance of duty, except in
5 case of noncertified employees of school boards, the school term average shall
6 be eighty (80) hours of work per month, determined by using the number of
7 months actually worked in a calendar or school year, in the performance of
8 duty;
- 9 (22) "Alternate participation plan" means a method of participation in the system as
10 provided for by KRS 78.530(3);
- 11 (23) "Retired member" means any former member receiving a retirement allowance or
12 any former member who has on file at the retirement office the necessary
13 documents for retirement benefits and is no longer contributing to the system;
- 14 (24) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly,
15 monthly, or yearly rate of pay converted to an annual rate as defined in final rate of
16 pay. The rate shall be certified by the employer;
- 17 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
18 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
19 in the event of the member's death. As used in KRS 78.5536, beneficiary shall not
20 mean an estate, trust, or trustee;
- 21 (26) "Recipient" means the retired member, the person or persons designated as
22 beneficiary by the member and drawing a retirement allowance as a result of the
23 member's death, or a dependent child drawing a retirement allowance. An alternate
24 payee of a qualified domestic relations order shall not be considered a recipient,
25 except for purposes of KRS 61.623;
- 26 (27) "Person" means a natural person;
- 27 (28) "School term or year" means the twelve (12) months from July 1 through the

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- 1 following June 30;
- 2 (29) "Retirement office" means the Kentucky Public Pensions Authority office building
3 in Frankfort, unless otherwise designated by the Kentucky Public Pensions
4 Authority;
- 5 (30) "Vested" for purposes of determining eligibility for purchasing service credit under
6 KRS 61.552 means the employee has at least forty-eight (48) months of service if
7 age sixty-five (65) or older or at least sixty (60) months of service if under the age
8 of sixty-five (65). For purposes of this subsection, "service" means service in the
9 systems administered by the Kentucky Retirement Systems and County Employees
10 Retirement System;
- 11 (31) "Participating" means an employee is currently earning service credit in the system
12 as provided in KRS 78.615;
- 13 (32) "Month" means a calendar month;
- 14 (33) "Membership date" means the date upon which the member began participating in
15 the system as provided in KRS 78.615;
- 16 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
17 retired member, as defined by subsection (23) of this section;
- 18 (35) "Qualified domestic relations order" means any judgment, decree, or order,
19 including approval of a property settlement agreement, that:
- 20 (a) Is issued by a court or administrative agency; and
- 21 (b) Relates to the provision of child support, alimony payments, or marital
22 property rights to an alternate payee;
- 23 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
24 participant, who is designated to be paid retirement benefits in a qualified domestic
25 relations order;
- 26 (37) "Accumulated employer credit" means the employer pay credit deposited to the
27 member's account and interest credited on such amounts as provided by KRS

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- 1 78.5512 and 78.5516;
- 2 (38) "Accumulated account balance" means:
- 3 (a) For members who began participating in the system prior to January 1, 2014,
- 4 the member's accumulated contributions; or
- 5 (b) For members who began participating in the system on or after January 1,
- 6 2014, in the hybrid cash balance plan as provided by KRS 78.5512 and
- 7 78.5516, the combined sum of the member's accumulated contributions and
- 8 the member's accumulated employer credit;
- 9 (39) "Volunteer" means an individual who:
- 10 (a) Freely and without pressure or coercion performs hours of service for an
- 11 employer participating in one (1) of the systems administered by Kentucky
- 12 Retirement Systems or the County Employees Retirement System without
- 13 receipt of compensation for services rendered, except for reimbursement of
- 14 actual expenses, payment of a nominal fee to offset the costs of performing
- 15 the voluntary services, or both; and
- 16 (b) If a retired member, does not become an employee, leased employee, or
- 17 independent contractor of the employer for which he or she is performing
- 18 volunteer services for a period of at least twelve (12) months following the
- 19 retired member's most recent retirement date;
- 20 (40) "Nominal fee" means compensation earned for services as a volunteer that does not
- 21 exceed five hundred dollars (\$500) per month with each participating employer.
- 22 Compensation earned for services as a volunteer from more than one (1)
- 23 participating employer during a month shall not be aggregated to determine whether
- 24 the compensation exceeds the five hundred dollars (\$500) per month maximum
- 25 provided by this subsection;
- 26 (41) "Nonhazardous position" means a position that does not meet the requirements of
- 27 KRS 78.5520 or has not been approved by the board as a hazardous position;

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- 1 (42) "Hazardous position" means a position that meets the requirements of KRS 78.5520
2 and has been approved by the board as hazardous;
- 3 (43) "Level-percentage-of-payroll amortization method" means a method of determining
4 the annual amortization payment on the unfunded actuarial accrued liability as
5 expressed as a percentage of payroll over a set period of years. Under this method,
6 the percentage of payroll shall be projected to remain constant for all years
7 remaining in the set period and the unfunded actuarially accrued liability shall be
8 projected to be fully amortized at the conclusion of the set period;
- 9 (44) "Increment" means twelve (12) months of service credit which are purchased. The
10 twelve (12) months need not be consecutive. The final increment may be less than
11 twelve (12) months;
- 12 (45) "Last day of paid employment" means the last date employer and employee
13 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
14 78.615 to the retirement office in order for the employee to receive current service
15 credit for the month. Last day of paid employment does not mean a date the
16 employee receives payment for accrued leave, whether by lump sum or otherwise,
17 if that date occurs twenty-four (24) or more months after previous contributions;
- 18 (46) "Objective medical evidence" means reports of examinations or treatments; medical
19 signs which are anatomical, physiological, or psychological abnormalities that can
20 be observed; psychiatric signs which are medically demonstrable phenomena
21 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
22 or contact with reality; or laboratory findings which are anatomical, physiological,
23 or psychological phenomena that can be shown by medically acceptable laboratory
24 diagnostic techniques, including but not limited to chemical tests,
25 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 26 (47) "Hazardous disability" as used in KRS 78.510 to 78.852 means a disability which
27 results in an employee's total incapacity to continue as an employee in a hazardous

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- 1 position, but the employee is not necessarily deemed to be totally and permanently
2 disabled to engage in other occupations for remuneration or profit;
- 3 (48) "Act in line of duty" means, for employees in hazardous positions under KRS
4 78.5520:
- 5 (a) A single act occurring which was required in the performance of the principal
6 duties of the hazardous position as defined by the job description; or
- 7 (b) A single act of violence committed against the employee that is found to be
8 related to his or her job duties, whether or not it occurs at his or her job site;
- 9 (49) "Dependent child" means a child in the womb and a natural or legally adopted child
10 of the member who has neither attained age eighteen (18) nor married or who is an
11 unmarried full-time student who has not attained age twenty-two (22). Solely in the
12 case of a member who dies as a direct result of an act in line of duty as defined in
13 this section, dies as a result of a duty-related injury as defined in KRS 61.621,
14 becomes totally and permanently disabled as a direct result of an act in the line of
15 duty as defined in this section, or becomes disabled as a result of a duty-related
16 injury as defined in KRS 61.621 and is eligible for the benefits provided by KRS
17 61.621(5)(a), "dependent child" also means a naturally or legally adopted disabled
18 child of the member, regardless of the child's age, if the child has been determined
19 to be eligible for federal Social Security disability benefits or is being claimed as a
20 qualifying child for tax purposes due to the child's total and permanent disability;
- 21 (50) "Normal retirement age" means the age at which the member meets the
22 requirements for his or her normal retirement date as provided by subsection (18) of
23 this section;
- 24 (51) "Disability retirement date" means the first day of the month following the last day
25 of paid employment;
- 26 (52) "Monthly average pay" means:
- 27 (a) In the case of a member who dies as a direct result of an act in line of duty as

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1 defined in KRS 16.505 or who dies as a result of a duty-related injury as
 2 defined in KRS 61.621, the higher of the member's monthly final rate of pay
 3 or the average monthly creditable compensation earned by the deceased
 4 member during his or her last twelve (12) months of employment; or

5 (b) In the case where a member becomes totally and permanently disabled as a
 6 direct result of an act in line of duty as defined in KRS 16.505 or becomes
 7 disabled as a result of a duty-related injury as defined in KRS 61.621 and is
 8 eligible for the benefits provided by KRS 61.621(5)(a), the higher of the
 9 member's monthly final rate of pay or the average monthly creditable
 10 compensation earned by the disabled member during his or her last twelve
 11 (12) months of employment prior to the date the act in line of duty or duty-
 12 related injury occurred;

13 (53) "Authority" means the Kentucky Public Pensions Authority as provided by KRS
 14 61.505;~~and~~

15 (54) "Executive director" means the executive director of the Kentucky Public Pensions
 16 Authority; and

17 **(55) "Gainful employment" means work in any capacity that is or may be performed**
 18 **with regularity and is or may be usually done for pay, whether or not pay is**
 19 **received, including seasonal, volunteer, part-time, and on-call work.**

20 ➔Section 6. KRS 61.525 is amended to read as follows:

21 Membership in the system shall consist of the following:

22 (1) All persons who become employees of a participating department after the date
 23 such department first participates in the system;

24 (2) ~~{(a)}~~All persons who are employees of a department on the date the department
 25 first participates in the system, either in service or on authorized leave from service,
 26 and who elect within thirty (30) days following the department's participation, or in
 27 the case of persons on authorized leave, within thirty (30) days of their return to

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- 1 active service, to become members and thereby agree to make contributions as
 2 provided in KRS 61.515 to 61.705;
- 3 ~~{(b) All persons who are employees of a department who did not elect to
 4 participate within thirty (30) days of the date the department first participated
 5 in the system or within thirty (30) days of their return to active service and
 6 who subsequently elect to participate the first day of a month after the
 7 department's date of participation;}~~
- 8 (3) All persons who are employees of any credit union whose membership was initially
 9 limited to employees of state government and their families and which subsequently
 10 may have been extended to local government employees and their families;
- 11 (4) All persons who were professional staff employees of the Council on Postsecondary
 12 Education or the Higher Education Assistance Authority and were contributing to
 13 the system on the effective date of Executive Order 74-762 or 75-964, respectively,
 14 and file a written election of their desire to continue in the system and all
 15 administrative and professional staff employees of the Higher Education Assistance
 16 Authority who, on or after January 1, 1993, are not participating in another
 17 retirement plan sponsored by the Higher Education Assistance Authority;
- 18 (5) All persons who were professional staff employees of the Kentucky Authority for
 19 Educational Television on and after July 1, 1974;
- 20 (6) All persons who are employees of the Teachers' Retirement System except
 21 employees who are required to participate under the Teachers' Retirement System
 22 under KRS 161.220(4)(d);
- 23 (7) Membership in the system shall not include persons who are not eligible to
 24 participate in the system as provided by KRS 61.522 or those employees who are
 25 simultaneously participating in another state-administered defined benefit plan
 26 within Kentucky other than those administered by the Kentucky Retirement
 27 Systems, except for employees who have ceased to contribute to one (1) of the

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1 state-administered retirement plans as provided in KRS 21.360; and
 2 (8) Effective January 1, 1998, employees of the Kentucky Community and Technical
 3 College System who were previously contributing members and are not required to
 4 participate in the Teachers' Retirement System as a member; employees who were
 5 previously contributing members transferred from the former Cabinet for
 6 Workforce Development as provided in KRS 164.5805(1)(a) and who have not
 7 exercised the option to participate in the new Kentucky Community and Technical
 8 College personnel system as provided in KRS 164.5805(1)(e); and new employees
 9 as of July 1, 1997, who are not eligible under the Teachers' Retirement System or
 10 who are not contributing to an optional retirement plan established by the board of
 11 regents for the Kentucky Community and Technical College System.

12 ➔Section 7. KRS 61.546 is repealed, reenacted, and amended to read as follows:

- 13 (1) Except as otherwise provided by this section, any member of the Kentucky
 14 Employees Retirement System or the State Police Retirement System whose
 15 retirement date is July 14, 1984, or thereafter, shall receive credit for unused sick
 16 leave accrued while contributing to the retirement system from which the retirement
 17 benefit is to be paid in accordance with this section.
- 18 (2) (a) Upon the member's notification of retirement as prescribed in KRS 16.576 or
 19 61.590, the employer shall certify the retiring member's unused, accumulated
 20 sick leave balance to the system.
- 21 (b) The member's sick leave balance, expressed in days, shall be divided by the
 22 average number of working days per month in the state service and rounded to
 23 the nearest number of whole months.
- 24 (c) Except as provided by subsection~~[subsections]~~ (3)~~[-and-(4)]~~ of this section,
 25 the member's sick leave balance, expressed in months, shall upon retirement
 26 be added to his or her service credit for the purpose of determining his or her
 27 annual retirement allowance under KRS 16.505 to 16.652 or 61.510 to 61.705

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1 and for the purpose of determining whether the member is eligible to receive a
2 retirement allowance under KRS 16.505 to 16.652 or 61.510 to 61.705.

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

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

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

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

18 ~~(4) For a member who began participating in the Kentucky Employees Retirement~~
19 ~~System or the State Police Retirement System prior to September 1, 2008, who~~
20 ~~retires on or after July 1, 2023, the service credited for accumulated unused sick~~
21 ~~leave and added to the member's service credit shall not be used to determine~~
22 ~~whether a member is eligible to receive a retirement allowance under any of the~~
23 ~~provisions of KRS 16.505 to 16.652 and 61.510 to 61.705 or to reduce any~~
24 ~~applicable actuarial reductions.~~

25 ~~(5)~~ Notwithstanding any other provision of this section to the contrary, the value of
26 any accumulated sick leave that is added to the member's service credit in the
27 Kentucky Employees Retirement System or the State Police Retirement System on

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1 or after July 1, 2010, shall be paid to the retirement system by the last participating
 2 Kentucky Employees Retirement System or State Police Retirement System
 3 employer based upon a formula adopted by the board.

4 ~~(5)(6)~~ The provisions of this section shall not apply to a participating agency whose
 5 employees are not employed by the Commonwealth until the agency certifies to the
 6 system that a sick leave program has been formally adopted and is universally
 7 administered within the agency~~[- except that any agency participating in the~~
 8 ~~Kentucky Employees Retirement System who has not adopted a sick leave program~~
 9 ~~prior to August 1, 2018, shall not be eligible to adopt a sick leave program under~~
 10 ~~this section].~~

11 ~~(6)(7)~~ This section shall not apply to members who begin participating in the
 12 systems administered by Kentucky Retirement Systems on or after January 1, 2014.

13 ➔Section 8. KRS 61.552 is amended to read as follows:

14 (1) Called to Active Duty Military Service. An employee of an employer participating
 15 in the system who is called to active military duty in the Armed Forces of the
 16 United States shall be credited in accordance with 38 U.S.C. sec. 4318 with service
 17 credit, creditable compensation, and in the case of employees participating in the
 18 hybrid cash balance plan, employee contributions, employer credits, and interest
 19 credits, for a period of active military duty of up to six (6) years, provided:

20 (a) The employee was called to active military duty in the Armed Forces of the
 21 United States:

- 22 1. After his or her membership date~~[he or she began participating]~~ in the
 23 system and provided the employee was on leave of absence from the
 24 employer and did not withdraw his or her accumulated account balance;
 25 or
- 26 2. Prior to his or her membership date~~[the date he or she began~~
 27 ~~participating]~~ in the system and terminated employment with his or her

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- 1 employer;
- 2 (b) The employee entered active military service within three (3) months of his or
- 3 her last day of paid employment;
- 4 (c) **The employee's**~~{His or her}~~ discharge military service was terminated in a
- 5 manner other than as described in 38 U.S.C. sec. 4304;~~{and}~~
- 6 (d) **The employee**~~{He or she}~~ returns to work with an employer participating in
- 7 the system within two (2) years after completion of the period of active
- 8 military duty, or upon the subsequent termination of any total disability which
- 9 existed at the expiration of the two (2) years after discharge; **and**
- 10 **(e) For an employee whose membership date is on or after January 1, 2014,**
- 11 **who is participating in the hybrid cash balance plan under KRS 16.583,**
- 12 **61.597, 78.5512, or 78.5516, the employee pays the employee contributions**
- 13 **on the credited compensation as provided under KRS 16.543, 61.543, and**
- 14 **78.615.**

15 For periods of active military duty that meet the requirements of this subsection, the

16 employer shall pay the employer contributions payable under KRS 61.565, 61.702,

17 78.5536, and 78.635.

- 18 (2) (a) Omitted Service. Any person who is entitled to service credit for employment
- 19 which was not reported by the employer in accordance with KRS 16.543,
- 20 61.543, or 78.615 may obtain credit for the service subject to the provisions of
- 21 this subsection.
- 22 (b) Provided the person pays for the omitted service with within six (6) months of
- 23 notification by the system, the cost of the service shall be equal to the
- 24 employee contributions that would have been paid if the person had been
- 25 correctly reported in accordance with KRS 16.543, 61.543, or 78.615.
- 26 (c) Any employee participating in one (1) of the state-administered retirement
- 27 systems entitled to service credit under paragraph (a) of this subsection who

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- 1 has not repaid the employee contributions due within six (6) months of
2 notification by the system may purchase the credit after the six (6) months by
3 paying to the system the employee contributions plus interest at the actuarially
4 assumed rate from the date of initial notification under paragraph (b) of this
5 subsection.
- 6 (d) Omitted service purchased under this subsection shall:
- 7 1. Be considered service credited under KRS 16.543(1), 61.543(1), or
8 78.615(1) for purposes of determining eligibility for retirement benefits
9 under KRS 78.510 to 78.852; and
- 10 2. Not be credited to the member's account until the employer
11 contributions due and any interest or penalties on the delinquent
12 employer contributions for the period of omitted service are received by
13 the system.
- 14 (e) Employees who begin participating on or after January 1, 2014, in the hybrid
15 cash balance plan provided by KRS 16.583 or 61.597 or 78.5512 or 78.5516
16 shall, upon payment of the employee and employer contributions due under
17 this subsection, have their accumulated account balance increased by the
18 employee contributions, employer pay credits, and interest credits that would
19 have been credited to their member's account if the contributions had been
20 paid on time.
- 21 (f) Contributions payable by the employer under this subsection for omitted
22 service shall be considered delinquent from the date the employee should
23 have been reported and received service credit in accordance with KRS
24 16.543, 61.543, and 78.615.
- 25 (3) (a) Recontribution of a Refund. Any employee participating in one (1) of the
26 state-administered retirement systems who has been refunded his or her
27 accumulated account balance under the provisions of KRS 61.625, thereby

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1 losing service credit in the system, may regain the credit by paying to the
2 system the amount or amounts refunded by the system with interest at a rate
3 determined by the board. Service purchased under this subsection on or after
4 January 1, 2014, shall not be used to determine the member's
5 membership~~[participation]~~ date in the systems.

6 (b) Recontribution of a refund purchased under this subsection shall not be used
7 in determining a retirement allowance until the member has accrued at least
8 six (6) months of service credit in a state-administered retirement system,
9 excluding the service purchased under this subsection. If the member does not
10 accrue at least six (6) months of service credit in a state-administered
11 retirement system, excluding service purchased under this subsection, then the
12 payment plus interest as provided in KRS 16.560, 61.575, or 78.640 shall be
13 refunded upon retirement, death, or written request following termination of
14 employment. The service requirement shall be waived if the member dies or
15 becomes disabled as provided for by KRS 16.582, 61.600, 61.621, 78.5522, or
16 78.5524.

17 (4) (a) Summer Months. Any employee participating in one (1) of the state-
18 administered retirement systems who is or has been employed by a school
19 board or community action agency participating in the County Employees
20 Retirement System or a state-operated school under KRS Chapter 167 or an
21 institution of higher learning participating in the Kentucky Employees
22 Retirement System, who receives service credit for less than twelve (12)
23 months each year, may purchase the additional months of service credit
24 needed to total one (1) year of service credit, except the amount purchased for
25 any specific year shall not exceed three (3) months.

26 (b) The cost of the summer months service credit shall be determined by the
27 formula established by subsection (10) of this section and may be purchased

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1 by the employee, or the employer on behalf of the employee, or the cost may
 2 be paid by both the employer and employee in which case the employer and
 3 employee shall each pay fifty percent (50%) of the cost. Service credit shall
 4 not be credited to the member's account until both the employer's and
 5 employee's payment are received by the system.

6 (c) If the employee has purchased service credit under this subsection based on
 7 months reported by the employer for the fiscal year, and an audit of the
 8 employee's account reduces the number of months of service credit for which
 9 the employee is eligible to no fewer than nine (9) months, the employee shall
 10 retain credit for the months purchased unless the employee is ineligible for
 11 any service in the fiscal year. The employee shall be eligible to purchase the
 12 additional months under this subsection to total one (1) year.

13 (d) This subsection shall not apply to members who began participating in the
 14 County Employees Retirement System on or after January 1, 2014.

15 (5) Vested Service Purchases. Any employee who began participating in the County
 16 Employees Retirement System, the Kentucky Employees Retirement System, or the
 17 State Police Retirement System prior to January 1, 2014, who is vested may
 18 purchase service credit for:

19 (a) Past service. "Past service" means periods of employment:

20 1. Between July 1, 1956, in the case of the Kentucky Employees
 21 Retirement System, or July 1, 1958, in the case of the County
 22 Employees Retirement System, and the effective date of participation by
 23 the employer; and

24 2. ~~[Where the employee did not participate in the system due to the~~
 25 ~~employee not electing to participate as provided in KRS 61.525(2) or~~
 26 ~~78.540(1); and~~

27 3. ~~—~~With a public agency that did not participate in the Kentucky

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1 Employees Retirement System but would have been eligible to
2 participate under KRS 61.520 or a political subdivision that did not
3 participate in the County Employees Retirement System but would have
4 been eligible to participate under KRS 78.530, provided the public
5 agency or political subdivision has merged with or been taken over by a
6 participating employer;

7 (b) State university service, provided the university does not participate in a state-
8 administered retirement system and the university service being purchased
9 was in a nonteaching position that did not participate in a defined benefit
10 retirement program;

11 (c) 1. Up to ten (10) years of out-of-state service. "Out-of-state" means service
12 credited to a state or local government-administered public defined
13 benefit plan in another state that is not a defined benefit plan for
14 teachers.

15 2. Up to ten (10) years of out-of-state hazardous service. "Out-of-state
16 hazardous service" means service in a regular full-time position that was
17 credited to a defined benefit retirement plan administered by a state or
18 local government in another state, if the service could be certified as
19 hazardous pursuant to KRS 61.592 or 78.5520, as applicable. The
20 employee may purchase out-of-state hazardous service under this
21 subparagraph provided the employee is vested to receive benefits from
22 the State Police Retirement System or hazardous duty benefits from the
23 Kentucky Employees Retirement System or the County Employees
24 Retirement System.

25 The employee must purchase out-of-state service or out-of-state hazardous
26 service in the system in which he or she is vested based solely upon the
27 service in that system;

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- 1 (d) Active military duty, which means periods of active military duty in the
2 Armed Forces of the United States, provided:
- 3 1. The employee's military service was terminated in a manner other than
4 as described in 38 U.S.C. sec. 4304; and
- 5 2. The service has not been credited as free military service under
6 subsection (1) of this section;
- 7 (e) National Guard service. An employee may purchase one (1) month of service
8 for each six (6) months of service in the National Guard or the military
9 reserves of the United States. The service shall be treated as service earned
10 prior to participation in the system;
- 11 (f) Federal service. "Federal service" means service with the United States
12 government, that is not service in the Armed Forces;
- 13 (g) Seasonal, emergency, interim, probationary, or temporary employment or
14 part-time employment as provided by KRS 61.510(21) or 78.510(21)
15 averaging one hundred (100) or more hours of work per month on a calendar
16 or fiscal year basis. If the average number of hours of work is less than one
17 hundred (100) per month, the member may purchase credit for only those
18 months he or she receives creditable compensation for one hundred (100)
19 hours of work;
- 20 (h) Part-time employment in a noncertified position at a school board prior to the
21 1990-91 school year which averaged eighty (80) or more hours of work per
22 month on a calendar or fiscal year basis. If the average number of hours of
23 work is less than eighty (80) per month, the noncertified employee of a school
24 board shall be allowed to purchase credit only for those months he or she
25 receives creditable compensation for eighty (80) hours of work;
- 26 (i) Any period of:
- 27 1. Authorized maternity leave without pay or sick leave without pay;

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- 1 2. Unpaid leave authorized under the federal Family and Medical Leave
2 Act;
- 3 3. Approved educational leave; and
- 4 4. Agency-approved leave to work for a work-related labor organization if
5 the agency subsequently participated in the County Employees
6 Retirement System, but only if the board receives a favorable private
7 letter ruling from the United States Internal Revenue Service or a
8 favorable opinion letter from the United States Department of Labor;
- 9 (j) Non-participating employer service, which means periods of employment
10 with the following types of agencies provided the agency does not participate
11 in a state-administered retirement system:
- 12 1. A regional community services program for mental health organized and
13 operated under the provisions of KRS 210.370 to 210.480;
- 14 2. A community action agency created under KRS 273.405 to 273.453.
15 The service provided by this subparagraph shall be purchased in the
16 County Employees Retirement System;
- 17 3. An area development district created pursuant to KRS 147A.050; or
- 18 4. A business development corporation created pursuant to KRS 155.001
19 to 155.230, provided the system receives a favorable private letter ruling
20 from the United States Internal Revenue Service or a favorable opinion
21 letter from the United States Department of Labor;
- 22 (k) Urban-county government service, which means employment in an urban-
23 county government position that would qualify for hazardous duty coverage
24 under KRS 61.592 or 78.5520. The provisions of this paragraph shall only be
25 applicable to vested members participating in the State Police Retirement
26 System or in a hazardous position in the Kentucky Employees Retirement
27 System or the County Employees Retirement System;

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- 1 (l) Periods of service as assistants to officers and employees of the General
2 Assembly for persons who were unable to acquire service under KRS
3 61.510(20) for service performed after January 1, 1960;
- 4 (m) Service as a volunteer in the Kentucky Peace Corps, created by KRS 154.1-
5 720; and
- 6 (n) Employment with a vocational technical school in a noncertified part-time
7 position averaging eighty (80) or more hours per month, determined by using
8 the number of months actually worked within a calendar or fiscal year. The
9 service provided by this paragraph shall be purchased in the Kentucky
10 Employees Retirement System.
- 11 (6) Non-qualified service. Provided the employee's membership~~[participation]~~ date in
12 the system is prior to July 15, 2002, and provided the employee has total service in
13 all state-administered retirement systems of at least one hundred eighty (180)
14 months of service credit, the employee may purchase a combined maximum total of
15 five (5) years of service credit, known as non-qualified service, which is not
16 otherwise purchasable under any of the provisions of KRS 16.505 to 16.652, 61.510
17 to 61.705, or 78.510 to 78.852. The service purchased under this paragraph shall not
18 be used in determining a retirement allowance until the member has accrued at least
19 two hundred forty (240) months of service, excluding service purchased under this
20 subsection. If the member does not accrue at least two hundred forty (240) months
21 of service, excluding service purchased under this subsection, upon retirement,
22 death, or written request following termination, the payment, plus interest as
23 provided in KRS 16.560, 61.575, or 78.640, as applicable, shall be refunded.
- 24 (7) For purposes of service purchased under subsections (2) to (6) of this section:
- 25 (a) Except for subsection (6) of this section, the service must qualify as regular
26 full-time as provided by KRS 61.510 and 78.510;
- 27 (b) No service credit may be purchased for periods already credited to the system

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- 1 or another public defined benefit retirement fund, including non-qualified
 2 service purchased in another state-administered retirement system;
- 3 (c) Except as provided by paragraph (a)2.a. of subsection (9) of this section, the
 4 employee payment for service purchases shall not be picked up, as described
 5 in KRS 16.545(4), 61.560(4), or 78.610(4), by the employer;
- 6 (d) Except for service purchased under subsection (2) or (3) of this section,
 7 service purchases made pursuant to this section may be purchased by the
 8 entire amount of service available or by increments. Service purchases made
 9 pursuant to subsections (2) and (3) of this section shall only be purchased by
 10 the entire amount of service available; and
- 11 (e) Service purchases as provided by subsections (5)(b), ~~[(5)](d)~~ to (f),
 12 and~~[(5)](j)1.~~ and (6) of this section may be purchased in any system in
 13 which the member has service credit.
- 14 (8) (a) Employer purchase of past service. Any employer participating in the system
 15 may purchase service credit, between July 1, 1956, in the case of the
 16 Kentucky Employees Retirement System, or July 1, 1958, in the case of the
 17 County Employees Retirement System, and the participation date of the
 18 employer, for present employees of the county or department who have
 19 elected coverage under KRS 61.525(2) or 78.540(1), provided the employee
 20 began participating in the system prior to January 1, 2014.
- 21 (b) A Kentucky Employees Retirement System employer shall pay the cost of the
 22 service credit within the fiscal year the election is made to purchase the
 23 service credit. A County Employees Retirement System employer may
 24 purchase the service, with interest at the rate actuarially assumed by the board,
 25 over a period not to exceed ten (10) years.
- 26 (c) If an employer elects to purchase service under the provisions of this
 27 subsection, any present employee who would be eligible to receive service

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- 1 credit under the provisions of this subsection and has purchased service credit
 2 under subsection (5)(a) of this section shall have his or her payment for the
 3 service credit refunded with interest at the rate paid under KRS 61.575 or
 4 78.640, ~~and~~
- 5 (d) Any payments made by an employer under this subsection shall be deposited
 6 to the retirement allowance account of the system and these funds shall not be
 7 considered accumulated contributions of the individual members.
- 8 (9) (a) An employee participating in the system may purchase service credit under
 9 any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to
 10 78.852 for which he or she is eligible to purchase, or as otherwise required by
 11 38 U.S.C. ch. 43, by:
- 12 1. Making a lump-sum payment on a before-tax basis as provided in
 13 subparagraph 3. of this paragraph, or on an after-tax basis if the
 14 employee is purchasing service credit under subsection (1) or (3) of this
 15 section, service available pursuant to 38 U.S.C. ch. 43 not otherwise
 16 provided for in this section, or grandfathered service as defined in
 17 paragraph (b) of this subsection;
 - 18 2. Entering into an agreement to purchase service credit through an
 19 installment purchase of service agreement with the systems as provided
 20 by paragraph (c) of this subsection:
 - 21 a. On a before-tax basis in which the service is purchased pursuant to
 22 the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or
 - 23 b. On an after-tax basis if the employee is purchasing service credit
 24 under subsection (1) or (3) of this section, service available
 25 pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this
 26 section, or grandfathered service as defined in paragraph (b) of this
 27 subsection; or

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- 1 3. Transferring funds to the system through a direct trustee-to-trustee
2 transfer as permitted under the applicable sections of the Internal
3 Revenue Code and any regulations or rulings issued thereunder, through
4 a direct rollover as contemplated by and permitted under 26 U.S.C. sec.
5 401(a)(31) and any regulations or rulings issued thereunder, or through a
6 rollover of funds pursuant to and permitted under the rules specified in
7 26 U.S.C. secs. 402(c) and 408(d)(3). The system shall accept the
8 transfer or rollover to the extent permitted under the rules specified in
9 the applicable provisions of the Internal Revenue Code and any
10 regulations and rulings issued thereunder.
- 11 (b) For purposes of this subsection, "grandfathered service" means service
12 purchases for which a member, whose membership date in the system is prior
13 to July 1, 1999, is eligible to purchase under KRS 16.505 to 16.652, 61.510 to
14 61.705, or 78.510 to 78.852, that were available for all members of the system
15 to purchase on August 5, 1997.
- 16 (c) 1. For service purchased under a before-tax or after-tax installment
17 purchase of service agreement as provided by paragraph (a)2. of this
18 subsection, the cost of the service shall be computed in the same manner
19 as for a lump-sum payment which shall be the principal, except that
20 interest compounded annually at the actuarial rate in effect at the time
21 the member elects to make the purchase shall be added for the period
22 that the installments are to be made.
- 23 2. Multiple service purchases may be combined under a single installment
24 agreement, except that no employee may make more than one (1)
25 installment purchase at the same time.
- 26 3. For after-tax installment purchase of service agreements, the employee
27 may elect to stop the installment payments by notifying the system; may

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- 1 have the installment purchase recalculated to add one (1) or more
2 additional service purchases; or may pay by lump sum the remaining
3 principal or a portion of the remaining principal.
- 4 4. Before-tax installment purchase of service agreements shall be
5 irrevocable, and the employee shall not be able to stop installment
6 payments or to pay off the remaining balance of the purchase of service
7 agreement, except upon termination of employment or death.
- 8 5. One (1) year of installment payments shall be made for each one
9 thousand dollars (\$1,000) or any part thereof of the total cost, except
10 that the total period allowed for installments shall not be less than one
11 (1) year and shall not exceed five (5) years.
- 12 6. The employee shall pay the installments by payroll deduction for after-
13 tax purchase of service agreements, and the employer shall pick up
14 installments for before-tax purchase of service agreements. Upon
15 notification by the system, the employer shall report the installment
16 payments monthly continuously over each twelve (12) month period at
17 the same time as, but separate from, regular employee contributions on
18 the forms or by the computer format specified by the board.
- 19 7. The system shall determine how much of the total cost represents
20 payment for one (1) month of the service to be purchased and shall
21 credit one (1) month of service to the member's account each time this
22 amount has been paid. The first service credited shall represent the first
23 calendar month of the service to be purchased and each succeeding
24 month of service credit shall represent the succeeding months of that
25 service.
- 26 8. If the employee utilizing an installment purchase of service agreement
27 dies, retires, does not continue employment in a position required to

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- 1 participate in the system, or elects to stop an after-tax installment
2 purchase of service agreement, the member, or in the case of death, the
3 beneficiary, shall have sixty (60) days to pay the remaining principal or
4 a portion of the remaining principal of the installment purchase of
5 service agreement by lump sum, subject to the restrictions of paragraph
6 (a)1. of this subsection, or by transfer of funds under paragraph (a)3. of
7 this subsection, except that payment by the member shall be filed with
8 the system prior to the member's effective retirement date. If the
9 member or beneficiary does not pay the remaining cost, the system shall
10 refund to the member or the beneficiary the payment, payments, or
11 portion of a payment that does not represent a full month of service
12 purchased, except as provided by subsection (6) of this section.
- 13 9. If the employer does not report installment payments on an employee
14 for sixty (60) days for an after-tax installment purchase of service
15 agreement, except in the case of employees on military leave or sick
16 leave without pay, the installment purchase shall cease and the system
17 shall refund to the employee the payment, payments, or portion of a
18 payment that does not represent a full month of service purchased.
- 19 10. Installment payments of employees on military leave or sick leave
20 without pay shall be suspended during the period of leave and shall
21 resume without recalculation upon the employee's return from leave.
- 22 11. If payments have ceased under subparagraph 8. or 9. of this paragraph
23 and the member later becomes a participating employee in the County
24 Employees Retirement System, Kentucky Employees Retirement
25 System, or State Police Retirement System, the employee may complete
26 the adjusted original installment purchase by lump sum or installment
27 payments, subject to the restrictions of this subsection. If the employee

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1 elects to renew the installment purchase, the cost of the remaining
 2 service shall be recalculated in accordance with subsection (10) of this
 3 section.

4 (d) Member payments, including interest, properly received pursuant to this
 5 subsection, shall be deposited to the member's account and considered as
 6 accumulated contributions of the individual member.

7 (10) (a) The cost of purchasing service credit under any provision of this section,
 8 except as provided by subsections (1) to (3) of this section, shall be
 9 determined by multiplying the higher of the employee's current rate of pay,
 10 final rate of pay, or final compensation as of the end of the month in which
 11 the purchase is made times the actuarial factor times the number of years of
 12 service being purchased. The actuarial factor used to determine the cost of
 13 purchasing service credit shall assume the earliest date the member may retire
 14 without a reduction in benefits and the cost-of-living adjustments provided to
 15 members upon retirement.

16 (b) Service purchased on or after August 1, 2004, under the provisions of KRS
 17 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, except for service
 18 purchased under subsections (1) to (3) of this section or service purchased as
 19 described by paragraph (d) of this subsection, shall not be used to determine
 20 eligibility for or the amount of the monthly insurance contribution under KRS
 21 61.702 or 78.5536.

22 (c) For a member whose membership date~~[participation]~~ begins on or after
 23 August 1, 2004, service purchased under the provisions of KRS 16.505 to
 24 16.652, 61.510 to 61.705, or 78.510 to 78.852, except for service purchased
 25 under subsections (1) to (3) of this section or service purchased as described
 26 by paragraph (d) of this subsection:

27 1. Shall not be used to determine eligibility for a retirement allowance

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1 under disability retirement, early retirement, normal retirement, or upon
2 death of the member under any of the provisions of KRS 16.505 to
3 16.652, 61.510 to 61.705, or 78.510 to 78.852; and

4 2. Shall only be used to determine the amount of the retirement allowance
5 of a member who is eligible for a retirement allowance under disability,
6 early retirement, normal retirement, or upon death of the member under
7 any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or
8 78.510 to 78.852, based on service earned as a participating employee.

9 (d) Paragraphs (b) and (c) of this subsection shall not apply to a member who was
10 bound by an educational contract as a conditional employee to the state of
11 Kentucky prior to December 31, 2003, regardless of ~~participation date or~~
12 membership date in the system. Educational leave, seasonal service, or any
13 other qualified service purchased by a member with this classification under
14 this section shall be used to determine eligibility for benefits, membership
15 dates ~~or participation dates~~, and the amount of benefit for:

16 1. A retirement allowance under disability retirement, early retirement,
17 normal retirement, or death under any of the provisions of KRS 16.505
18 to 16.652, 61.510 to 61.705, and 78.510 to 78.852; and

19 2. The monthly insurance contribution under KRS 61.702 or 78.5536.

20 ➔Section 9. KRS 61.569 is amended to read as follows:

21 (1) **(a) The employer of** a reinstated employee who has been ordered reinstated by
22 the Personnel Board under authority of KRS 18A.095 or by court order or by
23 order of the **Kentucky**~~Human Rights~~ Commission **on Human Rights** shall
24 **deduct from the employee's reinstated creditable compensation and**
25 **remit**~~tender~~ to the system the member contribution **the employee**~~he~~
26 have paid on the creditable compensation **the employee**~~he~~ would have
27 earned as defined under KRS 18A.105 had **the employee**~~he~~ not been

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1 dismissed.

2 **(b)** The employer shall pay the employer contributions as defined under KRS
3 18A.105 on the member's creditable compensation.

4 (2) No service credit shall be allowed for any time that the member **and employer**
5 contributions are not paid.

6 ➔Section 10. KRS 61.615 is amended to read as follows:

7 (1) **(a) The Authority may contract for the services of one (1) or more vocational**
8 **experts upon terms and conditions it prescribes to:**

9 **1. Review and investigate all employment information and forms**
10 **submitted by a disability recipient under this section and KRS 61.610;**

11 **and**

12 **2. Report in writing to the Authority the conclusions and**
13 **recommendations upon all matters referred for review and**
14 **investigation.**

15 **(b) A vocational expert providing services to the Authority shall have a master's**
16 **degree or higher degree in counseling or rehabilitation, an American Board**
17 **of Vocational Experts certification, or a certification as a Certified**
18 **Rehabilitation Counselor, Certified Disability Management Specialist,**
19 **Associate Disability Case Manager, Licensed Rehabilitation Counselor, or**
20 **Certified Case Manager.**

21 **(2) (a) Each recipient of a disability retirement allowance who is engaged in**
22 **gainful employment shall notify the Authority upon beginning the**
23 **employment. If the member fails to notify the Authority of the gainful**
24 **employment, the Authority may recover the payment of a disability**
25 **retirement allowance made during the gainful employment.**

26 **(b) The system may reduce or discontinue a disability retirement allowance if**
27 the **Authority's**~~Board's~~ medical examiner **selected under Section 15 of this**

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- 1 **Act or vocational expert selected under this section** determines that:
- 2 **1.** A recipient of a disability retirement allowance is, prior to his or her
- 3 normal retirement date, **gainfully** employed in a position with the same
- 4 or similar duties, or in a position with duties requiring greater residual
- 5 functional capacity and physical exertion, as the position from which he
- 6 or she was disabled, except where the recipient has returned to work on
- 7 a trial basis not to exceed nine (9) months; **or**
- 8 **2. A recipient of a disability allowance resulting solely from mental**
- 9 **illness is, prior to his or her normal retirement date, gainfully**
- 10 **employed in a position with the same or similar duties, or in a position**
- 11 **with duties requiring greater residual functional capacity, as the**
- 12 **position from which he or she was disabled**~~, the system may reduce or~~
- 13 ~~discontinue the retirement allowance. Each recipient of a disability~~
- 14 ~~retirement allowance who is engaged in gainful employment shall notify~~
- 15 ~~the system of any employment; otherwise, the system shall have the~~
- 16 ~~right to recover payments of a disability retirement allowance made~~
- 17 ~~during the employment].~~
- 18 ~~(3)(2)~~ **The system may reduce or discontinue a disability retirement allowance** if
- 19 the **Authority's**~~[board's]~~ medical examiner determines that a recipient of a disability
- 20 retirement allowance is, prior to his or her normal retirement date, no longer
- 21 incapacitated by the bodily injury, mental illness, or disease for which he or she
- 22 receives a disability retirement allowance~~, the board may reduce or discontinue the~~
- 23 ~~retirement allowance].~~
- 24 **(4) (a)(3)** The system shall have full power and exclusive authority to reduce or
- 25 discontinue a disability retirement allowance, and the **Authority**~~[system]~~ shall
- 26 utilize the services of a medical examiner as provided in KRS 61.665 **or a**
- 27 **vocational expert selected under this section**, in determining whether to

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1 continue, reduce, or discontinue a disability retirement allowance under this
2 section.

3 ~~(b)~~~~(a)~~ The Authority~~[system]~~ shall select one (1)~~[a]~~ medical examiner to
4 evaluate the forms and employment and medical information submitted by the
5 person. If only employment information is submitted, the Authority may
6 select one (1) vocational expert to evaluate the forms and employment
7 information submitted by the person. If there is objective medical evidence
8 of a mental impairment, the medical examiner may request the
9 Authority's~~[board's]~~ licensed mental health professional to assist in
10 determining the level of the mental impairment.

11 ~~(c)~~~~(b)~~ The medical examiner or vocational expert~~[examiners]~~ shall be paid a
12 reasonable amount by the Authority~~[retirement system]~~ for each case
13 evaluated.

14 ~~(d)~~ 1.~~(c)~~ The medical examiner or vocational expert shall recommend that
15 disability retirement allowance be continued, reduced, or discontinued.

16 2.~~[1.]~~ If the medical examiner or vocational expert recommends that the
17 disability retirement allowance be continued, the system shall make
18 retirement payments in accordance with the retirement plan selected by
19 the person.

20 3. a.~~[2.]~~ If the medical examiner or vocational expert recommends that the
21 disability retirement allowance be reduced or discontinued, the
22 Authority~~[system]~~ shall send notice of the recommendation by
23 United States first-class mail to the person's last address on file in
24 the retirement office, by electronic mail to the person's last
25 electronic mail address on file in the retirement office, or by other
26 electronic means.

27 b.~~[a.]~~ The person shall have sixty (60) days from the day that the

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1 Authority~~[system]~~ sent the notice to file at the retirement office
 2 additional supporting employment or medical information and
 3 certify to the retirement office that the forms and additional
 4 supporting employment information or medical information are
 5 ready to be evaluated by the medical examiner or vocational
 6 expert, or to appeal the recommendation of the medical examiner
 7 or vocational expert to reduce or discontinue the disability
 8 retirement allowance by filing at the retirement office a request for
 9 a formal hearing.

10 ~~c.1b.~~ If the person fails or refuses to file at the retirement office the
 11 forms, the additional supporting employment information, and
 12 current medical information or to appeal the recommendation of
 13 the medical examiner or vocational expert~~[examiners]~~ to reduce
 14 or discontinue the disability retirement allowance, his or her
 15 retirement allowance shall be discontinued on the first day of the
 16 month following the expiration of the period of the sixty (60) days
 17 from the day the Authority~~[system]~~ sent the notice of the
 18 recommendation by United States first-class mail to the person's
 19 last address on file in the retirement office, by electronic mail to
 20 the person's last electronic mail address on file in the retirement
 21 office, or by other electronic means.

22 (e) 1.~~[(d)]~~ The medical examiner shall make a recommendation based upon
 23 the evaluation of additional supporting employment and medical
 24 information submitted in accordance with paragraph (d)3.b.~~[(e)2.a.]~~ of
 25 this subsection, or the vocational expert shall make a recommendation
 26 upon the evaluation of additional supporting employment information
 27 submitted in accordance with paragraph (d)3.b. of this subsection.

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1 ~~2.~~~~{1.}~~ If the medical examiner ***or vocational expert*** recommends that the
 2 disability retirement allowance be continued, the system shall make
 3 disability retirement payments in accordance with the retirement plan
 4 selected by the person.

5 ~~3.~~ ~~a.~~~~{2.}~~ If the medical examiner recommends that the disability retirement
 6 allowance be reduced or discontinued based upon the evaluation of
 7 additional supporting ***employment information and*** medical
 8 information, ***or if the vocational expert recommends that the***
 9 ***disability allowance be reduced or discontinued based upon the***
 10 ***evaluation of additional supporting employment information, the***
 11 ***Authority***~~{the system}~~ shall send notice of this recommendation by
 12 United States first-class mail to the person's last address on file in
 13 the retirement office, by electronic mail to the person's last
 14 electronic mail address on file in the retirement office, or by other
 15 electronic means.

16 ~~b.~~~~{a.}~~ The person shall have sixty (60) days from the day that the
 17 ***Authority***~~{system}~~ sent the notice of the recommendation to appeal
 18 the recommendation to reduce or discontinue the disability
 19 retirement allowance by filing at the retirement office a request for
 20 formal hearing.

21 ~~c.~~~~{b.}~~ If the person fails or refuses to appeal the recommendation of the
 22 medical ***examiner or vocational expert***~~{examiners}~~ to reduce or
 23 discontinue the disability retirement allowance, his or her
 24 retirement allowance shall be discontinued on the first day of the
 25 month following the expiration of the period of the sixty (60) days
 26 from the day the ***Authority***~~{system}~~ sent the notice of the
 27 recommendation by United States first-class mail to the person's

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1 last address on file in the retirement office, by electronic mail to
 2 the person's last electronic mail address on file in the retirement
 3 office, or by other electronic means.

4 ~~(f)~~~~(e)~~ Any person whose disability benefits have been reduced or
 5 discontinued, pursuant to paragraph (d)3.a. or (e)3.a.~~(e)2. or (d)2.~~ of this
 6 subsection, may file at the retirement office a request for formal hearing to be
 7 conducted in accordance with KRS Chapter 13B. The right to demand a
 8 formal hearing shall be limited to a period of sixty (60) days after the person
 9 had notice, as described in paragraph~~(e) or~~ (d) or (e) of this subsection. The
 10 request for formal hearing shall be filed with the Authority~~system~~, at the
 11 retirement office in Frankfort. The request for formal hearing shall include a
 12 short and plain statement of the reasons the reduction, discontinuance, or
 13 denial of disability retirement is being contested.

14 ~~(g)~~~~(f)~~ Failure of the person to request a formal hearing within the period of
 15 time specified shall preclude the person from proceeding any further with
 16 contesting the reduction or discontinuation of disability retirement allowance,
 17 except as provided in subsection (7)~~(6)~~(d) of this section. This paragraph
 18 shall not limit the person's right to appeal to a court.

19 ~~(h)~~~~(g)~~ A final order of the board shall be based on substantial evidence
 20 appearing in the record as a whole and shall set forth the decision of the board
 21 and the facts and law upon which the decision is based. If the board orders
 22 that the person's disability retirement allowance be discontinued or reduced,
 23 the order shall take effect on the first day of the month following the day the
 24 system sent the order by United States first-class mail to the person's last
 25 address on file in the retirement office, by electronic mail to the person's last
 26 electronic mail address on file in the retirement office, or by other electronic
 27 means. Judicial review of the final board order shall not operate as a stay and

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1 the system shall discontinue or reduce the person's disability retirement
2 allowance as provided in this section.

3 ~~(i)(h)~~ Notwithstanding any other provisions of this section, the system may
4 require the person to submit to one (1) or more medical or psychological
5 examinations at any time. The system shall be responsible for any costs
6 associated with any examinations of the person requested by the medical
7 examiner or the system for the purpose of providing medical information
8 deemed necessary by the medical examiner or the system. Notice of the time
9 and place of the examination shall be provided to the person or his or her legal
10 representative. If the person fails or refuses to submit to one (1) or more
11 medical examinations, his or her rights to further disability retirement
12 allowance shall cease.

13 ~~(j)(i)~~ All requests for a hearing pursuant to this section shall be made in
14 writing.

15 ~~(5)(4)~~ The board may establish an appeals committee whose members shall be
16 appointed by the chair and who shall have the authority to act upon the
17 recommendations and reports of the hearing officer pursuant to this section on
18 behalf of the board.

19 ~~(6)(5)~~ Any person aggrieved by a final order of the board may seek judicial review
20 after all administrative appeals have been exhausted by filing a petition for judicial
21 review in the Franklin Circuit Court in accordance with KRS Chapter 13B.

22 ~~(7)(6)~~ If a disability retirement allowance is reduced or discontinued for a person
23 who began participating in the system prior to January 1, 2014, the person may
24 apply for early retirement benefits as provided under KRS 61.559, subject to the
25 following provisions:

26 (a) The person may not change his or her beneficiary or payment option, except
27 as provided by KRS 61.542(5);

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- 1 (b) If the person has returned to employment with an employer participating in
 2 *the Kentucky Employees Retirement System, State Police Retirement*
 3 *System, or County Employees Retirement System*~~one (1) of the systems~~
 4 ~~administered by Kentucky Retirement Systems~~, the service and creditable
 5 compensation shall be used in recomputing his or her benefit, except that the
 6 person's final compensation shall not be less than the final compensation last
 7 used in determining his or her retirement allowance;
- 8 (c) The benefit shall be reduced as provided by KRS 61.595(2);
- 9 (d) 1. The person shall remain eligible for reinstatement of his or her disability
 10 allowance upon reevaluation ~~by the medical review board~~ until his or
 11 her normal retirement age. The person shall apply for reinstatement of
 12 disability benefits in accordance with the provisions of this
 13 paragraph~~section~~.
- 14 2. An application for reinstatement of disability benefits shall be
 15 administered as an application under KRS 61.600, except:~~and~~
- 16 a. Only the bodily injuries, mental illnesses, diseases, or conditions
 17 for which the person was originally approved for disability
 18 benefits shall be considered. Bodily injuries, mental illnesses,
 19 diseases, or conditions that came into existence after the person's
 20 last day of paid employment shall not be considered as a basis for
 21 reinstatement of disability benefits. Bodily injuries, mental
 22 illnesses, diseases, or conditions alleged by the person as being
 23 incapacitating, but which were not the basis for the award of
 24 disability retirement benefits, shall not be considered;~~;~~
- 25 b. *A person whose disability allowance was discontinued under*
 26 *subsection (2) of this section, who is still employed in the same*
 27 *position on which his or her disability allowance was*

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1 discontinued, shall submit with the application employment
 2 information detailing the changes to the position evidencing
 3 cause for reinstatement;

4 c. A person whose disability allowance was discontinued under
 5 subsection (3) of this section shall provide with the application
 6 new objective medical evidence not previously considered by the
 7 Authority's medical examiner; and

8 d. The application for reinstatement shall be reviewed by one (1)
 9 medical examiner or vocational expert.

10 3. If the person establishes that the disability benefits should be reinstated,
 11 the retirement system shall pay disability benefits effective from the first
 12 day of the month following the month in which the person applied for
 13 reinstatement of the disability benefits; and

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

17 ~~(8)(7)~~ If a disability retirement allowance is reduced or discontinued for a person
 18 who began participating in the system on or after January 1, 2014, the person shall
 19 remain eligible for reinstatement of his or her disability allowance as provided
 20 under subsection ~~(7)(6)~~(d) of this section.

21 ~~(9)(8)~~ No disability retirement allowance shall be reduced or discontinued by the
 22 system after the person's normal retirement date except in case of reemployment as
 23 provided for by KRS 61.637. If a disability retirement allowance has been reduced
 24 or discontinued, except if the person is reemployed as provided for by KRS 61.637,
 25 the retirement allowance shall be reinstated upon attainment of the person's normal
 26 retirement date to the retirement allowance prior to adjustment. No reinstated
 27 payment shall be less than the person is receiving upon attainment of the person's

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1 normal retirement date.

2 ➔Section 11. KRS 61.625 is amended to read as follows:

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

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

12 (c) If a member receives a refund of his or her accumulated account balance in
13 error while the member is employed or participating in the same system
14 from which the refund was issued in error:

15 1. The Authority shall notify the member;

16 2. The member shall repay the system the full amount of his or her
17 refunded accumulated account balance by lump sum or by
18 incremental payments made under an incremental payment agreement
19 with the Authority within twelve (12) months of the date the Authority
20 sent the notice; and

21 3. Upon full repayment of the accumulated account balance to the
22 system, the Authority shall reinstate the member's previous
23 membership date and associated service credit and take all other
24 actions necessary to correct the member's records to reflect the
25 reinstated membership date in accordance with Section 16 of this Act.

26 (2) Payments made under this section shall be in lieu of any other benefits due for the
27 period of service under any of the provisions of KRS 16.505 to 16.652, 61.510 to

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1 61.705, and 78.510 to 78.852, unless the period of service is regained as provided
 2 under KRS 61.552. Payments of taxable distributions made pursuant to this section
 3 shall be subject to state and federal tax as appropriate.

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

6 (4) A refund of contributions to members whose benefits have been terminated
 7 pursuant to KRS 61.535(3) shall be governed by the provisions of that subsection.

8 **(5) If a member receives a refund of his or her accumulated account balance under**
 9 **subsection (1) of this section, but is later reinstated without loss of pay by order of**
 10 **the Personnel Board under KRS 18A.095, by order of the Kentucky Commission**
 11 **on Human Rights, or by court order:**

12 **(a) The member shall repay the system the full amount of his or her refunded**
 13 **accumulated account balance by lump sum or by incremental payments**
 14 **made under an incremental payment agreement with the Authority within**
 15 **twelve (12) months of the date of the final order by the Personnel Board, the**
 16 **Kentucky Commission on Human Rights, or the court;**

17 **(b) Upon full repayment of the accumulated account balance to the system, the**
 18 **Authority shall reinstate the member's previous membership date and**
 19 **associated service credit; and**

20 **(c) A member's failure to pay the full amount of his or her refunded**
 21 **accumulated account balance as required under this subsection shall be**
 22 **treated as an overpayment of benefits under Section 16 of this Act.**

23 ➔Section 12. KRS 61.637 is amended to read as follows:

24 (1) A retired member who is receiving monthly retirement payments under any of the
 25 provisions of KRS 61.510 to 61.705 and 78.510 to 78.852 and who is reemployed
 26 as an employee by a participating agency prior to August 1, 1998, shall have his or
 27 her retirement payments suspended for the duration of reemployment. Monthly

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- 1 payments shall not be suspended for a retired member who is reemployed if he or
2 she anticipates that he or she will receive less than the maximum permissible
3 earnings as provided by the Federal Social Security Act in compensation as a result
4 of reemployment during the calendar year. The payments shall be suspended at the
5 beginning of the month in which the reemployment occurs.
- 6 (2) Employer and employee contributions shall be made as provided in KRS 61.510 to
7 61.705 and 78.510 to 78.852 on the compensation paid during reemployment,
8 except where monthly payments were not suspended as provided in subsection (1)
9 of this section or would not increase the retired member's last monthly retirement
10 allowance by at least one dollar (\$1), and the member shall be credited with
11 additional service credit.
- 12 (3) In the month following the termination of reemployment, retirement allowance
13 payments shall be reinstated under the plan under which the member was receiving
14 payments prior to reemployment.
- 15 (4) (a) Notwithstanding the provisions of this section, the payments suspended in
16 accordance with subsection (1) of this section shall be paid retroactively to the
17 retired member, or his or her estate, if he or she does not receive more than
18 the maximum permissible earnings as provided by the Federal Social Security
19 Act in compensation from participating agencies during any calendar year of
20 reemployment.
- 21 (b) If the retired member is paid suspended payments retroactively in accordance
22 with this section, employee contributions deducted during his or her period of
23 reemployment, if any, shall be refunded to the retired employee, and no
24 service credit shall be earned for the period of reemployment.
- 25 (c) If the retired member is not eligible to be paid suspended payments for his or
26 her period of reemployment as an employee, his or her retirement allowance
27 shall be recomputed under the plan under which the member was receiving

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- 1 payments prior to reemployment as follows:
- 2 1. The retired member's final compensation shall be recomputed using
- 3 creditable compensation for his or her period of reemployment;
- 4 however, the final compensation resulting from the recalculation shall
- 5 not be less than that of the member when his or her retirement allowance
- 6 was last determined;
- 7 2. If the retired member initially retired on or subsequent to his or her
- 8 normal retirement date, his or her retirement allowance shall be
- 9 recomputed by using the formula in KRS 61.595(1);
- 10 3. If the retired member initially retired prior to his or her normal
- 11 retirement date, his or her retirement allowance shall be recomputed
- 12 using the formula in KRS 61.595(2), except that the member's age used
- 13 in computing benefits shall be his or her age at the time of his or her
- 14 initial retirement increased by the number of months of service credit
- 15 earned for service performed during reemployment;
- 16 4. The retirement allowance payments resulting from the recomputation
- 17 under this subsection shall be payable in the month following the
- 18 termination of reemployment in lieu of payments under subparagraph 3.
- 19 of this paragraph. The member shall not receive less in benefits as a
- 20 result of the recomputation than he or she was receiving prior to
- 21 reemployment or would receive as determined under KRS 61.691; and
- 22 5. Any retired member who was reemployed prior to March 26, 1974, shall
- 23 begin making contributions to the system in accordance with the
- 24 provisions of this section on the first day of the month following March
- 25 26, 1974.
- 26 (5) A retired member, or his or her estate, shall pay to the retirement fund the total
- 27 amount of payments which are not suspended in accordance with subsection (1) of

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1 this section if the member received more than the maximum permissible earnings as
 2 provided by the Federal Social Security Act in compensation from participating
 3 agencies during any calendar year of reemployment, except the retired member or
 4 his or her estate may repay the lesser of the total amount of payments which were
 5 not suspended or fifty cents (\$0.50) of each dollar earned over the maximum
 6 permissible earnings during reemployment if under age sixty-five (65), or one
 7 dollar (\$1) for every three dollars (\$3) earned if over age sixty-five (65).

8 (6) (a) "Reemployment" or "reinstatement" as used in this section shall not include a
 9 retired member who has been ordered reinstated by the Personnel Board under
 10 authority of KRS 18A.095.

11 (b) 1. A retired member who has been ordered reinstated without loss of pay
 12 by the Personnel Board under authority of KRS 18A.095 or by court
 13 order or by order of the Kentucky~~Human Rights~~ Commission on
 14 Human Rights and accepts employment by an agency participating in
 15 the Kentucky Employees Retirement System, State Police Retirement
 16 System, or County Employees Retirement System shall void his or her
 17 retirement by reimbursing the system in the full amount of his or her
 18 retirement allowance payments received, including any health
 19 insurance benefits paid to or on behalf of the member.

20 2. Within twelve (12) months of the date of the final order of the
 21 Personnel Board, the Kentucky Commission on Human Rights, or the
 22 court, the member shall repay the system the full amount of his or her
 23 retirement allowance payments and health insurance benefits by lump
 24 sum or enter into an agreement with the Authority for repayment by
 25 installments.

26 3. Once the system has been fully reimbursed for the benefits paid to the
 27 member and on the member's behalf, additional contributions and

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1 *service credit based on the reinstated employment shall be added to the*
2 *member's account.*

3 (7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this
4 section shall no longer apply to a retired member who is reemployed in a
5 position covered by the same retirement system from which the member
6 retired. Reemployed retired members shall be treated as new members upon
7 reemployment. Any retired member whose reemployment date preceded
8 August 1, 1998, who does not elect, within sixty (60) days of notification by
9 the retirement systems, to remain under the provisions of subsections (1) to
10 (4) of this section shall be deemed to have elected to participate under this
11 subsection.

12 (b) A retired member whose disability retirement was discontinued pursuant to
13 KRS 61.615 and who is reemployed in one (1) of the systems administered by
14 the Kentucky Retirement Systems or County Employees Retirement System
15 prior to his or her normal retirement date shall have his or her accounts
16 combined upon termination for determining eligibility for benefits. If the
17 member is eligible for retirement, the member's service and creditable
18 compensation earned as a result of his or her reemployment shall be used in
19 the calculation of benefits, except that the member's final compensation shall
20 not be less than the final compensation last used in determining his or her
21 retirement allowance. The member shall not change beneficiary or payment
22 option designations. This provision shall apply to members reemployed on or
23 after August 1, 1998.

24 (8) If a retired member accepts employment or begins serving as a volunteer with an
25 employer participating in the systems administered by Kentucky Retirement
26 Systems or County Employees Retirement System within twelve (12) months of his
27 or her retirement date, the retired member shall notify the Authority and the

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- 1 participating employer shall submit the information required or requested by the
2 Authority to confirm the individual's employment or volunteer status. The retired
3 member shall not be required to notify the Authority regarding any employment or
4 volunteer service with a participating agency that is accepted after twelve (12)
5 months following his or her retirement date.
- 6 (9) If the retired member is under a contract to provide services as an independent
7 contractor or leased employee to an employer participating in the systems
8 administered by Kentucky Retirement Systems or County Employees Retirement
9 System within twelve (12) months of his or her retirement date, the member shall
10 submit a copy of that contract to the Authority, and the Authority shall determine if
11 the member is an independent contractor or leased employee for purposes of
12 retirement benefits. The retired member and the participating employer shall submit
13 the information required or requested by the Authority to confirm the individual's
14 status as an independent contractor or leased employee. The retired member shall
15 not be required to notify the Authority regarding any services entered into as an
16 independent contractor or leased employee with a participating agency that the
17 employee enters into after twelve (12) months following his or her retirement date.
- 18 (10) If a member is receiving a retirement allowance, or has filed the forms required for
19 a retirement allowance, and is employed within one (1) month of the member's
20 initial retirement date in a position that is required to participate in the same
21 retirement system from which the member retired, the member's retirement shall be
22 voided and the member shall repay to the retirement system all benefits received.
23 The member shall contribute to the member account established for him or her prior
24 to his or her voided retirement. The retirement allowance for which the member
25 shall be eligible upon retirement shall be determined by total service and creditable
26 compensation.
- 27 (11) (a) If a member of the Kentucky Employees Retirement System retires from a

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- 1 department which participates in more than one (1) retirement system and is
2 reemployed within one (1) month of his or her initial retirement date by the
3 same department in a position participating in another retirement system, the
4 retired member's retirement allowance shall be suspended for the first month
5 of his or her retirement, and the member shall repay to the retirement system
6 all benefits received for the month.
- 7 (b) A retired member of the County Employees Retirement System who after
8 initial retirement is hired by the county from which the member retired shall
9 be considered to have been hired by the same employer.
- 10 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a
11 nonhazardous member who retired prior to age sixty-five (65), is reemployed
12 within six (6) months of the member's termination by the same employer, the
13 member shall obtain from his or her previous and current employers a copy of
14 the job description established by the employers for the position and a
15 statement of the duties performed by the member for the position from which
16 he or she retired and for the position in which he or she has been reemployed.
- 17 (b) The job descriptions and statements of duties shall be filed with the retirement
18 office.
- 19 (13) If the retirement system determines that the retired member has been employed in a
20 position with the same principal duties as the position from which the member
21 retired:
- 22 (a) The member's retirement allowance shall be suspended during the period that
23 begins on the month in which the member is reemployed and ends six (6)
24 months after the member's termination;
- 25 (b) The retired member shall repay to the retirement system all benefits paid from
26 systems administered by Kentucky Retirement Systems or County Employees
27 Retirement System under reciprocity, including medical insurance benefits,

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- 1 that the member received after reemployment began;
- 2 (c) Upon termination, or subsequent to expiration of the six (6) month period
- 3 from the date of termination, the retired member's retirement allowance based
- 4 on his or her initial retirement account shall no longer be suspended, and the
- 5 member shall receive the amount to which he or she is entitled, including an
- 6 increase as provided by KRS 61.691;
- 7 (d) Except as provided in subsection (7) of this section, if the position in which a
- 8 retired member is employed after initial retirement is a regular full-time
- 9 position, the retired member shall contribute to a second member account
- 10 established for him or her in the retirement system. Service credit gained after
- 11 the member's date of reemployment shall be credited to the second member
- 12 account; and
- 13 (e) Upon termination, the retired member shall be entitled to benefits payable
- 14 from his or her second retirement account.
- 15 (14) (a) If the retirement system determines that the retired member has not been
- 16 reemployed in a position with the same principal duties as the position from
- 17 which he or she retired, the retired member shall continue to receive his or her
- 18 retirement allowance.
- 19 (b) If the position is a regular full-time position, the member shall contribute to a
- 20 second member account in the retirement system.
- 21 (15) (a) If a retired member is reemployed at least one (1) month after initial
- 22 retirement in a different position, or at least six (6) months after initial
- 23 retirement in the same position, and prior to normal retirement age, the retired
- 24 member shall contribute to a second member account in the retirement system
- 25 and continue to receive a retirement allowance from the first member account.
- 26 (b) Service credit gained after reemployment shall be credited to the second
- 27 member account. Upon termination, the retired member shall be entitled to

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1 benefits payable from the second member account.

2 (16) A retired member who is reemployed and contributing to a second member account
3 shall not be eligible to purchase service credit under any of the provisions of KRS
4 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 which he or she was
5 eligible to purchase prior to his or her initial retirement.

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

11 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a member
12 is receiving a retirement allowance from one (1) of the systems administered
13 by Kentucky Retirement Systems or County Employees Retirement System,
14 or has filed the forms required to receive a retirement allowance from one (1)
15 of the systems administered by Kentucky Retirement Systems or County
16 Employees Retirement System, and is employed in a regular full-time position
17 required to participate in one (1) of the systems administered by Kentucky
18 Retirement Systems or County Employees Retirement System or is employed
19 in a position that is not considered regular full-time with an agency
20 participating in one (1) of the systems administered by Kentucky Retirement
21 Systems or County Employees Retirement System within three (3) months
22 following the member's initial retirement date, the member's retirement shall
23 be voided, and the member shall repay to the retirement system all benefits
24 received, including any health insurance benefits. If the member is returning
25 to work in a regular full-time position required to participate in one (1) of the
26 systems administered by Kentucky Retirement Systems:

27 1. The member shall contribute to a member account established for him or

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

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- 1 or her retirement voided. If the participating agency fails to complete the
2 certification, the member's retirement shall be voided and the provisions
3 of paragraph (a) of this subsection shall apply to the member and the
4 employer. Employment that is accepted by the retired member after
5 twelve (12) months following the member's retirement date shall not
6 constitute a prearranged agreement under this paragraph;
- 7 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
8 the contrary, the member shall not contribute to the systems and shall
9 not earn any additional benefits for any work performed during the
10 period of reemployment;
- 11 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
12 except for any retiree employed as a school resource officer as defined
13 by KRS 158.441, the employer shall pay employer contributions as
14 specified by KRS 61.565, 61.702, and 78.635, as applicable, on all
15 creditable compensation earned by the employee during the period of
16 reemployment. The additional contributions paid shall be used to reduce
17 the unfunded actuarial liability of the systems; and
- 18 4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
19 except for any retiree employed as a school resource officer as defined
20 by KRS 158.441, the employer shall be required to reimburse the
21 systems for the cost of the health insurance premium paid by the
22 systems to provide coverage for the retiree, not to exceed the cost of the
23 single premium. Effective July 1, 2015, local school boards shall not be
24 required to pay the reimbursement required by this subparagraph for
25 retirees employed by the board for eighty (80) days or less during the
26 fiscal year;
- 27 (c) If a member is receiving a retirement allowance from the State Police

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1 Retirement System or from hazardous duty retirement coverage with the
2 Kentucky Employees Retirement System or the County Employees
3 Retirement System, or has filed the forms required to receive a retirement
4 allowance from the State Police Retirement System or from hazardous duty
5 retirement coverage with the Kentucky Employees Retirement System or the
6 County Employees Retirement System, and is employed in a regular full-time
7 position required to participate in the State Police Retirement System or in a
8 hazardous duty position with the Kentucky Employees Retirement System or
9 the County Employees Retirement System within one (1) month following the
10 member's initial retirement date, the member's retirement shall be voided, and
11 the member shall repay to the retirement system all benefits received,
12 including any health insurance benefits. If the member is returning to work in
13 a regular full-time position required to participate in one (1) of the systems
14 administered by Kentucky Retirement Systems or County Employees
15 Retirement System:

16 1. The member shall contribute to a member account established for him or
17 her in one (1) of the systems administered by Kentucky Retirement
18 Systems or County Employees Retirement System, and employer
19 contributions shall be paid on behalf of the member by the participating
20 employer; and

21 2. Upon subsequent retirement, the member shall be eligible for a
22 retirement allowance based upon total service and creditable
23 compensation, including any additional service or creditable
24 compensation earned after his or her initial retirement was voided;

25 (d) If a member is receiving a retirement allowance from the State Police
26 Retirement System or from hazardous duty retirement coverage with the
27 Kentucky Employees Retirement System or the County Employees

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1 Retirement System and is employed in a regular full-time position required to
2 participate in the State Police Retirement System or in a hazardous duty
3 position with the Kentucky Employees Retirement System or the County
4 Employees Retirement System after a one (1) month period following the
5 member's initial retirement date, the member may continue to receive his or
6 her retirement allowance during the period of reemployment subject to the
7 following provisions:

8 1. If a member is reemployed by a participating agency within twelve (12)
9 months of the member's retirement date, the participating agency shall
10 certify in writing on a form prescribed by the Authority that no
11 prearranged agreement existed between the employee and agency prior
12 to the employee's retirement for the employee to return to work with the
13 participating agency. If an elected official is reelected to a new term of
14 office in the same position as the elected official held prior to retirement
15 and takes office within twelve (12) months of his or her retirement date,
16 he or she shall be deemed by the Authority as having a prearranged
17 agreement under the provisions of this subparagraph and shall have his
18 or her retirement voided. If the participating agency fails to complete the
19 certification, the member's retirement shall be voided and the provisions
20 of paragraph (c) of this subsection shall apply to the member and the
21 employer. Employment that is accepted by the retired member after
22 twelve (12) months following the member's retirement date shall not
23 constitute a prearranged agreement under this paragraph;

24 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
25 the contrary, the member shall not contribute to the systems and shall
26 not earn any additional benefits for any work performed during the
27 period of reemployment;

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- 1 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
2 except for any retiree employed as a school resource officer as defined
3 by KRS 158.441, the employer shall pay employer contributions as
4 specified by KRS 61.565, 61.702, and 78.635, as applicable, on all
5 creditable compensation earned by the employee during the period of
6 reemployment. The additional contributions paid shall be used to reduce
7 the unfunded actuarial liability of the systems;
- 8 4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
9 except for any retiree employed as a school resource officer as defined
10 by KRS 158.441, the employer shall be required to reimburse the
11 systems for the cost of the health insurance premium paid by the
12 systems to provide coverage for the retiree, not to exceed the cost of the
13 single premium;
- 14 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
15 who qualifies as a volunteer for an employer participating in one (1) of the
16 systems administered by Kentucky Retirement Systems or County Employees
17 Retirement System and who is receiving reimbursement of actual expenses, a
18 nominal fee for his or her volunteer services, or both, shall not be considered
19 an employee of the participating employer and shall not be subject to
20 paragraphs (a) to (d) of this subsection if:
- 21 1. Prior to the retired member's most recent retirement date, he or she did
22 not receive creditable compensation from the participating employer in
23 which the retired member is performing volunteer services;
- 24 2. Any reimbursement or nominal fee received prior to the retired
25 member's most recent retirement date has not been credited as creditable
26 compensation to the member's account or utilized in the calculation of
27 the retired member's benefits;

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- 1 3. The retired member has not purchased or received service credit under
2 any of the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852 for
3 service with the participating employer for which the retired member is
4 performing volunteer services; and
- 5 4. Other than the status of volunteer, the retired member does not become
6 an employee, leased employee, or independent contractor of the
7 employer for which he or she is performing volunteer services for a
8 period of at least twelve (12) months following the retired member's
9 most recent retirement date.

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

16 (f) Notwithstanding any provision of this section, any mayor or member of a city
17 legislative body shall not be required to resign from his or her position as
18 mayor or as a member of the city legislative body in order to begin drawing
19 benefits from the systems administered by Kentucky Retirement Systems or
20 subject to any provision of this section as it relates solely to his or her service
21 as a mayor or member of the city legislative body if the mayor or member of a
22 city legislative body:

- 23 1. Has not participated in the County Employees Retirement System prior
24 to retirement, but is otherwise eligible to retire from the Kentucky
25 Employees Retirement System or the State Police Retirement System; or
- 26 2. Has been or is participating in the County Employees Retirement
27 System and is at least sixty-two (62) years of age. If a mayor or member

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1 of a city legislative body who is at least sixty-two (62) years of age
 2 retires from the systems administered by Kentucky Retirement Systems
 3 but remains in office after his or her effective retirement date, the mayor
 4 or member of the city legislative body shall not accrue any further
 5 service credit or benefits in the systems administered by Kentucky
 6 Retirement Systems for any employment occurring on or after the
 7 effective retirement date;

8 (g) Notwithstanding any provision of this section, any current or future part-time
 9 adjunct instructor for the Kentucky Fire Commission who has not participated
 10 in the Kentucky Employees Retirement System prior to retirement, but who is
 11 otherwise eligible to retire from the County Employees Retirement System,
 12 shall not be:

- 13 1. Required to resign from his or her position as a part-time adjunct
 14 instructor for the Kentucky Fire Commission in order to begin drawing
 15 benefits from the County Employees Retirement System; or
- 16 2. Subject to any provision of this section as it relates solely to his or her
 17 service as a part-time adjunct instructor for the Kentucky Fire
 18 Commission;

19 (h) If a member is receiving a retirement allowance from the Kentucky
 20 Employees Retirement System, State Police Retirement System,~~[any of the~~
 21 ~~retirement systems administered by the Kentucky Retirement Systems]~~ or
 22 County Employees Retirement System and enters into a contract or becomes a
 23 leased employee of an employer under contract with an employer
 24 participating in the Kentucky Employees Retirement System, State Police
 25 Retirement System,~~[one (1) of the systems administered by the Kentucky~~
 26 ~~Retirement Systems]~~ or County Employees Retirement System:

- 27 1. At any time following retirement, if the Authority determines the

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- 1 employment arrangement does qualify as an independent contractor or
 2 leased employee, the member may continue to receive his or her
 3 retirement allowance during the period of the contract;
- 4 2. Within three (3) months following the member's initial retirement date,
 5 if the Authority determines the employment arrangement does not
 6 qualify as an independent contractor or leased employee, the member's
 7 retirement shall be voided in accordance with paragraph (a) of this
 8 subsection;
- 9 3. After three (3) months but within twelve (12) months following the
 10 member's initial retirement, if The Authority determines the
 11 employment arrangement does not qualify as an independent contractor
 12 or leased employee and that a prearranged agreement existed between
 13 the member and the agency for the member to return to work with the
 14 agency, the member's retirement shall be voided in accordance with
 15 paragraph (a) of this subsection;~~and~~
- 16 4. After a twelve (12) month period following the member's initial
 17 retirement, the member may continue to receive his or her retirement
 18 allowance during the period of the contract and the member shall not be
 19 required to notify the system or submit any documentation for purposes
 20 of this section to the system; and~~;~~
- 21 **5. After twelve (12) months or more following the retired member's**
 22 **retirement date,**~~;~~ the initiation of a contract or the initial date of the
 23 leased employment of a retired member by a participating agency ~~that~~
 24 ~~occurs after twelve (12) months or more following the retired member's~~
 25 ~~retirement date~~ shall not constitute a prearranged agreement under this
 26 subsection; and
- 27 (i) The Authority shall issue a final determination regarding a certification of the

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1 absence of a prearranged agreement or the retired member's qualification as
2 an independent contractor or leased employee as required under this section
3 no later than thirty (30) days after the retired member and participating
4 employer provide all required forms and additional information required by
5 the Authority.

6 (18) The Authority shall promulgate administrative regulations to implement the
7 requirements of this section, including incorporating by reference board-prescribed
8 forms that a retired member and participating agency shall provide the systems
9 under subsections (8), (9), and (17) of this section.

10 ➔Section 13. KRS 61.645 is amended to read as follows:

11 (1) The Kentucky Employees Retirement System and State Police Retirement System
12 shall be administered by the board of trustees of the Kentucky Retirement Systems
13 composed of nine (9) members, who shall be selected as follows:

14 (a) One (1) trustee, who shall be a member or retired from the State Police
15 Retirement System, elected by the members and retired members of the State
16 Police Retirement System;

17 (b) Two (2) trustees, who shall be members or retired from the Kentucky
18 Employees Retirement System, elected by the members and retired members
19 of the Kentucky Employees Retirement System;

20 (c) Six (6) trustees, appointed by the Governor of the Commonwealth, subject to
21 Senate confirmation in accordance with KRS 11.160 for each appointment or
22 reappointment. Of the six (6) trustees appointed by the Governor, three (3)
23 trustees shall have investment experience and three (3) trustees shall have
24 retirement experience;

25 (d) For purposes of paragraph (c) of this subsection, a trustee with "investment
26 experience" means an individual who does not have a conflict of interest, as
27 provided by KRS 61.655, and who has at least ten (10) years of experience in

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- 1 one (1) of the following areas of expertise:
- 2 1. A portfolio manager acting in a fiduciary capacity;
- 3 2. A professional securities analyst or investment consultant;
- 4 3. A current or retired employee or principal of a trust institution,
- 5 investment or finance organization, or endowment fund acting in an
- 6 investment-related capacity;
- 7 4. A chartered financial analyst in good standing as determined by the
- 8 CFA Institute; or
- 9 5. A university professor, teaching investment-related studies; and
- 10 (e) For purposes of paragraph (c) of this subsection, a trustee with "retirement
- 11 experience" means an individual who does not have a conflict of interest, as
- 12 provided by KRS 61.655, and who has at least ten (10) years of experience in
- 13 one (1) of the following areas of expertise:
- 14 1. Experience in retirement or pension plan management;
- 15 2. A certified public accountant with relevant experience in retirement or
- 16 pension plan accounting;
- 17 3. An actuary with relevant experience in retirement or pension plan
- 18 consulting;
- 19 4. An attorney licensed to practice law in the Commonwealth of Kentucky
- 20 with relevant experience in retirement or pension plans; or
- 21 5. A current or former university professor whose primary area of
- 22 emphasis is economics or finance.
- 23 (2) The board is hereby granted the powers and privileges of a corporation, including
- 24 but not limited to the following powers:
- 25 (a) To sue and be sued in its corporate name;
- 26 (b) To make bylaws not inconsistent with the law;
- 27 (c) To conduct the business and promote the purposes for which it was formed;

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- 1 (d) Except as provided in KRS 61.650(6), to contract for investment counseling,
2 auditing, medical, and other professional or technical services as required to
3 carry out the obligations of the board subject to KRS Chapters 45, 45A, 56,
4 and 57. Actuarial consulting services shall be provided by a firm hired by the
5 Kentucky Public Pensions Authority;
- 6 (e) To purchase fiduciary liability insurance;
- 7 (f) Except as provided in KRS 61.650(6), to acquire, hold, sell, dispose of,
8 pledge, lease, or mortgage, the goods or property necessary to exercise the
9 board's powers and perform the board's duties subject to KRS Chapters 45,
10 45A, and 56; and
- 11 (g) The board shall reimburse any trustee, officer, or employee for any legal
12 expense resulting from a civil action arising out of the performance of his or
13 her official duties. The hourly rate of reimbursement for any contract for legal
14 services under this paragraph shall not exceed the maximum hourly rate
15 provided in the Legal Services Duties and Maximum Rate Schedule
16 promulgated by the Government Contract Review Committee established
17 pursuant to KRS 45A.705, unless a higher rate is specifically approved by the
18 secretary of the Finance and Administration Cabinet or his or her designee.
- 19 (3) (a) Notwithstanding the provisions of subsection (1) of this section, each trustee
20 shall serve a term of four (4) years or until his or her successor is duly
21 qualified except as otherwise provided in this section. An elected trustee or a
22 trustee appointed by the Governor under subsection (1)(c) of this section, shall
23 not serve more than three (3) consecutive four (4) year terms. An elected
24 trustee or a trustee appointed by the Governor under subsection (1)(c) of this
25 section, who has served three (3) consecutive terms may be elected or
26 appointed again after an absence of four (4) years from the board.
- 27 (b) The term limits established by paragraph (a) of this subsection shall apply to

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- 1 trustees serving on or after July 1, 2012, and all terms of office served prior to
2 July 1, 2012, shall be used to determine if the trustee has exceeded the term
3 limits provided by paragraph (a) of this subsection.
- 4 (4) (a) The trustees selected by the membership of each of the various retirement
5 systems shall be elected by ballot. For each trustee to be elected, the board
6 may nominate, not less than six (6) months before a term of office of a trustee
7 is due to expire, three (3) constitutionally eligible individuals.
- 8 (b) Individuals may be nominated by the retirement system members which are to
9 elect the trustee by presenting to the executive director, not less than four (4)
10 months before a term of office of a trustee is due to expire, a petition, bearing
11 the name, last four (4) digits of the Social Security number, and signature of
12 no less than one-tenth (1/10) of the number voting in the last election by the
13 retirement system members.
- 14 (c) Within four (4) months of the nominations made in accordance with
15 paragraphs (a) and (b) of this subsection, the executive director shall cause to
16 be prepared an official ballot. The ballot shall include the name, address, and
17 position title of each individual nominated by the board and by petition.
18 Provisions shall also be made for write-in votes.
- 19 (d) Except as provided by paragraph (j) of this subsection, the ballots shall be
20 distributed to the eligible voters by mail to their last known residence address
21 on file with the Kentucky Public Pensions Authority. Ballots shall not be
22 distributed by mail to member addresses reported as invalid to the Kentucky
23 Public Pensions Authority.
- 24 (e) The ballots shall be addressed to the Kentucky Retirement Systems in care of
25 a predetermined box number at a United States Post Office or submitted
26 electronically ***or by telephone*** as provided by paragraph (j) of this subsection.
27 Access to this post office box shall be limited to the board's contracted firm.

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- 1 The individual receiving a plurality of votes shall be declared elected.
- 2 (f) The eligible voter shall cast his or her ballot by selecting the candidate of his
- 3 or her choice. He or she shall sign and mail the ballot **or cast the ballot**
- 4 **online, by telephone, or by any other electronic means made available by the**
- 5 **Authority**~~[or submit the electronic ballot]~~ at least thirty (30) days prior to the
- 6 date the term to be filled is due to expire. The latest mailing date, or date **to**
- 7 **cast telephonic or**~~[of submission in the case of]~~ electronic ballots, shall be
- 8 provided on the ballot.
- 9 (g) The board's contracted firm shall report in writing the outcome to the chair of
- 10 the board of trustees. Cost of an election shall be payable from the funds of
- 11 the system for which the trustee is elected.
- 12 (h) For purposes of this subsection, an eligible voter shall be a person who was a
- 13 member of the retirement system on December 31 of the year preceding the
- 14 election year.
- 15 (i) Each individual who submits a request to be nominated by the board under
- 16 paragraph (a) of this subsection and each individual who is nominated by the
- 17 membership under paragraph (b) of this subsection shall:
- 18 1. Complete an application developed by the retirement systems which
- 19 shall include but not be limited to a disclosure of any prior felonies and
- 20 any conflicts of interest that would hinder the individual's ability to
- 21 serve on the board;
- 22 2. Submit a resume detailing the individual's education and employment
- 23 history and a cover letter detailing the member's qualifications for
- 24 serving as trustee to the board; and
- 25 3. Authorize the systems to have a criminal background check performed.
- 26 The criminal background check shall be performed by the Department
- 27 of Kentucky State Police.

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- 1 (j) In lieu of the ballots mailed to members and retired members as provided by
2 this subsection, the systems may by promulgation of administrative regulation
3 pursuant to KRS Chapter 13A conduct trustee elections using electronic
4 ballots ***or by telephone***, except that the systems shall mail a paper ballot upon
5 request of any eligible voter.
- 6 (5) (a) Any vacancy which may occur in an appointed position during a term of
7 office shall be filled in the same manner which provides for the selection of
8 the particular trustee, and any vacancy which may occur in an elected position
9 during a term of office shall be filled by appointment by a majority vote of the
10 remaining elected trustees with a person selected from the system in which the
11 vacancy occurs; however, any vacancy shall be filled only for the duration of
12 the unexpired term. In the event of a vacancy of an elected trustee during a
13 term of office, Kentucky Retirement Systems shall notify members of the
14 system in which the vacancy occurs of the vacancy and the opportunity to be
15 considered for the vacant position. Any vacancy during a term of office shall
16 be filled within ninety (90) days of the position becoming vacant.
- 17 (b) Any appointments or reappointments to an appointed position on the board
18 shall be made no later than thirty (30) days prior to an appointed member's
19 term of office ending.
- 20 (6) (a) Membership on the board of trustees shall not be incompatible with any other
21 office unless a constitutional incompatibility exists. No trustee shall serve in
22 more than one (1) position as trustee on the board; and if a trustee holds more
23 than one (1) position as trustee on the board, he or she shall resign a position.
- 24 (b) A trustee shall be removed from office upon conviction of a felony or for a
25 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court
26 of competent jurisdiction.
- 27 (c) A current or former employee of Kentucky Retirement Systems, County

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- 1 Employees Retirement System, or the Kentucky Public Pensions Authority
2 shall not be eligible to serve as a member of the board.
- 3 (7) Trustees who do not otherwise receive a salary from the State Treasury shall
4 receive a per diem of eighty dollars (\$80) for each day they are in session or on
5 official duty, and they shall be reimbursed for their actual and necessary expenses
6 in accordance with state administrative regulations and standards.
- 7 (8) (a) The board shall meet at least once in each quarter of the year and may meet in
8 special session upon the call of the chair or the chief executive officer.
- 9 (b) The board shall elect a chair and a vice chair. The chair shall not serve more
10 than four (4) consecutive years as chair or vice-chair of the board. The vice-
11 chair shall not serve more than four (4) consecutive years as chair or vice-
12 chair of the board. A trustee who has served four (4) consecutive years as
13 chair or vice-chair of the board may be elected chair or vice-chair of the board
14 after an absence of two (2) years from the positions.
- 15 (c) A majority of the trustees shall constitute a quorum and all actions taken by
16 the board shall be by affirmative vote of a majority of the trustees present.
- 17 (9) (a) The board of trustees shall appoint or contract for the services of a chief
18 executive officer and general counsel and fix the compensation and other
19 terms of employment for these positions without limitation of the provisions
20 of KRS Chapters 18A and 45A and KRS 64.640. The chief executive officer
21 shall serve as the legislative and executive adviser to the board. The general
22 counsel shall serve as legal adviser to the board. The chief executive officer
23 and general counsel shall work with the executive director of the Kentucky
24 Public Pensions Authority to carry out the provisions of KRS 16.505 to
25 16.652 and 61.510 to 61.705. The executive director of the Kentucky Public
26 Pensions Authority shall be the chief administrative officer of the board.
- 27 (b) Prior to April 1, 2021, the board of trustees shall authorize the executive

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- 1 director to appoint the employees deemed necessary to transact the business
2 of the system. Effective April 1, 2021, the responsibility of appointing
3 employees and managing personnel needs shall be transferred to the Kentucky
4 Public Pensions Authority established by KRS 61.505.
- 5 (c) The board shall require the chief executive officer and may require the general
6 counsel to execute bonds for the faithful performance of his or her duties
7 notwithstanding the limitations of KRS Chapter 62.
- 8 (d) The board shall have a system of accounting established by the Kentucky
9 Public Pensions Authority.
- 10 (e) The board shall do all things, take all actions, and promulgate all
11 administrative regulations, not inconsistent with the provisions of KRS 16.505
12 to 16.652 and 61.510 to 61.705, necessary or proper in order to carry out the
13 provisions of KRS 16.505 to 16.652 and 61.510 to 61.705. Notwithstanding
14 any other evidence of legislative intent, it is hereby declared to be the
15 controlling legislative intent that the provisions of KRS 16.505 to 16.652 and
16 61.510 to 61.705 conform with federal statute or regulation and meet the
17 qualification requirements under 26 U.S.C. sec. 401(a), applicable federal
18 regulations, and other published guidance. Provisions of KRS 16.505 to
19 16.652 and 61.510 to 61.705 which conflict with federal statute or regulation
20 or qualification under 26 U.S.C. sec. 401(a), applicable federal regulations,
21 and other published guidance shall not be available. The board shall have the
22 authority to promulgate administrative regulations to conform with federal
23 statute and regulation and to meet the qualification requirements under 26
24 U.S.C. sec. 401(a), including an administrative regulation to comply with 26
25 U.S.C. sec. 401(a)(9).
- 26 (f) Notwithstanding any other provision of statute to the contrary, including but
27 not limited to any provision of KRS Chapter 12, the Governor shall have no

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1 authority to change any provision of KRS 16.505 to 16.652 and 61.510 to
2 61.705 by executive order or action, including but not limited to reorganizing,
3 replacing, amending, or abolishing the membership of the Kentucky
4 Retirement Systems board of trustees.

5 (10) Notwithstanding any statute to the contrary, employees shall not be considered
6 legislative agents under KRS 6.611.

7 (11) The Attorney General, or an assistant designated by him or her, may attend each
8 meeting of the board and may receive the agenda, board minutes, and other
9 information distributed to trustees of the board upon request. The Attorney General
10 may act as legal adviser and attorney for the board, and the board may contract for
11 legal services, notwithstanding the limitations of KRS Chapter 12 or 13B.

12 (12) (a) The Kentucky Public Pensions Authority shall publish an annual financial
13 report showing all receipts, disbursements, assets, and liabilities for the
14 systems. The annual report shall include a copy of an audit conducted in
15 accordance with generally accepted auditing standards. Except as provided by
16 paragraph (b) of this subsection, the board may select the independent
17 certified public accountant hired by the Kentucky Public Pensions Authority
18 or the Auditor of Public Accounts to perform the audit. If the audit is
19 performed by an independent certified public accountant, the Auditor of
20 Public Accounts shall not be required to perform an audit pursuant to KRS
21 43.050(2)(a), but may perform an audit at his or her discretion. All
22 proceedings and records of the board shall be open for inspection by the
23 public. The Kentucky Public Pensions Authority shall make copies of the
24 audit required by this subsection available for examination by any member,
25 retiree, or beneficiary in the offices of the Kentucky Public Pensions
26 Authority and in other places as necessary to make the audit available to all
27 members, retirees, and beneficiaries. A copy of the annual audit shall be sent

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1 to the Legislative Research Commission no later than ten (10) days after
2 receipt by the board.

3 (b) At least once every five (5) years, the Auditor of Public Accounts shall
4 perform the audit described by this subsection, and the system shall reimburse
5 the Auditor of Public Accounts for all costs of the audit. The Auditor of
6 Public Accounts shall determine which fiscal year during the five (5) year
7 period the audit prescribed by this paragraph will be completed.

8 (13) All expenses incurred by or on behalf of the systems~~[system]~~ and the board in the
9 administration of the systems~~[system]~~ during a fiscal year shall be paid from the
10 retirement allowance account, including any administrative expenses for the
11 Kentucky Public Pensions Authority that are assigned to the Kentucky Retirement
12 Systems by KRS 61.505. The board shall submit any administrative expenses that
13 are specific to the Kentucky Retirement Systems that are not otherwise covered by
14 KRS 61.505(11)(a).

15 (14) Any person adversely affected by a decision of the board, except as provided under
16 subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652 and
17 61.510 to 61.705, may appeal the decision of the board to the Franklin Circuit Court
18 within sixty (60) days of the board action.

19 (15) (a) A trustee shall discharge his or her duties as a trustee, including his or her
20 duties as a member of a committee:

- 21 1. In good faith;
- 22 2. On an informed basis; and
- 23 3. In a manner he or she honestly believes to be in the best interest of the
24 Kentucky Retirement Systems.

25 (b) A trustee discharges his or her duties on an informed basis if, when he or she
26 makes an inquiry into the business and affairs of the Kentucky Retirement
27 Systems or into a particular action to be taken or decision to be made, he or

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

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- 1 Kentucky Retirement Systems.
- 2 (g) Nothing in this section shall eliminate or limit the liability of any trustee for
3 any act or omission occurring prior to July 15, 1988.
- 4 (h) In discharging his or her administrative duties under this section, a trustee
5 shall strive to administer the retirement system in an efficient and cost-
6 effective manner for the taxpayers of the Commonwealth of Kentucky and
7 shall take all actions available under the law to contain costs for the trusts,
8 including costs for participating employers, members, and retirees.
- 9 (16) When an order by the system substantially impairs the benefits or rights of a
10 member, retired member, or recipient, except action which relates to entitlement to
11 disability benefits, or when an employer disagrees with an order of the system as
12 provided by KRS 61.598, the affected member, retired member, recipient, or
13 employer may request a hearing to be held in accordance with KRS Chapter 13B.
14 The board may establish an appeals committee whose members shall be appointed
15 by the chair and who shall have authority to act upon the recommendations and
16 reports of the hearing officer on behalf of the board. The member, retired member,
17 recipient, or employer aggrieved by a final order of the board following the hearing
18 may appeal the decision to the Franklin Circuit Court, in accordance with KRS
19 Chapter 13B. The board may establish a joint administrative appeals committee
20 with the County Employees Retirement System and may also establish a joint
21 disability appeals committee with the County Employees Retirement System.
- 22 (17) The board shall give the Kentucky Education Support Personnel Association
23 twenty-four (24) hours notice of the board meetings, to the extent possible.
- 24 (18) The board shall establish a formal trustee education program for all trustees of the
25 board. The program shall include but not be limited to the following:
- 26 (a) A required orientation program for all new trustees elected or appointed to the
27 board. The orientation program shall include training on:

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- 1 1. Benefits and benefits administration;
- 2 2. Investment concepts, policies, and current composition and
- 3 administration of retirement systems investments;
- 4 3. Laws, bylaws, and administrative regulations pertaining to the
- 5 retirement systems and to fiduciaries; and
- 6 4. Actuarial and financial concepts pertaining to the retirement systems.
- 7 If a trustee fails to complete the orientation program within one (1) year from
- 8 the beginning of his or her first term on the board, the retirement systems shall
- 9 withhold payment of the per diem and travel expenses due to the board
- 10 member under this section and KRS 16.640 until the trustee has completed the
- 11 orientation program;
- 12 (b) Annual required training for board members on the administration, benefits,
- 13 financing, and investing of the retirement systems. If a trustee fails to
- 14 complete the annual required training during the calendar or fiscal year, the
- 15 retirement systems shall withhold payment of the per diem and travel
- 16 expenses due to the board member under this section and KRS 16.640 until
- 17 the board member has met the annual training requirements; and
- 18 (c) The retirement systems shall incorporate by reference in an administrative
- 19 regulation, pursuant to KRS 13A.2251, the trustee education program.
- 20 (19) In order to improve public transparency regarding the administration of the systems,
- 21 the board of trustees shall adopt a best practices model by posting the following
- 22 information to the Kentucky Public Pensions Authority's website~~{Web-site}~~ and
- 23 shall make available to the public:
- 24 (a) Meeting notices and agendas for all meetings of the board. Notices and
- 25 agendas shall be posted to the Kentucky Public Pensions Authority's
- 26 website~~{Web-site}~~ at least seventy-two (72) hours in advance of the board or
- 27 committee meetings, except in the case of special or emergency meetings as

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- 1 provided by KRS 61.823;
- 2 (b) The ~~{Comprehensive}~~ Annual ***Comprehensive*** Financial Report with the
- 3 information as follows:
- 4 1. A general overview and update on the retirement systems by the
- 5 executive director;
- 6 2. A listing of the board of trustees;
- 7 3. A listing of key staff;
- 8 4. An organizational chart;
- 9 5. Financial information, including a statement of plan net assets, a
- 10 statement of changes in plan net assets, an actuarial value of assets, a
- 11 schedule of investments, a statement of funded status and funding
- 12 progress, and other supporting data;
- 13 6. Investment information, including a general overview, a list of the
- 14 retirement system's professional consultants, a total net of fees return on
- 15 retirement systems investments over a historical period, an investment
- 16 summary, contracted investment management expenses, transaction
- 17 commissions, and a schedule of investments;
- 18 7. The annual actuarial valuation report on the pension benefit and the
- 19 medical insurance benefit; and
- 20 8. A general statistical section, including information on contributions,
- 21 benefit payouts, and retirement systems' demographic data;
- 22 (c) All external audits;
- 23 (d) All board minutes or other materials that require adoption or ratification by
- 24 the board of trustees. The items listed in this paragraph shall be posted within
- 25 ***three (3) business days***~~{seventy-two (72) hours}~~ of adoption or ratification of
- 26 the board;
- 27 (e) All bylaws, policies, or procedures adopted or ratified by the board of

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- 1 trustees;
- 2 (f) The retirement systems' summary plan description;
- 3 (g) A document containing an unofficial copy of the statutes governing the
4 systems administered by Kentucky Retirement Systems;
- 5 (h) A listing of the members of the board of trustees and membership on each
6 committee established by the board, including any investment committees;
- 7 (i) All investment holdings in aggregate, fees, and commissions for each fund
8 administered by the board, which shall be updated on a quarterly basis for
9 fiscal years beginning on or after July 1, 2017. The systems shall request from
10 all managers, partnerships, and any other available sources all information
11 regarding fees and commissions and shall, based on the requested information
12 received:
- 13 1. Disclose the dollar value of fees and commissions paid to each
14 individual manager or partnership;
 - 15 2. Disclose the dollar value of any profit sharing, carried interest, or any
16 other partnership incentive arrangements, partnership agreements, or
17 any other partnership expenses received by or paid to each manager or
18 partnership; and
 - 19 3. As applicable, report each fee or commission by manager or partnership
20 consistent with standards established by the Institutional Limited
21 Partners Association (ILPA).
- 22 In addition to the requirements of this paragraph, the systems shall also
23 disclose the name and address of all individual underlying managers or
24 partners in any fund of funds in which system assets are invested;
- 25 (j) An update of net of fees investment returns, asset allocations, and the
26 performance of the funds against benchmarks adopted by the board for each
27 fund, for each asset class administered by the board, and for each manager.

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- 1 The update shall be posted on a quarterly basis for fiscal years beginning on
2 or after July 1, 2017;
- 3 (k) A searchable database of the systems' expenditures and a listing of each
4 individual employed by the systems along with the employee's salary or
5 wages. In lieu of posting the information required by this paragraph to the
6 Kentucky Public Pensions Authority's website~~[Web site]~~, the systems may
7 provide the information through a website~~[Web site]~~ established by the
8 executive branch to inform the public about executive branch agency
9 expenditures and public employee salaries and wages;
- 10 (l) All contracts or offering documents for services, goods, or property purchased
11 or utilized by the systems; and
- 12 (m) Information regarding the systems' financial and actuarial condition that is
13 easily understood by the members, retired members, and the public.
- 14 (20) Notwithstanding the requirements of subsection (19) of this section, the retirement
15 systems shall not be required to furnish information that is protected under KRS
16 61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the
17 retirement systems' ability to competitively invest in real estate or other asset
18 classes, except that no provision of this section or KRS 61.878 shall exclude
19 disclosure and review of all contracts, including investment contracts, by the board,
20 the Auditor of Public Accounts, and the Government Contract Review Committee
21 established pursuant to KRS 45A.705 or the disclosure of investment fees and
22 commissions as provided by this section. If any public record contains material
23 which is not excepted under this section, the systems shall separate the excepted
24 material by removal, segregation, or redaction, and make the nonexcepted material
25 available for examination.
- 26 (21) Notwithstanding any other provision of KRS 16.505 to 16.652 and 61.510 to 61.705
27 to the contrary, no funds of the systems administered by Kentucky Retirement

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1 Systems, including fees and commissions paid to an investment manager, private
2 fund, or company issuing securities, who manages systems assets, shall be used to
3 pay fees and commissions to placement agents. For purposes of this subsection,
4 "placement agent" means a third-party individual, who is not an employee, or firm,
5 wholly or partially owned by the entity being hired, who solicits investments on
6 behalf of an investment manager, private fund, or company issuing securities.

7 ➔Section 14. KRS 61.650 is amended to read as follows:

8 (1) (a) The board shall be the trustee of funds created by KRS 16.510, 61.515, and
9 61.701 pertaining to the accounts for the Kentucky Employees Retirement
10 System or State Police Retirement System, notwithstanding the provisions of
11 any other statute to the contrary, and shall have exclusive power to invest and
12 reinvest such assets in accordance with federal law.

13 (b) 1. The board shall establish an investment committee whose membership
14 shall be composed of the following:

15 a. The three (3) trustees of the Kentucky Retirement Systems board
16 appointed by the Governor pursuant to KRS 61.645 who have
17 investment experience; and

18 b. Additional trustees appointed by the board chair.

19 2. The investment committee shall have authority to implement the
20 investment policies adopted by the board and act on behalf of the board
21 on all investment-related matters and to acquire, sell, safeguard,
22 monitor, and manage the assets and securities of the several funds.

23 (c) A trustee, officer, employee, employee of the Kentucky Public Pensions
24 Authority, or other fiduciary shall discharge duties with respect to the
25 retirement system:

26 1. Solely in the interest of the members and beneficiaries;

27 2. For the exclusive purpose of providing benefits to members and

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- 1 beneficiaries and paying reasonable expenses of administering the
2 system;
- 3 3. With the care, skill, and caution under the circumstances then prevailing
4 that a prudent person acting in a like capacity and familiar with those
5 matters would use in the conduct of an activity of like character and
6 purpose;
- 7 4. Impartially, taking into account any differing interests of members and
8 beneficiaries;
- 9 5. Incurring any costs that are appropriate and reasonable; and
- 10 6. In accordance with a good-faith interpretation of the law governing the
11 retirement system.
- 12 (d) In addition to the standards of conduct prescribed by paragraph (c) of this
13 subsection:
- 14 1. All internal investment staff of the Kentucky Public Pensions Authority,
15 and investment consultants shall adhere to the Code of Ethics and
16 Standards of Professional Conduct, and all board trustees shall adhere to
17 the Code of Conduct for Members of a Pension Scheme Governing
18 Body. All codes cited in this subparagraph are promulgated by the CFA
19 Institute; and
- 20 2. Investment managers shall comply with all applicable provisions of the
21 federal Investment Advisers Act of 1940, as amended, and the rules and
22 regulations promulgated thereunder, and shall comply with all other
23 applicable federal securities statutes and related rules and regulations
24 that apply to investment managers.
- 25 (2) The board, through adopted written policies, shall maintain ownership and control
26 over its assets held in its unitized managed custodial account.
- 27 (3) The board, in keeping with its responsibility as trustee and wherever consistent with

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- 1 its fiduciary responsibilities, shall give priority to the investment of funds in
2 obligation calculated to improve the industrial development and enhance the
3 economic welfare of the Commonwealth.
- 4 (4) The contents of real estate appraisals, engineering or feasibility estimates, and
5 evaluations made by or for the system relative to the acquisition or disposition of
6 property, until such time as all of the property has been acquired or sold, shall be
7 excluded from the application of KRS 61.870 to 61.884 and shall be subject to
8 inspection only upon order of a court of competent jurisdiction.
- 9 (5) Based upon market value at the time of purchase, the board shall limit the amount
10 of assets managed by any one (1) active or passive investment manager to fifteen
11 percent (15%) of the assets in the pension and insurance funds. **This investment**
12 **limit shall not apply to the assets managed internally by the Authority's Office of**
13 **Investments.**
- 14 (6) All contracts for the investment, **administration,** or management of assets of the
15 systems shall not be subject to KRS Chapters 45, 45A, 56, and 57. Instead, the
16 board shall conduct the following process to develop and adopt an investment
17 procurement policy with which all prospective contracts for the investment or
18 management of assets of the systems shall comply:
- 19 (a) On or before July 1, 2017, the board shall consult with the secretary of the
20 Finance and Administration Cabinet or his or her designee to develop an
21 investment procurement policy, which shall be written to meet best practices
22 in investment management procurement;
- 23 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary
24 investment procurement policy to the secretary of the Finance and
25 Administration Cabinet or his or her designee for review and comment;
- 26 (c) Upon receipt of comments from the secretary of the Finance and
27 Administration Cabinet or his or her designee, the board shall choose to adopt

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- 1 or not adopt any recommended changes;
- 2 (d) Upon adoption, the board shall tender the final investment procurement policy
- 3 to the secretary of the Finance and Administration Cabinet or his or her
- 4 designee;
- 5 (e) No later than thirty (30) days after receipt of the investment procurement
- 6 policy, the secretary or his or her designee shall certify whether the board's
- 7 investment procurement policy meets or does not meet best practices for
- 8 investment management procurement; and
- 9 (f) Any amendments to the investment procurement policy shall adhere to the
- 10 requirements set forth by paragraphs (b) to (e) of this subsection.

11 ➔Section 15. KRS 61.665 is amended to read as follows:

- 12 (1) The Authority shall employ or contract for the services of at least three (3)
- 13 physicians, licensed in the state and not members of the system, upon terms and
- 14 conditions it prescribes to serve as medical examiners, whose duty it shall be to
- 15 pass upon all medical examinations required under KRS 61.510 to 61.705, 16.505
- 16 to 16.652, and 78.510 to 78.852, to investigate all health or medical statements and
- 17 certificates made by or in behalf of any person in connection with the payment of
- 18 money to the person under KRS 61.510 to 61.705, 16.505 to 16.652, and 78.510 to
- 19 78.852, and who shall report in writing to the system the conclusions and
- 20 recommendations upon all matters referred to them. The Authority may employ or
- 21 contract for the services of one (1) or more licensed mental health professionals in
- 22 making recommendations regarding mental impairments.

- 23 (2) (a) Each person requesting disability retirement shall file at the retirement office:
- 24 1. An application for disability retirement and supporting medical
- 25 information to report the person's physical and mental condition;~~[-The~~
- 26 ~~person shall also file at the retirement office]~~
- 27 2. A complete description of the job and duties from which he or she

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1 received his or her last pay, ***including*** ~~as well as~~ information regarding
 2 whether the person has made a request for reasonable accommodation
 3 ***pursuant to*** ~~as provided for in~~ 42 U.S.C. sec. 12111(9) and 29 C.F.R.
 4 pt. 1630 or ***whether*** reasonable accommodation as provided ~~for~~ in 42
 5 U.S.C. sec. 12111(9) and 29 C.F.R. pt. 1630 has been offered to the
 6 person; ***and***

7 **3. A certification**~~. The person shall certify to the retirement office~~ that
 8 the application for disability retirement and supporting medical
 9 information are ready to be evaluated by the medical examiners in
 10 accordance with ~~paragraph (d) of this~~ subsection **(3) of this section.**

11 **(b)** If, after good faith efforts, the person informs the Authority that he or she has
 12 been unable to obtain the employment or medical information, the Authority
 13 shall assist the person in obtaining the records and may use the authority
 14 granted pursuant to KRS 61.685(1) to obtain the records. If the person fails to
 15 file, at the retirement office within one hundred eighty (180) days of the date
 16 the person filed his or her notification of retirement, any of the forms,
 17 certifications, or information required by this subsection, the person's
 18 application for disability retirement shall be void. Any subsequent filing of an
 19 application for disability retirement or supporting medical information shall
 20 not be evaluated, except as provided in **subsection (3)(g) of this**
 21 **section** ~~paragraph (f)~~ of this subsection or KRS 61.600(2), 78.5522, or
 22 78.5524.

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

26 ~~**(d)**~~ ~~(e)~~ The cost of medical examinations and the filing of the medical
 27 information, reports, or data with the retirement office shall be paid by the

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1 person applying for disability retirement.

2 ~~(3) (a)(d)~~ The Authority shall select one (1)~~three (3)~~ medical
3 examiner~~examiners~~ to evaluate the medical evidence submitted by the
4 person. The medical examiner~~examiners~~ shall recommend that disability
5 retirement be approved, or that disability retirement be denied. If there is
6 evidence of a mental impairment, the medical examiner~~examiners~~ may
7 request the Authority's licensed mental health professional to assist in
8 determining the level of the mental impairment.

9 ~~(b)(e)~~ If ~~the~~~~two (2) or more of the three (3)~~ medical examiner selected under
10 paragraph (a) of this subsection recommends~~examiners recommend~~ that
11 the person be approved for disability retirement, the system shall make
12 retirement payments in accordance with the retirement plan selected by the
13 person.

14 ~~(c)(f)~~ If ~~the~~~~two (2) or more of the three (3)~~ medical examiner selected under
15 paragraph (a) of this subsection recommends~~examiners recommend~~ that
16 the person be denied disability retirement, the Authority shall select one (1)
17 medical examiner other than the medical examiner selected under
18 paragraph (a) of this subsection to evaluate the medical evidence submitted
19 by the person. The second medical examiner selected under this paragraph
20 shall recommend that the disability retirement be approved, or that disability
21 retirement be denied. If there is evidence of a mental impairment, the
22 second medical examiner may request the Authority's licensed mental
23 health professional to assist in determining the level of mental impairment.

24 (d) If the second medical examiner selected under paragraph (c) of this
25 subsection recommends that the person be denied disability retirement, the
26 Authority shall send notice of this recommendation by United States first-
27 class mail to the person's last address on file in the retirement office, by

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1 electronic mail to the person's last electronic mail address on file in the
 2 retirement office, or by other electronic means. The person shall have one
 3 hundred eighty (180) days from the day that the Authority sent the notice to
 4 file at the retirement office additional supporting medical information and
 5 certify to the retirement office that the application for disability retirement and
 6 supporting medical information are ready to be evaluated under subsection
 7 (4) of this section ~~[by the medical examiners]~~ or to appeal his or her denial of
 8 disability retirement by filing at the retirement office a request for a formal
 9 hearing. Any subsequent filing of an application for disability retirement or
 10 supporting medical information shall not be evaluated, except as provided in
 11 KRS 61.600(2), 78.5522, or 78.5524.

12 (e) If the second medical examiner selected under paragraph (c) of this
 13 subsection recommends that the person be approved for disability
 14 retirement, the Authority shall select one (1) medical examiner other than
 15 the first and second medical examiners selected under paragraphs (a) and
 16 (c) of this subsection to evaluate the medical evidence submitted by the
 17 person. The third medical examiner selected under this paragraph shall
 18 recommend that disability retirement be approved, or that disability
 19 retirement be denied. If there is evidence of a mental impairment, the third
 20 medical examiner may request the Authority's licensed mental health
 21 professional to assist in determining the level of the mental impairment.

22 (f) If the third medical examiner selected under paragraph (e) of this
 23 subsection recommends that the person be approved for disability
 24 retirement, the system shall make retirement payments in accordance with
 25 the retirement plan selected by the person.

26 (g) If the third medical examiner selected under paragraph (e) of this
 27 subsection recommends that the person be denied disability retirement, the

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- 1 Authority shall send notice of this recommendation by United States first-
2 class mail to the person's last address on file in the retirement office, by
3 electronic mail to the person's last electronic mail address on file in the
4 retirement office, or by other electronic means. The person shall have one
5 hundred eighty (180) days from the day that the Authority sent the notice to
6 file at the retirement office additional supporting medical evidence and
7 certify to the retirement office that the application for disability retirement
8 and additional supporting medical evidence are ready to be evaluated under
9 subsection (4) of this section or to appeal his or her denial of disability
10 retirement by filing at the retirement office a request for a formal hearing.
- 11 (4) (a) The Authority shall select one (1) medical examiner to evaluate the
12 additional supporting medical evidence submitted by the person in
13 accordance with subsection (3)(d) and (g) of this section. The medical
14 examiner selected under this paragraph shall recommend that disability
15 retirement be approved, or that disability retirement be denied. If there is
16 evidence of a mental impairment, the medical examiner may request the
17 Authority's licensed mental health professional to assist in determining the
18 level of the mental impairment.
- 19 (b) If the first medical examiner selected under paragraph (a) of this subsection
20 recommends that the person be approved for disability retirement, the
21 system shall make retirement payments in accordance with the retirement
22 plan selected by the person.
- 23 (c) If the first medical examiner selected under paragraph (a) of this subsection
24 recommends that the person be denied disability retirement, the Authority
25 shall select one (1) medical examiner other than the medical examiner
26 selected under paragraph (a) of this subsection to evaluate the additional
27 supporting medical evidence. The second medical examiner selected under

1 *this paragraph shall recommend that disability retirement be approved, or*
2 *that disability retirement be denied. If there is evidence of a mental*
3 *impairment, the second medical examiner may request the Authority's*
4 *licensed mental health professional to assist in determining the level of the*
5 *mental impairment.*

6 *(d) If the second medical examiner selected under paragraph (c) of this*
7 *subsection recommends that the person be denied disability retirement, the*
8 *Authority shall send notice of this recommendation by United States first-*
9 *class mail to the person's last address on file in the retirement office, by*
10 *electronic mail to the person's last electronic mail address on file in the*
11 *retirement office, or by other electronic means. The person shall have one*
12 *hundred eighty (180) days from the day that the Authority sent the notice to*
13 *appeal his or her denial of disability retirement by filing at the retirement*
14 *office a request for a formal hearing.*

15 *(e) If the second medical examiner selected under paragraph (c) of this*
16 *subsection recommends that the person be approved for disability*
17 *retirement, the Authority shall select one (1) medical examiner other than*
18 *the first and second medical examiners selected under paragraphs (a) and*
19 *(c) of this subsection to evaluate the additional supporting medical evidence.*
20 *The third medical examiner selected under this paragraph shall recommend*
21 *that disability retirement be approved, or that disability retirement be*
22 *denied. If there is evidence of a mental impairment, the third medical*
23 *examiner may request the Authority's licensed mental health professional to*
24 *assist in determining the level of the mental impairment.*

25 *(f) If the third medical examiner selected under paragraph (e) of this*
26 *subsection recommends that the person be approved for disability*
27 *retirement, the system shall make retirement payments in accordance with*

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- 1 *the retirement plan selected by the person.*
- 2 *(g) If the third medical examiner selected under paragraph (e) of this*
3 *subsection recommends that the person be denied disability retirement, the*
4 *Authority shall send notice of this recommendation by United States first-*
5 *class mail to the person's last address on file in the retirement office, by*
6 *electronic mail to the person's last electronic mail address on file in the*
7 *retirement office, or by other electronic means. The person shall have one*
8 *hundred eighty (180) days from the day that the Authority sent the notice to*
9 *appeal his or her denial of disability retirement by filing at the retirement*
10 *office a request for a formal hearing*~~[(g) — If two (2) or more of the three~~
11 ~~(3) medical examiners recommend that the person be approved for disability~~
12 ~~retirement based upon the evaluation of additional supporting medical~~
13 ~~information in accordance with paragraph (f) of this subsection, the system~~
14 ~~shall make retirement payments in accordance with the retirement plan~~
15 ~~selected by the person.~~
- 16 ~~(h) If two (2) or more of the three (3) [medical examiners recommend that the~~
17 ~~person be denied disability retirement based upon the evaluation of additional~~
18 ~~supporting medical information in accordance with paragraph (f) of this~~
19 ~~subsection, the Authority shall send notice of this recommendation by United~~
20 ~~States first class mail to the person's last address on file in the retirement~~
21 ~~office, by electronic mail to the person's last electronic mail address on file in~~
22 ~~the retirement office, or by other electronic means. The person shall have one~~
23 ~~hundred eighty (180) days from the day that the Authority sent the notice to~~
24 ~~appeal his or her denial of disability retirement by filing at the retirement~~
25 ~~office a request for a formal hearing].~~
- 26 ~~(5)(i)~~ The medical examiners shall be paid a reasonable amount by the retirement
27 system for each case evaluated.

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- 1 ~~(6)(f)~~ Notwithstanding the foregoing provisions of this section, the Authority may
2 pay for one (1) or more medical examinations of the person requested by the
3 medical examiners for the purpose of providing medical information deemed
4 necessary by the medical examiners. The system may require the person to submit
5 to one (1) or more medical examinations.
- 6 ~~(7)(3)~~ (a) Any person whose disability benefits have been reduced, discontinued,
7 or denied pursuant to subsection ~~(3)(g)(2)(f)~~ or ~~(4)(g)(2)(h)~~ of this section
8 may file at the retirement office a request for a formal hearing to be conducted
9 in accordance with KRS Chapter 13B. The right to demand a formal hearing
10 shall be limited to a period of one hundred eighty (180) days after the person
11 had notice of the system's determination, as described in subsection
12 ~~(3)(g)(2)(f)~~ or ~~(4)(g)(2)(h)~~ of this section. The request for a formal hearing
13 shall be filed with the executive director, at the retirement office in Frankfort.
14 The request for a formal hearing shall include a short and plain statement of
15 the reasons the denial of disability retirement is being contested.
- 16 (b) Failure of the person to request a formal hearing within the period of time
17 specified shall preclude the person from proceeding any further with the
18 application for disability retirement, except as provided in KRS 61.600(2),
19 78.5522, or 78.5524. This paragraph shall not limit the person's right to appeal
20 to a court.
- 21 (c) The system may require the person requesting the formal hearing to submit to
22 one (1) or more medical or psychological examinations. Notice of the time
23 and place of the examination shall be provided to the person or his or her legal
24 representative. The system shall be responsible for the cost of the
25 examination.
- 26 (d) A final order of the board shall be based on substantial evidence appearing in
27 the record as a whole and shall set forth the decision of the board and the facts

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1 and law upon which the decision is based.

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

3 ~~(8)(4)~~ The boards of the Kentucky Retirement Systems and the County Employees
 4 Retirement Systems may each establish an appeals committee whose members shall
 5 be appointed by the chair and that shall have the authority to act upon the
 6 recommendations and reports of the hearing officer pursuant to this section on
 7 behalf of each respective board. The boards of the Kentucky Retirement Systems
 8 and the County Employees Retirement System may establish a joint appeals
 9 committee that shall be authorized to select a chair from among its committee
 10 members and to act upon the recommendations and reports of the hearing officer
 11 pursuant to this section on behalf of both boards.

12 ~~(9)(5)~~ Any person aggrieved by a final order of the board may seek judicial review
 13 after all administrative appeals have been exhausted by filing a petition for judicial
 14 review in the Franklin Circuit Court in accordance with KRS Chapter 13B.

15 ➔Section 16. KRS 61.685 is amended to read as follows:

16 (1) (a) Notwithstanding the provisions of KRS Chapter 413, upon discovery of any
 17 error or omission in system records, the Authority~~[system]~~ shall correct all
 18 system records, including but not limited to membership in the system, service
 19 credit, member and employer contributions, and benefits paid or payable.

20 (b) The Authority~~[system]~~ may conduct audits to detect possible fraud,
 21 misrepresentation, and change in circumstance, which may result in errors or
 22 omissions in the system's records.

23 (c) The Authority~~[system]~~, by its executive director or by representatives
 24 appointed in writing by the executive director, may take testimony or
 25 depositions, and may examine records, documents, or files of any person
 26 whose records, documents, or files may furnish knowledge concerning any
 27 system records, when the executive director or representative deems this

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1 reasonably necessary for purposes incident to the performance of the system's
2 functions.

3 (d) The Authority~~[system]~~ may enforce these powers by application to the
4 Franklin Circuit Court, which court may compel compliance with the orders
5 of the executive director or representatives appointed by the executive
6 director.

7 (2) Neither the board nor any of its individual members shall be liable to any person for
8 any claim arising from the failure of any participating employer, or any employer
9 who should have been participating in any retirement system operated by the board,
10 to make retirement contributions on behalf of the person.

11 (3) (a) For purposes of this subsection:

12 1. "Knowingly" means, with respect to conduct or to a circumstance
13 described by this subsection, that a person is aware that his or her
14 conduct is of that nature or that the circumstance exists; and

15 2. "Person" means a natural person, individual, county, city, agency, board
16 or commission, sole proprietorship, partnership, corporation, limited
17 liability company, organization, association, business, trust, or other
18 legal entity. "Person" may be construed as singular or plural.

19 (b) A person shall be liable under this subsection if he or she knowingly:

20 1. Submits or causes to be submitted a false or fraudulent claim for the
21 payment or receipt of any benefit provided under KRS 16.505 to 16.652,
22 61.510 to 61.705, and 78.510 to 78.852;

23 2. Makes, uses, or causes to be made or used a false record or statement
24 material to a false or fraudulent claim to obtain benefits provided under
25 KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852;~~[or]~~

26 3. Possesses or otherwise has custody or control of money, records, or
27 property used or to be used by the Kentucky Public Pensions Authority

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1 or the systems it administers and fails to deliver or delivers less than all
 2 of the money, records, or property to which the authority or the
 3 retirement systems it administers are entitled, including but not limited
 4 to member agencies failing to report and remit employer and employee
 5 contributions and employment records to the authority; or

6 **4. Receives a retirement allowance or health insurance benefit to which**
 7 **he or she is not entitled.**

8 (c) A person found to have committed one (1) or more of the actions under
 9 paragraph (b) of this subsection by a preponderance of the evidence in an
 10 administrative process before the Authority or in an action before the Franklin
 11 Circuit Court in conformity with all due process protections shall be liable for:

- 12 1. Restitution of any payments or other benefits received ~~that~~ ~~[for which]~~
 13 the person was not entitled to receive pursuant to ~~by reason of violation~~
 14 ~~of~~ KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 and
 15 interest at the maximum legal rate pursuant to KRS 360.010 in effect on
 16 the date any payment was made for the period from the date payment
 17 was made to the date of repayment to the Authority;
- 18 2. A civil payment in an amount up to three (3) times the amount of the
 19 excess payments;
- 20 3. A civil payment of five hundred dollars (\$500) for each false or
 21 fraudulent claim submitted for the payment of benefits under KRS
 22 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852; and
- 23 4. Legal fees and costs of investigation and enforcement of civil remedies,
 24 including all attorneys' fees and costs of litigation.

25 (d) Upon the written request of the authority, the Attorney General shall
 26 investigate and file the necessary actions to enforce civil penalties for
 27 violations of this subsection and, if funds are recovered by or on behalf of the

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1 authority in any legal action, may recover reasonable costs of litigation as
2 determined by the court as provided by KRS 48.005.

3 (e) Civil payments, interest, and costs of investigation and enforcement of civil
4 remedies, including attorneys' fees and other costs not included under
5 paragraph (d) of this subsection, recovered on behalf of the authority under
6 this subsection shall be made payable to the State Treasurer and remitted to
7 the Kentucky Public Pensions Authority for deposit in the affected trusts
8 administered by the Kentucky Public Pension Authority. The affected trusts
9 shall be made whole, and any additional penalties and fees shall be distributed
10 to the trusts as a whole consistent with the methods used to distribute
11 administrative expenses between the trusts.

12 (f) The remedies under this section are separate from and cumulative to any other
13 administrative, civil, or criminal remedies available to the authority and the
14 systems it administers under federal or state law or regulation.

15 ➔Section 17. KRS 61.692 is repealed, reenacted, and amended to read as follows:

16 (1) For members who begin participating in the Kentucky Employees Retirement
17 System prior to January 1, 2014, it is hereby declared that in consideration of the
18 contributions by the members and in further consideration of benefits received by
19 the state from the member's employment, KRS 61.510 to 61.705 shall, except as
20 provided in KRS 6.696, constitute an inviolable contract of the Commonwealth, and
21 the benefits provided therein shall not be subject to reduction or impairment by
22 alteration, amendment, or repeal, ~~except:~~

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

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

27 (2) (a) For members who begin participating in the Kentucky Employees Retirement

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1 System on or after January 1, 2014, the General Assembly reserves the right
 2 to amend, suspend, or reduce the benefits and rights provided under KRS
 3 61.510 to 61.705 if, in its judgment, the welfare of the Commonwealth so
 4 demands, except that the amount of benefits the member has accrued at the
 5 time of amendment, suspension, or reduction shall not be affected.

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

10 (c) The provisions of this subsection shall not be construed to limit the General
 11 Assembly's authority to change any other benefit or right specified by KRS
 12 61.510 to 61.705, except the benefits specified by paragraph (b) of this
 13 subsection, for members who begin participating in the Kentucky Employees
 14 Retirement System on or after January 1, 2014.

15 (3) The provisions of this section shall not be construed to limit the General Assembly's
 16 authority to amend, reduce, or suspend the benefits and rights of members of the
 17 Kentucky Employees Retirement System as provided by KRS 61.510 to 61.705 that
 18 the General Assembly had the authority to amend, reduce, or suspend, prior to July
 19 1, 2013.

20 ➔Section 18. KRS 61.702 is amended to read as follows:

21 (1) For purposes of this section:

22 (a) "Hospital and medical insurance plan" may include, at the board's discretion,
 23 any one (1) or more of the following:

- 24 1. Any hospital and medical expense policy or certificate, provider-
 25 sponsored integrated health delivery network, self-insured medical plan,
 26 health maintenance organization contract, or other health benefit plan;
- 27 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or health

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- 1 reimbursement arrangement or a similar account as may be permitted by
2 26 U.S.C. sec. 105 or 106. Such arrangement or account, at the board's
3 discretion, may reimburse any medical expense permissible under 26
4 U.S.C. sec. 213; or
- 5 3. A medical insurance reimbursement program established by the board
6 through the promulgation of administrative regulation under which
7 members purchase individual health insurance coverage through a health
8 insurance exchange established under 42 U.S.C. sec. 18031 or 18041;
- 9 (b) "Monthly contribution rate" is the amount determined by the board based
10 upon the requirements of subsection (4)(a) to (d) of this section, except that
11 for members who began participating in the system on or after July 1, 2003,
12 the term shall mean the amount determined in subsection (4)(e) of this
13 section; and
- 14 (c) "Months of service" means the total months of combined service used to
15 determine benefits under the system, except service added to determine
16 disability benefits or service otherwise prohibited from being used to
17 determine retiree health benefits under KRS 16.505 to 16.652 or 61.510 to
18 61.705 shall not be counted as "months of service." For current and former
19 employees of the Council on Postsecondary Education who were employed
20 prior to January 1, 1993, and who earn at least fifteen (15) years of service
21 credit in the Kentucky Employees Retirement System, "months of service"
22 shall also include vested service in another retirement system other than the
23 Kentucky Teachers' Retirement System sponsored by the Council on
24 Postsecondary Education.
- 25 (2) (a) 1. The board of trustees of the system shall arrange by appropriate contract
26 or on a self-insured basis to provide a group hospital and medical
27 insurance plan coverage for:

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

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- 1 recipient who elects coverage becomes eligible for Medicare, he or she
2 shall participate in the plans offered by the systems for Medicare
3 eligible recipients. Individuals participating in the Medicare eligible
4 plans may be required to obtain and pay for Medicare Part A and Part B
5 coverage, in order to participate in the Medicare eligible plans offered
6 by the system.
- 7 3. The system shall continue to provide the same hospital and medical
8 insurance plan coverage for recipients and qualifying dependents after
9 the age of sixty-five (65) as before the age of sixty-five (65), if:
- 10 a. The recipient is not eligible for Medicare coverage; or
11 b. The recipient would otherwise be eligible for Medicare coverage
12 but is subject to the Medicare Secondary Payer Act under 42
13 U.S.C. sec. 1395y(b) and has been reemployed by a participating
14 agency which offers the recipient a hospital and medical insurance
15 benefit or by a participating agency which is prevented from
16 offering a hospital and medical benefit to the recipient as a
17 condition of reemployment under KRS 70.293, 95.022, or
18 164.952. Individuals who are eligible, pursuant to this subdivision,
19 to be included in the Kentucky Employees Health Plan as provided
20 by KRS 18A.225 to 18A.2287 may be rated as a separate class
21 from other eligible employees and retirees for the purpose of
22 determining medical insurance premiums.
- 23 (c) For recipients of a retirement allowance who are not eligible for the same
24 level of hospital and medical benefits as recipients living in Kentucky having
25 the same Medicare hospital and medical insurance eligibility status, the board
26 shall provide a medical insurance reimbursement plan as described in
27 subsection (6) of this section.

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- 1 (d) Notwithstanding anything in KRS Chapter 16 or 61 to the contrary, the board
2 of trustees, in its discretion, may take necessary steps to ensure compliance
3 with 42 U.S.C. secs. 300bb-1 et seq.
- 4 (3) (a) Each employer participating in the Kentucky Employees Retirement System
5 or the State Police Retirement System as provided in KRS 16.505 to 16.652 or
6 61.510 to 61.705 shall contribute to the insurance trust fund established under
7 KRS 61.701 the amount necessary to provide the monthly contribution rate as
8 provided for under this section. Such employer contribution rate shall be
9 developed by appropriate actuarial method as a part of the determination of
10 each respective employer contribution rate determined under KRS 61.565.
- 11 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
12 from the creditable compensation of each member whose membership
13 date begins on or after September 1, 2008, an amount equal to one
14 percent (1%) of the member's creditable compensation. The deducted
15 amounts shall, at the discretion of the board, be credited to accounts
16 established pursuant to 26 U.S.C. sec. 401(h), within the funds
17 established in KRS 16.510 and 61.515, or the insurance trust fund
18 established under KRS 61.701. Notwithstanding the provisions of this
19 paragraph, a transfer of assets between the accounts established pursuant
20 to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510
21 and 61.515, and the insurance trust fund established under KRS 61.701
22 shall not be allowed.
- 23 2. The employer shall file the contributions as provided by subparagraph 1.
24 of this paragraph at the retirement office in accordance with KRS
25 61.675. Any interest or penalties paid on any delinquent contributions
26 shall be credited to accounts established pursuant to 26 U.S.C. sec.
27 401(h), within the funds established in KRS 16.510 and 61.515, or the

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- 1 insurance trust fund established under KRS 61.701. Notwithstanding
2 any minimum compensation requirements provided by law, the
3 deductions provided by this paragraph shall be made, and the
4 compensation of the member shall be reduced accordingly.
- 5 3. Each employer shall submit payroll reports, contributions lists, and other
6 data as may be required by administrative regulation promulgated by the
7 board of trustees pursuant to KRS Chapter 13A.
- 8 4. Every member shall be deemed to consent and agree to the deductions
9 made pursuant to this paragraph, and the payment of salary or
10 compensation less the deductions shall be a full and complete discharge
11 of all claims for services rendered by the person during the period
12 covered by the payment, except as to any benefits provided by KRS
13 16.505 to 16.652 or 61.510 to 61.705. No member may elect whether to
14 participate in, or choose the contribution amount to accounts established
15 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
16 16.510 and 61.515, or the insurance trust fund established under KRS
17 61.701. The member shall have no option to receive the contribution
18 required by this paragraph directly instead of having the contribution
19 paid to accounts established pursuant to 26 U.S.C. sec. 401(h) within the
20 funds established in KRS 16.510 and 61.515, or the insurance trust fund
21 established under KRS 61.701. No member may receive a rebate or
22 refund of contributions. If a member establishes a membership date
23 prior to September 1, 2008, pursuant to KRS 61.552(2) or (3), then this
24 paragraph shall not apply to the member and all contributions previously
25 deducted in accordance with this paragraph shall be refunded to the
26 member without interest. The contribution made pursuant to this
27 paragraph shall not act as a reduction or offset to any other contribution

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1 required of a member or recipient under KRS 16.505 to 16.652 or
2 61.510 to 61.705.

3 5. The board of trustees, at its discretion, may direct that the contributions
4 required by this paragraph be accounted for within accounts established
5 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
6 16.510 and 61.515, or the insurance trust fund established under KRS
7 61.701, through the use of separate accounts.

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

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

13 2. The insurance trust fund established under KRS 61.701 or accounts
14 established pursuant to 26 U.S.C. sec. 401(h) within the funds
15 established in KRS 16.510 and 61.515;

16 3. Another state-administered retirement system, including the County
17 Employees Retirement System, under a reciprocal arrangement, except
18 that any portion of the premium paid from the funds specified by
19 subparagraph 2. of this paragraph under a reciprocal agreement shall not
20 exceed the amount that would be payable under this section if all the
21 member's service were in the systems administered by the Kentucky
22 Retirement Systems. If the board provides for cross-referencing of
23 insurance premiums, the employer's contribution for the working
24 member or spouse shall be applied toward the premium, and the
25 insurance trust fund established under KRS 61.701 or accounts
26 established pursuant to 26 U.S.C. sec. 401(h) within the funds
27 established in KRS 16.510 and 61.515 shall pay the balance; or

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- 1 4. A combination of the fund sources described by subparagraphs 1. to 3.
2 of this paragraph.
3 Group rates under the hospital and medical insurance plan shall be made
4 available to the spouse, each dependent child, and each disabled child,
5 regardless of the disabled child's age, of a recipient who is a former member
6 or the beneficiary, if the premium for the hospital and medical insurance for
7 the spouse, each dependent child, and each disabled child, or beneficiary is
8 paid by payroll deduction from the retirement allowance, electronic funds
9 transfer, or by another method. For purposes of this subsection only, a child
10 shall be considered disabled if he or she has been determined to be eligible for
11 federal Social Security disability benefits or meets the dependent disability
12 standard established by the Department of Employee Insurance in the
13 Personnel Cabinet.
- 14 (b) For a member who began participating in the system prior to July 1, 2003, the
15 monthly contribution rate shall be paid by the system from the funds specified
16 under paragraph (a)2. of this subsection and shall be equal to a percentage of
17 the single premium to cover the retired member as follows:
- 18 1. One hundred percent (100%) of the monthly premium for single
19 coverage shall be paid for a retired member who had two hundred forty
20 (240) months of service or more upon retirement or for a retired member
21 who when he or she was an employee became disabled as a direct result
22 of an act in line of duty as defined in KRS 16.505 or as a result of a
23 duty-related injury as defined in KRS 61.621;
- 24 2. Seventy-five percent (75%) of the monthly premium for single coverage
25 shall be paid for a retired member who had less than two hundred forty
26 (240) months of service but at least one hundred eighty (180) months of
27 service upon retirement, provided such retired member agrees to pay the

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- 1 remaining twenty-five percent (25%) by payroll deduction from his or
2 her retirement allowance, electronic funds transfer, or by another
3 method;
- 4 3. Fifty percent (50%) of the monthly premium for single coverage shall be
5 paid for a retired member who had less than one hundred eighty (180)
6 months of service but had at least one hundred twenty (120) months of
7 service upon retirement, provided such retired member agrees to pay the
8 remaining fifty percent (50%) by payroll deduction from his or her
9 retirement allowance, electronic funds transfer, or by another method; or
- 10 4. Twenty-five percent (25%) of the monthly premium for single coverage
11 shall be paid for a retired member who had less than one hundred twenty
12 (120) months of service but had at least forty-eight (48) months of
13 service upon retirement, provided such retired member agrees to pay the
14 remaining seventy-five percent (75%) by payroll deduction from his or
15 her retirement allowance, electronic funds transfer, or by another
16 method.
- 17 (c) Notwithstanding paragraph (b) of this subsection, for a member participating
18 in the system prior to July 1, 2003, who:
- 19 1. Dies as a direct result of an act in line of duty as defined in KRS 16.505
20 or dies as a result of a duty-related injury as defined in KRS 61.621, the
21 monthly premium shall be paid for his or her spouse so long as the
22 spouse remains eligible for a monthly retirement benefit;
- 23 2. Becomes totally and permanently disabled as defined in KRS 16.582 as
24 a direct result of an act in line of duty as defined in KRS 16.505 or
25 becomes disabled as a result of a duty-related injury as defined in KRS
26 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the
27 monthly premium shall be paid for his or her spouse so long as the

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- 1 member and the spouse individually remain eligible for a monthly
2 retirement benefit; and
- 3 3. Dies as a direct result of an act in line of duty as defined in KRS 16.505,
4 dies as a result of a duty-related injury as defined in KRS 61.621,
5 becomes totally and permanently disabled as defined in KRS 16.582 as a
6 direct result of an act in line of duty as defined in KRS 16.505, or
7 becomes disabled as a result of a duty-related injury as defined in KRS
8 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the
9 monthly premium shall be paid for each dependent child as defined in
10 KRS 16.505, so long as the member remains eligible for a monthly
11 retirement benefit, unless deceased, and each dependent child
12 individually remains eligible under KRS 16.505.
- 13 (d) 1. For a member who began participating in the system prior to July 1,
14 2003, who was determined to be in a hazardous position in the Kentucky
15 Employees Retirement System or in a position in the State Police
16 Retirement System, **or who is receiving a retirement allowance based**
17 **on General Assembly service**, the funds specified under paragraph (a)2.
18 of this subsection shall also pay a percentage of the monthly
19 contribution rate sufficient to fund the premium costs for hospital and
20 medical insurance coverage for the spouse and for each dependent child
21 of a recipient.
- 22 2. The percentage of the monthly contribution rate paid for the spouse and
23 each dependent child of a recipient who was in a hazardous position **or**
24 **who is receiving a retirement allowance based on General Assembly**
25 **service** in accordance with subparagraph 1. of this paragraph shall be
26 based solely on the member's service in a hazardous position using the
27 formula in paragraph (b) of this subsection.

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- 1 (e) For members who begin participating in the system on or after July 1, 2003:
- 2 1. Participation in the insurance benefits provided under this section shall
- 3 not be allowed until the member has earned at least one hundred twenty
- 4 (120) months of service in the state-administered retirement systems,
- 5 except that for members who begin participating in the system on or
- 6 after September 1, 2008, participation in the insurance benefits provided
- 7 under this section shall not be allowed until the member has earned at
- 8 least one hundred eighty (180) months of service credited under KRS
- 9 16.543(1) or 61.543(1), or another state-administered retirement system.
- 10 2. A member who meets the minimum service requirements as provided by
- 11 subparagraph 1. of this paragraph shall upon retirement be eligible for
- 12 the following monthly contribution rate to be paid on his or her behalf,
- 13 *or on behalf of the spouse or dependent of a member with service in a*
- 14 *hazardous position.* from the funds specified under paragraph (a)2. of
- 15 this subsection:
- 16 a. For members with service in a nonhazardous position, a monthly
- 17 insurance contribution of ten dollars (\$10) for each year of service
- 18 as a participating employee in a nonhazardous position;~~and~~
- 19 b. For members with service in a hazardous position or who
- 20 participate in the State Police Retirement System, a monthly
- 21 insurance contribution of fifteen dollars (\$15) for each year of
- 22 service as a participating employee in a hazardous position or the
- 23 State Police Retirement System;and~~and~~
- 24 c. Upon the death of the retired member, the beneficiary, if the
- 25 beneficiary is the member's spouse, shall be entitled to a monthly
- 26 insurance contribution of ten dollars (\$10) for each year of service
- 27 the member attained as a participating employee in a hazardous

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- 1 position.
- 2 3. The minimum service requirement to participate in benefits as provided
- 3 by subparagraph 1. of this paragraph shall be waived for a member who
- 4 receives a satisfactory determination of a hazardous disability that is a
- 5 direct result of an act in line of duty as defined in KRS 16.505, and the
- 6 member shall be entitled to the benefits payable under this subsection as
- 7 though the member had twenty (20) years of service in a hazardous
- 8 position.
- 9 4. The minimum service required to participate in benefits as provided by
- 10 subparagraph 1. of this paragraph shall be waived for a member who is
- 11 disabled as a result of a duty-related injury as defined in KRS 61.621
- 12 and is eligible for the benefits provided by KRS 61.621(5)(b), and the
- 13 member shall be entitled to the benefits payable under this subsection as
- 14 though the member had twenty (20) years of service in a nonhazardous
- 15 position.
- 16 5. Notwithstanding the provisions of this paragraph, the minimum service
- 17 requirement to participate in benefits as provided by subparagraph 1. of
- 18 this paragraph shall be waived for a for a member who dies as a direct
- 19 result of an act in line of duty as defined in KRS 16.505, who becomes
- 20 totally and permanently disabled as defined in KRS 16.582 as a direct
- 21 result of an act in line of duty as defined in KRS 16.505, who dies as a
- 22 result of a duty-related injury as defined in KRS 61.621, or who
- 23 becomes disabled as a result of a duty-related injury as defined in KRS
- 24 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a),
- 25 and the premium for the member, the member's spouse, and for each
- 26 dependent child as defined in KRS 16.505 shall be paid in full by the
- 27 systems so long as the member, member's spouse, or dependent child

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- 1 individually remains eligible for a monthly retirement benefit.
- 2 6. Except as provided by subparagraph 5. of this paragraph, the monthly
3 insurance contribution amount shall be increased:
- 4 a. On July 1 of each year by one and one-half percent (1.5%). The
5 increase shall be cumulative and shall continue to accrue after the
6 member's retirement for as long as a monthly insurance
7 contribution is payable to the retired member or beneficiary but
8 shall not apply to any increase in the contribution attributable to
9 the increase specified by subdivision b. of this subparagraph; and
- 10 b. On January 1 of each year by five dollars (\$5) for members who
11 have accrued an additional full year of service as a participating
12 employee beyond the career threshold, subject to the following
13 restrictions:
- 14 i. The additional insurance contribution provided by this
15 subdivision shall only be applied to the monthly contribution
16 amounts provided under subparagraph 2.a. and b. of this
17 paragraph;
- 18 ii. The additional insurance contribution provided by this
19 subdivision shall only be payable towards the health plans
20 offered by the system to retirees who are not eligible for
21 Medicare or for reimbursements provided to retirees not
22 eligible for Medicare pursuant to subsection (6)(a)2. of this
23 section; and
- 24 iii. In order for the annual increase to occur as provided by this
25 subdivision, the funding level of retiree health benefits for
26 the system in which the employee is receiving the additional
27 insurance contribution shall be at least ninety percent (90%)

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- 1 as of the most recent actuarial valuation and be projected by
 2 the actuary to remain ninety percent (90%) for the year in
 3 which the increase is provided.
- 4 7. The benefits of this paragraph provided to a member whose participation
 5 begins on or after July 1, 2003, shall not be considered as benefits
 6 protected by the inviolable contract provisions of KRS 16.652 or
 7 61.692. The General Assembly reserves the right to suspend or reduce
 8 the benefits conferred in this paragraph if in its judgment the welfare of
 9 the Commonwealth so demands.
- 10 8. An employee whose membership date is on or after September 1, 2008,
 11 who retires and is reemployed in a regular full-time position required to
 12 participate in the system or the County Employees Retirement System
 13 shall not be eligible for health insurance coverage or benefits provided
 14 by this section and shall take coverage with his or her employing agency
 15 during the period of reemployment in a regular full-time position.
- 16 9. For purposes of this paragraph:
- 17 a. "Career threshold" for a member with service in a nonhazardous
 18 position means twenty-seven (27) years of service credited under
 19 KRS 16.543(1), 61.543(1), 78.615(1), or another state-
 20 administered retirement system and for a member with service in a
 21 hazardous position means the service requirements specified by
 22 KRS 16.577(2) or (3) or 16.583(6)(b), as applicable; and
- 23 b. "Funding level" means the actuarial value of assets divided by the
 24 actuarially accrued liability expressed as a percentage that is
 25 determined and reported by the system's actuary in the annual
 26 actuarial valuation.
- 27 (f) For members with service in another state-administered retirement system

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- 1 who select hospital and medical insurance plan coverage through the system:
- 2 1. The system shall compute the member's combined service, including
- 3 service credit in another state-administered retirement system, and
- 4 calculate the portion of the member's premium monthly contribution rate
- 5 to be paid by the funds specified under paragraph (a)2. of this subsection
- 6 according to the criteria established in paragraphs (a) to (e) of this
- 7 subsection. Each state-administered retirement system shall pay
- 8 annually to the insurance trust fund established under KRS 61.701 the
- 9 portion of the system's cost of the retiree's monthly contribution for
- 10 single coverage for hospital and medical insurance plan which shall be
- 11 equal to the percentage of the member's number of months of service in
- 12 the other state-administered retirement plan divided by his or her total
- 13 combined service and in conjunction with the reciprocal agreement
- 14 established between the system and the other state-administered
- 15 retirement systems. The amounts paid by the other state-administered
- 16 retirement plans and by the Kentucky Retirement Systems from funds
- 17 specified under paragraph (a)2. of this subsection shall not be more than
- 18 one hundred percent (100%) of the monthly contribution adopted by the
- 19 respective boards of trustees;
- 20 2. A member may not elect coverage for hospital and medical benefits
- 21 through more than one (1) of the state-administered retirement systems;
- 22 and
- 23 3. A state-administered retirement system shall not pay any portion of a
- 24 member's monthly contribution for medical insurance unless the
- 25 member is a recipient or annuitant of the plan.
- 26 (5) Premiums paid for hospital and medical insurance coverage procured under
- 27 authority of this section shall be exempt from any premium tax which might

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1 otherwise be required under KRS Chapter 136. The payment of premiums by the
 2 funds described by subsection (4)(a)2. of this section shall not constitute taxable
 3 income to an insured recipient. No commission shall be paid for hospital and
 4 medical insurance procured under authority of this section.

5 (6) (a) The board shall promulgate an administrative regulation to establish a medical
 6 insurance reimbursement plan to provide reimbursement for hospital and
 7 medical insurance plan premiums of recipients of a retirement allowance who:

8 1. Are not eligible for the same level of hospital and medical benefits as
 9 recipients living in Kentucky and having the same Medicare hospital
 10 and medical insurance eligibility status; or

11 2. Are eligible for retiree health subsidies as provided by subsection
 12 ~~(4)(e)~~~~[(4)(d)]~~ of this section, except for those recipients eligible for full
 13 premium subsidies under subsection (4)(e)5. of this section. The
 14 reimbursement program as provided by this subparagraph shall be
 15 available to the recipient regardless of the hospital and medical
 16 insurance plans offered by the systems.

17 (b) An eligible recipient shall file proof of payment for hospital and medical
 18 insurance plan coverage with the retirement office. Reimbursement to eligible
 19 recipients shall be made on a quarterly basis. The recipient shall be eligible
 20 for reimbursement of substantiated medical insurance premiums for an
 21 amount not to exceed the total monthly contribution rate determined under
 22 subsection (4) of this section.

23 (c) For purposes of recipients described by paragraph (a)1. of this subsection, the
 24 plan shall not be made available if all recipients are eligible for the same
 25 coverage as recipients living in Kentucky.

26 ➔Section 19. KRS 61.705 is amended to read as follows:

27 (1) (a) Upon the death of a retired member of the Kentucky Employees Retirement

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1 System or State Police Retirement System who was receiving a monthly
 2 retirement allowance based on a minimum of forty-eight (48) months of
 3 service or whose retirement allowance based on a minimum of forty-eight
 4 (48) months was suspended in accordance with KRS 61.637, a death benefit
 5 for the beneficiary of five thousand dollars (\$5,000) shall be paid.

6 **(b)** If the retired member had more than one (1) account in the Kentucky
 7 Employees Retirement System or State Police Retirement System, or was
 8 eligible for a benefit under KRS 78.5538 from the County Employees
 9 Retirement System, the systems shall pay only one (1) five thousand dollar
 10 (\$5,000) death benefit to the named beneficiary. Each system's cost shall be
 11 prorated between the systems based upon the level of service credit in each
 12 system.

13 **(c)** Application for the death benefit made to the Kentucky Retirement Systems
 14 shall include acceptable evidence of death and of the eligibility of the
 15 applicant to receive the death benefit~~{act on the deceased retired member's~~
 16 ~~behalf}~~.

17 (2) **(a)** The death benefit shall be paid to a beneficiary named by the retired member.
 18 Upon retirement or any time thereafter, the retired member may designate on
 19 the form prescribed by the board, death benefit designation, a person, the
 20 retired member's estate, a trust or trustee, or a licensed funeral home, as the
 21 beneficiary of the death benefit provided by this section or KRS 78.5538. The
 22 beneficiary for the death benefit may or may not be the same beneficiary
 23 designated in accordance with KRS 61.590(1) but only one (1) designation
 24 shall be available to a retired member who has service in both the County
 25 Employees Retirement System and the Kentucky Retirement Systems.

26 **(b)** If the beneficiary designated under this section is a person and that person
 27 dies prior to the member, or if the beneficiary was the retired member's

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1 spouse and they were divorced on the date of the retired member's death, then
 2 the retired member's estate shall become the beneficiary, unless the retired
 3 member has filed a subsequent death benefit designation.

4 **(c)** If a licensed funeral home is designated as beneficiary and the licensed
 5 funeral home cannot be reasonably identified or located by Kentucky
 6 Retirement Systems at the time of the retired member's death, then the retired
 7 member's estate shall become the beneficiary of the death benefit.

8 (3) **The five thousand dollar (\$5,000) death benefit paid to the designated beneficiary**
 9 **shall not be subject to garnishment as an asset of the retired member's estate,**
 10 **except if:**

11 **(a)** ~~[(If,)]~~ At the time of the retired member's death, a debt to the Kentucky
 12 Retirement Systems remains on his or her account, the balance owed shall be
 13 deducted from the five thousand ~~dollar[dollars]~~ (\$5,000) death benefit;

14 **(b)** **After the death of the retired member, an overpayment of benefits occurs,**
 15 **the balance owed for the overpayment may be deducted from the five**
 16 **thousand dollar (\$5,000) death benefit; or**

17 **(c)** **At the time of the retired member's death, the designated beneficiary is the**
 18 **retired member's estate.**

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

22 ➔Section 20. KRS 78.530 is amended to read as follows:

23 (1) (a) Each county and school board, as defined in KRS 78.510, will participate in
 24 the system by appropriate order authorizing such participation which has been
 25 entered and duly recorded in the records of the governing body of the county
 26 or school board. In cases where general purpose county government does not
 27 participate, but the sheriff and his or her employees or the county clerk and

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- 1 his or her employees do, the sheriff or the clerk shall retain the order in his or
 2 her office. The authority to issue and properly record such order of
 3 participation being hereby granted, permits such county to participate in the
 4 system. The effective date of such participation shall be fixed in the order.
- 5 (b) Notwithstanding any statute to the contrary, after April 9, 2002, the systems
 6 shall deny the request for participation of any agency which does not have an
 7 irrevocable contract with the state Personnel Cabinet for health insurance
 8 coverage under KRS 18A.225 to 18A.229 for its active employees, except
 9 that:
- 10 1. County governments entering the system between April 9, 2002, and
 11 July 1, 2003, under this section shall be excluded from this requirement;
 - 12 2. Agencies entering the system on or after April 9, 2002, which were
 13 established by a merger or an interlocal agreement to provide public
 14 services shall be excluded from this requirement if any agencies entering
 15 into the merger or interlocal agreement had an initial participation date
 16 with the system prior to April 9, 2002; and
 - 17 3. Any consolidated emergency services district.
- 18 (2) Once a county or school board participates, it shall thereafter continue to
 19 participate, except as provided in KRS 78.535.
- 20 (3) (a) Concurrent with the adoption of the appropriate resolution to participate in the
 21 system, a county may elect the alternate participation plan which will require
 22 the county to purchase on behalf of each employee electing coverage, at the
 23 time the county elected to participate in the system as provided under KRS
 24 78.540(1)(b) ~~and (c)~~, current service credit for employment in regular full-
 25 time positions between July 1, 1958, and the participation date of the county.
 26 Cities which participate in the system pursuant to subsection (6) of this
 27 section, KRS 79.080, 90.400, 90.410, 95.520, 95.621, 95.761, 95.768, 95.852,

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1 or 96.180 shall be required to purchase on behalf of each employee electing
2 coverage only as much service credit as the employee has accumulated in the
3 city-administered plan, up to the participation date of the city. Accumulated
4 service shall include service for which an employee received a refund
5 pursuant to KRS 95.620 or 95.866, if such refund has been repaid. If the
6 employee has not yet repaid the refund, he may make payment to the system
7 by any method acceptable to the system, and the requirement of five (5) years
8 of continuous reemployment prior to repayment of refunds shall not apply.
9 Upon the employee's repayment, the city shall purchase the associated service
10 credit for the employee. Cost of such service credit over and above that which
11 would be funded within the existing employer contribution rate shall be
12 determined by the board's consulting actuary. The expense of such actuarial
13 service shall be paid by the county.

14 (b) The county shall establish a payment schedule subject to approval by the
15 board for payment of the cost of such service over and above that which
16 would be funded within the existing employer contribution rate. The
17 maximum period allowed in a payment schedule shall be thirty (30) years,
18 with interest at the rate actuarially assumed by the board. A shorter period is
19 desirable and the board may approve any payment schedule provided it is not
20 longer than a thirty (30) year period, except that cities which participate in the
21 system pursuant to subsection (6) of this section, KRS 79.080, 90.400,
22 90.410, 95.520, 95.621, 95.761, 95.768, 95.852, or 96.180 may, at their
23 option, extend the payment schedule to a maximum of thirty (30) years, may
24 choose to make level payments at the interest rate actuarially assumed by the
25 board over the life of the payment schedule chosen, and may retain employer
26 contributions and the earnings thereon attributable to employees electing
27 coverage.

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1 (c) A city entering the system under the alternate participation plan, may, by
2 ordinance, levy a special property tax to pay for current service credit
3 purchased for the period between July 1, 1958, and the participation date of
4 the city. The special tax shall be to pay, within a period of no more than
5 fifteen (15) years, for the cost of such service credit over that which would be
6 funded within the existing employer contribution rate, as determined by the
7 board's consulting actuary. The reason for levying the special tax and the
8 disposition of the proceeds shall be part of the ordinance levying the tax. The
9 special tax shall be rescinded when the unfunded prior service liability has
10 been amortized, and shall not be subject to the provisions of KRS 132.017 or
11 132.027. In addition, the city may maintain any tax, the proceeds of which
12 had been devoted to funding pension obligations under the locally
13 administered plan prior to participation in the system, for the purpose of
14 funding current service costs incurred after the date of participation. The city
15 may increase the tax to pay current service costs which exceed the local
16 pension system costs to which the tax had been devoted, but the city shall not
17 collect from the tax more revenues than are necessary to pay current service
18 costs incurred after the date of participation. The city may continue the tax so
19 long as it participates in the system, and the tax shall not be subject to the
20 provisions of KRS 132.017 or 132.027. The city shall not collect either tax
21 authorized by this paragraph if its participation has been terminated pursuant
22 to KRS 78.535.

23 (d) The county may at a later date purchase current service credit from July 1,
24 1958, to the participation date of the county by alternate participation plan for
25 those employees who rejected membership in the system at the time the
26 county first participated. In addition, the employer shall pay the employer
27 contributions on the creditable compensation of the employees who later elect

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1 membership from the participation date of the county to the date the member
2 elects participation. The employee shall pay the employee contributions on his
3 or her creditable compensation from the participation date of the county to the
4 date he or she elects membership plus interest at the current actuarial rate
5 compounded annually on the employee and employer contributions. Cost of
6 the service credit over and above that which would be funded within the
7 existing employer contribution rate shall be determined by the board's
8 consulting actuary. The expense of the actuarial service shall be paid by the
9 county. The county shall pay the cost of the service by lump sum or by adding
10 it to the existing payment schedule established under paragraph (b) of this
11 subsection.

12 (e) A county which did not participate by alternate participation may, until July 1,
13 1991, purchase current service credit for those employees who rejected
14 membership in the system at the time the county first participated. The
15 employer shall pay the employer contributions on the creditable compensation
16 of the employees who later elect membership from the participation date of
17 the county to the date the member elects participation. The employee shall
18 pay the employee contributions on his or her creditable compensation from
19 the participation date of the county to the date he or she elects membership
20 plus interest at the current actuarial rate compounded annually on the
21 employee and employer contributions. The county shall pay the cost of the
22 service credit by lump sum or by establishing a payment schedule under
23 paragraph (b) of this subsection.

24 (f) A county which participated in the system but did not elect the alternate
25 participation plan may at a later date elect the alternate participation plan. In
26 this case, the county shall purchase on behalf of each employee participating
27 in the system current service credit for employment in regular full-time

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- 1 positions between July 1, 1958, or a later date selected by the county
2 government, and the participation date of the county. The county shall also
3 purchase, for employees who decide to participate when the county elects the
4 alternate participation plan, current service credit for employment in regular
5 full-time positions between July 1, 1958, or the later date selected by the
6 county government, and the participation date of the county. In addition, the
7 county shall pay the employer contributions on the creditable compensation of
8 the employees who later elect membership from the participation date of the
9 county to the date the member elects participation. The employee shall pay
10 the employee contributions on his or her creditable compensation from the
11 participation date of the county to the date he or she elects membership plus
12 interest at the current actuarial rate compounded annually on the employee
13 and employer contributions. Cost of the service credit over that which would
14 be funded within the existing employer contribution rate shall be determined
15 by the board's consulting actuary. The expense of the actuarial service shall be
16 paid by the county. The county shall pay the cost of the service by lump sum
17 or by a payment schedule established under paragraph (b) of this subsection.
- 18 (g) Notwithstanding any other provision of the Kentucky Revised Statutes to the
19 contrary, this subsection shall not apply to members who begin participating
20 in the system on or after January 1, 2014, and no county that elects to
21 participate in the system on or after January 1, 2014, shall be eligible to
22 participate under the alternate participation plan.
- 23 (4) Every school board not participating on June 21, 1974, shall enact a resolution of
24 participation no later than July 1, 1976.
- 25 (5) The order of the governing body of a county, as provided for in subsection (1) of
26 this section, may exclude from participation in the system hospitals and any other
27 semi-independent agency. Each such excluded agency shall be identified in the

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1 order authorizing participation and such excluded agency may participate in the
2 system as a separate agency.

3 (6) (a) After August 1, 1988, except as permitted by KRS 65.156, no local
4 government retirement system shall be created pursuant to KRS 70.580 to
5 70.598 and any local government retirement systems created pursuant to KRS
6 79.080, 90.400, 90.410, 95.768, and KRS Chapter 96 shall be closed to new
7 members. New employees who would have been granted membership in such
8 retirement systems shall instead be granted membership in the County
9 Employees Retirement System. Employees who would have been granted
10 membership in retirement systems created pursuant to KRS 95.768, or any
11 other policemen or firefighters who would have been granted membership in
12 retirement systems created pursuant to KRS 79.080, 90.400, or 90.410, or any
13 such policemen or firefighter members employed on or prior to August 1,
14 1988, who transfer to the County Employees Retirement System, shall be
15 certified by their employers as working in hazardous positions. Each city
16 participating in the County Employees Retirement System pursuant to this
17 subsection shall execute the appropriate order authorizing such participation,
18 shall select the alternate participation plan as described in subsection (3) of
19 this section, and shall pay for the actuarial services necessary to determine the
20 additional costs of alternate participation. Cities which closed their local
21 pension systems to new members and participated in the system prior to July
22 15, 1988, whose employees at the time of transition were given the option to
23 join the system shall not be required to offer said employees a second option
24 to join the system.

25 (b) Notwithstanding any statute to the contrary, after April 9, 2002, the system
26 shall deny the request for participation of any agency which does not have an
27 irrevocable contract with the state Personnel Cabinet for health insurance

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1 coverage under KRS 18A.225 to 18A.229 for its active employees, except that
 2 agencies entering the system on or after April 9, 2002, which were established
 3 by a merger or an interlocal agreement to provide public services shall be
 4 excluded from this requirement if all agencies entering into the merger or
 5 interlocal agreement had an initial participation date with the system prior to
 6 April 9, 2002.

7 (7) Any city which closed a police and firefighter pension plan to new members
 8 between January 1, 1988, and July 15, 1988, and participated in the system under
 9 the alternate participation plan shall, if its police and firefighters were not covered
 10 by Social Security, or any city which operates a pension under KRS 90.400 or
 11 90.410, shall be required to certify that its police and firefighters are working in
 12 hazardous positions, and shall offer its police and firefighters in service at the time
 13 of entry a second option to participate under hazardous duty coverage if they were
 14 not offered hazardous duty coverage at the time of their first option. The provisions
 15 of subsection (3)(b) of this section notwithstanding, a city affected by this
 16 subsection may, at its option, extend its payment schedule to the County Employees
 17 Retirement System for alternate participation to thirty (30) years at the rate
 18 actuarially assumed by the board.

19 ➔Section 21. KRS 78.540 is amended to read as follows:

20 Membership in the system shall consist of the following:

- 21 (1) (a) All persons who become employees of a participating county after the date the
 22 county first participates in the system, except that:
- 23 1. Mayors and members of city legislative bodies may decline prior to their
 24 participation in the system; and
 - 25 2. City managers or other appointed local government executives who
 26 participate in a retirement system, other than Social Security, may
 27 decline prior to their participation in the system;

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- 1 (b) All persons who are employees of a county on the date the county first
 2 participates in the system, either in service or on authorized leave from
 3 service, and who elect within thirty (30) days next following the county's
 4 participation, or in the case of persons on authorized leave, within thirty (30)
 5 days of their return to active service, to become members and thereby agree to
 6 make contributions as provided in KRS 78.520 to 78.852; and
- 7 ~~(c) [All persons who are employees of a county who did not elect to participate~~
 8 ~~within thirty (30) days of the date the county first participated in the system or~~
 9 ~~within thirty (30) days of their return to active service and who subsequently~~
 10 ~~elect to participate the first day of a month after the county's date of~~
 11 ~~participation;~~
- 12 ~~(d) All persons who declined participation as provided by paragraph (a) of this~~
 13 ~~subsection and who later elect to participate. Persons who elect to participate~~
 14 ~~under this paragraph may purchase service credit for any prior years in~~
 15 ~~accordance with KRS 61.552(5)(a), provided the person began participating in~~
 16 ~~the system prior to January 1, 2014. The service shall not be included in the~~
 17 ~~member's total service for purposes of determining benefits under KRS~~
 18 ~~78.5536; and~~
- 19 ~~(e)]All persons electing coverage in the system under KRS 78.530(3)(d).~~
- 20 (2) The provisions of subsection (1)(a) and (b) ~~to (e)~~ of this section notwithstanding,
 21 cities which participate in the CERS and close existing local pension systems to
 22 new, or all members pursuant to the provisions of KRS 78.530, 95.520, 95.621, or
 23 95.852 shall not be required to provide membership in the County Employees
 24 Retirement System to employees in any employee category not covered by a city
 25 pension system at the date of participation.
- 26 (3) Membership in the system shall not include:
- 27 (a) Persons who are not eligible to participate in the system as provided by KRS

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- 1 78.535; or
- 2 (b) Employees who are simultaneously participating in another state-administered
- 3 defined benefit plan within Kentucky other than those administered by the
- 4 Kentucky Retirement Systems or the County Employees Retirement System.
- 5 (4) (a) The membership of any person in the system shall cease:
- 6 1. Upon withdrawal of his or her accumulated account balance at or any
- 7 time after termination of employment, regardless of length of service;
- 8 2. Upon retirement;
- 9 3. Upon death;
- 10 4. For persons hired prior to August 1, 2000, upon termination of
- 11 employment with prejudice, as defined by paragraph (b) of this
- 12 subsection; or
- 13 5. For persons hired on or after August 1, 2000, upon conviction of a
- 14 felony relating to the person's employment as provided in paragraph (c)
- 15 of this subsection.
- 16 (b) For purposes of KRS 78.510 to 78.852, termination of employment with
- 17 prejudice shall mean termination as the result of conviction of the member in
- 18 a court of competent jurisdiction of embezzlement or larceny of public funds
- 19 or property or malfeasance in office, or the forcing of a member to make
- 20 restitution for any funds or property criminally taken by the member at the
- 21 time of termination of employment.
- 22 (c) Notwithstanding any provision of law to the contrary, an employee hired on
- 23 or after August 1, 2000, who participates in the system and who is convicted,
- 24 in any state or federal court of competent jurisdiction, of a felony related to
- 25 his or her employment shall forfeit rights and benefits earned under the
- 26 system, except for the return of his or her accumulated contributions and
- 27 interest credited on those contributions. The payment of retirement benefits

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1 ordered forfeited shall be stayed pending any appeal of the conviction. If the
 2 conviction is reversed on final judgment, no retirement benefit shall be
 3 forfeited. The employer shall notify the system when an employee is
 4 convicted under the provisions of this subsection.

5 (d) When membership ceases, except in the case of retirement, the member shall
 6 thereafter lose all right to any retirement allowance or benefits under KRS
 7 78.510 to 78.852 arising from service prior to the date of such cessation of
 8 membership.

9 ➔Section 22. KRS 78.5528 is amended to read as follows:

10 (1) (a) The Authority may contract for the services of one (1) or more vocational
 11 experts upon terms and conditions it prescribes to:

12 1. Review and investigate all employment information and forms
 13 submitted by a disability recipient under this section and KRS 78.5526;

14 and

15 2. Report in writing to the Authority the conclusions and
 16 recommendations upon all matters referred for review and
 17 investigation.

18 (b) A vocational expert providing services to the Authority shall have a master's
 19 degree or higher degree in counseling or rehabilitation, an American Board
 20 of Vocational Experts certification, or a certification as a Certified
 21 Rehabilitation Counselor, Certified Disability Management Specialist,
 22 Associate Disability Case Manager, Licensed Rehabilitation Counselor, or
 23 Certified Case Manager.

24 (2) (a) Each recipient of a disability retirement allowance who is engaged in
 25 gainful employment shall notify the Authority upon beginning the
 26 employment. If the member fails to notify the Authority of the gainful
 27 employment under this section, the Authority may recover the payments of a

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- 1 ***disability retirement allowance made during the gainful employment.***
- 2 ***(b) The system may reduce or discontinue a recipient's disability allowance*** if
- 3 the Authority's medical examiner ***selected under Section 15 of this Act or***
- 4 ***vocational expert selected under this section*** determines that:
- 5 ***1.*** A recipient of a disability retirement allowance is, prior to his or her
- 6 normal retirement date, ***gainfully*** employed in a position with the same
- 7 or similar duties, or in a position with duties requiring greater residual
- 8 functional capacity and physical exertion, as the position from which he
- 9 or she was disabled, except where the recipient has returned to work on
- 10 a trial basis not to exceed nine (9) months; ***or***
- 11 ***2. A recipient of a disability retirement allowance resulting solely from***
- 12 ***mental illness is, prior to his or her normal retirement date, employed***
- 13 ***in a position with the same or similar duties, or in a position with***
- 14 ***duties requiring greater residual functional capacity, as the position***
- 15 ***from which he or she was disabled***, ~~the system may reduce or~~
- 16 ~~discontinue the retirement allowance. Each recipient of a disability~~
- 17 ~~retirement allowance who is engaged in gainful employment shall notify~~
- 18 ~~the Authority of any employment; otherwise, the system shall have the~~
- 19 ~~right to recover payments of a disability retirement allowance made~~
- 20 ~~during the employment].~~
- 21 ~~(3)(2)~~ ***The system may reduce or discontinue a recipient's disability allowance*** if
- 22 the Authority's medical examiner determines that a recipient of a disability
- 23 retirement allowance is, prior to his or her normal retirement date, no longer
- 24 incapacitated by the bodily injury, mental illness, or disease for which he or she
- 25 receives a disability retirement allowance, ~~the system may reduce or discontinue~~
- 26 ~~the retirement allowance].~~
- 27 ***(4) (a)(3)*** The system shall have full power and authority to reduce or discontinue

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1 a disability retirement allowance and the Authority shall utilize the services of
 2 a medical examiner as provided in KRS 61.665 **or a vocational expert**, in
 3 determining whether to continue, reduce, or discontinue a disability retirement
 4 allowance under this section.

5 ~~(b)(a)~~ The Authority shall select **one (1)**~~(a)~~ medical examiner to evaluate the
 6 forms and **employment and** medical information submitted by the person. **If**
 7 **only employment information is submitted, the Authority may select one (1)**
 8 **vocational expert to evaluate the forms and employment information**
 9 **submitted by the person.** If there is objective medical evidence of a mental
 10 impairment, the medical examiner may request the Authority's licensed
 11 mental health professional to assist in determining the level of the mental
 12 impairment.

13 ~~(c)(b)~~ The medical **examiner or vocational expert**~~(examiners)~~ shall be paid a
 14 reasonable amount by the **Authority**~~(retirement system)~~ for each case
 15 evaluated.

16 ~~(d) 1.(e)~~ The medical examiner **or vocational expert** shall recommend that
 17 the disability retirement allowance be continued, reduced, or
 18 discontinued.

19 ~~2.(1)~~ If the medical examiner **or vocational expert** recommends that the
 20 disability retirement allowance be continued, the system shall make
 21 retirement payments in accordance with the retirement plan selected by
 22 the person.

23 ~~3. a.(2)~~ If the medical examiner **or vocational expert** recommends that the
 24 disability retirement allowance be reduced or discontinued, the
 25 Authority shall send notice of the recommendation by United
 26 States first-class mail to the person's last address on file in the
 27 retirement office, **by electronic mail to the person's last electronic**

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1 mail address on file in the retirement office, or by other
 2 electronic means.

3 ~~b.1a.~~ The person shall have sixty (60) days from the day that the
 4 Authority ~~sent~~~~mailed~~ the notice to file at the retirement office
 5 additional supporting employment or medical information and
 6 certify to the Authority that the forms and additional supporting
 7 employment information or medical information are ready to be
 8 evaluated by the medical examiner or vocational expert or to
 9 appeal the recommendation of the medical examiner or vocational
 10 expert to reduce or discontinue the disability retirement allowance
 11 by filing at the retirement office a request for a formal hearing.

12 ~~c.1b.~~ If the person fails or refuses to file at the retirement office the
 13 forms, the additional supporting employment information, and
 14 current medical information or to appeal the recommendation of
 15 the medical examiner or vocational expert~~examiners~~ to reduce
 16 or discontinue the disability retirement allowance, his or her
 17 retirement allowance shall be discontinued on the first day of the
 18 month following the expiration of the period of the sixty (60) days
 19 from the day the Authority ~~sent~~~~mailed~~ the notice of the
 20 recommendation to the person's last address on file in the
 21 retirement office, by electronic mail to the person's last electronic
 22 mail address on file in the retirement office, or by other
 23 electronic means.

24 (e) 1.~~(d)~~ The medical examiner shall make a recommendation based upon
 25 the evaluation of additional supporting employment and medical
 26 information submitted in accordance with paragraph (d)3.b.~~(e)2.a.~~ of
 27 this subsection, or the vocational expert shall make a recommendation

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1 *based upon the additional supporting employment information*
 2 *submitted in accordance with paragraph (d)3.b. of this subsection.*

3 ~~2.~~^{1.} If the medical examiner *or vocational expert* recommends that the
 4 disability retirement allowance be continued, the system shall make
 5 disability retirement payments in accordance with the retirement plan
 6 selected by the person.

7 ~~3.~~ ~~a.~~^{2.} If the medical examiner recommends that the disability retirement
 8 allowance be reduced or discontinued based upon the evaluation of
 9 additional supporting *employment information and* medical
 10 information, *or if the vocational expert recommends that the*
 11 *disability retirement allowance be reduced or discontinued based*
 12 *upon the evaluation of additional employment information,* the
 13 Authority shall send notice of this recommendation by United
 14 States first-class mail to the person's last address on file in the
 15 retirement office, *by electronic mail to the person's last electronic*
 16 *mail address on file in the retirement office, or by other*
 17 *electronic means.*

18 ~~b.~~^{a.} The person shall have sixty (60) days from the day that the
 19 Authority ~~sent~~^{mailed} the notice of the recommendation to appeal
 20 the recommendation to reduce or discontinue the disability
 21 retirement allowance by filing at the retirement office a request for
 22 formal hearing.

23 ~~c.~~^{b.} If the person fails or refuses to appeal the recommendation of the
 24 medical ~~examiner or vocational expert~~^{examiners} to reduce or
 25 discontinue the disability retirement allowance, his or her
 26 retirement allowance shall be discontinued on the first day of the
 27 month following the expiration of the period of the sixty (60) days

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1 from the day the Authority ~~sent~~~~mailed~~ the notice of the
 2 recommendation to the person's last address on file in the
 3 retirement office, by electronic mail to the person's last electronic
 4 mail address on file in the retirement office, or by other
 5 electronic means.

6 ~~(f)~~~~(e)~~ Any person whose disability benefits have been reduced or
 7 discontinued, pursuant to paragraph ~~(d)3.a. or (e)3.a.~~~~(e)2. or (d)2.~~ of this
 8 subsection, may file at the retirement office a request for formal hearing to be
 9 conducted in accordance with KRS Chapter 13B. The right to demand a
 10 formal hearing shall be limited to a period of sixty (60) days after the person
 11 had notice, as described in paragraph (c) or (d) of this subsection. The request
 12 for formal hearing shall be filed with the Authority, at the retirement office in
 13 Frankfort. The request for formal hearing shall include a short and plain
 14 statement of the reasons the reduction, discontinuance, or denial of disability
 15 retirement is being contested.

16 ~~(g)~~~~(f)~~ Failure of the person to request a formal hearing within the period of
 17 time specified shall preclude the person from proceeding any further with
 18 contesting the reduction or discontinuation of disability retirement allowance,
 19 except as provided in subsection ~~(7)~~~~(6)~~(d) of this section. This paragraph
 20 shall not limit the person's right to appeal to a court.

21 ~~(h)~~~~(g)~~ A final order of the board shall be based on substantial evidence
 22 appearing in the record as a whole and shall set forth the decision of the board
 23 and the facts and law upon which the decision is based. If the board orders
 24 that the person's disability retirement allowance be discontinued or reduced,
 25 the order shall take effect on the first day of the month following the day the
 26 Authority ~~sent~~~~mailed~~ the order to the person's last address on file in the
 27 retirement office, by electronic mail to the person's last electronic mail

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1 address on file in the retirement office, or by other electronic means.

2 Judicial review of the final board order shall not operate as a stay and the
3 system shall discontinue or reduce the person's disability retirement allowance
4 as provided in this section.

5 ~~(i)(b)~~ Notwithstanding any other provisions of this section, the
6 system~~Authority~~ may require the person to submit to one (1) or more
7 medical or psychological examinations at any time. The system shall be
8 responsible for any costs associated with any examinations of the person
9 requested by the medical examiner or the system for the purpose of providing
10 medical information deemed necessary by the medical examiner or the
11 system. Notice of the time and place of the examination shall be
12 provided~~mailed~~ to the person or his or her legal representative. If the person
13 fails or refuses to submit to one (1) or more medical examinations, his or her
14 rights to further disability retirement allowance shall cease.

15 ~~(j)(c)~~ All requests for a hearing pursuant to this section shall be made in
16 writing.

17 ~~(5)(4)~~ The board may establish an appeals committee whose members shall be
18 appointed by the chair and who shall have the authority to act upon the
19 recommendations and reports of the hearing officer pursuant to this section on
20 behalf of the board. The board may also establish a joint appeals committee with
21 the Kentucky Retirement Systems.

22 ~~(6)(5)~~ Any person aggrieved by a final order of the board may seek judicial review
23 after all administrative appeals have been exhausted by filing a petition for judicial
24 review in the Franklin Circuit Court in accordance with KRS Chapter 13B.

25 ~~(7)(6)~~ If a disability retirement allowance is reduced or discontinued for a person
26 who began participating prior to January 1, 2014, the person may apply for early
27 retirement benefits as provided under KRS 78.5510 or 78.5514, as applicable,

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1 subject to the following provisions:

- 2 (a) The person may not change his or her beneficiary or payment option;
- 3 (b) If the person has returned to employment with an employer participating in
4 the County Employees Retirement System, *Kentucky Employees Retirement*
5 *System, or State Police Retirement System*~~[or the Kentucky Retirement~~
6 ~~Systems]~~, the service and creditable compensation shall be used in
7 recomputing his or her benefit, except that the person's final compensation
8 shall not be less than the final compensation last used in determining his or
9 her retirement allowance;
- 10 (c) The benefit shall be reduced as provided by KRS 78.5510(4) or 78.5514(4);
- 11 (d) 1. The person shall remain eligible for reinstatement of his or her disability
12 allowance upon reevaluation ~~[by the medical examiners]~~ until his or her
13 normal retirement age. The person shall apply for reinstatement of
14 disability benefits in accordance with the provisions of this
15 paragraph~~[section]~~.
- 16 2. An application for reinstatement of disability benefits shall be
17 administered as an application under KRS 78.5524 or 78.5526, as
18 applicable, except~~:[and]~~
- 19 a. Only the bodily injuries, mental illnesses, diseases, or conditions
20 for which the person was originally approved for disability
21 benefits shall be considered. Bodily injuries, mental illnesses,
22 diseases, or conditions that came into existence after the person's
23 last day of paid employment shall not be considered as a basis for
24 reinstatement of disability benefits. Bodily injuries, mental
25 illnesses, diseases, or conditions alleged by the person as being
26 incapacitating, but which were not the basis for the award of
27 disability retirement benefits, shall not be considered;~~[-]~~

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1 **b. A person whose disability allowance was discontinued under**
 2 **subsection (2) of this section, who is still employed in the same**
 3 **position on which his or her disability allowance was**
 4 **discontinued, shall submit with the application employment**
 5 **information detailing the changes to the position evidencing**
 6 **cause for reinstatement;**

7 **c. A person whose disability allowance was discontinued under**
 8 **subsection (3) of this section shall provide with the application**
 9 **new objective medical evidence not previously considered by the**
 10 **Authority's medical examiner; and**

11 **d. The application for reinstatement shall be reviewed by one (1)**
 12 **medical examiner or vocational expert.**

13 **3.** If the person establishes that the disability benefits should be reinstated,
 14 the system shall pay disability benefits effective from the first day of the
 15 month following the month in which the person applied for
 16 reinstatement of the disability benefits; and

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

20 ~~(8)~~**(7)** **If a disability retirement allowance is reduced or discontinued for a person**
 21 **who began participating in the system on or after January 1, 2014, the person**
 22 **shall remain eligible for reinstatement of his or her disability allowance as**
 23 **provided under subsection (7)(d) of this section.**

24 **(9)** No disability retirement allowance shall be reduced or discontinued by the system
 25 after the person's normal retirement date except in case of reemployment as
 26 provided for by KRS 78.5540. If a disability retirement allowance has been reduced
 27 or discontinued, except if the person is reemployed as provided for by KRS

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1 78.5540, the retirement allowance shall be reinstated upon attainment of the
2 person's normal retirement date to the retirement allowance prior to adjustment. No
3 reinstated payment shall be less than the person is receiving upon attainment of the
4 person's normal retirement date.

5 ➔Section 23. KRS 78.5536 is amended to read as follows:

6 (1) For purposes of this section:

7 (a) "Hospital and medical insurance plan" may include, at the board's discretion,
8 any one (1) or more of the following:

9 1. Any hospital and medical expense policy or certificate, provider-
10 sponsored integrated health delivery network, self-insured medical plan,
11 health maintenance organization contract, or other health benefit plan;

12 2. Any health savings account as permitted by 26 U.S.C. sec. 223 or health
13 reimbursement arrangement or a similar account as may be permitted by
14 26 U.S.C. sec. 105 or 106. Such arrangement or account, at the board's
15 discretion, may reimburse any medical expense permissible under 26
16 U.S.C. sec. 213; or

17 3. A medical insurance reimbursement program established by the board
18 through the promulgation of administrative regulation under which
19 members purchase individual health insurance coverage through a health
20 insurance exchange established under 42 U.S.C. sec. 18031 or 18041;

21 (b) "Monthly contribution rate" shall be the amount determined by the board
22 based upon the requirements of subsection (4)(a) to (d) of this section, except
23 that for members who began participating in the system on or after July 1,
24 2003, the term shall mean the amount determined in subsection (4)(e) of this
25 section; and

26 (c) "Months of service" shall mean the total months of combined service used to
27 determine benefits under the system, except service added to determine

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- 1 disability benefits or service otherwise prohibited from being used to
2 determine retiree health benefits under KRS 78.510 to 78.852 shall not be
3 counted as "months of service."
- 4 (2) (a) 1. The board of trustees of the system shall arrange by appropriate contract
5 or on a self-insured basis to provide a group hospital and medical
6 insurance plan coverage for:
- 7 a. Present and future recipients of a retirement allowance from the
8 County Employees Retirement System; and
- 9 b. The spouse and each qualified dependent of a recipient who is a
10 former member or the beneficiary, provided the spouse and
11 dependent meet the requirements to participate in the hospital and
12 medical insurance plans established, contracted, or authorized by
13 the system.
- 14 2. Any recipient who chooses coverage under a hospital and medical
15 insurance plan shall pay, by payroll deduction from the retirement
16 allowance, electronic funds transfer, or by another method, the
17 difference between the premium cost of the hospital and medical
18 insurance plan coverage selected and the monthly contribution rate to
19 which he or she would be entitled under this section.
- 20 (b) 1. For present and future recipients of a retirement allowance from the
21 system who are not eligible for Medicare and for those recipients
22 described in subparagraph 3.b. of this paragraph, the board may
23 authorize these participants to be included in the Kentucky Employees
24 Health Plan as provided by KRS 18A.225 to 18A.2287 and shall provide
25 benefits for recipients in the plan equal to those provided to state
26 employees having the same Medicare hospital and medical insurance
27 eligibility status. Notwithstanding the provisions of any other statute

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- 1 except subparagraph 3.b. of this paragraph, system recipients shall be
2 included in the same class as current state employees for purposes of
3 determining medical insurance policies and premiums in the Kentucky
4 Employees Health Plan as provided by KRS 18A.225 to 18A.2287.
- 5 2. Regardless of age, if a recipient or the spouse or dependent child of a
6 recipient who elects coverage becomes eligible for Medicare, he or she
7 shall participate in the plans offered by the systems for Medicare
8 eligible recipients. Individuals participating in the Medicare eligible
9 plans may be required to obtain and pay for Medicare Part A and Part B
10 coverage in order to participate in the Medicare eligible plans offered by
11 the system.
- 12 3. The system shall continue to provide the same hospital and medical
13 insurance plan coverage for recipients and qualifying dependents after
14 the age of sixty-five (65) as before the age of sixty-five (65), if:
- 15 a. The recipient is not eligible for Medicare coverage; or
- 16 b. The recipient would otherwise be eligible for Medicare coverage
17 but is subject to the Medicare Secondary Payer Act under 42
18 U.S.C. sec. 1395y(b) and has been reemployed by a participating
19 agency which offers the recipient a hospital and medical insurance
20 benefit or by a participating agency which is prevented from
21 offering a hospital and medical benefit to the recipient as a
22 condition of reemployment under KRS 70.293, 95.022, or
23 164.952. Individuals who are eligible, pursuant to this subdivision,
24 to be included in the Kentucky Employees Health Plan as provided
25 by KRS 18A.225 to 18A.2287 may be rated as a separate class
26 from other eligible employees and retirees for the purpose of
27 determining medical insurance premiums.

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- 1 (c) For recipients of a retirement allowance who are not eligible for the same
2 level of hospital and medical benefits as recipients living in Kentucky having
3 the same Medicare hospital and medical insurance eligibility status, the board
4 shall provide a medical insurance reimbursement plan as described in
5 subsection (6) of this section.
- 6 (d) Notwithstanding anything in KRS Chapter 78 to the contrary, the board of
7 trustees, in its discretion, may take necessary steps to ensure compliance with
8 42 U.S.C. secs. 300bb-1 et seq.
- 9 (3) (a) Each employer participating in the County Employees Retirement System as
10 provided in KRS 78.510 to 78.852 shall contribute to the insurance trust fund
11 established by KRS 61.701 the amount necessary to provide the monthly
12 contribution rate as provided for under this section. Such employer
13 contribution rate shall be developed by appropriate actuarial method as a part
14 of the determination of each respective employer contribution rate determined
15 under KRS 78.635.
- 16 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
17 from the creditable compensation of each member whose membership
18 date begins on or after September 1, 2008, an amount equal to one
19 percent (1%) of the member's creditable compensation. The deducted
20 amounts shall, at the discretion of the board, be credited to accounts
21 established pursuant to 26 U.S.C. sec. 401(h), within the funds
22 established in KRS 78.520, or the insurance trust fund established under
23 KRS 61.701. Notwithstanding the provisions of this paragraph, a
24 transfer of assets between the accounts established pursuant to 26 U.S.C.
25 sec. 401(h), within the funds established in KRS 78.520, and the
26 insurance trust fund established under KRS 61.701 shall not be allowed.
- 27 2. The employer shall file the contributions as provided by subparagraph 1.

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- 1 of this paragraph at the retirement office in accordance with KRS
2 78.625. Any interest or penalties paid on any delinquent contributions
3 shall be credited to accounts established pursuant to 26 U.S.C. sec.
4 401(h), within the funds established in KRS 78.520, or the insurance
5 trust fund established under KRS 61.701. Notwithstanding any
6 minimum compensation requirements provided by law, the deductions
7 provided by this paragraph shall be made, and the compensation of the
8 member shall be reduced accordingly.
- 9 3. Each employer shall submit payroll reports, contributions lists, and other
10 data as may be required by administrative regulation promulgated by the
11 board of trustees pursuant to KRS Chapter 13A.
- 12 4. Every member shall be deemed to consent and agree to the deductions
13 made pursuant to this paragraph, and the payment of salary or
14 compensation less the deductions shall be a full and complete discharge
15 of all claims for services rendered by the person during the period
16 covered by the payment, except as to any benefits provided by KRS
17 78.510 to 78.852. No member may elect whether to participate in, or
18 choose the contribution amount to accounts established pursuant to 26
19 U.S.C. sec. 401(h) within the funds established in KRS 78.520, or the
20 insurance trust fund established under KRS 61.701. The member shall
21 have no option to receive the contribution required by this paragraph
22 directly instead of having the contribution paid to accounts established
23 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
24 78.520, or the insurance trust fund established under KRS 61.701. No
25 member may receive a rebate or refund of contributions. If a member
26 establishes a membership date prior to September 1, 2008, pursuant to
27 KRS 61.552(2) or (3), then this paragraph shall not apply to the member

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1 and all contributions previously deducted in accordance with this
2 paragraph shall be refunded to the member without interest. The
3 contribution made pursuant to this paragraph shall not act as a reduction
4 or offset to any other contribution required of a member or recipient
5 under KRS 78.510 to 78.852.

6 5. The board of trustees, at its discretion, may direct that the contributions
7 required by this paragraph be accounted for within accounts established
8 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
9 78.520, or the insurance trust fund established under KRS 61.701,
10 through the use of separate accounts.

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

14 1. The recipient of a retirement allowance, by payroll deduction from his
15 or her retirement allowance, electronic funds transfer, or by other
16 method;

17 2. The insurance trust fund established by KRS 61.701 or accounts
18 established pursuant to 26 U.S.C. sec. 401(h) within the funds
19 established in KRS 78.520;

20 3. Another state-administered retirement system, including the systems
21 administered by Kentucky Retirement Systems, under a reciprocal
22 arrangement, except that any portion of the premium paid from the
23 funds specified by subparagraph 2. of this paragraph under a reciprocal
24 agreement shall not exceed the amount that would be payable under this
25 section if all the member's service were in the County Employees
26 Retirement System. If the board provides for cross-referencing of
27 insurance premiums, the employer's contribution for the working

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1 member or spouse shall be applied toward the premium, and the
 2 insurance trust fund established under KRS 61.701 or accounts
 3 established pursuant to 26 U.S.C. sec. 401(h) within the funds
 4 established in KRS 78.520, shall pay the balance; or

5 4. A combination of the fund sources described by subparagraph 1. to 3. of
 6 this paragraph.

7 Group rates under the hospital and medical insurance plan shall be made
 8 available to the spouse, each dependent child, and each disabled child,
 9 regardless of the disabled child's age, of a recipient who is a former member
 10 or the beneficiary, if the premium for the hospital and medical insurance for
 11 the spouse, each dependent child, and each disabled child, or beneficiary is
 12 paid by payroll deduction from the retirement allowance, electronic funds
 13 transfer, or by another method. For purposes of this subsection only, a child
 14 shall be considered disabled if he or she has been determined to be eligible for
 15 federal Social Security disability benefits or meets the dependent disability
 16 standard established by the Department of Employee Insurance in the
 17 Personnel Cabinet.

18 (b) For a member who began participating in the system prior to July 1, 2003, the
 19 monthly contribution rate shall be paid by the system from the funds specified
 20 under paragraph (a)2. of this subsection and shall be equal to a percentage of
 21 the single premium to cover the retired member as follows:

22 1. One hundred percent (100%) of the monthly premium for single
 23 coverage shall be paid for a retired member who had two hundred forty
 24 (240) months of service or more upon retirement or for a retired member
 25 who when he or she was an employee was disabled as a direct result of
 26 an act in line of duty as defined in KRS 78.510(48) or as a result of a
 27 duty-related injury as defined in KRS 61.621;

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- 1 2. Seventy-five percent (75%) of the monthly premium for single coverage
2 shall be paid for a retired member who had less than two hundred forty
3 (240) months of service but at least one hundred eighty (180) months of
4 service upon retirement, provided such retired member agrees to pay the
5 remaining twenty-five percent (25%) by payroll deduction from his or
6 her retirement allowance, electronic funds transfer, or by another
7 method;
- 8 3. Fifty percent (50%) of the monthly premium for single coverage shall be
9 paid for a retired member who had less than one hundred eighty (180)
10 months of service but had at least one hundred twenty (120) months of
11 service upon retirement, provided such retired member agrees to pay the
12 remaining fifty percent (50%) by payroll deduction from his or her
13 retirement allowance, electronic funds transfer, or by another method; or
- 14 4. Twenty-five percent (25%) of the monthly premium for single coverage
15 shall be paid for a retired member who had less than one hundred twenty
16 (120) months of service but had at least forty-eight (48) months of
17 service upon retirement, provided such retired member agrees to pay the
18 remaining seventy-five percent (75%) by payroll deduction from his or
19 her retirement allowance, electronic funds transfer, or by another
20 method.
- 21 (c) Notwithstanding paragraph (b) of this subsection, for a member participating
22 in the system prior to July 1, 2003, who:
- 23 1. Dies as a direct result of an act in line of duty as defined in KRS 78.510
24 or dies as a result of a duty-related injury as defined in KRS 61.621, the
25 monthly premium shall be paid for his or her spouse so long as the
26 spouse remains eligible for a monthly retirement benefit;
- 27 2. Becomes totally and permanently disabled as defined in KRS 78.5524 as

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- 1 a direct result of an act in line of duty as defined in KRS 78.510 or
 2 becomes disabled as a result of a duty-related injury as defined in KRS
 3 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the
 4 monthly premium shall be paid for his or her spouse so long as the
 5 member and the spouse individually remain eligible for a monthly
 6 retirement benefit; and
- 7 3. Dies as a direct result of an act in line of duty as defined in KRS 78.510,
 8 dies as a result of a duty-related injury as defined in KRS 61.621,
 9 becomes totally and permanently disabled as defined in KRS 78.5524 as
 10 a direct result of an act in line of duty as defined in KRS 78.510, or
 11 becomes disabled as a result of a duty-related injury as defined in KRS
 12 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the
 13 monthly premium shall be paid for each dependent child as defined in
 14 KRS 78.510, so long as the member remains eligible for a monthly
 15 retirement benefit, unless deceased, and each dependent child
 16 individually remains eligible under KRS 78.510.
- 17 (d) 1. For a member who began participating in the system prior to July 1,
 18 2003, who was determined to be in a hazardous position in the County
 19 Employees Retirement System, or who is receiving a retirement
 20 allowance based on General Assembly service, the funds specified
 21 under paragraph (a)2. of this subsection shall also pay a percentage of
 22 the monthly contribution rate sufficient to fund the premium costs for
 23 hospital and medical insurance coverage for the spouse and for each
 24 dependent child of a recipient.
- 25 2. The percentage of the monthly contribution rate paid for the spouse and
 26 each dependent child of a recipient who was in a hazardous position or
 27 who is receiving a retirement allowance based on General Assembly

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1 service in accordance with subparagraph 1. of this paragraph shall be
 2 based solely on the member's service in a hazardous position using the
 3 formula in paragraph (b) of this subsection, except that for any recipient
 4 of a retirement allowance from the County Employees Retirement
 5 System who was contributing to the system on January 1, 1998, for
 6 service in a hazardous position, the percentage of the monthly
 7 contribution shall be based on the total of hazardous service and any
 8 nonhazardous service as a police or firefighter with the same agency, if
 9 that agency was participating in the County Employees Retirement
 10 System but did not offer hazardous duty coverage for its police and
 11 firefighters at the time of initial participation.

- 12 (e) For members who begin participating in the system on or after July 1, 2003:
- 13 1. Participation in the insurance benefits provided under this section shall
 14 not be allowed until the member has earned at least one hundred twenty
 15 (120) months of service in the state-administered retirement systems,
 16 except that for members who begin participating in the system on or
 17 after September 1, 2008, participation in the insurance benefits provided
 18 under this section shall not be allowed until the member has earned at
 19 least one hundred eighty (180) months of service credited under KRS
 20 78.615(1) or another state-administered retirement system; ~~and~~
- 21 2. A member who meets the minimum service requirements as provided by
 22 subparagraph 1. of this paragraph shall upon retirement be eligible for
 23 the following monthly contribution rate to be paid on his or her behalf,
 24 or on behalf of the spouse or dependent of a member with service in a
 25 hazardous position, from the funds specified under paragraph (a)2. of
 26 this subsection:
- 27 a. For members with service in a nonhazardous position, a monthly

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- 1 insurance contribution of ten dollars (\$10) for each year of service
2 as a participating employee in a nonhazardous position;
- 3 b. For members with service in a hazardous position, a monthly
4 insurance contribution of fifteen dollars (\$15) for each year of
5 service as a participating employee in a hazardous position; and
- 6 c. Upon the death of the retired member, the beneficiary, if the
7 beneficiary is the member's spouse, shall be entitled to a monthly
8 insurance contribution of ten dollars (\$10) for each year of service
9 the member attained as a participating employee in a hazardous
10 position;{+}
- 11 3. The minimum service requirement to participate in benefits as provided
12 by subparagraph 1. of this paragraph shall be waived for a member who
13 receives a satisfactory determination of a hazardous disability that is a
14 direct result of an act in line of duty as defined in KRS 78.510(48) and
15 the member shall be entitled to the benefits payable under this
16 subsection as though the member had twenty (20) years of service in a
17 hazardous position;{+}
- 18 4. The minimum service required to participate in benefits as provided by
19 subparagraph 1. of this paragraph shall be waived for a member who is
20 disabled as a result of a duty-related injury as defined in KRS 61.621
21 and is eligible for the benefits provided by KRS 61.621(5)(b), and the
22 member shall be entitled to the benefits payable under this subsection as
23 though the member had twenty (20) years of service in a nonhazardous
24 position;{+}
- 25 5. Notwithstanding the provisions of this paragraph, the minimum service
26 requirement to participate in benefits as provided by subparagraph 1. of
27 this paragraph shall be waived for a member who dies as a direct result

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1 of an act in line of duty as defined in KRS 78.510(48), who becomes
2 totally and permanently disabled as defined in KRS 78.5524 as a direct
3 result of an act in line of duty as defined in KRS 78.510, who dies as a
4 result of a duty-related injury as defined in KRS 61.621, or who
5 becomes disabled as a result of a duty-related injury as defined in KRS
6 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a),
7 and the premium for the member, the member's spouse, and for each
8 dependent child as defined in KRS 78.510 shall be paid in full by the
9 systems so long as the member, member's spouse, or dependent child
10 individually remains eligible for a monthly retirement benefit.~~[-]~~

11 6. Except as provided by subparagraph 4. of this paragraph, the monthly
12 insurance contribution amount shall be increased:

13 a. On July 1 of each year by one and one-half percent (1.5%). The
14 increase shall be cumulative and shall continue to accrue after the
15 member's retirement for as long as a monthly insurance
16 contribution is payable to the retired member or beneficiary but
17 shall not apply to any increase in the contribution attributable to
18 the increase specified by subdivision b. of this subparagraph; and

19 b. On January 1 of each year by five dollars (\$5) for members who
20 have accrued an additional full year of service as a participating
21 employee beyond the career threshold, subject to the following
22 restrictions:

23 i. The additional insurance contribution provided by this
24 subdivision shall only be applied to the monthly contribution
25 amounts provided under subparagraph 2.a. and b. of this
26 paragraph;

27 ii. The additional insurance contribution provided by this

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- 1 subdivision shall only be payable towards the health plans
 2 offered by the system to retirees who are not eligible for
 3 Medicare or for reimbursements provided to retirees not
 4 eligible for Medicare pursuant to subsection (6)(a)2. of this
 5 section; and
- 6 iii. In order for the annual increase to occur as provided by this
 7 subdivision, the funding level of retiree health benefits for
 8 the system in which the employee is receiving the additional
 9 insurance contribution shall be at least ninety percent (90%)
 10 as of the most recent actuarial valuation and be projected by
 11 the actuary to remain ninety percent (90%) for the year in
 12 which the increase is provided;~~[-]~~
- 13 7. The benefits of this paragraph provided to a member whose participation
 14 begins on or after July 1, 2003, shall not be considered as benefits
 15 protected by the inviolable contract provisions of KRS 78.852. The
 16 General Assembly reserves the right to suspend or reduce the benefits
 17 conferred in this paragraph if in its judgment the welfare of the
 18 Commonwealth so demands;~~[-]~~
- 19 8. An employee whose membership date is on or after September 1, 2008,
 20 who retires and is reemployed in a regular full-time position required to
 21 participate in the system or the Kentucky Retirement Systems shall not
 22 be eligible for health insurance coverage or benefits provided by this
 23 section and shall take coverage with his or her employing agency during
 24 the period of reemployment in a regular full-time position; and~~[-]~~
- 25 9. For purposes of this paragraph:
- 26 a. "Career threshold" for a member with service in a nonhazardous
 27 position means twenty-seven (27) years of service credited under

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- 1 KRS 16.543(1), 61.543(1), 78.615(1), or another state-
2 administered retirement system and for a member with service in a
3 hazardous position means the service requirements specified by
4 KRS 78.5514(2)(a)2. or (3)(b), or 78.5516(6)(b), as applicable;
5 and
- 6 b. "Funding level" means the actuarial value of assets divided by the
7 actuarially accrued liability expressed as a percentage that is
8 determined and reported by the system's actuary in the annual
9 actuarial valuation.
- 10 (f) For members with service in another state-administered retirement system
11 who select hospital and medical insurance plan coverage through the system:
- 12 1. The system shall compute the member's combined service, including
13 service credit in another state-administered retirement system, and
14 calculate the portion of the member's premium monthly contribution rate
15 to be paid by the funds specified under paragraph (a)2. of this subsection
16 according to the criteria established in paragraphs (a) to (e) of this
17 subsection. Each state-administered retirement system shall pay
18 annually to the insurance trust fund established under KRS 61.701 the
19 portion of the system's cost of the retiree's monthly contribution for
20 single coverage for hospital and medical insurance plan which shall be
21 equal to the percentage of the member's number of months of service in
22 the other state-administered retirement plan divided by his or her total
23 combined service and in conjunction with the reciprocal agreement
24 established between the system and the other state-administered
25 retirement systems. The amounts paid by the other state-administered
26 retirement plans and by the County Employees Retirement System from
27 funds specified under paragraph (a)2. of this subsection shall not be

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- 1 more than one hundred percent (100%) of the monthly contribution
2 adopted by the respective boards of trustees;
- 3 2. A member may not elect coverage for hospital and medical benefits
4 through more than one (1) of the state-administered retirement systems;
5 and
- 6 3. A state-administered retirement system shall not pay any portion of a
7 member's monthly contribution for medical insurance unless the
8 member is a recipient or annuitant of the plan.
- 9 (5) Premiums paid for hospital and medical insurance coverage procured under
10 authority of this section shall be exempt from any premium tax which might
11 otherwise be required under KRS Chapter 136. The payment of premiums by the
12 funds described by subsection (4)(a)2. of this section shall not constitute taxable
13 income to an insured recipient. No commission shall be paid for hospital and
14 medical insurance procured under authority of this section.
- 15 (6) (a) The board shall promulgate an administrative regulation to establish a medical
16 insurance reimbursement plan to provide reimbursement for hospital and
17 medical insurance plan premiums of recipients of a retirement allowance who:
- 18 1. Are not eligible for the same level of hospital and medical benefits as
19 recipients living in Kentucky and having the same Medicare hospital
20 and medical insurance eligibility status; or
- 21 2. Are eligible for retiree health subsidies as provided by subsection (4)(e)
22 of this section, except for those recipients eligible for full premium
23 subsidies under subsection (4)(e)5. of this section. The reimbursement
24 program as provided by this subparagraph shall be available to the
25 recipient regardless of the hospital and medical insurance plans offered
26 by the systems.
- 27 (b) An eligible recipient shall file proof of payment for hospital and medical

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1 insurance plan coverage with the retirement office. Reimbursement to eligible
 2 recipients shall be made on a quarterly basis. The recipient shall be eligible
 3 for reimbursement of substantiated medical insurance premiums for an
 4 amount not to exceed the total monthly contribution rate determined under
 5 subsection (4) of this section.

6 (c) For purposes of recipients described by paragraph (a)1. of this subsection, the
 7 plan shall not be made available if all recipients are eligible for the same
 8 coverage as recipients living in Kentucky.

9 ➔Section 24. KRS 78.5538 is amended to read as follows:

10 (1) (a) Upon the death of a retired member of the system, who was receiving a
 11 monthly retirement allowance based on a minimum of forty-eight (48) months
 12 of service, a death benefit for the beneficiary of five thousand dollars
 13 (\$5,000) shall be paid.

14 (b) If the retired member had more than one (1) account in the County Employees
 15 Retirement System or is eligible for a benefit from the Kentucky Retirement
 16 Systems under the provisions of KRS 61.705, the combined payment from the
 17 County Employees Retirement System under this section and the Kentucky
 18 Retirement Systems under KRS 61.705 shall not exceed five thousand dollars
 19 (\$5,000). Each system's cost shall be prorated between the systems based
 20 upon the level of service credit in each system.

21 (c) Application for the death benefit made to the system shall include acceptable
 22 evidence of death and of the eligibility of the applicant to receive the death
 23 benefit~~[act on the deceased retired member's behalf].~~

24 (2) (a) The death benefit shall be paid to a beneficiary named by the retired member.
 25 Upon retirement or any time thereafter, the retired member may designate on
 26 the form prescribed by the board, death benefit designation, a person, the
 27 retired member's estate, a trust or trustee, or a licensed funeral home, as the

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- 1 beneficiary of the death benefit provided by this section or KRS 61.705. The
 2 beneficiary for the death benefit may or may not be the same beneficiary
 3 designated in accordance with KRS 61.590(1) but only one (1) designation
 4 shall be available to a retired member who has service in both the County
 5 Employees Retirement System and the Kentucky Retirement Systems.
- 6 (b) If the beneficiary designated under this section is a person and that person
 7 dies prior to the member, or if the beneficiary was the retired member's
 8 spouse and they were divorced on the date of the retired member's death, then
 9 the retired member's estate shall become the beneficiary, unless the retired
 10 member has filed a subsequent death benefit designation.
- 11 (c) If a licensed funeral home is designated as beneficiary and the licensed
 12 funeral home cannot be reasonably identified or located by the system at the
 13 time of the retired member's death, then the retired member's estate shall
 14 become the beneficiary of the death benefit.
- 15 (3) **The five thousand dollar (\$5,000) death benefit paid to the designated beneficiary**
 16 **shall not be subject to garnishment as an asset of the retired member's estate,**
 17 **except if:**
- 18 (a) ~~[[If,]~~At the time of the retired member's death, a debt to the County
 19 Employees Retirement System remains on his or her account, the balance
 20 owed shall be deducted from the five thousand ~~dollar[dollars]~~ (\$5,000) death
 21 benefit;
- 22 (b) **After the death of the retired member, an overpayment of benefits occurs,**
 23 **the balance owed for the overpayment shall be deducted from the five**
 24 **thousand dollar (\$5,000) death benefit; or**
- 25 (c) **At the time of the retired member's death, the designated beneficiary is the**
 26 **retired member's estate.**
- 27 (4) Upon the death of a retired member, the death benefit provided pursuant to this

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1 section may be assigned by the designated beneficiary to a bank or licensed funeral
2 home.

3 ➔Section 25. KRS 78.5540 is amended to read as follows:

4 (1) A retired member whose disability retirement was discontinued pursuant to KRS
5 78.5528 and who is reemployed by an employer participating in the system or the
6 Kentucky Retirement Systems prior to his or her normal retirement date shall have
7 his or her accounts combined upon termination for determining eligibility for
8 benefits. If the member is eligible for retirement, the member's service and
9 creditable compensation earned as a result of his or her reemployment shall be used
10 in the calculation of benefits, except that the member's final compensation shall not
11 be less than the final compensation last used in determining his or her retirement
12 allowance. The member shall not change beneficiary or payment option
13 designations.

14 (2) (a) If a retired member accepts employment or begins serving as a volunteer with
15 an employer participating in the systems administered by Kentucky
16 Retirement Systems or the County Employees Retirement System within
17 twelve (12) months of his or her retirement date, the retired member shall
18 notify the Authority and the participating employer shall submit the
19 information required or requested by the Authority to confirm the individual's
20 employment or volunteer status. The retired member shall not be required to
21 notify the Authority regarding any employment or volunteer service with a
22 participating agency that is accepted after twelve (12) months following his or
23 her retirement date.

24 (b) If the retired member is under a contract to provide services as an independent
25 contractor or leased employee to an employer participating in the systems
26 administered by Kentucky Retirement Systems or the County Employees
27 Retirement System within twelve (12) months of his or her retirement date,

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- 1 the member shall submit a copy of that contract to the Authority, and the
2 Authority shall determine if the member is an independent contractor or
3 leased employee for purposes of retirement benefits. The retired member and
4 the participating employer shall submit the information required or requested
5 by the Authority to confirm the individual's status as an independent
6 contractor or leased employee. The retired member shall not be required to
7 notify the Authority regarding any services entered into as an independent
8 contractor or leased employee with a participating agency that the employee
9 enters into after twelve (12) months following his or her retirement date.
- 10 (3) Retired members of the County Employees Retirement System who returned to
11 work with an employer that participates in the County Employees Retirement
12 System or Kentucky Retirement Systems prior to September 1, 2008, shall be
13 governed by the provisions of KRS 61.637(1) to (16).
- 14 (4) The following shall apply to retired members of the County Employees Retirement
15 System who are reemployed on or after September 1, 2008, by an agency
16 participating in the systems administered by the County Employees Retirement
17 System or the Kentucky Retirement Systems:
- 18 (a) Except as provided by paragraphs (c) and (d) of this subsection, if a retired
19 member is receiving a retirement allowance from the County Employees
20 Retirement System, or has filed the forms required to receive a retirement
21 allowance from the County Employees Retirement System, and is employed
22 in a regular full-time position required to participate in the County Employees
23 Retirement System or the Kentucky Retirement Systems or is employed in a
24 position that is not considered regular full-time with an employer participating
25 in the County Employees Retirement System or the Kentucky Retirement
26 Systems within three (3) months following the member's initial retirement
27 date, the member's retirement shall be voided, and the member shall repay to

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- 1 the system all benefits received, including any health insurance benefits. If the
2 retired member is returning to work in a regular full-time position required to
3 participate in the County Employees Retirement System:
- 4 1. The member shall contribute to a member account established for him or
5 her in the County Employees Retirement System or the Kentucky
6 Retirement Systems, and employer contributions shall be paid on behalf
7 of the member by the participating employer to the system; and
 - 8 2. Upon subsequent retirement, the member shall be eligible for a
9 retirement allowance based upon total service and creditable
10 compensation, including any additional service or creditable
11 compensation earned after his or her initial retirement was voided;
- 12 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a retired
13 member is receiving a retirement allowance from the County Employees
14 Retirement System and is employed in a regular full-time position required to
15 participate in the County Employees Retirement System or the Kentucky
16 Retirement Systems after a three (3) month period following the member's
17 initial retirement date, the member may continue to receive his or her
18 retirement allowance during the period of reemployment subject to the
19 following provisions:
- 20 1. If a member is reemployed by a participating employer within twelve
21 (12) months of the member's retirement date, the participating employer
22 shall certify in writing on a form prescribed by the Authority that no
23 prearranged agreement existed between the employee and employer
24 prior to the employee's retirement for the employee to return to work
25 with the participating employer. If the participating employer fails to
26 complete the certification or the Authority determines a prearranged
27 agreement exists, the member's retirement shall be voided and the

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- 1 provisions of paragraph (a) of this subsection shall apply to the member
2 and the employer. For purposes of this paragraph:
- 3 a. If an elected official is reelected to a new term of office in the
4 same position as the elected official held prior to retirement and
5 takes office within twelve (12) months of his or her retirement
6 date, he or she shall be deemed by the Authority as having a
7 prearranged agreement; and
- 8 b. Employment that is accepted by the retired member after twelve
9 (12) months following the member's retirement date shall not
10 constitute a prearranged agreement under this paragraph;
- 11 2. Notwithstanding any other provision of KRS Chapter 78 to the contrary,
12 the member shall not contribute to the system and shall not earn any
13 additional benefits for any work performed during the period of
14 reemployment;
- 15 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
16 except for any retiree employed as a school resource officer as defined
17 by KRS 158.441, the employer shall pay employer contributions as
18 specified by KRS 78.5536 and 78.635 on all creditable compensation
19 earned by the employee during the period of reemployment. The
20 additional contributions paid shall be used to reduce the unfunded
21 actuarial liability of the system; and
- 22 4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
23 except for any retiree employed as a school resource officer as defined
24 by KRS 158.441, the employer shall be required to reimburse the system
25 for the cost of the health insurance premium paid by the system to
26 provide coverage for the retiree, not to exceed the cost of the single
27 premium. Effective July 1, 2015, local school boards shall not be

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- 1 required to pay the reimbursement required by this subparagraph for
2 retirees employed by the board for eighty (80) days or less during the
3 fiscal year;
- 4 (c) If a member is receiving a retirement allowance from hazardous position
5 coverage with the County Employees Retirement System, or has filed the
6 forms required to receive a retirement allowance from the County Employees
7 Retirement System for service in a hazardous position, and is employed in a
8 regular full-time hazardous position required to participate in the County
9 Employees Retirement System or the Kentucky Retirement Systems within
10 one (1) month following the member's initial retirement date, the member's
11 retirement shall be voided, and the member shall repay to the system all
12 benefits received, including any health insurance benefits. If the member is
13 returning to work in a regular full-time position required to participate in the
14 County Employees Retirement System or the Kentucky Retirement Systems:
- 15 1. The member shall contribute to a member account established for him or
16 her in the County Employees Retirement System or the Kentucky
17 Retirement Systems, and employer contributions shall be paid on behalf
18 of the member by the participating employer; and
- 19 2. Upon subsequent retirement, the member shall be eligible for a
20 retirement allowance based upon total service and creditable
21 compensation, including any additional service or creditable
22 compensation earned after his or her initial retirement was voided;
- 23 (d) If a member is receiving a retirement allowance from the hazardous position
24 coverage with the County Employees Retirement System and is employed in a
25 regular full-time hazardous position required to participate in the County
26 Employees Retirement System or the Kentucky Retirement Systems after a
27 one (1) month period following the member's initial retirement date, the

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- 1 member may continue to receive his or her retirement allowance during the
2 period of reemployment subject to the following provisions:
- 3 1. If a member is reemployed by a participating employer within twelve
4 (12) months of the member's retirement date, the participating employer
5 shall certify in writing on a form prescribed by the Authority that no
6 prearranged agreement existed between the employee and employer
7 prior to the employee's retirement for the employee to return to work
8 with the participating employer. If the participating employer fails to
9 complete the certification or the Authority determines a prearranged
10 agreement exists, the member's retirement shall be voided and the
11 provisions of paragraph (c) of this subsection shall apply to the member
12 and the employer. For purposes of this paragraph:
 - 13 a. If an elected official is reelected to a new term of office in the
14 same position as the elected official held prior to retirement and
15 takes office within twelve (12) months of his or her retirement
16 date, he or she shall be deemed by the Authority as having a
17 prearranged agreement; and
 - 18 b. Employment that is accepted by the retired member after twelve
19 (12) months following the member's retirement date shall not
20 constitute a prearranged agreement under this paragraph;
 - 21 2. Notwithstanding any other provision of KRS Chapter 78 to the contrary,
22 the member shall not contribute to the system or the Kentucky
23 Retirement Systems and shall not earn any additional benefits for any
24 work performed during the period of reemployment;
 - 25 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
26 except for any retiree employed as a school resource officer as defined
27 by KRS 158.441, the employer shall pay employer contributions as

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- 1 specified by KRS 78.5536 and 78.635 on all creditable compensation
2 earned by the employee during the period of reemployment. The
3 additional contributions paid shall be used to reduce the unfunded
4 actuarial liability of the system; and
- 5 4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
6 except for any retiree employed as a school resource officer as defined
7 by KRS 158.441, the employer shall be required to reimburse the system
8 for the cost of the health insurance premium paid by the system to
9 provide coverage for the retiree, not to exceed the cost of the single
10 premium;
- 11 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
12 who qualifies as a volunteer for an employer participating in the County
13 Employees Retirement System or the Kentucky Retirement Systems and who
14 is receiving reimbursement of actual expenses, a nominal fee for his or her
15 volunteer services, or both, shall not be considered an employee of the
16 participating employer and shall not be subject to paragraphs (a) to (d) of this
17 subsection if:
- 18 1. Prior to the retired member's most recent retirement date, he or she did
19 not receive creditable compensation from the participating employer in
20 which the retired member is performing volunteer services;
- 21 2. Any reimbursement or nominal fee received prior to the retired
22 member's most recent retirement date has not been credited as creditable
23 compensation to the member's account or utilized in the calculation of
24 the retired member's benefits;
- 25 3. The retired member has not purchased or received service credit under
26 any of the provisions of KRS 78.510 to 78.852 for service with the
27 participating employer for which the retired member is performing

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- 1 volunteer services; and
- 2 4. Other than the status of volunteer, the retired member does not become
- 3 an employee, leased employee, or independent contractor of the
- 4 employer for which he or she is performing volunteer services for a
- 5 period of at least twelve (12) months following the retired member's
- 6 most recent retirement date.

7 If a retired member, who provided volunteer services with a participating

8 employer under this paragraph violates any provision of this paragraph, then

9 he or she shall be deemed an employee of the participating employer as of the

10 date he or she began providing volunteer services and both the retired member

11 and the participating employer shall be subject to paragraphs (a) to (d) of this

12 subsection for the period of volunteer service;

13 (f) Notwithstanding any provision of this section, any mayor or member of a city

14 legislative body shall not be required to resign from his or her position as

15 mayor or as a member of the city legislative body in order to begin drawing

16 benefits from the systems administered by the Kentucky Retirement Systems

17 or the County Employees Retirement System or subject to any provision of

18 this section as it relates solely to his or her service as a mayor or member of

19 the city legislative body, if the mayor or member of a city legislative body:

- 20 1. Has not participated in the County Employees Retirement System prior
- 21 to retirement, but is otherwise eligible to retire from the Kentucky
- 22 Employees Retirement System or the State Police Retirement System; or
- 23 2. Has been or is participating in the County Employees Retirement
- 24 System and is at least sixty-two (62) years of age. If a mayor or member
- 25 of a city legislative body who is at least sixty-two (62) years of age
- 26 retires from the systems administered by Kentucky Retirement Systems
- 27 or the County Employees Retirement System but remains in office after

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1 his or her effective retirement date, the mayor or member of the city
 2 legislative body shall not accrue any further service credit or benefits in
 3 the systems administered by Kentucky Retirement Systems or the
 4 County Employees Retirement System for any employment occurring
 5 on or after the effective retirement date;

6 (g) Notwithstanding any provision of this section, any current or future part-time
 7 adjunct instructor for the Kentucky Fire Commission who has not participated
 8 in the Kentucky Employees Retirement System prior to retirement, but who is
 9 otherwise eligible to retire from the County Employees Retirement System,
 10 shall not be:

- 11 1. Required to resign from his or her position as a part-time adjunct
 12 instructor for the Kentucky Fire Commission in order to begin drawing
 13 benefits from the County Employees Retirement System; or
- 14 2. Subject to any provision of this section as it relates solely to his or her
 15 service as a part-time adjunct instructor for the Kentucky Fire
 16 Commission;

17 (h) If a member is receiving a retirement allowance from the County Employees
 18 Retirement System and enters into a contract or becomes a leased employee of
 19 an employer under contract with an employer participating in the County
 20 Employees Retirement System, **Kentucky Employees Retirement System, or**
 21 **State Police Retirement System**~~[or the Kentucky Retirement Systems]:~~

- 22 1. At any time following retirement, if the Authority determines the
 23 employment arrangement does qualify as an independent contractor or
 24 leased employee, the member may continue to receive his or her
 25 retirement allowance during the period of the contract;
- 26 2. Within three (3) months following the member's initial retirement date,
 27 if the Authority determines the employment arrangement does not

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- 1 qualify as an independent contractor or leased employee, the member's
 2 retirement shall be voided in accordance with paragraph (a) of this
 3 subsection;
- 4 3. After three (3) months but within twelve (12) months following the
 5 member's initial retirement, if the Authority determines the employment
 6 arrangement does not qualify as an independent contractor or leased
 7 employee and that a prearranged agreement existed between the member
 8 and the agency for the member to return to work with the agency, the
 9 member's retirement shall be voided in accordance with paragraph (a) of
 10 this subsection;~~and~~
- 11 4. After a twelve (12) month period following the member's initial
 12 retirement, the member may continue to receive his or her retirement
 13 allowance during the period of the contract and the member shall not be
 14 required to notify the Authority or submit any documentation for
 15 purposes of this section to the Authority;~~and~~
- 16 5. After twelve (12) months or more following the retired member's
 17 retirement date, the initiation of a contract or the initial date of the
 18 leased employment of a retired member by a participating agency ~~that~~
 19 ~~occurs after twelve (12) months or more following the retired member's~~
 20 ~~retirement date~~ shall not constitute a prearranged agreement under this
 21 subsection;
- 22 (i) The Authority shall issue a final determination regarding a certification of the
 23 absence of a prearranged agreement or the retired member's qualification as
 24 an independent contractor or leased employee as required under this section
 25 no later than thirty (30) days after the retired member and participating
 26 employer provide all required forms and additional information required by
 27 the Authority; and

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- 1 (j) Retired members of one (1) of the systems administered by Kentucky
 2 Retirement Systems who are reemployed by an employer in the County
 3 Employees Retirement System on or after September 1, 2008, shall not be
 4 eligible to earn a second retirement account in the County Employees
 5 Retirement System for his or her service to the employer.
- 6 (5) The Authority shall promulgate administrative regulations to implement the
 7 requirements of this section, including incorporating by reference Authority-
 8 prescribed forms that a retired member and participating agency shall provide the
 9 systems under subsections (1) and (4) of this section.
- 10 (6) (a) "Reemployment" or "reinstatement" as used in this section shall not include a
 11 retired member who has been ordered reinstated by the Personnel Board under
 12 authority of KRS 18A.095.
- 13 (b) 1. A retired member who has been ordered reinstated without loss of pay
 14 by the Personnel Board under authority of KRS 18A.095 or by court
 15 order or by order of the Kentucky~~Human Rights~~ Commission on
 16 Human Rights and accepts employment by an agency participating in
 17 the Kentucky Employees Retirement System, State Police Retirement
 18 System, or County Employees Retirement System shall void his or her
 19 retirement by reimbursing the system in the full amount of his or her
 20 retirement allowance payments received, including any health
 21 insurance benefits paid to or on behalf of the member.
- 22 2. Within twelve (12) months of the date of the final order of the
 23 Personnel Board, the Kentucky Commission on Human Rights, or the
 24 court, the member shall repay the system the full amount of his or her
 25 retirement allowance payments and health insurance benefits by lump
 26 sum or enter into an agreement with the Authority for repayment by
 27 installments.

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1 3. Once the system has been fully reimbursed for the benefits paid to the
 2 member and on the member's behalf, additional contributions and
 3 service credit based on the reinstated employment shall be added to the
 4 member's account.

5 ➔Section 26. KRS 78.640 is amended to read as follows:

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

7 (a) All members' contributions, or contributions picked up by the employer after
 8 August 1, 1982, and interest allowances as provided in KRS 78.510 to 78.852
 9 shall be credited, except as provided by KRS 78.5536(3)(b); and

10 (b) For members who begin participating in the system on or after January 1,
 11 2014, the employer pay credit and interest credited on such amounts as
 12 provided by KRS 78.5512 and 78.5516 shall be credited.

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

18 (2) Each member's contribution or contribution picked up by the employer shall be
 19 credited to the individual account of the contributing member, except as provided
 20 by KRS 78.5536(3)(b).

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

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

27 (c) For a member who begins participating on or after September 1, 2008, but

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1 prior to January 1, 2014, interest shall be credited to his or her individual
 2 account at a rate of two and one-half percent (2.5%) per annum on the
 3 accumulated contributions of the member on June 30 of the preceding fiscal
 4 year.

5 (d) For a member who begins participating on or after January 1, 2014, in the
 6 hybrid cash balance plan, interest shall be credited in accordance with KRS
 7 78.5512~~[16.583]~~ and 78.5516~~[61.597]~~.

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

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

13 (b) Upon the retirement of a member who began participating in the system on or
 14 after January 1, 2014, who elects to annuitize his or her accumulated account
 15 balance as prescribed by KRS 78.5512(7)(a) or (b) or 78.5516(7)(a) or (b), the
 16 member's accumulated account balance shall be transferred to the retirement
 17 allowance account.

18 ➔Section 27. KRS 78.782 is amended to read as follows:

19 (1) The County Employees Retirement System shall be administered by the board of
 20 trustees composed of nine (9) members, who shall be selected as follows:

21 (a) Three (3) trustees, who shall be members or retired from the County
 22 Employees Retirement System, elected by the members and retired members
 23 of the County Employees Retirement System, of which:

- 24 1. Two (2) shall have a majority of his or her service credit earned in the
 25 County Employees Retirement System in a nonhazardous position; and
- 26 2. One (1) shall have a majority of his or her service credit earned in the
 27 County Employees Retirement System in a hazardous position;

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1 (b) Six (6) trustees appointed by the Governor, subject to Senate confirmation in
2 accordance with KRS 11.160 for each appointment or reappointment. Of the
3 six (6) trustees appointed by the Governor:

4 1. One (1) trustee with retirement experience shall be appointed from a list
5 of three (3) applicants submitted by the Kentucky League of Cities;

6 2. One (1) trustee with investment experience shall be appointed from a list
7 of three (3) applicants submitted by the Kentucky League of Cities;

8 3. One (1) trustee with retirement experience shall be appointed from a list
9 of three (3) applicants submitted by the Kentucky Association of
10 Counties;

11 4. One (1) trustee with investment experience shall be appointed from a list
12 of three (3) applicants submitted by the Kentucky Association of
13 Counties;

14 5. One (1) trustee with retirement experience shall be appointed from a list
15 of three (3) applicants submitted by the Kentucky School Boards
16 Association; and

17 6. One (1) trustee with investment experience shall be appointed from a list
18 of three (3) applicants submitted by the Kentucky School Boards
19 Association.

20 Notwithstanding the provisions of KRS 12.070(3), the Governor shall appoint
21 each individual trustee described by subparagraphs 1. to 6. of this paragraph
22 solely from each corresponding individual list required to be submitted by the
23 Kentucky League of Cities, the Kentucky Association of Counties, or the
24 Kentucky School Boards Association as provided by subparagraphs 1. to 6. of
25 this paragraph, and the Governor shall not be able to reject the list of
26 applicants submitted, request that another list be provided, or use a list
27 different from the one (1) individual list required to be submitted for each

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- 1 specific appointment or reappointment;
- 2 (c) For purposes of paragraph (b) of this subsection, a trustee with "investment
3 experience" means an individual who does not have a conflict of interest, as
4 provided by KRS 61.655, and who has at least ten (10) years of experience in
5 one (1) of the following areas of expertise:
- 6 1. A portfolio manager acting in a fiduciary capacity;
 - 7 2. A professional securities analyst or investment consultant;
 - 8 3. A current or retired employee or principal of a trust institution,
9 investment or finance organization, or endowment fund acting in an
10 investment-related capacity;
 - 11 4. A chartered financial analyst in good standing as determined by the
12 CFA Institute; or
 - 13 5. A university professor, teaching investment-related studies; and
- 14 (d) For purposes of paragraph (b) of this subsection, a trustee with "retirement
15 experience" means an individual who does not have a conflict of interest, as
16 provided by KRS 61.655, and who has at least ten (10) years of experience in
17 one (1) of the following areas of expertise:
- 18 1. Experience in retirement or pension plan management;
 - 19 2. A certified public accountant with relevant experience in retirement or
20 pension plan accounting;
 - 21 3. An actuary with relevant experience in retirement or pension plan
22 consulting;
 - 23 4. An attorney licensed to practice law in the Commonwealth of Kentucky
24 with relevant experience in retirement or pension plans; or
 - 25 5. A current or former university professor whose primary area of
26 emphasis is economics or finance.
- 27 (2) The board is hereby granted the powers and privileges of a corporation, including

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- 1 but not limited to the following powers:
- 2 (a) To sue and be sued in its corporate name;
- 3 (b) To make bylaws not inconsistent with the law;
- 4 (c) To conduct the business and promote the purposes for which it was formed;
- 5 (d) Except as provided in KRS 78.790(6), to contract for investment counseling,
- 6 auditing, medical, and other professional or technical services as required to
- 7 carry out the obligations of the board subject to the provisions of KRS
- 8 Chapters 45, 45A, 56, and 57. Actuarial consulting services shall be provided
- 9 by a firm hired by the Kentucky Public Pensions Authority;
- 10 (e) To purchase fiduciary liability insurance;
- 11 (f) Except as provided in KRS 78.790(6), to acquire, hold, sell, dispose of,
- 12 pledge, lease, or mortgage, the goods or property necessary to exercise the
- 13 board's powers and perform the board's duties subject to KRS Chapters 45,
- 14 45A, and 56; and
- 15 (g) The board shall reimburse any trustee, officer, or employee for any legal
- 16 expense resulting from a civil action arising out of the performance of his or
- 17 her official duties. The hourly rate of reimbursement for any contract for legal
- 18 services under this paragraph shall not exceed the maximum hourly rate
- 19 provided in the Legal Services Duties and Maximum Rate Schedule
- 20 promulgated by the Government Contract Review Committee established
- 21 pursuant to KRS 45A.705, unless a higher rate is specifically approved by the
- 22 secretary of the Finance and Administration Cabinet or his or her designee.
- 23 (3) Notwithstanding the provisions of subsection (1) of this section, each trustee shall
- 24 serve a term of four (4) years or until his or her successor is duly qualified except as
- 25 otherwise provided in this section. An elected or appointed trustee shall not serve
- 26 more than three (3) consecutive four (4) year terms. An elected or appointed trustee
- 27 who has served three (3) consecutive terms may be elected or appointed again after

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- 1 an absence of four (4) years from the board.
- 2 (4) (a) The trustees selected by the membership of the system shall be elected by
3 ballot. For each trustee to be elected, the board may nominate, not less than
4 six (6) months before a term of office of a trustee is due to expire, three (3)
5 constitutionally eligible individuals.
- 6 (b) Individuals may be nominated by the system members by presenting to the
7 executive director, not less than four (4) months before a term of office of a
8 trustee is due to expire, a petition, bearing the name, last four (4) digits of the
9 Social Security number, and signature of no less than one-tenth (1/10) of the
10 number voting in the last election by the system members.
- 11 (c) Within four (4) months of the nominations made in accordance with
12 paragraphs (a) and (b) of this subsection, the executive director shall cause to
13 be prepared an official ballot. The ballot shall carry the name, address, and
14 position title of each individual nominated by the board and by petition.
15 Provision shall also be made for write-in votes.
- 16 (d) Except as provided by paragraph (j) of this subsection, the ballots shall be
17 distributed to the eligible voters by mail to their last known residence address
18 on file with the Kentucky Public Pensions Authority. Ballots shall not be
19 distributed by mail to member addresses reported as invalid to the Kentucky
20 Public Pensions Authority.
- 21 (e) The ballots shall be addressed to the County Employees Retirement System in
22 care of a predetermined box number at a United States Post Office or
23 submitted electronically *or by telephone* as provided by paragraph (j) of this
24 subsection. Access to this post office box shall be limited to the board's
25 contracted firm. The individual receiving a plurality of votes shall be declared
26 elected.
- 27 (f) The eligible voter shall cast his or her ballot by selecting the candidate of his

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- 1 or her choice. He or she shall sign and mail the ballot **or cast the ballot**
 2 **online, by telephone, or by any other electronic means made available by the**
 3 **Authority**~~for submit the electronic ballot~~ at least thirty (30) days prior to the
 4 date the term to be filled is due to expire. The latest mailing date, or date **to**
 5 **cast telephonic or**~~of submission in the case of~~ electronic ballots, shall be
 6 provided on the ballot.
- 7 (g) The board's contracted firm shall report in writing the outcome to the chair of
 8 the board of trustees. Costs of an election shall be payable from the funds of
 9 the system.
- 10 (h) For purposes of this subsection, an eligible voter shall be a person who was a
 11 member of the system on December 31 of the year preceding the election
 12 year.
- 13 (i) Each individual who submits a request to be nominated by the board under
 14 paragraph (a) of this subsection and each individual who is nominated by the
 15 membership under paragraph (b) of this subsection shall:
- 16 1. Complete an application developed by the system which shall include
 17 but not be limited to a disclosure of any prior felonies and any conflicts
 18 of interest that would hinder the individual's ability to serve on the
 19 board;
 - 20 2. Submit a resume detailing the individual's education and employment
 21 history and a cover letter detailing the member's qualifications for
 22 serving as trustee to the board; and
 - 23 3. Authorize the system to have a criminal background check performed.
 24 The criminal background check shall be performed by the Department
 25 of Kentucky State Police.
- 26 (j) In lieu of the ballots mailed to members and retired members as provided by
 27 this subsection, the systems may by promulgation of administrative regulation

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- 1 pursuant to KRS Chapter 13A conduct trustee elections using electronic
2 ballots ***or by telephone***, except that the systems shall mail a paper ballot upon
3 request of any eligible voter.
- 4 (5) (a) Any vacancy which may occur in an appointed position during a term of
5 office shall be filled in the same manner which provides for the selection of
6 the particular trustee, and any vacancy which may occur in an elected position
7 during a term of office shall be filled by appointment by a majority vote of the
8 remaining elected trustees; however, any vacancy shall be filled only for the
9 duration of the unexpired term. In the event of a vacancy of an elected trustee
10 during a term of office, the system shall notify members of the vacancy and
11 the opportunity to be considered for the vacant position. Any vacancy shall be
12 filled within ninety (90) days of the position becoming vacant.
- 13 (b) Any appointments or reappointments to an appointed position on the board
14 shall be made at least thirty (30) days prior to an appointed member's term of
15 office ending. The Governor's Office shall, with each appointment or
16 reappointment, request lists to be submitted and base selections on those lists
17 solely under the procedures and requirements provided by subsection (1)(b) of
18 this section.
- 19 (6) (a) Membership on the board of trustees shall not be incompatible with any other
20 office unless a constitutional incompatibility exists. No trustee shall serve in
21 more than one (1) position as trustee on the board and, if a trustee holds more
22 than one (1) position as trustee on the board, he or she shall resign a position.
- 23 (b) A trustee shall be removed from office upon conviction of a felony or for a
24 finding of a violation of any provision of KRS 11A.020 or 11A.040 by a court
25 of competent jurisdiction.
- 26 (c) A current or former employee of the County Employees Retirement System,
27 Kentucky Retirement Systems, or the Kentucky Public Pensions Authority

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- 1 shall not be eligible to serve as a member of the board.
- 2 (7) Trustees who do not otherwise receive a salary from the State Treasury shall
3 receive a per diem of eighty dollars (\$80) for each day they are in session or on
4 official duty, and they shall be reimbursed for their actual and necessary expenses
5 in accordance with state administrative regulations and standards.
- 6 (8) (a) The board shall meet at least once in each quarter of the year and may meet in
7 special session upon the call of the chair or the chief executive officer.
- 8 (b) The board shall elect a chair and a vice chair. The chair shall not serve more
9 than four (4) consecutive years as chair or vice chair of the board. The vice
10 chair shall not serve more than four (4) consecutive years as chair or vice
11 chair of the board. A trustee who has served four (4) consecutive years as
12 chair or vice chair of the board may be elected chair or vice chair of the board
13 after an absence of two (2) years from the positions.
- 14 (c) A majority of the trustees shall constitute a quorum, and all actions taken by
15 the board shall be by affirmative vote of a majority of the trustees present.
- 16 (9) (a) The board of trustees shall appoint or contract for the services of a chief
17 executive officer and general counsel and fix the compensation and other
18 terms of employment for these positions without limitation of the provisions
19 of KRS Chapters 18A and 45A and KRS 64.640. The chief executive officer
20 shall serve as the legislative and executive adviser to the board. The general
21 counsel shall serve as legal adviser to the board. The chief executive officer
22 and general counsel shall work with the executive director of the Kentucky
23 Public Pensions Authority to carry out the provisions of KRS 78.510 to
24 78.852. The executive director of the Kentucky Public Pensions Authority
25 shall be the chief administrative officer of the board.
- 26 (b) The board shall require the chief executive officer and may require the general
27 counsel to execute bonds for the faithful performance of his or her duties

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- 1 notwithstanding the limitations of KRS Chapter 62.
- 2 (c) The board shall have a system of accounting established by the Kentucky
3 Public Pensions Authority.
- 4 (d) The board shall do all things, take all actions, and promulgate all
5 administrative regulations, not inconsistent with the provisions of KRS 78.510
6 to 78.852, necessary or proper in order to carry out the provisions of KRS
7 78.510 to 78.852. Notwithstanding any other evidence of legislative intent, it
8 is hereby declared to be the controlling legislative intent that the provisions of
9 KRS 78.510 to 78.852 conform with federal statute or regulation and meet the
10 qualification requirements under 26 U.S.C. sec. 401(a), applicable federal
11 regulations, and other published guidance. Provisions of KRS 78.510 to
12 78.852 which conflict with federal statute or regulation or qualification under
13 26 U.S.C. sec. 401(a), applicable federal regulations, and other published
14 guidance shall not be available. The board shall have the authority to
15 promulgate administrative regulations to conform with federal statute and
16 regulation and to meet the qualification requirements under 26 U.S.C. sec.
17 401(a), including an administrative regulation to comply with 26 U.S.C. sec.
18 401(a)(9).
- 19 (e) Notwithstanding any other provision of statute to the contrary, including but
20 not limited to any provision of KRS Chapter 12, the Governor shall have no
21 authority to change any provision of KRS 78.510 to 78.852 by executive order
22 or action, including but not limited to reorganizing, replacing, amending, or
23 abolishing the membership of the County Employees Retirement System
24 board of trustees.
- 25 (10) The chief executive officer and general counsel of the board shall serve during its
26 will and pleasure. Notwithstanding any statute to the contrary, the chief executive
27 officer shall not be considered a legislative agent under KRS 6.611.

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- 1 (11) The Attorney General, or an assistant designated by him or her, may attend each
2 meeting of the board and may receive the agenda, board minutes, and other
3 information distributed to trustees of the board upon request. The Attorney General
4 may act as legal adviser and attorney for the board, and the board may contract for
5 legal services, notwithstanding the limitations of KRS Chapter 12 or 13B.
- 6 (12) (a) The Kentucky Public Pensions Authority shall publish an annual financial
7 report showing all receipts, disbursements, assets, and liabilities for the
8 systems. The annual report shall include a copy of an audit conducted in
9 accordance with generally accepted auditing standards. Except as provided by
10 paragraph (b) of this subsection, the board may select the independent
11 certified public accountant hired by the Kentucky Public Pensions Authority
12 or the Auditor of Public Accounts to perform the audit. If the audit is
13 performed by an independent certified public accountant, the Auditor of
14 Public Accounts shall not be required to perform an audit pursuant to KRS
15 43.050(2)(a), but may perform an audit at his or her discretion. All
16 proceedings and records of the board shall be open for inspection by the
17 public. The Kentucky Public Pensions Authority shall make copies of the
18 audit required by this subsection available for examination by any member,
19 retiree, or beneficiary in the offices of the County Employees Retirement
20 System and in other places as necessary to make the audit available to all
21 members, retirees, and beneficiaries. A copy of the annual audit shall be sent
22 electronically to the Legislative Research Commission no later than ten (10)
23 days after receipt by the board.
- 24 (b) At least once every five (5) years, the Auditor of Public Accounts shall
25 perform the audit described by this subsection, and the system shall reimburse
26 the Auditor of Public Accounts for all costs of the audit. The Auditor of
27 Public Accounts shall determine which fiscal year during the five (5) year

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- 1 period the audit prescribed by this paragraph will be completed.
- 2 (13) All expenses incurred by or on behalf of the system and the board in the
3 administration of the system during a fiscal year shall be paid from the retirement
4 allowance account, including any administrative expenses for the Kentucky Public
5 Pensions Authority that are assigned to the County Employees Retirement System
6 by KRS 61.505. The board shall submit any administrative expenses that are
7 specific to the County Employees Retirement System that are not otherwise covered
8 by KRS 61.505(11)(a).
- 9 (14) Except as provided under subsection (16) of this section or KRS 61.665, any person
10 adversely affected by a decision of the board involving KRS 78.510 to 78.852 may
11 appeal the decision of the board to the Franklin Circuit Court within sixty (60) days
12 of the board action.
- 13 (15) (a) A trustee shall discharge his or her duties as a trustee, including his or her
14 duties as a member of a committee:
- 15 1. In good faith;
- 16 2. On an informed basis; and
- 17 3. In a manner he or she honestly believes to be in the best interest of the
18 County Employees Retirement System.
- 19 (b) A trustee discharges his or her duties on an informed basis if, when he or she
20 makes an inquiry into the business and affairs of the system or into a
21 particular action to be taken or decision to be made, he or she exercises the
22 care an ordinary prudent person in a like position would exercise under
23 similar circumstances.
- 24 (c) In discharging his or her duties, a trustee may rely on information, opinions,
25 reports, or statements, including financial statements and other financial data,
26 if prepared or presented by:
- 27 1. One (1) or more officers or employees of the system or Authority whom

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

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1 (16) When an order by the system substantially impairs the benefits or rights of a
2 member, retired member, or recipient, except action which relates to entitlement to
3 disability benefits, or when an employer disagrees with an order of the system as
4 provided by KRS 61.598, the affected member, retired member, recipient, or
5 employer may request a hearing to be held in accordance with KRS Chapter 13B.
6 The board may establish an appeals committee whose members shall be appointed
7 by the chair and who shall have authority to act upon the recommendations and
8 reports of the hearing officer on behalf of the board. The member, retired member,
9 recipient, or employer aggrieved by a final order of the board following the hearing
10 may appeal the decision to the Franklin Circuit Court, in accordance with KRS
11 Chapter 13B. The board may establish a joint administrative appeals committee
12 with the Kentucky Retirement Systems and may also establish a joint disability
13 appeals committee with the Kentucky Retirement Systems.

14 (17) The board shall establish a formal trustee education program for all trustees of the
15 board. The program shall include but not be limited to the following:

16 (a) A required orientation program for all new trustees elected or appointed to the
17 board. The orientation program shall include training on:

- 18 1. Benefits and benefits administration;
- 19 2. Investment concepts, policies, and current composition and
20 administration of system investments;
- 21 3. Laws, bylaws, and administrative regulations pertaining to the system
22 and to fiduciaries; and
- 23 4. Actuarial and financial concepts pertaining to the system.

24 If a trustee fails to complete the orientation program within one (1) year from
25 the beginning of his or her first term on the board, the system shall withhold
26 payment of the per diem and travel expenses due to the board member under
27 this section until the trustee has completed the orientation program;

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

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- 1 6. Investment information, including a general overview, a list of the
2 system's professional consultants, a total net of fees return on system
3 investments over a historical period, an investment summary, contracted
4 investment management expenses, transaction commissions, and a
5 schedule of investments;
- 6 7. The annual actuarial valuation report on the pension benefit and the
7 medical insurance benefit; and
- 8 8. A general statistical section, including information on contributions,
9 benefit payouts, and retirement system demographic data;
- 10 (c) All external audits;
- 11 (d) All board minutes or other materials that require adoption or ratification by
12 the board of trustees. The items listed in this paragraph shall be posted within
13 *three (3) business days*~~[seventy-two (72) hours]~~ of adoption or ratification of
14 the board;
- 15 (e) All bylaws, policies, or procedures adopted or ratified by the board of
16 trustees;
- 17 (f) The system's summary plan description;
- 18 (g) A document containing an unofficial copy of the statutes governing the
19 system;
- 20 (h) A listing of the members of the board of trustees and membership on each
21 committee established by the board, including any investment committees;
- 22 (i) All investment holdings in aggregate, fees, and commissions for each fund
23 administered by the board, which shall be updated on a quarterly basis for
24 fiscal years beginning on or after July 1, 2021. The system shall request from
25 all managers, partnerships, and any other available sources all information
26 regarding fees and commissions and shall, based on the requested information
27 received:

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- 1 1. Disclose the dollar value of fees and commissions paid to each
2 individual manager or partnership;
- 3 2. Disclose the dollar value of any profit sharing, carried interest, or any
4 other partnership incentive arrangements, partnership agreements, or
5 any other partnership expenses received by or paid to each manager or
6 partnership; and
- 7 3. As applicable, report each fee or commission by manager or partnership
8 consistent with standards established by the Institutional Limited
9 Partners Association (ILPA).
- 10 In addition to the requirements of this paragraph, the system shall also
11 disclose the name and address of all individual underlying managers or
12 partners in any fund of funds in which system assets are invested;
- 13 (j) An update of net of fees investment returns, asset allocations, and the
14 performance of the funds against benchmarks adopted by the board for each
15 fund, for each asset class administered by the board, and for each manager.
16 The update shall be posted on a quarterly basis for fiscal years beginning on
17 or after July 1, 2021;
- 18 (k) A searchable database of the system's expenditures and a listing of each
19 individual employed by the system along with the employee's salary or wages.
20 In lieu of posting the information required by this paragraph to the Kentucky
21 Public Pensions Authority's website~~[Web site]~~, the system may provide the
22 information through a website~~[Web site]~~ established by the executive branch
23 to inform the public about public employee salaries and wages;
- 24 (l) All contracts or offering documents for services, goods, or property purchased
25 or utilized by the system for contracts or offering documents entered into on
26 or after July 1, 2021; and
- 27 (m) Information regarding the system's financial and actuarial condition that is

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1 easily understood by the members, retired members, and the public.

2 (19) Notwithstanding the requirements of subsection (18) of this section, the system
3 shall not be required to furnish information that is protected under KRS 61.661,
4 exempt under KRS 61.878, or that, if disclosed, would compromise the system's
5 ability to competitively invest in real estate or other asset classes, except that no
6 provision of this section or KRS 61.878 shall exclude disclosure and review of all
7 contracts, including investment contracts, by the board, the Auditor of Public
8 Accounts, and the Government Contract Review Committee established pursuant to
9 KRS 45A.705 or the disclosure of investment fees and commissions as provided by
10 this section. If any public record contains material which is not excepted under this
11 section, the system shall separate the excepted material by removal, segregation, or
12 redaction, and make the nonexcepted material available for examination.

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

21 ➔Section 28. KRS 78.852 is amended to read as follows:

22 (1) For members who begin participating in the County Employees Retirement System
23 prior to January 1, 2014, it is hereby declared that in consideration of the
24 contributions by the members and in further consideration of benefits received by
25 the county from the member's employment, KRS 78.510 to 78.852 shall, except as
26 provided in KRS 6.696[~~effective September 16, 1993~~], constitute an inviolable
27 contract of the Commonwealth, and the benefits provided therein shall not be

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- 1 subject to reduction or impairment by alteration, amendment, or repeal.
- 2 (2) (a) For members who begin participating in the County Employees Retirement
3 System on or after January 1, 2014, the General Assembly reserves the right
4 to amend, suspend, or reduce the benefits and rights provided under KRS
5 78.510 to 78.852 if, in its judgment, the welfare of the Commonwealth so
6 demands, except that the amount of benefits the member has accrued at the
7 time of amendment, suspension, or reduction shall not be affected.
- 8 (b) For purposes of this subsection, the amount of benefits the member has
9 accrued at the time of amendment, suspension, or reduction shall be limited to
10 the accumulated account balance the member has accrued at the time of
11 amendment, suspension, or reduction.
- 12 (c) The provisions of this subsection shall not be construed to limit the General
13 Assembly's authority to change any other benefit or right specified by KRS
14 78.510 to 78.852, except the benefits specified by paragraph (b) of this
15 subsection, for members who begin participating in the County Employees
16 Retirement System on or after January 1, 2014.
- 17 (3) The provisions of this section shall not be construed to limit the General Assembly's
18 authority to amend, reduce, or suspend the benefits and rights of members of the
19 County Employees Retirement System as provided by KRS 78.510 to 78.852 that
20 the General Assembly had the authority to amend, reduce, or suspend, prior to July
21 1, 2013.
- 22 (4) The responsibility for funding the provisions of KRS 78.510 to 78.852 shall be the
23 responsibility of the employers participating in the County Employees Retirement
24 System. For any employer failing to fund the requirements of KRS 78.510 to
25 78.852, the board shall have the full authority under the law to:
- 26 (a) Require the employer to involuntarily cease participating and pay all costs for
27 ceasing participation as provided by KRS 78.535; or

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- 1 (b) Suspend benefit payments and refunds or to seek legal action as provided by
- 2 KRS 78.625 for any employer failing to fund the requirements of KRS 78.510
- 3 to 78.852.

Addition to 2024 KPPA Housekeeping Bill: Clean-up to KRS 61.505(8) as a result of changes made in HB 587 (2023)

(8) (a) The Kentucky Public Pensions Authority shall appoint or contract for the services of an executive director and an internal auditor and fix the compensation and other terms of employment for these positions without limitation of the provisions of KRS Chapter 18A, 45A, and KRS 64.640. The executive director shall be the chief administrative officer of the Authority, the Kentucky Retirement Systems board of trustees, and the County Employees Retirement System board of trustees. The internal auditor shall report directly to the ~~[trustees of the]~~ Kentucky Public Pensions Authority members to perform internal audit functions as direct by the Authority. The executive director and the internal auditor shall work cooperatively with the chief executive officers of the Kentucky Retirement Systems and the County Employees Retirement System. The Authority shall annually conduct a performance evaluation of the executive director and internal auditor.

(b) The Kentucky Public Pensions Authority shall authorize the executive director, or the internal auditor in the case of employees under the direct supervision of the internal auditor, to appoint the employees deemed necessary to transact the duties of the Authority for the purposes outlined in subsection (1) of this section. After April 14, 2022, approval by the Authority shall be required for a petition to the secretary of the Personnel Cabinet for the creation of any new unclassified position pursuant to KRS 18A.115(1)(e), (g), (h), and (i).

(c) Effective April 1, 2021, the Kentucky Public Pensions Authority shall assume responsibility of administering the staff of the Kentucky Retirement Systems in order to provide the services established by this section.

(d) 1. All employees of the Kentucky Public Pensions Authority, except for the executive director, the internal auditor, and no more than six (6) unclassified employees of the Office of Investments

employed pursuant to KRS 18A.115(1)(e), (g), (h), and (i), shall be subject to the state personnel system established pursuant to KRS 18A.005 to 18A.204 and shall have their salaries determined by the secretary of the Personnel Cabinet.

2. The employees exempted from the classified service under this paragraph shall not be subject to the salary limitations specified in KRS 64.640(2) and (3).

3. The Kentucky Public Pensions Authority shall adopt a written salary and classification plan fixing a range of compensation and written terms of employment for any of the unclassified employees of the Office of Investments it authorizes under this paragraph. The Authority shall authorize the executive director to appoint up to six (6) unclassified employees of the Office of Investments subject to the compensation ranges and terms of employment the Authority has established. The Authority may amend the written salary and classification plan adopted under this paragraph at any time.

(e) The Authority shall annually review, approve, and submit a report to the Public Pension Oversight Board detailing the number of employees of the Authority, the salary paid to each employee, and the change in the salaries of each individual employed by the Authority over the prior year.

(f) The Authority 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.

(g) Notwithstanding any other provision of statute to the contrary, including but not limited to any provision of KRS Chapter 12, the Governor shall have no authority to change any provision of this section by executive order or action, including but not limited to reorganizing, replacing, amending, or abolishing the membership of the Kentucky Public Pensions Authority.



Disability Application Review Process



History of KRS 61.665(2)

1998

- KRS 61.665(e)

The system shall select **a medical examiner** to evaluate the medical evidence submitted by the employee's physician. The examiner shall recommend that the disability retirement be approved, or that disability retirement be denied. **If the medical examiner recommends denial of disability benefits, the system shall submit the member's application to two (2) additional medical examiners.** Both of the additional medical examiners shall recommend approval of disability benefits to overturn the original recommendation. Recommendations by the examiners shall be submitted to the board for approval.

2001

- KRS 61.665(e)

The system shall select **a medical examiner** to evaluate the medical evidence submitted by the employee's physician. The examiner shall recommend that the disability retirement be approved, or that the disability retirement be denied. **If the medical examiner recommends denial of disability benefits, the system shall submit the member's application to one (1) additional medical examiner. If the second medical examiner recommends approval, the application shall be submitted to a third medical examiner.** Both of the additional medical examiners shall recommend approval of disability benefits to overturn the original recommendation. If there is objective medical evidence of mental impairments, the medical examiners may request the board's licensed mental health professional to assist in determining the level of the mental impairment. Recommendations by the examiners shall be submitted to the board for approval.

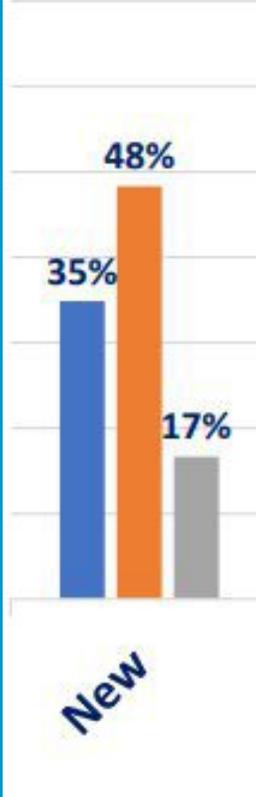


History of KRS 61.665(2)

2004 to Current

- KRS 61.665(2)(d-e)
 - (d) The system shall **select three (3) medical examiners** to evaluate the medical evidence submitted by the person. The medical examiners shall recommend that the disability retirement be approved, or that the disability retirement be denied. If there is evidence of a mental impairment, the medical examiners may request the board's licensed mental health professional to assist in determining the level of the mental impairment.
 - (e) If two (2) or more of the three (3) medical examiners recommend that the person be approved for disability retirement, the system shall make retirement payments in accordance with the retirement plan selected by the person.

Recommendation
Outcomes for
Total # of Claims
Processed 2020-
2022



■ Approval ■ Disapproval ■ Administrative Closure



Impact of Proposed Change to KRS 61.665



*If split decision, goes to a 3rd review.



Commonwealth of Kentucky CONTRACT

DOC ID NUMBER:			
PON2	100	2200003077	Version: 1
			Record Date: 05/20/22

Document Description:	Disability Retirement Reviews by Third Party Admin - MMRO
Cited Authority:	FAP111-43-00-STD Personal Services Contracts-Standard
Reason for Modification:	

Issuer Contact:	
Name:	Angela Stevens
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Vendor Name:	Vendor No.	KS0003460
Managed Medical Review Organization, Inc.	Vendor Contact	
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44090 W. 12 Mile Rd.	Phone:	866.516.6676
	Email:	ekelly@mmroinc.com
Novi	IL	48377

Effective From: 2022-07-01 **Effective To:** 2024-06-30

Line Item	Delivery Date	Quantity	Unit	Description	Unit Price	Contract Amount	Total Price
1		0.00000		FY23 Disability Retirement Reviews by 3rd Party Admin.	\$0.000000	\$1,800,000.00	\$1,800,000.00

Extended Description:

MMRO will provide Kentucky Public Pensions Authority with disability retirement reviews by Kentucky licensed physicians, pre-claim initiation services, comprehensive case management services and independent medical and psychological evaluations in accordance with Kentucky Revised Statutes and Kentucky Administrative Regulations. WHD Ticket #35631

Effective From: 2022-07-01 **Effective To:** 2024-06-30

Line Item	Delivery Date	Quantity	Unit	Description	Unit Price	Contract Amount	Total Price
2		0.00000		FY24 Disability Retirement Reviews by 3rd Party Admin.	\$0.000000	\$1,800,000.00	\$1,800,000.00

Extended Description:

MMRO will provide Kentucky Public Pensions Authority with disability retirement reviews by Kentucky licensed physicians, pre-claim initiation services, comprehensive case management services and independent medical and psychological evaluations in accordance with Kentucky Revised Statutes and Kentucky Administrative Regulations. WHD Ticket #35631

Shipping Information:	Billing Information:
Kentucky Public Pensions Authority (KPPA) 1260 Louisville Road Frankfort KY 40601	Kentucky Public Pensions Authority (KPPA) 1260 Louisville Road Frankfort KY 40601

TOTAL CONTRACT AMOUNT:	\$3,600,000.00
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PERSONAL SERVICE CONTRACT FOR
DISABILITY RETIREMENT REVIEWS BY THIRD PARTY ADMINISTRATOR

BETWEEN

THE COMMONWEALTH OF KENTUCKY

KENTUCKY PUBLIC PENSIONS AUTHORITY

AND

MANAGED MEDICAL REVIEW ORGANIZATION, INC. (MMRO)
44090 W. Twelve Mile Road
Novi, MI 48377

This Personal Service Contract (PSC) was entered into, by and between the Commonwealth of Kentucky, Kentucky Public Pensions Authority (KPPA) (“the Commonwealth”) and Managed Medical Review Organization, Inc. (MMRO) (“the Contractor”) to establish a contract for Disability Retirement Reviews by Third Party Administrator. The initial PSC was effective from August 17, 2020 through June 30, 2022.

Per Section 10.30 of the RFP, the Commonwealth reserves the right to renew this contract for up to two (2) additional two-year periods. This contract is being renewed at the completion of the initial contract period for one (1) additional two-year period. This is renewal 1 of 2. This PSC is effective 7/1/22 and expires 6/30/2024.

RFP 100 2000000071
INITIAL CONTRACT: PON2 100 2100000154 – 8/17/2020-6/30/2022

The Commonwealth and Contractor agree to the following:

I. Scope of Contract

1. The Contractor will provide comprehensive case management services. Contractor will provide clinical professionals to work directly with members and/or their treating medical professional(s) to gather relevant medical records and ensure a complete and comprehensive claim file is assembled, including the required Kentucky Public Pensions Authority applications and forms.

Pre-Claim Initiation Administrative Services:

Pre-Claim Initiation Administrative Services shall include managing all aspects of initiating the Kentucky Public Pensions Authority claim documents for new and reapplication disability retirement claims, including the disbursement, tracking, follow-up, and receipt of the required claim documents (KPPA Forms 8040, 8001, 8030, 8035, objective medical evidence, and any other required claim documents) prior to proceeding with Case Management and Disability Retirement

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Review Services. Upon review of the records during the Pre-Claim process, Contractor may be required to work with members to attempt to collect relevant public records such as Workers' Compensation records, public licenses, occupational licenses, training records, and associated documents. Contractor may also be required to work with the members to attempt to collect non-public records, such as personnel records (from employers that do not participate in any system administered by Kentucky Public Pensions Authority), court records, and records pertaining to volunteer and recreational activities.

2. The Contractor will provide disability retirement review services. The Contractor will provide physicians licensed in the state of Kentucky and not a member of any retirement systems administered by Kentucky Public Pensions Authority, to perform reviews of disability retirement applications, re-applications, duty related and in-line-of-duty disability applications, periodic annual disability reviews, disability employment reviews, and appeal reviews.

Disability Retirement Review Services:

- a) Review of each new claim for disability retirement benefits, re-applications, duty related and in-line-of-duty disability applications by three (3) physicians.
- b) Review of each annual review claim by one (1) physician.
- c) Review of each employment review claim by one (1) physician.
- d) Review claim appeals for disability, duty related, in-line-of-duty, annual review, and employment reviews as requested by the Kentucky Public Pensions Authority.

3. The Contractor will ensure that all reviews performed follow the statutes and regulations that govern Kentucky Public Pensions Authority.

4. The Contractor will manage the disability retirement annual reviews originally approved by MMRO and the disability annual reviews initiated after the effective date of the contract.

- a) Track approvals and dates benefits are set to expire.
- b) Provide written notice to member(s) at the time of the annual review and allow members 180 days to submit records and forms.
- c) Collect medical records and required forms from the member(s).
- d) Send follow-up requests for missing information.

5. The Contractor will manage the disability retirement recipient employment reviews originally approved by MMRO and the disability recipient employment reviews initiated after the effective date of the contract.

6. The Contractor will provide Kentucky Public Pensions Authority with access to MMRO's Access Point (MAP) to provide real-time visibility into the member's disability retirement claim workflow processes. Kentucky Public Pensions Authority authorized staff can view the status of existing disability claims administered by MMRO. A customized number of key fields will be made visible to authorized users for view-only access. Kentucky Public Pensions Authority authorized staff will have the ability to add or change selected fields on disability retirement claims as well as provide updates to disability applicant's demographic information (address, email, and phone). Kentucky

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Public Pensions Authority authorized staff can also view and retrieve final recommendation reports, along with the indexed claim file and all applicable claim information.

7. Contractor will provide reviews to each claim for disability retirement, re-application, duty related and in-line-of-duty applications by three (3) physicians, licensed in the state of Kentucky and not a member of any retirement system administered by Kentucky Public Pensions Authority, disallowing collaboration between the three (3) reviewing physicians.

8. Contractor will provide reviews of each annual review or employment review claim by one (1) physician, licensed in the state of Kentucky and not a member of any retirement system administered by Kentucky Public Pensions Authority.

9. Contractor will accommodate the submission of appeals for disability denials, duty related denials, in-line-of-duty denials, disability discontinuances or job denials back to the same physician(s) who originally reviewed the claim.

10. Contractor will accommodate additional physician reviews by the same reviewer(s) when additional information is requested from the physician reviewer or when the member is asked to submit to an independent medical examination.

11. Contractor will assign reapplications for disability retirement to three (3) physicians who did not originally review the claim, when possible.

12. Contractor will provide physicians with transcription and review documents from that physician's previous review for any subsequent reviews by the physician, such as for appeals, requests for additional information, and requests for independent medical examinations.

13. Contractor, if necessary, will send a case back for review with no additional compensation when claims are not reviewed properly according to the Kentucky Revised Statutes and Kentucky Administrative Regulations or when there is missing documentation or missing justification for the decision by a physician reviewer.

14. Contractor will provide transcription services for physician's reports and recommendations.

15. Contractor shall provide and schedule independent medical and psychological examinations and functional capacity evaluation services when required. Independent Medical Evaluations (IMEs) and Functional Capacity Evaluations (FCEs) should be used sparingly and are only acceptable when there is conflicting evidence. Otherwise, the member is responsible for supplying evidence. IME's include the following specialty types: Orthopedic, Neurology, Occupational Medicine, Internal Medicine, Physical Medicine & Rehabilitation. Contractor will provide requested specialties outside of these listed specialties offered. However, they are not included in IME pricing and will be quoted to KPPA at the time of scheduling.

16. Contractor will have the ability to assign priority based on review type and expedite claim reviews as requested by Kentucky Public Pensions Authority.

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17. Contractor will maintain detailed security measures to insure all Protected Health Information (PHI) of the members are received, handled, and delivered securely. Contractor will work directly with Kentucky Public Pensions Authority Department of Enterprise Technology & Security to ensure all interfaces, access to Contractor's MAP, etc. meet the required security needs of Kentucky Public Pensions Authority.

18. Contractor will maintain detailed, complete records for each claim processed from start to finish, including modification to claims information. Contractor will keep an entire record of all documents submitted, including duplicative documents, cover sheets, etc. on file for review when needed. Contractor shall follow the Kentucky Public Pensions Authority retention schedule for maintaining member's case files.

19. Contractor will provide reviewing physicians to be deposed or to testify in administrative hearings when requested by Kentucky Public Pensions Authority. If Kentucky Public Pensions Authority makes the request, Kentucky Public Pensions Authority will pay for the vendor physicians on a case by case basis. If a member and/or their legal counsel requests the vendor physicians to testify or be deposed, it is the responsibility of the member and/or their legal counsel to provide payment at a rate negotiated between the Contractor and the member and/or their legal counsel.

Relationship of the Parties. Contractor warrants that all work performed by Contractor under this Contract is and shall be performed as an independent contractor. Contractor shall be responsible for compliance with all laws, rules and regulations by its respective employees, including, but not limited to, employment of labor, hours of labor, health and safety, working conditions, worker's compensation insurance, and payment of wages. This Contract shall not be construed so as to create a partnership or joint venture between Contractor and Kentucky Public Pensions Authority.

Amendments and Renewal. Written modifications, amendments or additions to this Contract shall be effective only when signed by both parties.

Notices of Material Changes. Contractor shall notify the Kentucky Public Pensions Authority Board in writing within five (5) business days of any complaints, investigations, examinations, or other proceedings commenced by any governmental regulatory agency against the Contractor. Notices required in this Section shall be served on Kentucky Public Pensions Authority by registered or certified mail.

Assignment. This Contract may not be assigned by Contractor without the written consent of Kentucky Public Pensions Authority. Further, the obligations of Contractor under this Contract shall be considered personal obligations of Contractor, performable solely by Contractor and Contractor may not delegate its duties hereunder to any entity other than an employee of Contractor without the express written consent of Kentucky Public Pensions Authority.

Controlling Law; Jurisdiction and Venue; Waiver. All questions as to the execution, validity, interpretation, construction, and performance of this agreement shall be construed in accordance with the laws of the Commonwealth of Kentucky, without regard to conflict of laws principles thereof. Contractor hereby consents to the jurisdiction of the courts of the Commonwealth of Kentucky and further consents that venue shall lie in the Franklin Circuit Court located in Franklin

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County, Kentucky. To the extent that in any jurisdiction Contractor may now or hereafter be entitled to claim for itself or its assets immunity from suit, execution, attachment (before or after judgment) or other legal process, Contractor, to the extent it may effectively do so, irrevocably agrees not to claim, and it hereby waives, same.

Access to Confidential Data. The Contractor shall comply with the Kentucky Public Pensions Authority's Conflict of Interest and Confidentiality Policy. The Contractor's employees, agents and subcontractors may have access to confidential data maintained by the Kentucky Public Pensions Authority to the extent necessary to carry out its responsibilities under the Contract. The Contractor shall presume that all information received pursuant to this Contract is confidential and subject to the provisions of KRS 61.661 unless otherwise designated by Kentucky Public Pensions Authority. The Contractor shall provide to the Kentucky Public Pensions Authority a written description of its policies and procedures to safeguard confidential information. The Contractor shall provide Kentucky Public Pensions Authority updates or changes to these policies in a timely manner. Policies of confidentiality shall address, as appropriate, information conveyed in verbal, written, and electronic formats. The Contractor shall provide physical and logical protection for all Kentucky Public Pensions Authority written and electronic data. Electronic data shall be encrypted during transport and at rest utilizing Kentucky Public Pensions Authority policy standards. The Contractor is responsible for ensuring that they have reviewed all policies and policy updates. The Contractor shall remain the responsible authority in charge of all data collected, used, or disseminated by the Contractor in connection with the performance of the Contract. The Contractor shall provide adequate supervision and training to its agents, employees and subcontractors to ensure compliance with the terms of this Contract. The private or confidential data shall remain the property of the Kentucky Public Pensions Authority at all times.

In the event there is a conflict between KRS 61.661 and any of the terms and conditions under Section 16.00 of this Contract, KRS 61.661 will control.

No Dissemination of Confidential Data. No confidential data collected, maintained, or used in the course of performance of the Contract shall be disseminated except as authorized by law and with the written consent of the Kentucky Public Pensions Authority either during the period of the Contract or thereafter. Any data supplied to or created by the Contractor shall be considered the property of the Kentucky Public Pensions Authority. The Contractor must return any and all data collected, maintained, created or used in the course of the performance of the Contract in whatever form it is maintained promptly at the request of the Kentucky Public Pensions Authority.

Subpoena. In the event that a subpoena or other legal process is served upon the Contractor for records containing confidential information, the Contractor shall promptly notify the Kentucky Public Pensions Authority and cooperate with the Kentucky Public Pensions Authority in any lawful effort to protect the confidential information.

Reporting of Unauthorized Disclosure. The Contractor shall immediately report to the Kentucky Public Pensions Authority any unauthorized disclosure of confidential information. Kentucky Public Pensions Authority will manage the disclosure in accordance with our established policies. The Contractor, at the sole discretion of Kentucky Public Pensions Authority, shall provide no cost credit monitoring services for Kentucky Public Pensions Authority members that are deemed to

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be part of a potential disclosure. The Contractor shall bear the cost of notification to Kentucky Public Pensions Authority' members that are involved in a potential disclosure event, including individual letters and/or public notice.

Survives Termination. The Contractor's obligation under this Section regarding the security, confidentiality, and ownership of data as set forth in this section shall survive termination of this Contract.

Severability. The provisions of this Contract shall be deemed severable, and the unenforceability of any one or more provisions shall not affect the enforceability of any of the other provisions. In addition, if any provision of this Contract, for any reason, is declared to be unenforceable, the parties shall substitute an enforceable provision that, to the maximum extent possible in accordance with applicable law, preserves the original intentions and economic positions of the parties.

II. Contract Components and Order of Precedence

The Commonwealth's acceptance of the Contractor's offer in response to the Solicitation, indicated by the issuance of a Contract Award shall create a valid contract between the Parties consisting of the following:

1. Procurement Statutes, Regulations and Policies.
2. Any written Agreement between the Parties.
3. Any Addenda to the Solicitation.
4. The Solicitation and all attachments.
5. Any Best and Final Offer.
6. Any clarifications concerning the Contractor's proposal in response to the Solicitation.
7. The Contractor's proposal in response to the Solicitation.

In the event of any conflict between or among the provisions contained in the contract, the order of precedence shall be as enumerated above.

III. Negotiated Items – Not Applicable

IV. Pricing

Kentucky Public Pensions Authority agrees to pay the Contractor the following:

Physician Reviews for new and reapplication disability claims, annual reviews, and employment reviews -\$555.00 per physician review.

- Medical records exceeding 400 pages per claim file will have a \$125.00 surcharge per physician review.
- Pre-Claim Initiation Administrative Services - \$5,850.00 per month.

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- Case Management Services - \$360.00 per individual member claim for new and reapplication disability claims.

If there is a need for additional medical assessment services, Kentucky Public Pensions Authority agrees to pay the Contractor for the following:

Independent Medical Evaluation (IME) \$1,725.00 per evaluation.

- Requested specialties outside of Section I Scope of Work will be quoted to Kentucky Public Pensions Authority at the time of scheduling.
- IME charges include medical record review up to 175 pages. Medical records in excess of 175 pages will be charged at \$250.00 for every 250 page count increments thereafter.
- IME Addendum Report charges for additional medical records requested after the IME report or additional questions posed will be \$300.00 per addendum.

Independent Psychiatric Evaluation (IPE) \$2,075.00 per evaluation.

- IPE charges include medical record review up to 175 pages. Medical records in excess of 175 pages will be charged at \$250.00 for every 250 page count increments thereafter.
- IPE Addendum Report charges for additional medical records requested after the IPE report or additional questions posed will be \$300.00 per addendum.

Functional Capacity Evaluation (FCE) \$1,250.00 per evaluation.

The contract amount will not exceed the total cost of \$3,600,000.00.

V. Invoicing

The Contractor shall securely submit an invoice on a monthly basis, due no later than the 10th of each month. The detailed invoice shall include a listing of cases with the member’s names and ID numbers for each case reviewed in that month, along with the required invoice form. The Contractor shall be paid by Kentucky Public Pensions Authority on a monthly basis within thirty (30) day of receipt of an approved invoice.

Pursuant to KRS 45A.695, no payment shall be made on any personal service contract unless the invoice for payment is submitted on a form established by the committee. The required invoice form is available on the Legislative Research Commission, Government Contract Review Committee website: <https://apps.legislature.ky.gov/moreinfo/Contracts/homepage.html>.

Kentucky Public Pensions Authority may reimburse the Contractor for travel expenses in accordance with the state regulations established by the Finance and Administration Cabinet and in compliance with Kentucky Revised Statutes and Kentucky Administrative Regulations upon receipt of approved documentation.

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In accordance with the Legislative Research Commission, Government Contract Review Policy statement #98-1, Contractor shall not be permitted to bill for the hourly rate while being reimbursed for travel expenses.

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**Personal Service Contract Standard Terms and Conditions
Revised November 2021**

Whereas, the first party, the state agency, has concluded that either state personnel are not available to perform said function, or it would not be feasible to utilize state personnel to perform said function; and **Whereas**, the second party, the Contractor, is available and qualified to perform such function; and **Whereas**, for the abovementioned reasons, the state agency desires to avail itself of the services of the second party;

NOW THEREFORE, the following terms and conditions are applicable to this contract:

1.00 Effective Date:

This contract is not effective until the Secretary of the Finance and Administration Cabinet or his authorized designee has approved the contract and until the contract has been submitted to the Legislative Research Commission, Government Contract Review Committee ("LRC"). However, in accordance with KRS 45A.700, contracts in aggregate amounts of \$10,000 or less are exempt from review by the committee and need only be filed with the committee within 30 days of their effective date for informational purposes.

KRS 45A.695(7) provides that payments on personal service contracts and memoranda of agreement shall not be authorized for services rendered after government contract review committee disapproval, unless the decision of the committee is overridden by the Secretary of the Finance and Administration Cabinet or agency head, if the agency has been granted delegation authority by the Secretary.

2.00 Renewals:

Upon expiration of the initial term, the contract may be renewed in accordance with the terms and conditions in the original solicitation. Renewal shall be subject to prior approval from the Secretary of the Finance and Administration Cabinet or his authorized designee and the LRC Government Contract Review Committee in accordance with KRS 45A.695 and KRS 45A.705, and contingent upon available funding.

3.00 LRC Policies:

Pursuant to KRS 45A.725, LRC has established policies which govern rates payable for certain professional services. These are located on the LRC webpage <https://apps.legislature.ky.gov/moreinfo/Contracts/homepage.html> and would impact any contract established under KRS 45A.690 et seq., where applicable.

4.00 Choice of Law and Forum:

This contract shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky. Any action brought against the Commonwealth on the contract, including but not limited to actions either for breach of contract or for enforcement of the contract, shall be brought in Franklin Circuit Court, Franklin County, Kentucky in accordance with KRS 45A.245.

5.00 EEO Requirements:

The Equal Employment Opportunity Act of 1978 applies to All State government projects with an estimated value exceeding \$500,000. The contractor shall comply with all terms and conditions of the Act.

6.00 Cancellation:

The Commonwealth shall have the right to terminate and cancel this contract at any time not to exceed thirty (30) days' written notice served on the Contractor by registered or certified mail.

7.00 Funding Out Provision:

The state agency may terminate this contract if funds are not appropriated to the contracting agency or are not otherwise available for the purpose of making payments without incurring any obligation for payment after the date of termination, regardless of the terms of the contract. The state agency shall provide the Contractor thirty (30) calendar days' written notice of termination of the contract due to lack of available funding.

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8.00 Reduction in Contract Worker Hours:

The Kentucky General Assembly may allow for a reduction in contract worker hours in conjunction with a budget balancing measure for some professional and non-professional service contracts. If under such authority the agency is required by Executive Order or otherwise to reduce contract hours, the agreement will be reduced by the amount specified in that document. If the contract funding is reduced, then the scope of work related to the contract may also be reduced commensurate with the reduction in funding. This reduction of the scope shall be agreeable to both parties and shall not be considered a breach of contract.

9.00 Authorized to do Business in Kentucky:

The Contractor affirms that it is properly authorized under the laws of the Commonwealth of Kentucky to conduct business in this state and will remain in good standing to do business in the Commonwealth of Kentucky for the duration of any contract awarded.

The Contractor shall maintain certification of authority to conduct business in the Commonwealth of Kentucky during the term of this contract. Such registration is obtained from the Secretary of State, who will also provide the certification thereof.

Registration with the Secretary of State by a Foreign Entity:

Pursuant to KRS 45A.480(1)(b), an agency, department, office, or political subdivision of the Commonwealth of Kentucky shall not award a state contract to a person that is a foreign entity required by KRS 14A.9-010 to obtain a certificate of authority to transact business in the Commonwealth ("certificate") from the Secretary of State under KRS 14A.9-030 unless the person produces the certificate within fourteen (14) days of the bid or proposal opening. Therefore, foreign entities should submit a copy of their certificate with their solicitation response. If the foreign entity is not required to obtain a certificate as provided in KRS 14A.9-010, the foreign entity should identify the applicable exception in its solicitation response. Foreign entity is defined within KRS 14A.1-070.

For all foreign entities required to obtain a certificate of authority to transact business in the Commonwealth, if a copy of the certificate is not received by the contracting agency within the time frame identified above, the foreign entity's solicitation response shall be deemed non-responsive or the awarded contract shall be cancelled.

Businesses can register with the Secretary of State at <https://onestop.ky.gov/Pages/default.aspx>

10.00 Invoices for fees:

The Contractor shall maintain supporting documents to substantiate invoices and shall furnish same if required by state government. The invoice must conform to the method described in Section V of this contract.

Pursuant to KRS 45A.695, no payment shall be made on any personal service contract unless the individual, firm, partnership, or corporation awarded the personal service contract submits its invoice for payment on a form established by the committee.

*Invoice form is available on the Legislative Research Commission, Government Contract Review Committee website: <https://apps.legislature.ky.gov/moreinfo/Contracts/homepage.html>

11.00 Travel expenses, if authorized:

The Contractor shall be paid for no travel expenses unless and except as specifically authorized by the specifications of this contract or authorized in advance and in writing by the Commonwealth. The Contractor shall maintain supporting documents that substantiate every claim for expenses and shall furnish same if requested by the Commonwealth.

12.00 Other expenses, if authorized herein:

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The Contractor shall be reimbursed for no other expenses of any kind, unless and except as specifically authorized within the specifications of this contract or authorized in advance and in writing by the Commonwealth.

If the reimbursement of such expenses is authorized, the reimbursement shall be only on an out-of-pocket basis. Request for payment of same shall be processed upon receipt from the Contractor of valid, itemized statements submitted periodically for payment at the time any fees are due. The Contractor shall maintain supporting documents that substantiate every claim for expenses and shall furnish same if requested by the Commonwealth.

13.00 Purchasing and specifications:

The Contractor certifies that he/she will not attempt in any manner to influence any specifications to be restrictive in any way or respect nor will he/she attempt in any way to influence any purchasing of services, commodities or equipment by the Commonwealth of Kentucky. For the purpose of this paragraph and the following paragraph that pertains to conflict-of interest laws and principles, "he/she" is construed to mean "they" if more than one person is involved and if a firm, partnership, corporation, or other organization is involved, then "he/she" is construed to mean any person with an interest therein.

14.00 Conflict-of-interest laws and principles:

The Contractor certifies that he/she is legally entitled to enter into this contract with the Commonwealth of Kentucky, and by holding and performing this contract, he/she will not be violating either any conflict of interest statute (KRS 45A.330-45A.340, 45A.990, 164.390), or KRS 11A.040 of the executive branch code of ethics, relating to the employment of former public servants.

15.00 Campaign finance:

The Contractor certifies that neither he/she nor any member of his/her immediate family having an interest of 10% or more in any business entity involved in the performance of this contract, has contributed more than the amount specified in KRS 121.056(2), to the campaign of the gubernatorial candidate elected at the election last preceding the date of this contract. The Contractor further swears under the penalty of perjury, as provided by KRS 523.020, that neither he/she nor the company which he/she represents, has knowingly violated any provisions of the campaign finance laws of the Commonwealth, and that the award of a contract to him/her or the company which he/she represents will not violate any provisions of the campaign finance laws of the Commonwealth.

16.00 Access to Records:

The state agency certifies that it is in compliance with the provisions of KRS 45A.695, "Access to contractor's books, documents, papers, records, or other evidence directly pertinent to the contract." The Contractor, as defined in KRS 45A.030, agrees that the contracting agency, the Finance and Administration Cabinet, the Auditor of Public Accounts, and the Legislative Research Commission, or their duly authorized representatives, shall have access to any books, documents, papers, records, or other evidence, which are directly pertinent to this agreement for the purpose of financial audit or program review. The Contractor also recognizes that any books, documents, papers, records, or other evidence, received during a financial audit or program review shall be subject to the Kentucky Open Records Act, KRS 61.870 to 61.884. Records and other prequalification information confidentially disclosed as part of the bid process shall not be deemed as directly pertinent to the agreement and shall be exempt from disclosure as provided in KRS 61.878(1)(c).

17.00 Protest:

Pursuant to KRS 45A.285, the Secretary of the Finance and Administration Cabinet, or his designee, shall have authority to determine protests and other controversies of actual or prospective vendors in connection with the solicitation or selection for award of a contract.

Any actual or prospective vendor, who is aggrieved in connection with the solicitation or selection for award of a contract, may file protest with the Secretary of the Finance and Administration Cabinet. A protest or notice of other controversy must be filed promptly and, in any event, within two (2) calendar weeks after

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such aggrieved person knows or should have known of the facts giving rise thereto. All protests or notices of other controversies must be in writing and shall be addressed to:

Holly M. Johnson, Secretary
 Commonwealth of Kentucky
 Finance and Administration Cabinet
 Office of the Secretary
 200 Mero Street, 5th Floor
 Frankfort, KY 40622

The Secretary of Finance and Administration Cabinet shall promptly issue a decision in writing. A copy of that decision shall be mailed or otherwise furnished to the aggrieved party and shall state the reasons for the action taken.

The decision by the Secretary of the Finance and Administration Cabinet shall be final and conclusive.

18.00 Social security: (check one)

The parties are cognizant that the state is not liable for social security contributions, pursuant to 42 U.S. Code, section 418, relative to the compensation of the second party for this contract.

The parties are cognizant that the state is liable for social security contributions, pursuant to 42 U.S. Code, section 418, relative to the compensation of the second party for this contract.

19.00 Violation of tax and employment laws:

KRS 45A.485 requires the Contractor and all subcontractors performing work under the contract to reveal to the Commonwealth, prior to the award of a contract, any final determination of a violation by the Contractor within the previous five (5) year period of the provisions of KRS chapters 136, 139, 141, 337, 338, 341, and 342. These statutes relate to corporate and utility tax, sales and use tax, income tax, wages and hours laws, occupational safety and health laws, unemployment insurance laws, and workers compensation insurance laws, respectively

To comply with the provisions of KRS 45A.485, the Contractor and all subcontractors performing work under the contract shall report any such final determination(s) of violation(s) to the Commonwealth by providing the following information regarding the final determination(s): the KRS violated, the date of the final determination, and the state agency which issued the final determination.

KRS 45A.485 also provides that, for the duration of any contract, the Contractor and all subcontractors performing work under the contract shall be in continuous compliance with the provisions of those statutes, which apply to their operations, and that their failure to reveal a final determination, as described above, or failure to comply with the above statutes for the duration of the contract, shall be grounds for the Commonwealth's cancellation of the contract and their disqualification from eligibility for future state contracts for a period of two (2) years.

Contractor must check one:

The Contractor has not violated any of the provisions of the above statutes within the previous five (5) year period.

The Contractor has violated the provisions of one or more of the above statutes within the previous five (5) year period and has revealed such final determination(s) of violation(s). Attached is a list of such determination(s), which includes the KRS violated, the date of the final determination, and the state agency which issued the final determination.

20.00 Discrimination:

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This section applies only to contracts disbursing federal funds, in whole or part, when the terms for receiving those funds mandate its inclusion. Discrimination (because of race, religion, color, national origin, sex, sexual orientation, gender identity, age, or disability) is prohibited. During the performance of this contract, the Contractor agrees as follows:

The Contractor will not discriminate against any employee or applicant for employment because of race, religion, color, national origin, sex, sexual orientation, gender identity or age. The Contractor further agrees to comply with the provisions of the Americans with Disabilities Act (ADA), Public Law 101-336, and applicable federal regulations relating thereto prohibiting discrimination against otherwise qualified disabled individuals under any program or activity. The Contractor agrees to provide, upon request, needed reasonable accommodations. The Contractor will take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to their race, religion, color, national origin, sex, sexual orientation, gender identity, age or disability. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensations; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.

In all solicitations or advertisements for employees placed by or on behalf of the Contractor, the Contractor will state that all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, sex, sexual orientation, gender identity, age or disability.

The Contractor will send to each labor union or representative of workers with which he/she has a collective bargaining agreement or other contract or understanding a notice advising the said labor union or workers' representative of the Contractor's commitments under this section and shall post copies of the notice in conspicuous places available to employees and applicants for employment. The Contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance.

The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations and relevant orders of the Secretary of Labor.

The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, as amended, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his/her books, records and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

In the event of the Contractor's noncompliance with the nondiscrimination clauses of this contract or with any of the said rules, regulations or orders, this contract may be cancelled, terminated or suspended in whole or in part, and the Contractor may be declared ineligible for further government contracts or federally-assisted construction contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, as amended, and such other sanctions that may be imposed and remedies invoked as provided in or as otherwise provided by law.

The Contractor will include the provisions of paragraphs (1) through (7) of section 202 of Executive Order 11246 in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor, issued pursuant to section 204 of Executive Order No. 11246 of September 24, 1965, as amended, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event a Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

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1 AN ACT relating to post-retirement options for state and local employees.

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

3 ➔Section 1. KRS 61.635 is amended to read as follows:

- 4 (1) Each member shall have the right to elect to have his or her retirement allowance
5 payable under any one (1) of the options set forth in this section in lieu of the
6 retirement allowance otherwise payable to the member upon retirement under any
7 of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852.
8 The amount of any optional retirement allowance shall be actuarially equivalent to
9 the amount of retirement allowance otherwise payable to the member.
- 10 (2) Survivorship one hundred percent (100%). The member may elect to receive a
11 decreased retirement allowance during his or her lifetime and have the retirement
12 allowance continued after the member's death to his or her beneficiary during the
13 lifetime of the person.
- 14 (3) Survivorship sixty-six and two-thirds percent (66-2/3%). The member may elect to
15 receive a decreased retirement allowance during his or her lifetime and have two-
16 thirds (2/3) of the retirement allowance continue after the member's death to his or
17 her beneficiary during the lifetime of the person.
- 18 (4) Survivorship fifty percent (50%). The member may elect to receive a decreased
19 retirement allowance during his or her lifetime and have one-half (1/2) of the
20 retirement allowance continued after the member's death to his or her beneficiary
21 during the lifetime of the person.
- 22 (5) Life with ten (10) years certain. The member less than age seventy-six (76) may
23 elect to receive a monthly retirement allowance during his or her lifetime which
24 shall guarantee payments for one hundred twenty (120) months. If the member dies
25 before receiving payments for one hundred twenty (120) months, the member's
26 beneficiary shall receive the remaining payments monthly, for the duration of the
27 one hundred twenty (120) months' period. However, if the trust is designated as

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1 beneficiary, the trustee of the trust may elect to receive a lump-sum payment which
2 shall be the actuarial equivalent to the remaining payments, or the trustee may elect
3 to continue the remaining monthly payments to the trust of the member. If the estate
4 is designated as beneficiary, the estate shall receive a lump-sum payment which
5 shall be the actuarial equivalent to the remaining payments.

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

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

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- 1 (8) Social Security adjustment options. These options shall be available to any member
2 who has not attained age sixty-two (62) as follows:
- 3 (a) No survivor rights. The member may elect to receive an increased retirement
4 allowance from his or her effective retirement date through the month he or
5 she attains age sixty-two (62) at which time his retirement allowance shall be
6 decreased for the remainder of his or her lifetime;
- 7 (b) Survivor rights. The member may elect to receive an increased retirement
8 allowance from his or her effective retirement date through the month he
9 attains age sixty-two (62) based on the option payable under subsection (2) of
10 this section, if the retirement allowance shall be decreased in the month
11 following the month he or she attains age sixty-two (62), or the month
12 following the month he or she would have attained age sixty-two (62), in
13 event of the member's death, and have the retirement allowance continue after
14 the member's death to his or her beneficiary during the lifetime of the person.
- 15 (9) Beneficiary Social Security adjustment option. This option is available to the
16 beneficiary of a deceased member if the beneficiary, who is a person, has not
17 attained age sixty (60), and is eligible to receive Social Security payments at age
18 sixty (60). The beneficiary may elect to receive during his or her lifetime an
19 increased retirement allowance based on his or her annual benefit payable for life.
20 The payment shall begin on his or her effective retirement date and continue
21 through the month he or she attains age sixty (60) at which time his or her
22 retirement allowance shall be decreased for the remainder of his or her lifetime.
- 23 (10) Pop-up option. The member may elect to receive a decreased retirement allowance
24 during his or her lifetime and have the retirement allowance continued after the
25 member's death to his or her beneficiary during the lifetime of the person. If the
26 beneficiary dies prior to the member, or if the beneficiary is the member's spouse
27 and they divorce, the member's retirement allowance shall increase to the amount

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- 1 that would have been payable as a single life annuity.
- 2 (11) Actuarial equivalent refund. A member who began participating in the system prior
3 to January 1, 2014, may elect to receive a one (1) time lump-sum payment which
4 shall be the actuarial equivalent of the amount payable for a period of sixty (60)
5 months under KRS 61.595 (1).
- 6 (12) Partial lump-sum option.
- 7 (a) No survivor rights. A member~~{ retiring on or before January 1, 2009, }~~ may
8 elect to receive a one-time lump-sum payment equal to twelve (12), twenty-
9 four (24), ~~{ or }~~thirty-six (36), forty-eight (48), or sixty (60) monthly
10 retirement allowances payable under the applicable retirement formula for the
11 system and receive a reduced monthly retirement allowance payable for his or
12 her lifetime. The lump-sum payment shall be paid in the month the first
13 monthly retirement allowance is payable.
- 14 (b) Survivor rights. A member~~{ retiring on or before January 1, 2009, }~~ may elect
15 to receive a one-time lump-sum payment equal to twelve (12), twenty-four
16 (24), ~~{ or }~~thirty-six (36), forty-eight (48), or sixty (60) monthly retirement
17 allowances payable under subsection (2) of this section and receive a reduced
18 monthly retirement allowance payable for his or her lifetime. The lump-sum
19 payment shall be paid in the month the first monthly retirement allowance is
20 payable. The reduced retirement allowance shall be continued after the
21 member's death to his or her beneficiary during the lifetime of the person.
- 22 (c) In order to explain the partial lump-sum option to members, the Authority
23 shall:
- 24 1. Provide, for all retirement estimates that include the partial lump-sum
25 option, including estimates calculated by a member using an
26 automatic estimator available on the Authority's website, the
27 additional months of service a member would have to be employed in

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1 order to recoup the actuarial reduction in his or her monthly
 2 retirement allowance from selecting a partial lump-sum option at each
 3 payment level; and

4 2. Prepare and make available to all members and participating
 5 employers in the form of a paper or electronic pamphlet or booklet a
 6 summary of the partial lump-sum option, written in a manner that can
 7 be understood by the average member and sufficiently accurate and
 8 comprehensive to reasonably apprise them of the benefits and
 9 potential consequences, including federal tax consequences, of taking
 10 a partial lump-sum option.

11 (13) The other provisions of this section notwithstanding, the beneficiary of a retired
 12 member of the General Assembly shall, after the member's death, receive sixty-six
 13 and two-thirds percent (66-2/3%) of the member's retirement allowance during his
 14 or her lifetime if the member of the General Assembly began participating in the
 15 system prior to January 1, 2014, and has elected this option and has made
 16 contributions in accordance with subsection (14) of this section and of KRS 61.560.
 17 The retirement allowance of the retired member of the General Assembly shall not
 18 be actuarially reduced to provide for this survivor benefit.

19 (14) A member of the General Assembly who began participating in the system prior to
 20 January 1, 2014, who wishes to obtain the survivorship option specified in
 21 subsection (13) of this section shall so notify the Kentucky Public Pensions
 22 Authority:

23 (a) Within thirty (30) days after first becoming a member of the General
 24 Assembly if he or she is not a member of the General Assembly on July 15,
 25 1980; or

26 (b) Within thirty (30) days after July 15, 1980, if he or she is a member of the
 27 General Assembly on July 15, 1980.

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- 1 (15) The system shall forward to members of the General Assembly a form on which a
2 member who began participating in the system prior to January 1, 2014, may elect
3 the option provided for in subsections (13) and (14) of this section.
- 4 (16) The options described in subsections (2), (3), (4), (8)(b), (10), (12)(b), and (13) of
5 this section shall be extended to the member only if the designated beneficiary is a
6 person.
- 7 ➔Section 2. KRS 61.637 is amended to read as follows:
- 8 (1) A retired member who is receiving monthly retirement payments under any of the
9 provisions of KRS 61.510 to 61.705 and 78.510 to 78.852 and who is reemployed
10 as an employee by a participating agency prior to August 1, 1998, shall have his or
11 her retirement payments suspended for the duration of reemployment. Monthly
12 payments shall not be suspended for a retired member who is reemployed if he or
13 she anticipates that he or she will receive less than the maximum permissible
14 earnings as provided by the Federal Social Security Act in compensation as a result
15 of reemployment during the calendar year. The payments shall be suspended at the
16 beginning of the month in which the reemployment occurs.
- 17 (2) Employer and employee contributions shall be made as provided in KRS 61.510 to
18 61.705 and 78.510 to 78.852 on the compensation paid during reemployment,
19 except where monthly payments were not suspended as provided in subsection (1)
20 of this section or would not increase the retired member's last monthly retirement
21 allowance by at least one dollar (\$1), and the member shall be credited with
22 additional service credit.
- 23 (3) In the month following the termination of reemployment, retirement allowance
24 payments shall be reinstated under the plan under which the member was receiving
25 payments prior to reemployment.
- 26 (4) (a) Notwithstanding the provisions of this section, the payments suspended in
27 accordance with subsection (1) of this section shall be paid retroactively to the

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- 1 retired member, or his or her estate, if he or she does not receive more than
2 the maximum permissible earnings as provided by the Federal Social Security
3 Act in compensation from participating agencies during any calendar year of
4 reemployment.
- 5 (b) If the retired member is paid suspended payments retroactively in accordance
6 with this section, employee contributions deducted during his or her period of
7 reemployment, if any, shall be refunded to the retired employee, and no
8 service credit shall be earned for the period of reemployment.
- 9 (c) If the retired member is not eligible to be paid suspended payments for his or
10 her period of reemployment as an employee, his or her retirement allowance
11 shall be recomputed under the plan under which the member was receiving
12 payments prior to reemployment as follows:
- 13 1. The retired member's final compensation shall be recomputed using
14 creditable compensation for his or her period of reemployment;
15 however, the final compensation resulting from the recalculation shall
16 not be less than that of the member when his or her retirement allowance
17 was last determined;
 - 18 2. If the retired member initially retired on or subsequent to his or her
19 normal retirement date, his or her retirement allowance shall be
20 recomputed by using the formula in KRS 61.595(1);
 - 21 3. If the retired member initially retired prior to his or her normal
22 retirement date, his or her retirement allowance shall be recomputed
23 using the formula in KRS 61.595(2), except that the member's age used
24 in computing benefits shall be his or her age at the time of his or her
25 initial retirement increased by the number of months of service credit
26 earned for service performed during reemployment;
 - 27 4. The retirement allowance payments resulting from the recomputation

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- 1 under this subsection shall be payable in the month following the
2 termination of reemployment in lieu of payments under subparagraph 3.
3 of this paragraph. The member shall not receive less in benefits as a
4 result of the recomputation than he or she was receiving prior to
5 reemployment or would receive as determined under KRS 61.691; and
- 6 5. Any retired member who was reemployed prior to March 26, 1974, shall
7 begin making contributions to the system in accordance with the
8 provisions of this section on the first day of the month following March
9 26, 1974.
- 10 (5) A retired member, or his or her estate, shall pay to the retirement fund the total
11 amount of payments which are not suspended in accordance with subsection (1) of
12 this section if the member received more than the maximum permissible earnings as
13 provided by the Federal Social Security Act in compensation from participating
14 agencies during any calendar year of reemployment, except the retired member or
15 his or her estate may repay the lesser of the total amount of payments which were
16 not suspended or fifty cents (\$0.50) of each dollar earned over the maximum
17 permissible earnings during reemployment if under age sixty-five (65), or one
18 dollar (\$1) for every three dollars (\$3) earned if over age sixty-five (65).
- 19 (6) (a) "Reemployment" or "reinstatement" as used in this section shall not include a
20 retired member who has been ordered reinstated by the Personnel Board under
21 authority of KRS 18A.095.
- 22 (b) A retired member who has been ordered reinstated by the Personnel Board
23 under authority of KRS 18A.095 or by court order or by order of the Human
24 Rights Commission and accepts employment by an agency participating in the
25 Kentucky Employees Retirement System or County Employees Retirement
26 System shall void his or her retirement by reimbursing the system in the full
27 amount of his or her retirement allowance payments received.

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- 1 (7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this
2 section shall no longer apply to a retired member who is reemployed in a
3 position covered by the same retirement system from which the member
4 retired. Reemployed retired members shall be treated as new members upon
5 reemployment. Any retired member whose reemployment date preceded
6 August 1, 1998, who does not elect, within sixty (60) days of notification by
7 the retirement systems, to remain under the provisions of subsections (1) to
8 (4) of this section shall be deemed to have elected to participate under this
9 subsection.
- 10 (b) A retired member whose disability retirement was discontinued pursuant to
11 KRS 61.615 and who is reemployed in one (1) of the systems administered by
12 the Kentucky Retirement Systems or County Employees Retirement System
13 prior to his or her normal retirement date shall have his or her accounts
14 combined upon termination for determining eligibility for benefits. If the
15 member is eligible for retirement, the member's service and creditable
16 compensation earned as a result of his or her reemployment shall be used in
17 the calculation of benefits, except that the member's final compensation shall
18 not be less than the final compensation last used in determining his or her
19 retirement allowance. The member shall not change beneficiary or payment
20 option designations. This provision shall apply to members reemployed on or
21 after August 1, 1998.
- 22 (8) If a retired member accepts employment or begins serving as a volunteer with an
23 employer participating in the systems administered by Kentucky Retirement
24 Systems or County Employees Retirement System within twelve (12) months of his
25 or her retirement date, the retired member shall notify the Authority and the
26 participating employer shall submit the information required or requested by the
27 Authority to confirm the individual's employment or volunteer status. The retired

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- 1 member shall not be required to notify the Authority regarding any employment or
2 volunteer service with a participating agency that is accepted after twelve (12)
3 months following his or her retirement date.
- 4 (9) If the retired member is under a contract to provide services as an independent
5 contractor or leased employee to an employer participating in the systems
6 administered by Kentucky Retirement Systems or County Employees Retirement
7 System within twelve (12) months of his or her retirement date, the member shall
8 submit a copy of that contract to the Authority, and the Authority shall determine if
9 the member is an independent contractor or leased employee for purposes of
10 retirement benefits. The retired member and the participating employer shall submit
11 the information required or requested by the Authority to confirm the individual's
12 status as an independent contractor or leased employee. The retired member shall
13 not be required to notify the Authority regarding any services entered into as an
14 independent contractor or leased employee with a participating agency that the
15 employee enters into after twelve (12) months following his or her retirement date.
- 16 (10) If a member is receiving a retirement allowance, or has filed the forms required for
17 a retirement allowance, and is employed within one (1) month of the member's
18 initial retirement date in a position that is required to participate in the same
19 retirement system from which the member retired, the member's retirement shall be
20 voided and the member shall repay to the retirement system all benefits received.
21 The member shall contribute to the member account established for him or her prior
22 to his or her voided retirement. The retirement allowance for which the member
23 shall be eligible upon retirement shall be determined by total service and creditable
24 compensation.
- 25 (11) (a) If a member of the Kentucky Employees Retirement System retires from a
26 department which participates in more than one (1) retirement system and is
27 reemployed within one (1) month of his or her initial retirement date by the

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- 1 same department in a position participating in another retirement system, the
2 retired member's retirement allowance shall be suspended for the first month
3 of his or her retirement, and the member shall repay to the retirement system
4 all benefits received for the month.
- 5 (b) A retired member of the County Employees Retirement System who after
6 initial retirement is hired by the county from which the member retired shall
7 be considered to have been hired by the same employer.
- 8 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a
9 nonhazardous member who retired prior to age sixty-five (65), is reemployed
10 within six (6) months of the member's termination by the same employer, the
11 member shall obtain from his or her previous and current employers a copy of
12 the job description established by the employers for the position and a
13 statement of the duties performed by the member for the position from which
14 he or she retired and for the position in which he or she has been reemployed.
- 15 (b) The job descriptions and statements of duties shall be filed with the retirement
16 office.
- 17 (13) If the retirement system determines that the retired member has been employed in a
18 position with the same principal duties as the position from which the member
19 retired:
- 20 (a) The member's retirement allowance shall be suspended during the period that
21 begins on the month in which the member is reemployed and ends six (6)
22 months after the member's termination;
- 23 (b) The retired member shall repay to the retirement system all benefits paid from
24 systems administered by Kentucky Retirement Systems or County Employees
25 Retirement System under reciprocity, including medical insurance benefits,
26 that the member received after reemployment began;
- 27 (c) Upon termination, or subsequent to expiration of the six (6) month period

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- 1 from the date of termination, the retired member's retirement allowance based
2 on his or her initial retirement account shall no longer be suspended, and the
3 member shall receive the amount to which he or she is entitled, including an
4 increase as provided by KRS 61.691;
- 5 (d) Except as provided in subsection (7) of this section, if the position in which a
6 retired member is employed after initial retirement is a regular full-time
7 position, the retired member shall contribute to a second member account
8 established for him or her in the retirement system. Service credit gained after
9 the member's date of reemployment shall be credited to the second member
10 account; and
- 11 (e) Upon termination, the retired member shall be entitled to benefits payable
12 from his or her second retirement account.
- 13 (14) (a) If the retirement system determines that the retired member has not been
14 reemployed in a position with the same principal duties as the position from
15 which he or she retired, the retired member shall continue to receive his or her
16 retirement allowance.
- 17 (b) If the position is a regular full-time position, the member shall contribute to a
18 second member account in the retirement system.
- 19 (15) (a) If a retired member is reemployed at least one (1) month after initial
20 retirement in a different position, or at least six (6) months after initial
21 retirement in the same position, and prior to normal retirement age, the retired
22 member shall contribute to a second member account in the retirement system
23 and continue to receive a retirement allowance from the first member account.
- 24 (b) Service credit gained after reemployment shall be credited to the second
25 member account. Upon termination, the retired member shall be entitled to
26 benefits payable from the second member account.
- 27 (16) A retired member who is reemployed and contributing to a second member account

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1 shall not be eligible to purchase service credit under any of the provisions of KRS
 2 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 which he or she was
 3 eligible to purchase prior to his or her initial retirement.

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

9 (a) ~~Except as provided by paragraphs (c) and (d) of this subsection,~~ If a member
 10 is receiving a retirement allowance from one (1) of the systems administered
 11 by Kentucky Retirement Systems or County Employees Retirement System,
 12 or has filed the forms required to receive a retirement allowance from one (1)
 13 of the systems administered by Kentucky Retirement Systems or County
 14 Employees Retirement System, and is employed in a regular full-time position
 15 required to participate in one (1) of the systems administered by Kentucky
 16 Retirement Systems or County Employees Retirement System or is employed
 17 in a position that is not considered regular full-time with an agency
 18 participating in one (1) of the systems administered by Kentucky Retirement
 19 Systems or County Employees Retirement System within one (1) month~~three~~
 20 ~~(3) months~~ following the member's initial retirement date, the member's
 21 retirement shall be voided, and the member shall repay to the retirement
 22 system all benefits received, including any health insurance benefits. If the
 23 member is returning to work in a regular full-time position required to
 24 participate in one (1) of the systems administered by Kentucky Retirement
 25 Systems:

26 1. The member shall contribute to a member account established for him or
 27 her in one (1) of the systems administered by Kentucky Retirement

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

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- 1 certification, the member's retirement shall be voided and the provisions
 2 of paragraph (a) of this subsection shall apply to the member and the
 3 employer. Employment that is accepted by the retired member after
 4 twelve (12) months following the member's retirement date shall not
 5 constitute a prearranged agreement under this paragraph;
- 6 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
 7 the contrary, the member shall not contribute to the systems and shall
 8 not earn any additional benefits for any work performed during the
 9 period of reemployment;
- 10 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
 11 except for any retiree employed as a school resource officer as defined
 12 by KRS 158.441, the employer shall pay employer contributions as
 13 specified by KRS 61.565, 61.702, and 78.635, as applicable, on all
 14 creditable compensation earned by the employee during the period of
 15 reemployment. The additional contributions paid shall be used to reduce
 16 the unfunded actuarial liability of the systems; and
- 17 4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
 18 except for any retiree employed as a school resource officer as defined
 19 by KRS 158.441, the employer shall be required to reimburse the
 20 systems for the cost of the health insurance premium paid by the
 21 systems to provide coverage for the retiree, not to exceed the cost of the
 22 single premium. Effective July 1, 2015, local school boards shall not be
 23 required to pay the reimbursement required by this subparagraph for
 24 retirees employed by the board for eighty (80) days or less during the
 25 fiscal year;
- 26 (c) ~~If a member is receiving a retirement allowance from the State Police~~
 27 ~~Retirement System or from hazardous duty retirement coverage with the~~

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1 ~~Kentucky Employees Retirement System or the County Employees~~
 2 ~~Retirement System, or has filed the forms required to receive a retirement~~
 3 ~~allowance from the State Police Retirement System or from hazardous duty~~
 4 ~~retirement coverage with the Kentucky Employees Retirement System or the~~
 5 ~~County Employees Retirement System, and is employed in a regular full time~~
 6 ~~position required to participate in the State Police Retirement System or in a~~
 7 ~~hazardous duty position with the Kentucky Employees Retirement System or~~
 8 ~~the County Employees Retirement System within one (1) month following the~~
 9 ~~member's initial retirement date, the member's retirement shall be voided, and~~
 10 ~~the member shall repay to the retirement system all benefits received,~~
 11 ~~including any health insurance benefits. If the member is returning to work in~~
 12 ~~a regular full time position required to participate in one (1) of the systems~~
 13 ~~administered by Kentucky Retirement Systems or County Employees~~
 14 ~~Retirement System:~~

15 ~~1. The member shall contribute to a member account established for him or~~
 16 ~~her in one (1) of the systems administered by Kentucky Retirement~~
 17 ~~Systems or County Employees Retirement System, and employer~~
 18 ~~contributions shall be paid on behalf of the member by the participating~~
 19 ~~employer; and~~

20 ~~2. Upon subsequent retirement, the member shall be eligible for a~~
 21 ~~retirement allowance based upon total service and creditable~~
 22 ~~compensation, including any additional service or creditable~~
 23 ~~compensation earned after his or her initial retirement was voided;~~

24 ~~(d) If a member is receiving a retirement allowance from the State Police~~
 25 ~~Retirement System or from hazardous duty retirement coverage with the~~
 26 ~~Kentucky Employees Retirement System or the County Employees~~
 27 ~~Retirement System and is employed in a regular full time position required to~~

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1 ~~participate in the State Police Retirement System or in a hazardous duty~~
2 ~~position with the Kentucky Employees Retirement System or the County~~
3 ~~Employees Retirement System after a one (1) month period following the~~
4 ~~member's initial retirement date, the member may continue to receive his or~~
5 ~~her retirement allowance during the period of reemployment subject to the~~
6 ~~following provisions:~~

7 ~~1. If a member is reemployed by a participating agency within twelve (12)~~
8 ~~months of the member's retirement date, the participating agency shall~~
9 ~~certify in writing on a form prescribed by the Authority that no~~
10 ~~prearranged agreement existed between the employee and agency prior~~
11 ~~to the employee's retirement for the employee to return to work with the~~
12 ~~participating agency. If an elected official is reelected to a new term of~~
13 ~~office in the same position as the elected official held prior to retirement~~
14 ~~and takes office within twelve (12) months of his or her retirement date,~~
15 ~~he or she shall be deemed by the Authority as having a prearranged~~
16 ~~agreement under the provisions of this subparagraph and shall have his~~
17 ~~or her retirement voided. If the participating agency fails to complete the~~
18 ~~certification, the member's retirement shall be voided and the provisions~~
19 ~~of paragraph (c) of this subsection shall apply to the member and the~~
20 ~~employer. Employment that is accepted by the retired member after~~
21 ~~twelve (12) months following the member's retirement date shall not~~
22 ~~constitute a prearranged agreement under this paragraph;~~

23 ~~2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to~~
24 ~~the contrary, the member shall not contribute to the systems and shall~~
25 ~~not earn any additional benefits for any work performed during the~~
26 ~~period of reemployment;~~

27 ~~3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and~~

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1 ~~except for any retiree employed as a school resource officer as defined~~
 2 ~~by KRS 158.441, the employer shall pay employer contributions as~~
 3 ~~specified by KRS 61.565, 61.702, and 78.635, as applicable, on all~~
 4 ~~creditable compensation earned by the employee during the period of~~
 5 ~~reemployment. The additional contributions paid shall be used to reduce~~
 6 ~~the unfunded actuarial liability of the systems;~~

7 ~~4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and~~
 8 ~~except for any retiree employed as a school resource officer as defined~~
 9 ~~by KRS 158.441, the employer shall be required to reimburse the~~
 10 ~~systems for the cost of the health insurance premium paid by the~~
 11 ~~systems to provide coverage for the retiree, not to exceed the cost of the~~
 12 ~~single premium;~~

13 ~~(e)~~—Notwithstanding paragraphs (a) and (b)~~{to (d)}~~ of this subsection, a retired
 14 member who qualifies as a volunteer for an employer participating in one (1)
 15 of the systems administered by Kentucky Retirement Systems or County
 16 Employees Retirement System and who is receiving reimbursement of actual
 17 expenses, a nominal fee for his or her volunteer services, or both, shall not be
 18 considered an employee of the participating employer and shall not be subject
 19 to paragraphs (a) and (b)~~{to (d)}~~ of this subsection if:

- 20 1. Prior to the retired member's most recent retirement date, he or she did
 21 not receive creditable compensation from the participating employer in
 22 which the retired member is performing volunteer services;
- 23 2. Any reimbursement or nominal fee received prior to the retired
 24 member's most recent retirement date has not been credited as creditable
 25 compensation to the member's account or utilized in the calculation of
 26 the retired member's benefits;
- 27 3. The retired member has not purchased or received service credit under

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1 any of the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852 for
 2 service with the participating employer for which the retired member is
 3 performing volunteer services; and

4 4. Other than the status of volunteer, the retired member does not become
 5 an employee, leased employee, or independent contractor of the
 6 employer for which he or she is performing volunteer services for a
 7 period of at least twelve (12) months following the retired member's
 8 most recent retirement date.

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

15 (d)~~(f)~~ Notwithstanding any provision of this section, any mayor or member of
 16 a city legislative body shall not be required to resign from his or her position
 17 as mayor or as a member of the city legislative body in order to begin drawing
 18 benefits from the systems administered by Kentucky Retirement Systems or
 19 subject to any provision of this section as it relates solely to his or her service
 20 as a mayor or member of the city legislative body if the mayor or member of a
 21 city legislative body:

- 22 1. Has not participated in the County Employees Retirement System prior
 23 to retirement, but is otherwise eligible to retire from the Kentucky
 24 Employees Retirement System or the State Police Retirement System; or
- 25 2. Has been or is participating in the County Employees Retirement
 26 System and is at least sixty-two (62) years of age. If a mayor or member
 27 of a city legislative body who is at least sixty-two (62) years of age

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1 retires from the systems administered by Kentucky Retirement Systems
 2 but remains in office after his or her effective retirement date, the mayor
 3 or member of the city legislative body shall not accrue any further
 4 service credit or benefits in the systems administered by Kentucky
 5 Retirement Systems for any employment occurring on or after the
 6 effective retirement date;

7 ~~(e)~~~~(g)~~ Notwithstanding any provision of this section, any current or future part-
 8 time adjunct instructor for the Kentucky Fire Commission who has not
 9 participated in the Kentucky Employees Retirement System prior to
 10 retirement, but who is otherwise eligible to retire from the County Employees
 11 Retirement System, shall not be:

- 12 1. Required to resign from his or her position as a part-time adjunct
 13 instructor for the Kentucky Fire Commission in order to begin drawing
 14 benefits from the County Employees Retirement System; or
- 15 2. Subject to any provision of this section as it relates solely to his or her
 16 service as a part-time adjunct instructor for the Kentucky Fire
 17 Commission;

18 ~~(f)~~~~(h)~~ If a member is receiving a retirement allowance from any of the
 19 retirement systems administered by the Kentucky Retirement Systems or
 20 County Employees Retirement System and enters into a contract or becomes a
 21 leased employee of an employer under contract with an employer
 22 participating in one (1) of the systems administered by the Kentucky
 23 Retirement Systems or County Employees Retirement System:

- 24 1. At any time following retirement, if the Authority determines the
 25 employment arrangement does qualify as an independent contractor or
 26 leased employee, the member may continue to receive his or her
 27 retirement allowance during the period of the contract;

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- 1 2. Within one (1) month~~three (3) months~~ following the member's initial
2 retirement date, if the Authority determines the employment
3 arrangement does not qualify as an independent contractor or leased
4 employee, the member's retirement shall be voided in accordance with
5 paragraph (a) of this subsection;
- 6 3. After one (1) month~~three (3) months~~ but within twelve (12) months
7 following the member's initial retirement, if the Authority determines
8 the employment arrangement does not qualify as an independent
9 contractor or leased employee and that a prearranged agreement existed
10 between the member and the agency for the member to return to work
11 with the agency, the member's retirement shall be voided in accordance
12 with paragraph (a) of this subsection; and
- 13 4. After a twelve (12) month period following the member's initial
14 retirement, the member may continue to receive his or her retirement
15 allowance during the period of the contract and the member shall not be
16 required to notify the system or submit any documentation for purposes
17 of this section to the system.

18 The initiation of a contract or the initial date of the leased employment of a
19 retired member by a participating agency that occurs after twelve (12) months
20 or more following the retired member's retirement date shall not constitute a
21 prearranged agreement under this subsection; and

- 22 ~~(g)~~~~(i)~~ The Authority shall issue a final determination regarding a certification
23 of the absence of a prearranged agreement or the retired member's
24 qualification as an independent contractor or leased employee as required
25 under this section no later than thirty (30) days after the retired member and
26 participating employer provide all required forms and additional information
27 required by the Authority.

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1 (18) The Authority shall promulgate administrative regulations to implement the
2 requirements of this section, including incorporating by reference board-prescribed
3 forms that a retired member and participating agency shall provide the systems
4 under subsections (8), (9), and (17) of this section.

5 ➔Section 3. KRS 78.5540 is amended to read as follows:

6 (1) A retired member whose disability retirement was discontinued pursuant to KRS
7 78.5528 and who is reemployed by an employer participating in the system or the
8 Kentucky Retirement Systems prior to his or her normal retirement date shall have
9 his or her accounts combined upon termination for determining eligibility for
10 benefits. If the member is eligible for retirement, the member's service and
11 creditable compensation earned as a result of his or her reemployment shall be used
12 in the calculation of benefits, except that the member's final compensation shall not
13 be less than the final compensation last used in determining his or her retirement
14 allowance. The member shall not change beneficiary or payment option
15 designations.

16 (2) (a) If a retired member accepts employment or begins serving as a volunteer with
17 an employer participating in the systems administered by Kentucky
18 Retirement Systems or the County Employees Retirement System within
19 twelve (12) months of his or her retirement date, the retired member shall
20 notify the Authority and the participating employer shall submit the
21 information required or requested by the Authority to confirm the individual's
22 employment or volunteer status. The retired member shall not be required to
23 notify the Authority regarding any employment or volunteer service with a
24 participating agency that is accepted after twelve (12) months following his or
25 her retirement date.

26 (b) If the retired member is under a contract to provide services as an independent
27 contractor or leased employee to an employer participating in the systems

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1 administered by Kentucky Retirement Systems or the County Employees
 2 Retirement System within twelve (12) months of his or her retirement date,
 3 the member shall submit a copy of that contract to the Authority, and the
 4 Authority shall determine if the member is an independent contractor or
 5 leased employee for purposes of retirement benefits. The retired member and
 6 the participating employer shall submit the information required or requested
 7 by the Authority to confirm the individual's status as an independent
 8 contractor or leased employee. The retired member shall not be required to
 9 notify the Authority regarding any services entered into as an independent
 10 contractor or leased employee with a participating agency that the employee
 11 enters into after twelve (12) months following his or her retirement date.

12 (3) Retired members of the County Employees Retirement System who returned to
 13 work with an employer that participates in the County Employees Retirement
 14 System or Kentucky Retirement Systems prior to September 1, 2008, shall be
 15 governed by the provisions of KRS 61.637(1) to (16).

16 (4) The following shall apply to retired members of the County Employees Retirement
 17 System who are reemployed on or after September 1, 2008, by an agency
 18 participating in the systems administered by the County Employees Retirement
 19 System or the Kentucky Retirement Systems:

20 (a) ~~Except as provided by paragraphs (c) and (d) of this subsection,~~ If a retired
 21 member is receiving a retirement allowance from the County Employees
 22 Retirement System, or has filed the forms required to receive a retirement
 23 allowance from the County Employees Retirement System, and is employed
 24 in a regular full-time position required to participate in the County Employees
 25 Retirement System or **one (1) of the systems administered by** the Kentucky
 26 Retirement Systems or is employed in a position that is not considered regular
 27 full-time with an employer participating in the County Employees Retirement

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1 System or **in one (1) of the systems administered by** the Kentucky Retirement
 2 Systems within **one (1) month**~~three (3) months~~ following the member's
 3 initial retirement date, the member's retirement shall be voided, and the
 4 member shall repay to the system all benefits received, including any health
 5 insurance benefits. If the retired member is returning to work in a regular full-
 6 time position required to participate in the County Employees Retirement
 7 System:

8 1. The member shall contribute to a member account established for him or
 9 her in the County Employees Retirement System or **in one (1) of the**
 10 **systems administered by** the Kentucky Retirement Systems, and
 11 employer contributions shall be paid on behalf of the member by the
 12 participating employer to the system; and

13 2. Upon subsequent retirement, the member shall be eligible for a
 14 retirement allowance based upon total service and creditable
 15 compensation, including any additional service or creditable
 16 compensation earned after his or her initial retirement was voided;

17 (b) ~~Except as provided by paragraphs (c) and (d) of this subsection,~~ If a retired
 18 member is receiving a retirement allowance from the County Employees
 19 Retirement System and is employed in a regular full-time position required to
 20 participate in the County Employees Retirement System or **in one (1) of the**
 21 **systems administered by** the Kentucky Retirement Systems after a **one (1)**
 22 **month**~~three (3)~~ month period following the member's initial retirement date,
 23 the member may continue to receive his or her retirement allowance during
 24 the period of reemployment subject to the following provisions:

25 1. If a member is reemployed by a participating employer within twelve
 26 (12) months of the member's retirement date, the participating employer
 27 shall certify in writing on a form prescribed by the Authority that no

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- 1 prearranged agreement existed between the employee and employer
2 prior to the employee's retirement for the employee to return to work
3 with the participating employer. If the participating employer fails to
4 complete the certification or the Authority determines a prearranged
5 agreement exists, the member's retirement shall be voided and the
6 provisions of paragraph (a) of this subsection shall apply to the member
7 and the employer. For purposes of this paragraph:
- 8 a. If an elected official is reelected to a new term of office in the
9 same position as the elected official held prior to retirement and
10 takes office within twelve (12) months of his or her retirement
11 date, he or she shall be deemed by the Authority as having a
12 prearranged agreement; and
- 13 b. Employment that is accepted by the retired member after twelve
14 (12) months following the member's retirement date shall not
15 constitute a prearranged agreement under this paragraph;
- 16 2. Notwithstanding any other provision of KRS Chapter 78 to the contrary,
17 the member shall not contribute to the system and shall not earn any
18 additional benefits for any work performed during the period of
19 reemployment;
- 20 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
21 except for any retiree employed as a school resource officer as defined
22 by KRS 158.441, the employer shall pay employer contributions as
23 specified by KRS 78.5536 and 78.635 on all creditable compensation
24 earned by the employee during the period of reemployment. The
25 additional contributions paid shall be used to reduce the unfunded
26 actuarial liability of the system; and
- 27 4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and

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1 except for any retiree employed as a school resource officer as defined
 2 by KRS 158.441, the employer shall be required to reimburse the system
 3 for the cost of the health insurance premium paid by the system to
 4 provide coverage for the retiree, not to exceed the cost of the single
 5 premium. Effective July 1, 2015, local school boards shall not be
 6 required to pay the reimbursement required by this subparagraph for
 7 retirees employed by the board for eighty (80) days or less during the
 8 fiscal year;

- 9 (c) ~~If a member is receiving a retirement allowance from hazardous position~~
 10 ~~coverage with the County Employees Retirement System, or has filed the~~
 11 ~~forms required to receive a retirement allowance from the County Employees~~
 12 ~~Retirement System for service in a hazardous position, and is employed in a~~
 13 ~~regular full time hazardous position required to participate in the County~~
 14 ~~Employees Retirement System or the Kentucky Retirement Systems within~~
 15 ~~one (1) month following the member's initial retirement date, the member's~~
 16 ~~retirement shall be voided, and the member shall repay to the system all~~
 17 ~~benefits received, including any health insurance benefits. If the member is~~
 18 ~~returning to work in a regular full time position required to participate in the~~
 19 ~~County Employees Retirement System or the Kentucky Retirement Systems:~~
- 20 ~~1. The member shall contribute to a member account established for him or her~~
 21 ~~in the County Employees Retirement System or the Kentucky Retirement~~
 22 ~~Systems, and employer contributions shall be paid on behalf of the member~~
 23 ~~by the participating employer; and~~
 - 24 ~~2. Upon subsequent retirement, the member shall be eligible for a retirement~~
 25 ~~allowance based upon total service and creditable compensation, including~~
 26 ~~any additional service or creditable compensation earned after his or her~~
 27 ~~initial retirement was voided;~~

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- 1 ~~(d) If a member is receiving a retirement allowance from the hazardous position~~
2 ~~coverage with the County Employees Retirement System and is employed in a~~
3 ~~regular full time hazardous position required to participate in the County~~
4 ~~Employees Retirement System or the Kentucky Retirement Systems after a~~
5 ~~one (1) month period following the member's initial retirement date, the~~
6 ~~member may continue to receive his or her retirement allowance during the~~
7 ~~period of reemployment subject to the following provisions:~~
- 8 ~~1. If a member is reemployed by a participating employer within twelve (12)~~
9 ~~months of the member's retirement date, the participating employer shall~~
10 ~~certify in writing on a form prescribed by the Authority that no prearranged~~
11 ~~agreement existed between the employee and employer prior to the~~
12 ~~employee's retirement for the employee to return to work with the~~
13 ~~participating employer. If the participating employer fails to complete the~~
14 ~~certification or the Authority determines a prearranged agreement exists, the~~
15 ~~member's retirement shall be voided and the provisions of paragraph (c) of~~
16 ~~this subsection shall apply to the member and the employer. For purposes of~~
17 ~~this paragraph:~~
- 18 ~~a. If an elected official is reelected to a new term of office in the same position~~
19 ~~as the elected official held prior to retirement and takes office within twelve~~
20 ~~(12) months of his or her retirement date, he or she shall be deemed by the~~
21 ~~Authority as having a prearranged agreement; and~~
- 22 ~~b. Employment that is accepted by the retired member after twelve (12) months~~
23 ~~following the member's retirement date shall not constitute a prearranged~~
24 ~~agreement under this paragraph;~~
- 25 ~~2. Notwithstanding any other provision of KRS Chapter 78 to the contrary, the~~
26 ~~member shall not contribute to the system or the Kentucky Retirement~~
27 ~~Systems and shall not earn any additional benefits for any work performed~~

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- 1 during the period of reemployment;
- 2 ~~3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and except~~
- 3 ~~for any retiree employed as a school resource officer as defined by KRS~~
- 4 ~~158.441, the employer shall pay employer contributions as specified by KRS~~
- 5 ~~78.5536 and 78.635 on all creditable compensation earned by the employee~~
- 6 ~~during the period of reemployment. The additional contributions paid shall be~~
- 7 ~~used to reduce the unfunded actuarial liability of the system; and~~
- 8 ~~4. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and except~~
- 9 ~~for any retiree employed as a school resource officer as defined by KRS~~
- 10 ~~158.441, the employer shall be required to reimburse the system for the cost~~
- 11 ~~of the health insurance premium paid by the system to provide coverage for~~
- 12 ~~the retiree, not to exceed the cost of the single premium;~~
- 13 ~~(e)~~ Notwithstanding paragraphs (a) ***and (b)***~~{to (d)}~~ of this subsection, a retired
- 14 member who qualifies as a volunteer for an employer participating in the
- 15 County Employees Retirement System or the Kentucky Retirement Systems
- 16 and who is receiving reimbursement of actual expenses, a nominal fee for his
- 17 or her volunteer services, or both, shall not be considered an employee of the
- 18 participating employer and shall not be subject to paragraphs (a) ***and (b)***~~{to~~
- 19 ~~(d)}~~ of this subsection if:
- 20 1. Prior to the retired member's most recent retirement date, he or she did
- 21 not receive creditable compensation from the participating employer in
- 22 which the retired member is performing volunteer services;
- 23 2. Any reimbursement or nominal fee received prior to the retired
- 24 member's most recent retirement date has not been credited as creditable
- 25 compensation to the member's account or utilized in the calculation of
- 26 the retired member's benefits;
- 27 3. The retired member has not purchased or received service credit under

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1 any of the provisions of KRS 78.510 to 78.852 for service with the
 2 participating employer for which the retired member is performing
 3 volunteer services; and

4 4. Other than the status of volunteer, the retired member does not become
 5 an employee, leased employee, or independent contractor of the
 6 employer for which he or she is performing volunteer services for a
 7 period of at least twelve (12) months following the retired member's
 8 most recent retirement date.

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

15 (d)~~(f)~~ Notwithstanding any provision of this section, any mayor or member of
 16 a city legislative body shall not be required to resign from his or her position
 17 as mayor or as a member of the city legislative body in order to begin drawing
 18 benefits from the systems administered by the Kentucky Retirement Systems
 19 or the County Employees Retirement System or subject to any provision of
 20 this section as it relates solely to his or her service as a mayor or member of
 21 the city legislative body, if the mayor or member of a city legislative body:

- 22 1. Has not participated in the County Employees Retirement System prior
 23 to retirement, but is otherwise eligible to retire from the Kentucky
 24 Employees Retirement System or the State Police Retirement System; or
- 25 2. Has been or is participating in the County Employees Retirement
 26 System and is at least sixty-two (62) years of age. If a mayor or member
 27 of a city legislative body who is at least sixty-two (62) years of age

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1 retires from the systems administered by Kentucky Retirement Systems
 2 or the County Employees Retirement System but remains in office after
 3 his or her effective retirement date, the mayor or member of the city
 4 legislative body shall not accrue any further service credit or benefits in
 5 the systems administered by Kentucky Retirement Systems or the
 6 County Employees Retirement System for any employment occurring
 7 on or after the effective retirement date;

8 ~~(e)~~ Notwithstanding any provision of this section, any current or future part-
 9 time adjunct instructor for the Kentucky Fire Commission who has not
 10 participated in the Kentucky Employees Retirement System prior to
 11 retirement, but who is otherwise eligible to retire from the County Employees
 12 Retirement System, shall not be:

- 13 1. Required to resign from his or her position as a part-time adjunct
 14 instructor for the Kentucky Fire Commission in order to begin drawing
 15 benefits from the County Employees Retirement System; or
- 16 2. Subject to any provision of this section as it relates solely to his or her
 17 service as a part-time adjunct instructor for the Kentucky Fire
 18 Commission;

19 ~~(f)~~ If a member is receiving a retirement allowance from the County
 20 Employees Retirement System and enters into a contract or becomes a leased
 21 employee of an employer under contract with an employer participating in the
 22 County Employees Retirement System or **one (1) of the systems administered**
 23 **by** the Kentucky Retirement Systems:

- 24 1. At any time following retirement, if the Authority determines the
 25 employment arrangement does qualify as an independent contractor or
 26 leased employee, the member may continue to receive his or her
 27 retirement allowance during the period of the contract;

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- 1 2. Within one (1) month~~three (3) months~~ following the member's initial
2 retirement date, if the Authority determines the employment
3 arrangement does not qualify as an independent contractor or leased
4 employee, the member's retirement shall be voided in accordance with
5 paragraph (a) of this subsection;
- 6 3. After one (1) month~~three (3) months~~ but within twelve (12) months
7 following the member's initial retirement, if the Authority determines
8 the employment arrangement does not qualify as an independent
9 contractor or leased employee and that a prearranged agreement existed
10 between the member and the agency for the member to return to work
11 with the agency, the member's retirement shall be voided in accordance
12 with paragraph (a) of this subsection; and
- 13 4. After a twelve (12) month period following the member's initial
14 retirement, the member may continue to receive his or her retirement
15 allowance during the period of the contract and the member shall not be
16 required to notify the Authority or submit any documentation for
17 purposes of this section to the Authority. The initiation of a contract or
18 the initial date of the leased employment of a retired member by a
19 participating agency that occurs after twelve (12) months or more
20 following the retired member's retirement date shall not constitute a
21 prearranged agreement under this subsection;
- 22 (g)~~(i)~~ The Authority shall issue a final determination regarding a certification
23 of the absence of a prearranged agreement or the retired member's
24 qualification as an independent contractor or leased employee as required
25 under this section no later than thirty (30) days after the retired member and
26 participating employer provide all required forms and additional information
27 required by the Authority; and

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- 1 ~~(h)(j)~~ Retired members of one (1) of the systems administered by Kentucky
2 Retirement Systems who are reemployed by an employer in the County
3 Employees Retirement System on or after September 1, 2008, shall not be
4 eligible to earn a second retirement account in the County Employees
5 Retirement System for his or her service to the employer.
- 6 (5) The Authority shall promulgate administrative regulations to implement the
7 requirements of this section, including incorporating by reference Authority-
8 prescribed forms that a retired member and participating agency shall provide the
9 systems under subsections (1) and (4) of this section.
- 10 (6) "Reemployment" or "reinstatement" as used in this section shall not include a
11 retired member who has been ordered reinstated by the Personnel Board under
12 authority of KRS 18A.095. A retired member who has been ordered reinstated by
13 the Personnel Board under authority of KRS 18A.095 or by court order or by order
14 of the Human Rights Commission and accepts employment by an agency
15 participating in the Kentucky Employees Retirement System or County Employees
16 Retirement System shall void his or her retirement by reimbursing the system in the
17 full amount of his or her retirement allowance payments received.
- 18 ➔Section 4. This Act takes effect on January 1, 2024.