

1 AN ACT relating to retirement.

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

3 ➔Section 1. KRS 161.620 is repealed, reenacted, and amended to read as follows:

4 (1) The retirement allowance, in the form of a life annuity with refundable balance, of a
5 member retiring for service shall be calculated as follows:

6 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise
7 provided by this section, the annual allowance for each year of service shall be
8 two percent (2%) of the final average salary for service performed prior to
9 July 1, 1983, and two and one-half percent (2.5%) of the final average salary
10 for service performed after July 1, 1983, for all nonuniversity members. The
11 annual retirement allowance for each year of service performed by members
12 of the Teachers' Retirement System who are university members shall be two
13 percent (2%) of the final average salary. Actuarial discounts due to age or
14 service credit at retirement may be applied as provided in this section;

15 (b) For individuals who become nonuniversity members of the Teachers'
16 Retirement System on or after July 1, 2002, and before July 1, 2008, who
17 upon retirement have earned less than ten (10) full years of service credit, the
18 retirement allowance shall be two percent (2%) of the member's final average
19 salary for each year of service. For individuals who become nonuniversity
20 members of the Teachers' Retirement System on or after July 1, 2002, and
21 before July 1, 2008, and who upon retirement have earned at least ten (10) full
22 years of service credit, the annual allowance for each year of service shall be
23 two and one-half percent (2.5%) of the member's final average salary;

24 (c) The board of trustees may approve for members who initially retire on or after
25 July 1, 2004, and who become nonuniversity members before July 1, 2008, a
26 retirement allowance of three percent (3%) of the member's final average
27 salary for each year of service credit earned in excess of thirty (30) years ***that***

1 *is earned prior to July 1, 2024.*

2 This three percent (3%) factor shall be in lieu of the two and one-half percent
3 (2.5%) factor provided for in paragraph (b) of this subsection for every year or
4 fraction of a year of service in excess of thirty (30) years *that is earned prior*
5 *to July 1, 2024.* Upon approval of this three percent (3%) retirement factor,
6 the board of trustees may establish conditions of eligibility regarding the type
7 of service credit that will qualify for meeting the requirements of this
8 subsection, *but only for service earned prior to July 1, 2024.* This subsection
9 is optional with the board of trustees and shall not be subject to KRS 161.714;

10 (d) For individuals who become nonuniversity members of the Teachers'
11 Retirement System on or after July 1, 2008, the retirement allowance shall be:

12 1. a. One and seven-tenths percent (1.7%) of the member's final average
13 salary for each year of service if the member has earned ten (10) or
14 less years of service at retirement;

15 b. Two percent (2%) of the member's final average salary for each
16 year of service if the member has earned greater than ten (10) but
17 no more than twenty (20) years of service at retirement;

18 c. Two and three-tenths percent (2.3%) of the member's final average
19 salary for each year of service if the member has earned greater
20 than twenty (20) but no more than twenty-six (26) years of service
21 at retirement; or

22 d. Two and one-half percent (2.5%) of the member's final average
23 salary for each year of service if the member has earned greater
24 than twenty-six (26) but no more than thirty (30) years of service at
25 retirement; and

26 2. Three percent (3%) of the member's final average salary for each year of
27 service earned in excess of thirty (30) years of service at retirement

1 subject to the same terms and conditions as set forth in paragraph (c)2.
2 of this subsection;

3 (e) For individuals who become university members of the Teachers' Retirement
4 System on or after July 1, 2008, the retirement allowance shall be:

- 5 1. One and one-half percent (1.5%) of the member's final average salary for
6 each year of service if the member has earned ten (10) or less years of
7 service at retirement;
- 8 2. One and seven-tenths percent (1.7%) of the member's final average
9 salary for each year of service if the member has earned greater than ten
10 (10) but no more than twenty (20) years of service at retirement;
- 11 3. One and eighty-five hundredths percent (1.85%) of the member's final
12 average salary for each year of service if the member has earned greater
13 than twenty (20) but less than twenty-seven (27) years of service at
14 retirement; or
- 15 4. Two percent (2%) of the member's final average salary for each year of
16 service if the member has earned twenty-seven (27) or more years of
17 service at retirement; and

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

25 (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance
26 of each retired member and of each beneficiary of a retirement option shall be
27 increased in the amount of one and one-half percent (1.5%), provided the retired

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

7 (3) Any member qualifying for retirement under a life annuity with refundable balance
8 shall be entitled to receive an annual allowance amounting to not less than four
9 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty
10 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the
11 member. These minimums shall apply to the retired members receiving annuity
12 payments and to those members retiring on or subsequent to the effective dates
13 listed in this subsection, except the following:

14 (a) Individuals who become members of the Kentucky Teachers' Retirement
15 System on or after July 1, 2008; or

16 (b) Members whose retirement allowance payment is reduced below the
17 minimum allowance as a result of its division in a qualified domestic relations
18 order or any other provision permitted under KRS 161.700.

19 (4) The minimum retirement allowance provided in this section shall apply in the case
20 of members retired or retiring under an option other than a life annuity with
21 refundable balance in the same proportion to the benefits of the member and his
22 beneficiary or beneficiaries as provided in the duly-adopted option tables at the time
23 of the member's retirement.

24 (5) Effective July 1, 2008, the monthly allowance of each retired member and each
25 recipient of a retirement option of the retired member may be increased in an
26 amount not to exceed three and one-half percent (3.5%) of the monthly allowance in
27 effect the previous month, provided the retired member had been retired for at least

1 the full twelve (12) months immediately preceding the date that the increase is
2 effective. In the event that the retired member had been retired for less than the full
3 twelve (12) months immediately preceding the date that the increase is effective,
4 then the increase shall be reduced on a pro rata basis by each month that the retired
5 member had not been retired for the full twelve (12) months immediately preceding
6 the effective date of the increase. The level of increase provided for in this
7 subsection shall be determined by the funding provided in the 2008-2010 biennium
8 budget appropriation.

9 (6) Effective July 1, 2009, the monthly allowance of each retired member and each
10 recipient of a retirement option of the retired member may be increased in an
11 amount not to exceed seven-tenths of one percent (0.7%) of the monthly allowance
12 in effect the previous month, provided the retired member had been retired for at
13 least the full twelve (12) months immediately preceding the date that the increase is
14 effective. In the event that the retired member had been retired for less than the full
15 twelve (12) months immediately preceding the date that the increase is effective,
16 then the increase shall be reduced on a pro rata basis by each month that the retired
17 member had not been retired for the full twelve (12) months immediately preceding
18 the effective date of the increase. The level of increase provided for in this
19 subsection shall be determined by the funding provided in the 2008-2010 biennium
20 budget appropriation.

21 (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be
22 payable for the benefit of an adult child of a member retired for service when the
23 child's mental or physical condition is sufficient to cause dependency on the
24 member at the time of retirement. Eligibility for this payment shall continue for the
25 life of the child or until the time the mental or physical condition creating the
26 dependency no longer exists or the child marries. Benefits under this subsection
27 shall apply to legally adopted survivors provided the proceedings for the adoption

1 were initiated at least one (1) year prior to the death of the member. The board of
2 trustees shall be the sole judge of eligibility or dependency and may require formal
3 application or information relating thereto.

4 (8) Members of the Teachers' Retirement System shall be subject to the annuity income
5 limitations imposed by Section 415 of the Internal Revenue Service Code.

6 (9) Compensation in excess of the limitations imposed by Section 401(a)(17) of the
7 Internal Revenue Code shall not be used in determining a member's retirement
8 annuity. The limitation on compensation for eligible members shall not be less than
9 the amount which was allowed to be taken into account by the retirement system in
10 effect on July 1, 1993. For this purpose, an eligible member is an individual who
11 was a member of the retirement system before the first plan year beginning after
12 December 31, 1995.

13 (10) Effective January 1, 2019, subsections (1) to (7) of this section do not apply to
14 individuals who become members of the Teachers' Retirement System on or after
15 January 1, 2019.

16 ➔SECTION 2. A NEW SECTION OF KRS 78.510 TO 78.852 IS CREATED TO
17 READ AS FOLLOWS:

18 *Notwithstanding any other provision of KRS Chapter 61 or 78 to the contrary, the*
19 *employer contribution established by the Kentucky Retirement Systems board for the*
20 *County Employees Retirement System that are payable on or after July 1, 2018, and*
21 *until June 30, 2028, for the pension and health insurance funds, including the normal*
22 *cost contribution and the actuarially accrued liability contribution for each fund, shall*
23 *not increase by more than twelve percent (12%) in terms of projected dollars paid by*
24 *participating employers over the prior fiscal year as determined by the system's*
25 *consulting actuary.*

26 ➔Section 3. The provisions of Section 2 of this Act shall be retroactive back to
27 July 1, 2018.

1 ➔Section 4. If any section, any subsection, or any provision of this Act is found
2 by a court of competent jurisdiction in a final, unappealable order to be invalid or
3 unconstitutional, the decision of the courts shall not affect or impair any of the remaining
4 sections, subsections, or provisions of this Act.

5 ➔Section 5. Notwithstanding KRS 6.350 or 6.955, the provisions of KRS 6.350
6 or 6.955 shall not affect or impair the validity of any provision of this Act in a court of
7 competent jurisdiction.