

1 AN ACT relating to the retirement and declaring an emergency.

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

3 ➔Section 1. KRS 16.582 is amended to read as follows:

- 4 (1) (a) Total and permanent disability means a disability which results in the
5 member's incapacity to engage in any occupation for remuneration or profit.
6 Loss by severance of both hands at or above the wrists, or both feet at or
7 above the ankles, or one (1) hand above the wrist and one (1) foot above the
8 ankle, or the complete, irrevocable loss of the sight of both eyes shall be
9 considered as total and permanent.
- 10 (b) Hazardous disability means a disability which results in the member's total
11 incapacity to continue as a regular full-time officer or as an employee in a
12 hazardous position, as defined in KRS 61.592, but which does not result in the
13 member's total and permanent incapacity to engage in other occupations for
14 remuneration or profit.
- 15 (c) In determining whether the disability meets the requirement of this section,
16 any reasonable accommodation provided by the employer as provided in 42
17 U.S.C. sec. 12111(9) and 29 C.F.R. Part 1630 shall be considered.
- 18 (d) If the board determines that the total and permanent disability of a member
19 receiving a retirement allowance under this section has ceased, then the board
20 shall determine if the member has a hazardous disability.
- 21 (2) Any person may qualify to retire on disability, subject to the following:
- 22 (a) The person shall have sixty (60) months of service, twelve (12) of which shall
23 be current service credited under KRS 16.543(1), 61.543(1), or 78.615(1). The
24 service requirement shall be waived if the disability is a total and permanent
25 disability or a hazardous disability and is a direct result of an act in line of
26 duty;
- 27 (b) For a person whose membership date is prior to August 1, 2004, the person

- 1 shall not be eligible for an unreduced retirement allowance;
- 2 (c) The person's application shall be on file in the retirement office no later than
3 twenty-four (24) months after the person's last day of paid employment, as
4 defined in KRS 16.505, as a regular full-time officer or in a regular full-time
5 hazardous position under KRS 61.592;
- 6 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665;
7 and
- 8 (e) A person's disability application based on the same claim of incapacity shall
9 be accepted and reconsidered for disability if accompanied by new objective
10 medical evidence. The application shall be on file in the retirement office no
11 later than twenty-four (24) months after the person's last day of paid
12 employment as a regular full-time officer or in a regular full-time hazardous
13 position.
- 14 (3) Upon the examination of the objective medical evidence by licensed physicians
15 pursuant to KRS 61.665, it shall be determined that:
- 16 (a) The incapacity results from bodily injury, mental illness, or disease. For
17 purposes of this section, "injury" means any physical harm or damage to the
18 human organism other than disease or mental illness;
- 19 (b) The incapacity is deemed to be permanent; and
- 20 (c) The incapacity does not result directly or indirectly from:
- 21 1. Injury intentionally self-inflicted while sane or insane; or
22 2. Bodily injury, mental illness, disease, or condition which pre-existed
23 membership in the system or reemployment, whichever is most recent,
24 unless:
- 25 a. The disability results from bodily injury, mental illness, disease, or
26 a condition which has been substantially aggravated by an injury or
27 accident arising out of or in the course of employment; or

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

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

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

14 2. The determination of a permanent incapacity for the purpose of
15 hazardous disability shall be based on the medical evidence contained
16 in the member's file and the member's residual functional capacity and
17 physical exertion requirements.

18 3. The determination of a total and permanent incapacity shall be based
19 on the medical evidence contained in the member's file and the
20 member's residual functional capacity.

21 (b) The person's residual functional capacity shall be the person's capacity for
22 work activity on a regular and continuing basis. The person's physical ability
23 shall be assessed in light of the severity of the person's physical, mental, and
24 other impairments. The person's ability to walk, stand, carry, push, pull, reach,
25 handle, and other physical functions shall be considered with regard to
26 physical impairments. The person's ability to understand, remember, and carry
27 out instructions and respond appropriately to supervision, coworkers, and

1 work pressures in a work setting shall be considered with regard to mental
2 impairments. Other impairments, including skin impairments, epilepsy, visual
3 sensory impairments, postural and manipulative limitations, and
4 environmental restrictions, shall be considered in conjunction with the
5 person's physical and mental impairments to determine residual functional
6 capacity.

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

- 9 1. Sedentary work shall be work that involves lifting no more than ten (10)
10 pounds at a time and occasionally lifting or carrying articles such as
11 large files, ledgers, and small tools. Although a sedentary job primarily
12 involves sitting, occasional walking and standing may also be required
13 in the performance of duties.
- 14 2. Light work shall be work that involves lifting no more than twenty (20)
15 pounds at a time with frequent lifting or carrying of objects weighing up
16 to ten (10) pounds. A job shall be in this category if lifting is
17 infrequently required but walking and standing are frequently required,
18 or if the job primarily requires sitting with pushing and pulling of arm or
19 leg controls. If the person has the ability to perform substantially all of
20 these activities, the person shall be deemed capable of light work. A
21 person deemed capable of light work shall be deemed capable of
22 sedentary work unless the person has additional limitations such as the
23 loss of fine dexterity or inability to sit for long periods.
- 24 3. Medium work shall be work that involves lifting no more than fifty (50)
25 pounds at a time with frequent lifting or carrying of objects weighing up
26 to twenty-five (25) pounds. If the person is deemed capable of medium
27 work, the person shall be deemed capable of light and sedentary work.

- 1 4. Heavy work shall be work that involves lifting no more than one
2 hundred (100) pounds at a time with frequent lifting or carrying of
3 objects weighing up to fifty (50) pounds. If the person is deemed capable
4 of heavy work, the person shall also be deemed capable of medium,
5 light, and sedentary work.
- 6 5. Very heavy work shall be work that involves lifting objects weighing
7 more than one hundred (100) pounds at a time with frequent lifting or
8 carrying of objects weighing fifty (50) or more pounds. If the person is
9 deemed capable of very heavy work, the person shall be deemed capable
10 of heavy, medium, light, and sedentary work.
- 11 (5) (a) The disability retirement allowance shall be determined as provided in KRS
12 16.576, except if the member's total service credit on his or her last day of
13 paid employment in a regular full-time position is less than twenty (20) years,
14 service shall be added beginning with his or her last date of paid employment
15 and continuing to his or her fifty-fifth birthday. The maximum service credit
16 added shall not exceed the total service the member had on his or her last day
17 of paid employment, and the maximum service credit for calculating his or her
18 retirement allowance, including his or her total service and service added
19 under this section, shall not exceed twenty (20) years.
- 20 (b) For a member whose participation begins on or after August 1, 2004, but prior
21 to January 1, 2014, the disability retirement allowance shall be the higher of
22 twenty-five percent (25%) of the member's monthly final rate of pay or the
23 retirement allowance determined in the same manner as for retirement at his
24 or her normal retirement date with years of service and final compensation
25 being determined as of the date of his disability.
- 26 (c) For a member who begins participating on or after January 1, 2014, in the
27 hybrid cash balance plan as provided by KRS 16.583, the disability retirement

1 allowance shall be the higher of twenty-five percent (25%) of the member's
2 monthly final rate of pay or the retirement allowance determined in the same
3 manner as for retirement at his or her normal retirement date under KRS
4 16.583.

5 (6) If the member receives a satisfactory determination of hazardous disability pursuant
6 to KRS 61.665 and the disability is the direct result of an act in line of duty as
7 defined in KRS 16.505, the member's retirement allowance shall be calculated as
8 follows:

9 (a) For the disabled member, benefits as provided in subsection (5) of this section
10 except that the monthly retirement allowance payable shall not be less than
11 twenty-five percent (25%) of the member's monthly final rate of pay; and

12 (b) For each dependent child of the member on his or her disability retirement
13 date, who is alive at the time any particular payment is due, a monthly
14 payment equal to ten percent (10%) of the disabled member's monthly final
15 rate of pay; however, total maximum dependent children's benefit shall not
16 exceed forty percent (40%) of the member's monthly final rate of pay. The
17 payments shall be payable to each dependent child, or to a legally appointed
18 guardian or as directed by the system.

19 (7) If the member receives a satisfactory determination of total and permanent disability
20 pursuant to KRS 61.665 and the disability is the direct result of an act in line of duty
21 as defined in KRS 16.505, the member's retirement allowance shall be calculated as
22 follows:

23 (a) For the disabled member, the benefits as provided in subsection (5) of this
24 section except that the monthly retirement allowance payable shall not be less
25 than seventy-five percent (75%) of the member's monthly average pay; and

26 (b) For each dependent child of the member on his or her disability retirement
27 date, who is alive at the time any particular payment is due, a monthly

1 payment equal to ten percent (10%) of the disabled member's monthly average
2 pay, except that:

- 3 1. Member and dependent children payments under this subsection shall
4 not exceed one hundred percent (100%) of the member's monthly
5 average pay; and
- 6 2. Total maximum dependent children's benefits shall not exceed twenty-
7 five percent (25%) of the member's monthly average pay while the
8 member is living and forty percent (40%) of the member's monthly
9 average pay after the member's death. The payments shall be payable to
10 each dependent child, or to a legally appointed guardian or as directed by
11 the system, and shall be divided equally among all dependent children.

12 (8) No benefit provided in this section shall be reduced as a result of any change in the
13 extent of disability of any retired member who is the age of normal retirement age
14 ~~fifty five (55)~~ or older.

15 (9) If a regular full-time officer or hazardous position member has been approved for
16 benefits under a hazardous disability, the board shall, upon request of the member,
17 permit the member to receive the hazardous disability allowance while accruing
18 benefits in a nonhazardous position, subject to proper medical review of the
19 nonhazardous position's job description by the system's medical examiner.

20 (10) For a member of the State Police Retirement System, in lieu of the allowance
21 provided in subsection (5) to (7) of this section, the member may be retained on the
22 regular payroll and receive the compensation authorized by KRS 16.165, if he or
23 she is qualified.

24 ➔Section 2. KRS 61.505 is amended to read as follows:

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

27 (a) A single personnel system for the staffing needs of the Kentucky Retirement

- 1 Systems and the County Employees Retirement System;
- 2 (b) A system of accounting that is developed by the Authority for the Kentucky
3 Retirement Systems and the County Employees Retirement System;
- 4 (c) Day-to-day administrative needs of the Kentucky Retirement Systems and the
5 County Employees Retirement System, including but not limited to:
- 6 1. Benefit counseling and administration;
- 7 2. Information technology and services, including a centralized Web site
8 for the Authority, the Kentucky Retirement Systems, and the County
9 Employees Retirement System;
- 10 3. Legal services;
- 11 4. Employer reporting and compliance;
- 12 5. Processing and distribution of benefit payments, and other financial,
13 investment administration, and accounting duties as directed by the
14 Kentucky Retirement Systems board of trustees or the County
15 Employees Retirement System board of trustees;
- 16 6. All administrative actions, orders, decisions, and determinations
17 necessary to carry out benefit functions required by the Kentucky
18 Retirement Systems and the County Employment Retirement System
19 statutes, including but not limited to administration of reduced and
20 unreduced retirement benefits, disability retirement, reemployment after
21 retirement, service purchases, computation of sick-leave credit costs,
22 correction of system records, qualified domestic relations orders, and
23 ~~pension spiking determinations[, and all other administrative decisions~~
24 ~~and orders];~~ and
- 25 7. Completing and compiling financial data and reports;
- 26 (d) Any jointly held assets used for the administration of the Kentucky Retirement
27 Systems and the County Employees Retirement System, including but not

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

1 chair of the County Employees Retirement System shall appoint an individual
2 who serves on the investment committee;

3 (e) Two additional (2) trustees of the Kentucky Retirement Systems board of
4 trustees selected by the chair of the Kentucky Retirement Systems board of
5 trustees of which one (1) shall be a trustee who was elected by the
6 membership of one (1) of the systems administered by Kentucky Retirement
7 Systems and one (1) shall be a trustee of Kentucky Retirement Systems who
8 was appointed by the Governor; and

9 (f) Two additional (2) trustees of the County Employees Retirement System
10 board of trustees selected by the chair of the County Employees Retirement
11 System board of trustees of which one (1) shall be a trustee who was elected
12 by the membership of the County Employees Retirement System and one (1)
13 shall be a trustee of the County Employees Retirement System who was
14 appointed by the Governor.

15 (3) The Kentucky Public Pensions Authority is hereby granted the powers and
16 privileges of a corporation, including but not limited to the following powers:

17 (a) To sue and be sued in its corporate name;

18 (b) To make bylaws not inconsistent with the law and in accordance with its
19 duties as provided by this section;

20 (c) To conduct the business and promote the purposes for which it was formed;

21 (d) To carry out the obligations of the Authority subject to KRS Chapters 45,
22 45A, 56, and 57;

23 (e) To purchase fiduciary liability insurance; and

24 (f) The Kentucky Public Pensions Authority shall reimburse any Authority
25 member, officer, or employee for any legal expense resulting from a civil
26 action arising out of the performance of his or her official duties. The hourly
27 rate of reimbursement for any contract for legal services under this paragraph

1 shall not exceed the maximum hourly rate provided in the Legal Services
2 Duties and Maximum Rate Schedule promulgated by the Government
3 Contract Review Committee established pursuant to KRS 45A.705, unless a
4 higher rate is specifically approved by the secretary of the Finance and
5 Administration Cabinet or his or her designee.

6 (4) Any vacancy which may occur in an appointed position on the Kentucky Public
7 Pensions Authority shall be filled in the same manner which provides for the
8 selection of the particular member of the Authority. No person shall serve in more
9 than one (1) position as a member of the Authority and if a person holds more than
10 one (1) position as a member of the Authority, he or she shall resign a position.

11 (5) (a) Membership on the Authority shall not be incompatible with any other office
12 unless a constitutional incompatibility exists. No Authority member shall
13 serve in more than one (1) position as a member of the Authority.

14 (b) An Authority member shall be removed from office upon conviction of a
15 felony or for a finding of a violation of any provision of KRS 11A.020 or
16 11A.040 by a court of competent jurisdiction.

17 (c) A current or former employee of the County Employees Retirement System,
18 Kentucky Retirement Systems, or the Kentucky Public Pensions Authority
19 shall not be eligible to serve as a member of the Authority.

20 (6) Kentucky Public Pensions Authority members who do not otherwise receive a
21 salary from the State Treasury shall receive a per diem of eighty dollars (\$80) for
22 each day they are in session or on official duty, and they shall be reimbursed for
23 their actual and necessary expenses in accordance with state administrative
24 regulations and standards, except that the members shall not receive a per diem or
25 receive reimbursements on the same day they receive a per diem or reimbursements
26 for service to the Kentucky Retirement Systems board of trustees or County
27 Employees Retirement Systems board of trustees.

- 1 (7) (a) The Authority shall meet at least once in each quarter of the year and may
2 meet in special session upon the call of the chair or the executive director of
3 the Authority.
- 4 (b) The Authority shall elect a chair and a vice chair. The chair shall not serve
5 more than four (4) consecutive years as chair or vice chair of the Authority.
6 The vice chair shall not serve more than four (4) consecutive years as chair or
7 vice chair of the Authority. A member who has served four (4) consecutive
8 years as chair or vice chair of the Authority may be elected chair or vice chair
9 of the Authority after an absence of two (2) years from the positions.
- 10 (c) A majority of the Authority members shall constitute a quorum and all actions
11 taken by the Authority shall be by affirmative vote of a majority of the
12 Authority members present.
- 13 (d) The Authority shall post on the Authority's Web site and shall make available
14 to the public:
- 15 1. All meeting notices and agendas of the Authority. Notices and agendas
16 shall be posted to the Authority's Web site at least seventy-two (72)
17 hours in advance of the Authority's meetings, except in the case of
18 special or emergency meetings as provided by KRS 61.823;
 - 19 2. All Authority minutes or other materials that require adoption or
20 ratification by the Authority. The items listed in this subparagraph shall
21 be posted within seventy-two (72) hours of adoption or ratification of
22 the Authority;
 - 23 3. All bylaws, policies, or procedures adopted or ratified by the Authority;
24 and
 - 25 4. A listing of the members of the Authority and membership on each
26 committee established by the Authority.
- 27 (8) (a) The Kentucky Public Pensions Authority shall appoint or contract for the

1 services of an executive director and fix the compensation and other terms of
2 employment for this position without limitation of the provisions of KRS
3 Chapter 18A, 45A, and KRS 64.640. The executive director shall be the chief
4 administrative officer of the Authority, the Kentucky Retirement Systems
5 board of trustees, and the County Employees Retirement System board of
6 trustees. The executive director shall work cooperatively with the chief
7 executive officers of the Kentucky Retirement Systems and the County
8 Employees Retirement System. **The Authority shall annually conduct a**
9 **performance evaluation of the executive director.**

10 (b) The Kentucky Public Pensions Authority shall authorize the executive director
11 to appoint the employees deemed necessary to transact the duties of the
12 Authority for the purposes outlined in subsection (1) of this section. **After the**
13 **effective date of this Act, approval by the Authority shall be required for a**
14 **petition to the secretary of the Personnel Cabinet for the creation of any**
15 **new unclassified position pursuant to KRS 18A.115(1)(e), (g), (h), and (i).**

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

19 (d) **1.** All employees of the Kentucky Public Pensions Authority, except for the
20 executive director **and no more than six (6) unclassified employees of**
21 **the Office of Investments employed pursuant to KRS 18A.115(1)(e),**
22 **(g), (h), and (i)** [~~chief investment officer, and one (1) deputy chief~~
23 ~~investment officer~~], shall be subject to the state personnel system
24 established pursuant to KRS 18A.005 to 18A.204 and shall have their
25 salaries determined by the secretary of the Personnel Cabinet.

26 **2. The employees exempted from the classified service under this**
27 **paragraph shall not be subject to the salary limitations specified in**

1 *KRS 64.640(2) and (3).*

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

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

15 (f) The Authority shall require the executive director and the employees as it
16 thinks proper to execute bonds for the faithful performance of their duties
17 notwithstanding the limitations of KRS Chapter 62.

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

23 (9) All employees of the Authority shall serve during its will and pleasure.
24 Notwithstanding any statute to the contrary, employees shall not be considered
25 legislative agents under KRS 6.611.

26 (10) The Attorney General, or an assistant designated by him or her, may attend each
27 meeting of the Authority and may receive the agenda, board minutes, and other

1 information distributed to Authority members upon request. The Attorney General
2 may act as legal adviser and attorney for the Authority, and the Authority may
3 contract for legal services, notwithstanding the limitations of KRS Chapter 12 or
4 13B.

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

10 2. *Until June 30, 2024,* any additional initial costs determined by the
11 Authority to be attributable solely to establishing a separate County
12 Employees Retirement System board and the Kentucky Public Pensions
13 Authority as provided by this section and KRS 78.782 shall be paid by
14 the County Employees Retirement System. *Until June 30, 2024,* any
15 additional ongoing annual administrative and investment expenses that
16 occur after the establishment of a separate County Employees
17 Retirement System board and the Kentucky Public Pensions Authority
18 that are determined by the Authority to be a direct result of establishing
19 a separate County Employees Retirement System board and the
20 Kentucky Public Pensions Authority shall be paid by the County
21 Employees Retirement System. *Beginning on and after July 1, 2024,*
22 *any annual administrative and investment expenses shall be prorated,*
23 *assigned, or allocated to each system as determined by the Kentucky*
24 *Public Pensions Authority as provided by subparagraph 1. of this*
25 *paragraph but without attribution to the establishment of a separate*
26 *County Employees Retirement System board and the Kentucky Public*
27 *Pensions Authority.*

1 **3. In order to evaluate the results of establishing a separate County**
2 **Employees Retirement System board and the Kentucky Public**
3 **Pensions Authority, on or before November 15, 2022, and on or before**
4 **November 15 following the close of each successive fiscal year, the**
5 **Kentucky Public Pensions Authority shall report to the Public**
6 **Pensions Oversight Board the annual administrative and investment**
7 **expenses of the Kentucky Retirement Systems and the County**
8 **Employees Retirement System. The report shall include but not be**
9 **limited to the process or manner the Authority used to prorate, assign,**
10 **or allocate to each system its share of the expenses, the amount of**
11 **expenses prorated, assigned, or allocated to each system itemized by**
12 **category, and any efforts by the systems or the Authority to reduce**
13 **administrative costs and staffing needs.**

14 (b) Any other statute to the contrary notwithstanding, authorization for all
15 expenditures relating to the administrative operations of the Kentucky Public
16 Pensions Authority, the Kentucky Retirement Systems, and the County
17 Employees Retirement System shall be contained in the biennial budget unit
18 request, branch budget recommendation, and the financial plan adopted by the
19 General Assembly pursuant to KRS Chapter 48. **The Kentucky Public**
20 **Pensions Authority shall approve the biennial budget unit request prior to**
21 **its submission by the Authority.** The request from the Kentucky Public
22 Pensions Authority shall include any specific administrative expenses
23 requested by the Kentucky Retirement Systems board of trustees or the
24 County Employees Retirement System board of trustees pursuant to KRS
25 61.645(13) or 78.782(13), as applicable, that are not otherwise expenses
26 specified by paragraph (a) of this subsection.

27 (12) (a) An Authority member shall discharge his or her duties as a member of the

1 Authority, including his or her duties as a member of a committee of the
2 Authority:

- 3 1. In good faith;
- 4 2. On an informed basis; and
- 5 3. In a manner he or she honestly believes to be in the best interest of the
6 County Employees Retirement System and the Kentucky Retirement
7 Systems, as applicable.

8 (b) An Authority member discharges his or her duties on an informed basis if,
9 when he or she makes an inquiry into the business and affairs of the Authority,
10 system, or systems or into a particular action to be taken or decision to be
11 made, he or she exercises the care an ordinary prudent person in a like
12 position would exercise under similar circumstances.

13 (c) In discharging his or her duties, an Authority member may rely on
14 information, opinions, reports, or statements, including financial statements
15 and other financial data, if prepared or presented by:

- 16 1. One (1) or more officers or employees of the Authority whom the
17 Authority member honestly believes to be reliable and competent in the
18 matters presented;
- 19 2. Legal counsel, public accountants, actuaries, or other persons as to
20 matters the Authority member honestly believes are within the person's
21 professional or expert competence; or
- 22 3. A committee of the Authority of which he or she is not a member if the
23 Authority member honestly believes the committee merits confidence.

24 (d) An Authority member shall not be considered as acting in good faith if he or
25 she has knowledge concerning the matter in question that makes reliance
26 otherwise permitted by paragraph (c) of this subsection unwarranted.

27 (e) Any action taken as a member of the Authority, or any failure to take any

1 action as an Authority member, shall not be the basis for monetary damages or
2 injunctive relief unless:

- 3 1. The Authority member has breached or failed to perform the duties of
4 the member's office in compliance with this section; and
- 5 2. In the case of an action for monetary damages, the breach or failure to
6 perform constitutes willful misconduct or wanton or reckless disregard
7 for human rights, safety, or property.

8 (f) A person bringing an action for monetary damages under this section shall
9 have the burden of proving by clear and convincing evidence the provisions of
10 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
11 breach or failure to perform was the legal cause of damages suffered by the
12 Kentucky Retirement Systems or County Employees Retirement System, as
13 applicable.

14 (g) In discharging his or her administrative duties under this section, an Authority
15 member shall strive to administer the systems in an efficient and cost-effective
16 manner for the taxpayers of the Commonwealth of Kentucky and shall take all
17 actions available under the law to contain costs for the trusts, including costs
18 for participating employers, members, and retirees.

19 ➔Section 3. KRS 61.510 is amended to read as follows:

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

21 (1) "System" means the Kentucky Employees Retirement System created by KRS
22 61.510 to 61.705;

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

24 (3) "Department" means any state department or board or agency participating in the
25 system in accordance with appropriate executive order, as provided in KRS 61.520.

26 For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the
27 General Assembly and any other body, entity, or instrumentality designated by

1 executive order by the Governor, shall be deemed to be a department,
2 notwithstanding whether said body, entity, or instrumentality is an integral part of
3 state government;

4 (4) "Examiner" means the medical examiners as provided in KRS 61.665;

5 (5) "Employee" means the members, officers, and employees of the General Assembly
6 and every regular full-time, appointed or elective officer or employee of a
7 participating department, including the Department of Military Affairs. The term
8 does not include persons engaged as independent contractors, seasonal, emergency,
9 temporary, interim, and part-time workers. In case of any doubt, the board shall
10 determine if a person is an employee within the meaning of KRS 61.510 to 61.705;

11 (6) "Employer" means a department or any authority of a department having the power
12 to appoint or select an employee in the department, including the Senate and the
13 House of Representatives, or any other entity, the employees of which are eligible
14 for membership in the system pursuant to KRS 61.525;

15 (7) "State" means the Commonwealth of Kentucky;

16 (8) "Member" means any employee who is included in the membership of the system or
17 any former employee whose membership has not been terminated under KRS
18 61.535;

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

21 (10) "Current service" means the number of years and months of employment as an
22 employee, on and after July 1, 1956, except that for members, officers, and
23 employees of the General Assembly this date shall be January 1, 1960, for which
24 creditable compensation is paid and employee contributions deducted, except as
25 otherwise provided, and each member, officer, and employee of the General
26 Assembly shall be credited with a month of current service for each month he
27 serves in the position;

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

11 (12) "Accumulated contributions" at any time means the sum of all amounts deducted
12 from the compensation of a member and credited to his individual account in the
13 members' account, including employee contributions picked up after August 1,
14 1982, pursuant to KRS 61.560(4), together with interest credited, on such amounts
15 and any other amounts the member shall have contributed thereto, including interest
16 credited thereon. For members who begin participating on or after September 1,
17 2008, "accumulated contributions" shall not include employee contributions that are
18 deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the
19 funds established in KRS 16.510 and 61.515, as prescribed by KRS 61.702(3)(b);

20 (13) "Creditable compensation":

21 (a) Means all salary, wages, tips to the extent the tips are reported for income tax
22 purposes, and fees, including payments for compensatory time, paid to the
23 employee as a result of services performed for the employer or for time during
24 which the member is on paid leave, which are includable on the member's
25 federal form W-2 wage and tax statement under the heading "wages, tips,
26 other compensation," including employee contributions picked up after
27 August 1, 1982, pursuant to KRS 61.560(4). For members of the General

1 Assembly, it shall mean all amounts 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 6.505(4) or 61.560(4);

5 (b) Includes:

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

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

5 (c) Excludes:

- 6 1. Living allowances, expense reimbursements, lump-sum payments for
7 accrued vacation leave, and other items determined by the board;
- 8 2. For employees who begin participating on or after September 1, 2008,
9 lump-sum payments for compensatory time;
- 10 3. For employees who begin participating on or after August 1, 2016,
11 nominal fees paid for services as a volunteer; and
- 12 4. Any salary or wages paid to an employee for services as a Kentucky
13 State Police school resource officer as defined by KRS 158.441;

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

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

23 (b) For a member who is employed in a nonhazardous position, whose effective
24 retirement date is between August 1, 2001, and January 1, 2009, and whose
25 total service credit is at least twenty-seven (27) years and whose age and years
26 of service total at least seventy-five (75), final compensation means the
27 creditable compensation of the member during the three (3) fiscal years the

1 member was paid at the highest average monthly rate divided by the number
2 of months of service credit during that three (3) years period multiplied by
3 twelve (12). The three (3) years may be fractional and need not be
4 consecutive. If the number of months of service credit during the three (3)
5 year period is less than twenty-four (24), one (1) or more additional fiscal
6 years shall be used. Notwithstanding the provision of KRS 61.565, the
7 funding for this paragraph shall be provided from existing funds of the
8 retirement allowance;

9 (c) For a member who begins participating before September 1, 2008, who is
10 employed in a hazardous position, as provided in KRS 61.592, the creditable
11 compensation of the member during the three (3) fiscal years he or she was
12 paid at the highest average monthly rate divided by the number of months of
13 service credit during that three (3) year period multiplied by twelve (12). The
14 three (3) years may be fractional and need not be consecutive. If the number of
15 months of service credit during the three (3) year period is less than twenty-
16 four (24), one (1) or more additional fiscal years shall be used;

17 (d) For a member who begins participating on or after September 1, 2008, but
18 prior to January 1, 2014, who is employed in a nonhazardous position, the
19 creditable compensation of the member during the five (5) complete fiscal
20 years immediately preceding retirement divided by five (5). Each fiscal year
21 used to determine final compensation must contain twelve (12) months of
22 service credit. If the member does not have five (5) complete fiscal years that
23 each contain twelve (12) months of service credit, then one (1) or more
24 additional fiscal years, which may contain less than twelve (12) months of
25 service credit, shall be added until the number of months in the final
26 compensation calculation is at least sixty (60) months; or

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

1 prior to January 1, 2014, who is employed in a hazardous position as provided
2 in KRS 61.592, the creditable compensation of the member during the three
3 (3) complete fiscal years he or she was paid at the highest average monthly
4 rate divided by three (3). Each fiscal year used to determine final
5 compensation must contain twelve (12) months of service credit. If the
6 member does not have three (3) complete fiscal years that each contain twelve
7 (12) months of service credit, then one (1) or more additional fiscal years,
8 which may contain less than twelve (12) months of service credit, shall be
9 added until the number of months in the final compensation calculation is at
10 least thirty-six (36) months;

11 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
12 calculated during the twelve (12) month period immediately preceding the
13 member's effective retirement date, including employee contributions picked up
14 after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the
15 system by the employer and the following equivalents shall be used to convert the
16 rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
17 workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour
18 workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months,
19 one (1) year;

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

22 (17) "Actuarial equivalent" means a benefit of equal value when computed upon the
23 basis of the actuarial tables that are adopted by the board. In cases of disability
24 retirement, the options authorized by KRS 61.635 shall be computed by adding ten
25 (10) years to the age of the member, unless the member has chosen the Social
26 Security adjustment option as provided for in KRS 61.635(8), in which case the
27 member's actual age shall be used. For members who began participating in the

1 system prior to January 1, 2014, no disability retirement option shall be less than the
2 same option computed under early retirement;

3 (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless
4 otherwise provided in KRS 61.510 to 61.705;

5 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
6 following June 30, which shall also be the plan year. The "fiscal year" shall be the
7 limitation year used to determine contribution and benefit limits as established by
8 26 U.S.C. sec. 415;

9 (20) "Officers and employees of the General Assembly" means the occupants of those
10 positions enumerated in KRS 6.150. The term shall also apply to assistants who
11 were employed by the General Assembly for at least one (1) regular legislative
12 session prior to July 13, 2004, who elect to participate in the retirement system, and
13 who serve for at least six (6) regular legislative sessions. Assistants hired after July
14 13, 2004, shall be designated as interim employees;

15 (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean
16 all positions that average one hundred (100) or more hours per month determined by
17 using the number of months actually worked within a calendar or fiscal year,
18 including all positions except:

19 (a) Seasonal positions, which although temporary in duration, are positions which
20 coincide in duration with a particular season or seasons of the year and which
21 may recur regularly from year to year, the period of time shall not exceed nine
22 (9) months;

23 (b) Emergency positions which are positions **utilized by the employer during:**
24 **1. An emergency as determined by the employer for a period**~~[which do]~~
25 **not exceeding**~~[exceed]~~ thirty (30) working days and are nonrenewable;
26 **or**
27 **2. A state of emergency declared by the President of the United States or**

1 *the Governor of the Commonwealth of Kentucky that are created or*
2 *filled specifically for addressing the employer's needs during and as a*
3 *result of the declared emergency;*

4 (c) Temporary positions which are positions of employment with a participating
5 department for a period of time not to exceed nine (9) months and are
6 nonrenewable;

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

12 (e) Interim positions which are positions established for a one-time or recurring
13 need not to exceed nine (9) months;

14 (22) "Vested" for purposes of determining eligibility for purchasing service credit under
15 KRS 61.552 means the employee has at least forty-eight (48) months of service if
16 age sixty-five (65) or older or at least sixty (60) months of service if under the age
17 of sixty-five (65). For purposes of this subsection, "service" means service in the
18 systems administered by the Kentucky Retirement Systems and County Employees
19 Retirement System;

20 (23) "Parted employer" means a department, portion of a department, board, or agency,
21 such as Outwood Hospital and School, which previously participated in the system,
22 but due to lease or other contractual arrangement is now operated by a publicly held
23 corporation or other similar organization, and therefore is no longer participating in
24 the system. The term "parted employer" shall not include a department, board, or
25 agency that ceased participation in the system pursuant to KRS 61.522;

26 (24) "Retired member" means any former member receiving a retirement allowance or
27 any former member who has filed the necessary documents for retirement benefits

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

- 1 (32) "Last day of paid employment" means the last date employer and employee
2 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
3 78.615 to the retirement office in order for the employee to receive current service
4 credit for the month. Last day of paid employment does not mean a date the
5 employee receives payment for accrued leave, whether by lump sum or otherwise, if
6 that date occurs twenty-four (24) or more months after previous contributions;
- 7 (33) "Objective medical evidence" means reports of examinations or treatments; medical
8 signs which are anatomical, physiological, or psychological abnormalities that can
9 be observed; psychiatric signs which are medically demonstrable phenomena
10 indicating specific abnormalities of behavior, affect, thought, memory, orientation,
11 or contact with reality; or laboratory findings which are anatomical, physiological,
12 or psychological phenomena that can be shown by medically acceptable laboratory
13 diagnostic techniques, including but not limited to chemical tests,
14 electrocardiograms, electroencephalograms, X-rays, and psychological tests;
- 15 (34) "Participating" means an employee is currently earning service credit in the system
16 as provided in KRS 61.543;
- 17 (35) "Month" means a calendar month;
- 18 (36) "Membership date" means:
- 19 (a) The date upon which the member began participating in the system as
20 provided in KRS 61.543; or
- 21 (b) For a member electing to participate in the system pursuant to KRS
22 196.167(4) who has not previously participated in the system or the Kentucky
23 Teachers' Retirement System, the date the member began participating in a
24 defined contribution plan that meets the requirements of 26 U.S.C. sec.
25 403(b);
- 26 (37) "Participant" means a member, as defined by subsection (8) of this section, or a
27 retired member, as defined by subsection (24) of this section;

- 1 (38) "Qualified domestic relations order" means any judgment, decree, or order,
2 including approval of a property settlement agreement, that:
- 3 (a) Is issued by a court or administrative agency; and
 - 4 (b) Relates to the provision of child support, alimony payments, or marital
5 property rights to an alternate payee;
- 6 (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
7 participant, who is designated to be paid retirement benefits in a qualified domestic
8 relations order;
- 9 (40) "Accumulated employer credit" mean the employer pay credit deposited to the
10 member's account and interest credited on such amounts as provided by KRS
11 16.583 and 61.597;
- 12 (41) "Accumulated account balance" means:
- 13 (a) For members who began participating in the system prior to January 1, 2014,
14 the member's accumulated contributions; or
 - 15 (b) For members who began participating in the system on or after January 1,
16 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597,
17 the combined sum of the member's accumulated contributions and the
18 member's accumulated employer credit;
- 19 (42) "Volunteer" means an individual who:
- 20 (a) Freely and without pressure or coercion performs hours of service for an
21 employer participating in one (1) of the systems administered by Kentucky
22 Retirement Systems without receipt of compensation for services rendered,
23 except for reimbursement of actual expenses, payment of a nominal fee to
24 offset the costs of performing the voluntary services, or both; and
 - 25 (b) If a retired member, does not become an employee, leased employee, or
26 independent contractor of the employer for which he or she is performing
27 volunteer services for a period of at least twelve (12) months following the

1 retired member's most recent retirement date;

2 (43) "Nominal fee" means compensation earned for services as a volunteer that does not
3 exceed five hundred dollars (\$500) per month with each participating employer.

4 Compensation earned for services as a volunteer from more than one (1)
5 participating employer during a month shall not be aggregated to determine whether
6 the compensation exceeds the five hundred dollars (\$500) per month maximum
7 provided by this subsection;

8 (44) "Nonhazardous position" means a position that does not meet the requirements of
9 KRS 61.592 or has not been approved by the board as a hazardous position;

10 (45) "Monthly average pay" means:

11 (a) In the case of a member who dies as a direct result of an act in line of duty as
12 defined in KRS 16.505 or who dies as a result of a duty-related injury as
13 defined in KRS 61.621, the higher of the member's monthly final rate of pay
14 or the average monthly creditable compensation earned by the deceased
15 member during his or her last twelve (12) months of employment; or

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

24 (46) "Authority" means the Kentucky Public Pensions Authority as provided by KRS
25 61.505;~~and~~

26 (47) "Executive director" means the executive director of the Kentucky Public Pensions
27 Authority; and

1 **(48) "Instructional staff" means the employees of a state college or university**
 2 **participating under Section 5 of this Act who are:**

3 **(a) Faculty;**

4 **(b) Staff responsible for teaching; or**

5 **(c) Other individuals employed in an administrative position that is eligible for**
 6 **participation in the Teachers' Insurance and Annuity Association (TIAA)**
 7 **or the Teachers' Retirement System.**

8 ➔Section 4. KRS 61.515 is amended to read as follows:

9 There is hereby created and established:

10 (1) A retirement system for employees to be known as the "Kentucky Employees
 11 Retirement System" by and in which name it shall, pursuant to the provisions of
 12 KRS 61.510 to 61.705, transact all its business and shall have the powers and
 13 privileges of a corporation; and

14 (2) **(a)** A fund, called the "Kentucky Employees Retirement Fund," which shall
 15 consist of all the assets of the system as set forth in KRS 61.570 to 61.585.

16 **(b)** All assets received in the fund shall be deemed trust funds to be held and
 17 applied solely as provided in KRS 61.510 to 61.705.

18 **(c) The assets in the fund shall be attributable to members participating in the**
 19 **Kentucky Employees Retirement System in both hazardous positions as**
 20 **defined in KRS 61.592 and nonhazardous positions as defined in Section 3**
 21 **of this Act, and when payment is made from the fund:**

22 **1. No assets attributable to members in hazardous positions shall be used**
 23 **to pay benefits to members in nonhazardous positions; and**

24 **2. No assets attributable to members in nonhazardous positions shall be**
 25 **used to pay benefits to members in hazardous positions.**

26 ➔Section 5. KRS 61.520 is amended to read as follows:

27 (1) Each department determined by the board to be eligible and qualified for

1 participation shall participate in the system when the Governor by appropriate
2 executive order, the authority to issue such executive order being granted, directs
3 such department to participate in the system. The effective date of such participation
4 shall be determined by the board and fixed by the Governor in his executive order.

5 (2) (a) Notwithstanding the provisions of subsection (1) of this section, the Governor
6 is authorized to permit any state college or university, which he directs by
7 appropriate executive order to participate in the system after January 1, 1972,
8 to include its noninstructional employees in the membership of the system
9 while excluding the instructional employees of the state college or university
10 from membership.

11 (b) All employees of an agency participating under authority of paragraph (a) of
12 this subsection ~~[(2)(a) of this section]~~ shall be considered noninstructional
13 employees except the members of the instructional staff as defined in Section
14 3 of this Act ~~[of the state college or university who are responsible for~~
15 ~~teaching and the administrative positions which are included in the Teachers'~~
16 ~~Insurance and Annuity Association (TIAA) or the Kentucky Teachers'~~
17 ~~Retirement System]~~.

18 (3) All executive orders issued under authority of this section since July 1, 1956, are
19 hereby ratified by the General Assembly and each participating and contributing
20 department, board, agency, corporation, board for mental health or individuals with
21 an intellectual disability, or entity participating since that date under such executive
22 order is hereby declared to be a participating department under the Kentucky
23 Employees Retirement System.

24 (4) Except as provided by KRS 61.522:

25 (a) Once a department participates it shall continue to participate as long as it
26 remains qualified; and

27 (b) Any position initially required to participate in the Kentucky Employees

1 Retirement System shall continue to participate as long as the position exists.

2 ➔Section 6. KRS 61.565 is amended to read as follows:

3 (1) (a) Each employer participating in the State Police Retirement System as
4 provided for in KRS 16.505 to 16.652 and the Kentucky Employees
5 Retirement System as provided for in KRS 61.510 to 61.705 shall contribute
6 annually to the respective retirement system an amount determined by the
7 actuarial valuation completed in accordance with KRS 61.670 and as specified
8 by this section. Employer contributions for each respective retirement system
9 shall be equal to the sum of the "normal cost contribution" and the "actuarially
10 accrued liability contribution."

11 (b) For purposes of this section, the normal cost contribution shall be computed as
12 a percentage of pay and shall be an annual amount that is sufficient when
13 combined with employee contributions to fund benefits earned during the year
14 in the respective system. The amount shall be:

- 15 1. Paid as a percentage of creditable compensation reported for each
16 employee participating in the system and accruing benefits; and
- 17 2. The same percentage of pay for all employees who are participating in
18 the same retirement system, except that separate percentage rates shall
19 be developed in each system for those employers whose employees are
20 participating in hazardous duty retirement coverage as provided by KRS
21 61.592.

22 (c) For purposes of this section, the actuarially accrued liability contribution for
23 all employers, except for contributions paid by nonhazardous employers in the
24 Kentucky Employees Retirement System on or after July 1, 2021, shall be:

- 25 1. Computed by amortizing the total unfunded actuarially accrued liability
26 of each system over a closed period of thirty (30) years beginning with
27 the 2019 actuarial valuation using the level percentage of payroll

- 1 amortization method, except that any increase or decrease in the
2 unfunded actuarially accrued liability occurring after the completion of
3 the 2019 actuarial valuation shall be amortized over a closed period of
4 twenty (20) years beginning with the actuarial valuation in which the
5 increase or decrease in the unfunded actuarially accrued liability is
6 recognized. An increase or decrease in the unfunded actuarially accrued
7 liability may result from, but not be limited to, legislative changes to
8 benefits, changes in actuarial methods or assumptions, or actuarial gains
9 or losses;
- 10 2. Paid as a percentage of payroll on the creditable compensation reported
11 for each employee participating in the system and accruing benefits; and
12 3. The same percentage of pay for all employees who are participating in
13 the same retirement system, except that separate percentage rates shall
14 be developed in each system for those employers whose employees are
15 participating in hazardous duty retirement coverage as provided by KRS
16 61.592.
- 17 (d) 1. For purposes of this section, the actuarially accrued liability contribution
18 for nonhazardous employers in the Kentucky Employees Retirement
19 System on or after July 1, 2021:
- 20 a. Shall be an annual dollar amount that is sufficient to amortize the
21 total unfunded actuarially accrued liability of the system over a
22 closed period of thirty (30) years beginning with the 2019 actuarial
23 valuation using the level percentage of payroll amortization
24 method, except that any increase or decrease in the unfunded
25 actuarially accrued liability occurring after the completion of the
26 2019 actuarial valuation shall be amortized over a closed period of
27 twenty (20) years beginning with the actuarial valuation in which

1 the increase or decrease in the unfunded actuarially accrued
2 liability is recognized. An increase or decrease in the unfunded
3 actuarially accrued liability may result from but not be limited to
4 legislative changes to benefits, changes in actuarial methods or
5 assumptions, or actuarial gains or losses;

6 b. Shall be prorated to each individual nonhazardous employer in the
7 Kentucky Employees Retirement System by multiplying the annual
8 dollar amount of the actuarially accrued liability contribution for
9 the system as determined by subdivision a. of this subparagraph by
10 the individual employer's percentage of the system's total
11 actuarially accrued liability as of the June 30, 2019, actuarial
12 valuation which shall be determined solely by the system's
13 consulting actuary and assigned to each employer based upon the
14 last participating employer of the member or retiree as of June 30,
15 2019. The individual employer's percentage of the system's total
16 actuarially accrued liability as of the June 30, 2019, actuarial
17 valuation shall be used to determine the individual employer's
18 prorated dollar amount of the system's actuarially accrued liability
19 contribution in all future fiscal years of the amortization period or
20 periods, except that the employer's percentage shall be adjusted to
21 reflect any employer who voluntarily or involuntarily ceases
22 participation as provided by KRS 61.522 and except as provided
23 by subparagraphs 4. and 5. of this paragraph. For purposes of this
24 subdivision, all executive branch departments, program cabinets
25 and their respective departments, and administrative bodies
26 enumerated in KRS 12.020, and any other executive branch
27 agencies administratively attached to a department, program

1 cabinet, or administrative body enumerated in KRS 12.020, shall
2 be considered a single individual employer and only one (1) value
3 shall be computed for these executive branch employers. For
4 purposes of this subdivision, all employers of the legislative
5 branch, including the Legislative Research Commission and the
6 General Assembly that covers legislators and staff who participate
7 in the Kentucky Employees Retirement System, shall be
8 considered a single individual employer and only one (1) value
9 shall be computed for these employers. For purposes of this
10 subdivision, all employers of the judicial branch, including the
11 Administrative Office of the Courts, the Judicial Form Retirement
12 System, and all master commissioners, shall be considered a single
13 individual employer and only one (1) value shall be computed for
14 these employers;

15 c. Shall be payable by an individual employer in equal monthly dollar
16 installments during the fiscal year in accordance with the reporting
17 requirements specified by KRS 61.675 so that the individual
18 employer pays its full prorated dollar amount of the actuarially
19 accrued liability contribution as determined by subdivision b. of
20 this subparagraph; and

21 d. Notwithstanding subdivision b. of this subparagraph for those
22 individual participating employers who are local and district health
23 departments governed by KRS Chapter 212, community mental
24 health centers, and employers whose employees are not subject to
25 KRS 18A.005 to 18A.200, who received or were eligible to
26 receive a distribution of general fund appropriations in the 2018-
27 2020 biennial executive branch budget to assist in paying

1 retirement costs under 2018 Ky. Acts ch. 169, Part I, G., 4., (5);
2 2018 Ky. Acts ch. 169, Part I, G., 5., (2); or 2018 Ky. Acts ch. 169,
3 Part I, G., 9., (2), shall not, once the initial dollar amounts are
4 established in accordance with this paragraph, be adjusted in terms
5 of dollars paid by the individual employer, except that adjustments
6 shall be made by the system upon completion of an actuarial
7 investigation as provided by KRS 61.670, so long as at least four
8 (4) years have passed since the last adjustment to the actuarially
9 accrued liability contribution for these employers. The provisions
10 of this subdivision shall not be interpreted to mean that employers
11 described by this subdivision may continue paying the dollar value
12 of contributions or employer contribution rates established or paid
13 by the employer in budget periods occurring prior to July 1, 2021.

14 2. Individual employers, solely for purposes of collecting employer
15 contributions from various fund sources during the fiscal year, may
16 convert the actuarially accrued liability contribution established by this
17 paragraph to a percentage of pay and may adjust the percent of pay
18 during the fiscal year in order to pay the required dollar value of
19 actuarially accrued liability contribution required by this paragraph. No
20 provision of this subparagraph shall be construed to reduce an individual
21 employer's actuarially accrued liability contribution as otherwise
22 provided by this paragraph.

23 3. The provisions of this paragraph shall not apply to those employers who
24 cease participation as provided by KRS 61.522.

25 4. In the event an individual Kentucky Employees Retirement System
26 nonhazardous employer who is required to pay an actuarially accrued
27 liability contribution as provided by this paragraph and as calculated

1 from the 2019 actuarial valuation or subsequent valuations, merges with
2 another employer or entity, forms a new or separate employer or entity,
3 or splits or separates operations into multiple employers or entities, the
4 system shall, except for those employers or entities who pay the costs to
5 cease participation as provided by KRS 61.522, have full authority to
6 assign a portion or all of the total actuarially accrued liability
7 contribution to the merged, new, split, or separate employers or entities,
8 regardless of whether or not the merged, new, split, or separate
9 employers or entities participate in the system. In the case of a district
10 health department established pursuant to KRS Chapter 212, which
11 ceases to operate or which has a county or counties that withdraw from
12 the district health department, the systems shall assign the total
13 actuarially accrued liability contribution based upon the proportion of
14 taxable property of each county as certified by the Department for Public
15 Health in the Cabinet for Health and Family Services in accordance with
16 KRS 212.132. The system shall establish by administrative regulations
17 the process of assigning actuarially accrued liability contributions as
18 authorized by this subparagraph.

- 19 5. a. An employer who is not in the executive, legislative, or judicial
20 branch of Kentucky state government as enumerated in
21 subparagraph 1.b. of this paragraph may on or before July 1, 2021,
22 appeal to the board regarding any current or former employees or
23 retirees the employer believes should not be used to determine the
24 employer's percentage of the system's total actuarially accrued
25 liability. The only appeals that shall be submitted by the employer
26 or considered by the board shall be potential errors where the last
27 participating employer is in dispute, situations where employees of

1 the employer were hired through a contract between the executive
2 branch and the employer for the employee to provide services to
3 the executive branch, or situations where a community mental
4 health center was contracted to provide services at a facility
5 previously operated by the executive branch. The employer shall
6 submit the information required by the board to verify potential
7 errors or contract employees with employers.

8 b. The board shall review and issue a final determination regarding
9 any appeals by December 31, 2021. In situations where the board
10 determines the last participating employer was incorrect and
11 should be assigned to another employer, the system shall, effective
12 for employer contributions payable on or after July 1, 2022, assign
13 the cost to the executive branch until such time ownership of the
14 liability can be determined and assigned to the correct employer. In
15 situations where the board determines certain employees of
16 employers were hired through a contract between the executive
17 branch and the employer for an employee or employees to provide
18 services to the executive branch, those liabilities shall, effective for
19 employer contributions payable on or after July 1, 2022, be
20 assigned to the executive branch. In situations where the board
21 determines the community mental health center was contracted to
22 provide services at a facility previously operated by the executive
23 branch, the liabilities for employees providing services at that
24 facility shall, *effective for employer contributions payable on or*
25 *after July 1, 2022,* be assigned to the executive branch.

26 c. No appeal shall be submitted by the employer or considered by the
27 board regarding the assumptions or methodology used by the

1 actuary to determine a particular employer's percentage of the
2 system's total actuarially accrued liability or the use of the last
3 participating employer to assign liabilities to an employer, except
4 as otherwise provided by this subparagraph.

5 d. The board shall within thirty (30) days following the final
6 determinations submit to the Public Pension Oversight Board the
7 list of appeals that were approved, the number of employees
8 involved, and any costs that will be transferred to the executive
9 branch effective July 1, 2022.

10 (e) The employer contributions computed under this section shall be determined
11 using:

- 12 1. The entry age normal cost funding method;
- 13 2. An asset smoothing method that smooths investment gains and losses
14 over a five (5) year period; and
- 15 3. Other funding methods and assumptions established by the board in
16 accordance with KRS 61.670.

17 (2) (a) Except as limited by subsection (1)(d)1.d. of this section as it relates to the
18 Kentucky Employees Retirement System, normal cost contribution rates and
19 the actuarially accrued liability contribution shall be determined by the board
20 on the basis of the annual actuarial valuation last preceding the July 1 of a new
21 biennium.

22 (b) The board shall not have the authority to amend contribution rates as of July 1
23 of the second year of the biennium for the Kentucky Employees Retirement
24 System and the State Police Retirement System.

25 (3) The system shall advise each employer prior to July 1 of any change in the employer
26 contribution rate. Based on the employer contribution rate, each employer shall
27 include in the budget sufficient funds to pay the employer contributions as

1 determined by the board under this section.

2 (4) All employers, including the General Assembly, shall pay the full actuarially
3 required contributions, as prescribed by this section, to the Kentucky Employees
4 Retirement System and the State Police Retirement System in fiscal years occurring
5 on or after July 1, 2020.

6 ➔Section 7. KRS 61.590 is amended to read as follows:

7 (1) (a) A member or beneficiary eligible to receive retirement benefits under any of
8 the provisions of KRS 61.510 to 61.705, 78.510 to 78.852, and 16.510 to
9 16.652 shall have on file at the retirement office on the form prescribed by the
10 board, a correctly completed notification of retirement, giving his or her name,
11 address, Social Security number or Kentucky **Public Pensions**
12 **Authority**~~Retirement Systems~~ member identification number, last day of
13 employment, and other information the **Authority**~~system~~ may require. The
14 form entitled "Notification of Retirement" shall not be filed more than six (6)
15 months before the member's effective retirement date.

16 (b) A member eligible to receive retirement benefits under any of the provisions
17 of KRS 61.510 to 61.705, 78.510 to 78.852, and 16.510 to 16.652 shall certify
18 in writing on the "Notification of Retirement" form or another form prescribed
19 by the board that no prearranged agreement existed prior to the member's
20 retirement between the member and any participating agency in the systems
21 administered by the Kentucky Retirement Systems **or any participating**
22 **agency in the County Employees Retirement System** for the member to
23 return to employment with the participating agency. No retirement benefits
24 shall be paid to the member until the member completes the certification
25 required by this paragraph.

26 (2) After receipt of the correctly completed form entitled "Notification of Retirement",
27 the **Authority**~~system~~ shall cause to be prepared an estimate of the amounts the

1 member or beneficiary may expect to receive under the various plans available to
2 the member or beneficiary. This information shall be recorded on a form entitled
3 "Estimated Retirement Allowance" and forwarded to the member or beneficiary.

4 (3) The member or beneficiary shall file at the retirement office the form entitled
5 "Estimated Retirement Allowance" after he or she has checked one (1) payment
6 option of his or her choice, signed the document, and had his or her signature
7 witnessed. A member shall not have the right to select a different payment option on
8 or after the first day of the month in which the member receives his or her first
9 retirement allowance or after the effective date of a deferred retirement option as
10 provided by subsection (6) of this section, except as provided by KRS 61.542(5). A
11 beneficiary shall not have the right to select a different payment option after the
12 effective date of the beneficiary's retirement allowance as provided in subsection (7)
13 of this section.

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

18 (5) (a) The effective date of normal retirement shall be the first month following the
19 month in which employment from all employers participating in any of the
20 systems administered by Kentucky Retirement Systems **and all employers**
21 **participating in the County Employees Retirement System** was terminated.

22 (b) The effective date of disability retirement shall be the first month following
23 the month in which the member's last day of paid employment in a regular
24 full-time position occurred, provided the member files the form entitled
25 "Estimated Retirement Allowance" no later than six (6) months following the
26 date the notification of approval for disability retirement benefits is **sent by**
27 **United States first-class mail to the member's last address on file in the**

1 retirement office, by electronic mail to the member's last electronic mail
2 address on file in the retirement office, or by other electronic
3 means~~[mailed]~~. If the member fails to file the form entitled "Estimated
4 Retirement Allowance" within six (6) months of the date the notification of
5 approval for disability retirement benefits is sent~~[mailed]~~, then the member's
6 form entitled "Notification of Retirement" shall be void. The member shall be
7 required to submit a new form entitled "Notification of Retirement" to apply
8 for disability retirement and reestablish eligibility for disability retirement
9 benefits.

10 (c) The effective date of early retirement shall be the first month following the
11 month a correctly completed form entitled "Notification of Retirement" is
12 filed at the retirement office or a future month designated by the member, if
13 employment from all employers participating in any of the systems
14 administered by Kentucky Retirement Systems and all employers
15 participating in the County Employees Retirement System has been
16 terminated and if the member files the form entitled "Estimated Retirement
17 Allowance" no later than six (6) months following termination. If the member
18 fails to file the form entitled "Estimated Retirement Allowance" within six (6)
19 months following the effective retirement date of the member, then the
20 member's form entitled "Notification of Retirement" shall be void and the
21 member shall be required to submit a new form entitled "Notification of
22 Retirement" to apply for early retirement.

23 (6) The effective date of a deferred retirement option as provided under KRS 16.576(5)
24 shall be the month following age sixty-five (65), or the month following written
25 notification from the member that he or she wishes to begin receiving retirement
26 payments. In the event of the death of a member who has deferred his or her
27 retirement allowance, the effective date of retirement shall be the month following

1 the member's death.

2 (7) Notwithstanding the provisions of KRS 16.578 or 61.640, the effective date of a
3 beneficiary's retirement allowance under normal, early, or disability retirement shall
4 be as prescribed in subsection (5) or (6) of this section if the member dies before the
5 first day of the month in which the member would have received his or her first
6 retirement allowance and his or her beneficiary becomes eligible for payments
7 under KRS 16.578 or 61.640.

8 ➔Section 8. KRS 61.610 is amended to read as follows:

9 (1) Once each year following the retirement of a person on a disability retirement
10 allowance, except for persons who become totally and permanently disabled as a
11 direct result of an act in line of duty as defined in KRS 16.505 or become disabled
12 as a result of a duty-related injury as defined in KRS 61.621 in which case shall be
13 once every three (3) years following retirement, or less frequently as determined by
14 the board's medical examiner but not less than once every five (5) years, the system
15 may require the person, prior to his or her normal retirement date, to undergo an
16 employment and medical staff review and, if necessary, be required to file at the
17 retirement office on the review form prescribed by the board current employment
18 information and current medical information for the bodily injury, mental illness, or
19 disease for which he or she receives a disability retirement allowance. The person
20 shall have one hundred eighty (180) days from the day the system ~~sent~~^{mailed} the
21 review form **by United States first-class mail** to the person's last address on file in
22 the retirement office, **by electronic mail to the person's last electronic mail address**
23 **on file in the retirement office, or by other electronic means,** to file at the
24 retirement office the review form and the current employment and medical
25 information. The person shall certify to the retirement office that the review form,
26 including current employment and medical information, is ready to be evaluated by
27 the medical examiner in accordance with KRS 61.615.

- 1 (2) If, after good faith efforts, the person informs the system that he or she has been
2 unable to obtain the employment or medical information, the system shall assist the
3 person in obtaining the records and may use the authority granted pursuant to KRS
4 61.685(1) to obtain the records.
- 5 (3) If the person fails or refuses to file at the retirement office the review form,
6 including the current employment and medical information, his or her retirement
7 allowance shall be discontinued or reduced on the first day of the month following
8 the expiration of the one hundred eighty (180) days from the day the system
9 ~~sent~~~~mailed~~ the review form by United States first-class mail to the person's last
10 address on file in the retirement office, by electronic mail to the person's last
11 electronic mail address on file in the retirement office, or by other electronic
12 means. The ~~Authority~~~~system~~ shall send notice of the discontinuance or reduction
13 of the disability retirement allowance by United States first-class mail to the
14 person's last address on file in the retirement office, by electronic mail to the
15 person's last electronic mail address on file in the retirement office, or by other
16 electronic means. If the person's benefits are discontinued or reduced under this
17 section, his or her rights to further disability retirement allowances shall cease,
18 except as provided by KRS 61.615.
- 19 (4) The Kentucky Public Pensions Authority~~system~~ shall hire or contract for the
20 services of one (1) or more investigators~~an investigator~~ to investigate potential
21 fraud involving disability benefits with the system. The investigators~~investigator~~
22 shall evaluate potential cases of disability fraud and conduct spot audits for
23 potential fraud as determined by the system in cases involving members who
24 become totally and permanently disabled as a direct result of an act in line of duty
25 as defined in KRS 16.505 or become disabled as a result of a duty-related injury as
26 defined in KRS 61.621.

27 ➔Section 9. KRS 61.615 is amended to read as follows:

- 1 (1) If the board's medical examiner determines that a recipient of a disability retirement
2 allowance is, prior to his or her normal retirement date, employed in a position with
3 the same or similar duties, or in a position with duties requiring greater residual
4 functional capacity and physical exertion, as the position from which he or she was
5 disabled, except where the recipient has returned to work on a trial basis not to
6 exceed nine (9) months, the system may reduce or discontinue the retirement
7 allowance. Each recipient of a disability retirement allowance who is engaged in
8 gainful employment shall notify the system of any employment; otherwise, the
9 system shall have the right to recover payments of a disability retirement allowance
10 made during the employment.
- 11 (2) If the board's medical examiner determines that a recipient of a disability retirement
12 allowance is, prior to his or her normal retirement date, no longer incapacitated by
13 the bodily injury, mental illness, or disease for which he or she receives a disability
14 retirement allowance, the board may reduce or discontinue the retirement
15 allowance.
- 16 (3) The system shall have full power and exclusive authority to reduce or discontinue a
17 disability retirement allowance and the system shall utilize the services of a medical
18 examiner as provided in KRS 61.665, in determining whether to continue, reduce,
19 or discontinue a disability retirement allowance under this section.
- 20 (a) The system shall select a medical examiner to evaluate the forms and medical
21 information submitted by the person. If there is objective medical evidence of
22 a mental impairment, the medical examiner may request the board's licensed
23 mental health professional to assist in determining the level of the mental
24 impairment.
- 25 (b) The medical examiners shall be paid a reasonable amount by the retirement
26 system for each case evaluated.
- 27 (c) The medical examiner shall recommend that disability retirement allowance

1 be continued, reduced, or discontinued.

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

5 2. If the medical examiner recommends that the disability retirement
6 allowance be reduced or discontinued, the system shall send notice of
7 the recommendation by United States first-class mail to the person's last
8 address on file in the retirement office, by electronic mail to the
9 person's last electronic mail address on file in the retirement office, or
10 by other electronic means.

11 a. The person shall have sixty (60) days from the day that the system
12 sent~~mailed~~ the notice to file at the retirement office additional
13 supporting employment or medical information and certify to the
14 retirement office that the forms and additional supporting
15 employment information or medical information are ready to be
16 evaluated by the medical examiner or to appeal the
17 recommendation of the medical examiner to reduce or discontinue
18 the disability retirement allowance by filing at the retirement office
19 a request for a formal hearing.

20 b. If the person fails or refuses to file at the retirement office the
21 forms, the additional supporting employment information, and
22 current medical information or to appeal the recommendation of
23 the medical examiners to reduce or discontinue the disability
24 retirement allowance, his or her retirement allowance shall be
25 discontinued on the first day of the month following the expiration
26 of the period of the sixty (60) days from the day the system
27 sent~~mailed~~ the notice of the recommendation by United States

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

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

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

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

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

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

1 ~~sent~~^{mailed} the notice of the recommendation **by United States**
2 **first-class mail** to the person's last address on file in the retirement
3 office, **by electronic mail to the person's last electronic mail**
4 **address on file in the retirement office, or by other electronic**
5 **means.**

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

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

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

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

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

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

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

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

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

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

27 (b) If the person has returned to employment with an employer participating in

1 one (1) of the systems administered by Kentucky Retirement Systems, the
2 service and creditable compensation shall be used in recomputing his or her
3 benefit, except that the person's final compensation shall not be less than the
4 final compensation last used in determining his or her retirement allowance;

5 (c) The benefit shall be reduced as provided by KRS 61.595(2);

6 (d) The person shall remain eligible for reinstatement of his or her disability
7 allowance upon reevaluation by the medical review board until his or her
8 normal retirement age. The person shall apply for reinstatement of disability
9 benefits in accordance with the provisions of this section. An application for
10 reinstatement of disability benefits shall be administered as an application
11 under KRS 61.600, and only the bodily injuries, mental illnesses, diseases, or
12 conditions for which the person was originally approved for disability benefits
13 shall be considered. Bodily injuries, mental illnesses, diseases, or conditions
14 that came into existence after the person's last day of paid employment shall
15 not be considered as a basis for reinstatement of disability benefits. Bodily
16 injuries, mental illnesses, diseases, or conditions alleged by the person as
17 being incapacitating, but which were not the basis for the award of disability
18 retirement benefits, shall not be considered. If the person establishes that the
19 disability benefits should be reinstated, the retirement system shall pay
20 disability benefits effective from the first day of the month following the
21 month in which the person applied for reinstatement of the disability benefits;
22 and

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

26 (7) **If a disability retirement allowance is reduced or discontinued for a person who**
27 **began participating in the system on or after January 1, 2014, the person shall**

1 remain eligible for reinstatement of his or her disability allowance as provided
2 under subsection (6)(d) of this section.

3 **(8)** No disability retirement allowance shall be reduced or discontinued by the system
4 after the person's normal retirement date except in case of reemployment as
5 provided for by KRS 61.637. If a disability retirement allowance has been reduced
6 or discontinued, except if the person is reemployed as provided for by KRS 61.637,
7 the retirement allowance shall be reinstated upon attainment of the person's normal
8 retirement date to the retirement allowance prior to adjustment. No reinstated
9 payment shall be less than the person is receiving upon attainment of the person's
10 normal retirement date.

11 ➔Section 10. KRS 61.635 is amended to read as follows:

12 (1) Each member shall have the right to elect to have his or her retirement allowance
13 payable under any one (1) of the options set forth in this section in lieu of the
14 retirement allowance otherwise payable to the member~~[him]~~ upon retirement under
15 any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to
16 78.852. The amount of any optional retirement allowance shall be actuarially
17 equivalent to the amount of retirement allowance otherwise payable to the
18 member~~[him]~~.

19 (2) Survivorship one hundred percent (100%). The member may elect to receive a
20 decreased retirement allowance during his or her lifetime and have the retirement
21 allowance continued after the member's~~[his]~~ death to his or her beneficiary during
22 the lifetime of the person.

23 (3) Survivorship sixty-six and two-thirds percent (66-2/3%). The member may elect to
24 receive a decreased retirement allowance during his or her lifetime and have two-
25 thirds (2/3) of the retirement allowance continue after the member's~~[his]~~ death to
26 his or her beneficiary during the lifetime of the person.

27 (4) Survivorship fifty percent (50%). The member may elect to receive a decreased

1 retirement allowance during his or her lifetime and have one-half (1/2) of the
2 retirement allowance continued after the member's~~[his]~~ death to his or her
3 beneficiary during the lifetime of the person.

4 (5) Life with ten (10) years certain. The member less than age seventy-six (76) may
5 elect to receive a monthly retirement allowance during his or her lifetime which
6 shall guarantee payments for one hundred twenty (120) months. If the member dies
7 before receiving payments for one hundred twenty (120) months, the member's~~[his]~~
8 beneficiary shall receive the remaining payments monthly, for the duration of the
9 one hundred twenty (120) months' period. However, if the trust is designated as
10 beneficiary, the trustee of the trust may elect to receive a lump-sum payment which
11 shall be the actuarial equivalent to the remaining payments, or the trustee may elect
12 to continue the remaining monthly payments to the trust of the member. If the estate
13 is designated as beneficiary, the estate shall receive a lump-sum payment which
14 shall be the actuarial equivalent to the remaining payments.

15 (6) Life with fifteen (15) years certain. The member less than age sixty-eight (68) may
16 elect to receive a monthly retirement allowance during his or her lifetime which
17 shall guarantee payments for one hundred ~~and~~ eighty (180) months. If the member
18 dies before receiving payments for one hundred ~~and~~ eighty (180) months, the
19 member's~~[his]~~ beneficiary shall receive the remaining payments monthly for the
20 duration of the one hundred ~~and~~ eighty (180) months' period. However, if the trust
21 is designated as beneficiary, the trustee of the trust may elect to receive a lump-sum
22 payment which shall be the actuarial equivalent to the remaining payments, or the
23 trustee may elect to continue the remaining payments to the trust of the member. If
24 the estate is designated as beneficiary, the estate shall receive a lump-sum payment
25 which shall be the actuarial equivalent to the remaining payments.

26 (7) Life with twenty (20) years certain. The member less than age sixty-two (62) may
27 elect to receive a monthly retirement allowance during his or her lifetime which

1 shall guarantee payments for two hundred ~~and~~ forty (240) months. If the member
2 dies before receiving payments for two hundred ~~and~~ forty (240) months, ***the***
3 ***member's***~~his~~ beneficiary shall receive the remaining payments for the duration of
4 the two hundred ~~and~~ forty (240) months period. However, if the trust is
5 beneficiary, the trustee of the trust may elect to receive a lump-sum payment which
6 shall be the actuarial equivalent to the remaining payments, or the trustee may elect
7 to continue the remaining payments to the trust of the member. If the estate is
8 designated as beneficiary, the estate shall receive a lump-sum payment which shall
9 be the actuarial equivalent to the remaining payments.

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

12 (a) No survivor rights. The member may elect to receive an increased retirement
13 allowance from his ***or her*** effective retirement date through the month he ***or***
14 ***she*** attains age sixty-two (62) at which time his retirement allowance shall be
15 decreased for the remainder of his ***or her*** lifetime;

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

25 (9) Beneficiary Social Security adjustment option. This option is available to the
26 beneficiary of a deceased member if the beneficiary, who is a person, has not
27 attained age sixty (60), and is eligible to receive Social Security payments at age

1 sixty (60). The beneficiary may elect to receive during his or her lifetime an
2 increased retirement allowance based on his or her annual benefit payable for life.
3 The payment shall begin on his or her effective retirement date and continue
4 through the month he or she attains age sixty (60) at which time his or her
5 retirement allowance shall be decreased for the remainder of his or her lifetime.

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

12 (11) Actuarial equivalent refund. A member who began participating in the system prior
13 to January 1, 2014, may elect to receive a one (1) time lump-sum payment which
14 shall be the actuarial equivalent of the amount payable for a period of sixty (60)
15 months under KRS 61.595 (1).

16 (12) Partial lump-sum option.

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

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

1 monthly retirement allowance is payable. The reduced retirement allowance
2 shall be continued after the member's death to his or her beneficiary during
3 the lifetime of the person.

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

12 (14) A member of the General Assembly who began participating in the system prior to
13 January 1, 2014, who wishes to obtain the survivorship option specified in
14 subsection (13) of this section shall so notify the Kentucky Public Pensions
15 Authority~~[retirement systems]~~:

16 (a) Within thirty (30) days after first becoming a member of the General
17 Assembly if he or she is not a member of the General Assembly on July 15,
18 1980; or

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

21 (15) The system shall forward to members of the General Assembly a form on which a
22 member who began participating in the system prior to January 1, 2014, may elect
23 the option provided for in subsections (13) and (14) of this section.

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

27 ➔Section 11. KRS 61.637 is amended to read as follows:

- 1 (1) A retired member who is receiving monthly retirement payments under any of the
2 provisions of KRS 61.510 to 61.705 and 78.510 to 78.852 and who is reemployed
3 as an employee by a participating agency prior to August 1, 1998, shall have his or
4 her retirement payments suspended for the duration of reemployment. Monthly
5 payments shall not be suspended for a retired member who is reemployed if he or
6 she anticipates that he or she will receive less than the maximum permissible
7 earnings as provided by the Federal Social Security Act in compensation as a result
8 of reemployment during the calendar year. The payments shall be suspended at the
9 beginning of the month in which the reemployment occurs.
- 10 (2) Employer and employee contributions shall be made as provided in KRS 61.510 to
11 61.705 and 78.510 to 78.852 on the compensation paid during reemployment,
12 except where monthly payments were not suspended as provided in subsection (1)
13 of this section or would not increase the retired member's last monthly retirement
14 allowance by at least one dollar (\$1), and the member shall be credited with
15 additional service credit.
- 16 (3) In the month following the termination of reemployment, retirement allowance
17 payments shall be reinstated under the plan under which the member was receiving
18 payments prior to reemployment.
- 19 (4) (a) Notwithstanding the provisions of this section, the payments suspended in
20 accordance with subsection (1) of this section shall be paid retroactively to the
21 retired member, or his or her estate, if he or she does not receive more than the
22 maximum permissible earnings as provided by the Federal Social Security Act
23 in compensation from participating agencies during any calendar year of
24 reemployment.
- 25 (b) If the retired member is paid suspended payments retroactively in accordance
26 with this section, employee contributions deducted during his or her period of
27 reemployment, if any, shall be refunded to the retired employee, and no

1 service credit shall be earned for the period of reemployment.

2 (c) If the retired member is not eligible to be paid suspended payments for his or
3 her period of reemployment as an employee, his or her retirement allowance
4 shall be recomputed under the plan under which the member was receiving
5 payments prior to reemployment as follows:

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

1 provisions of this section on the first day of the month following March
2 26, 1974.

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

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

15 (b) A retired member who has been ordered reinstated by the Personnel Board
16 under authority of KRS 18A.095 or by court order or by order of the Human
17 Rights Commission and accepts employment by an agency participating in the
18 Kentucky Employees Retirement System or County Employees Retirement
19 System shall void his or her retirement by reimbursing the system in the full
20 amount of his or her retirement allowance payments received.

21 (7) (a) Effective August 1, 1998, the provisions of subsections (1) to (4) of this
22 section shall no longer apply to a retired member who is reemployed in a
23 position covered by the same retirement system from which the member
24 retired. Reemployed retired members shall be treated as new members upon
25 reemployment. Any retired member whose reemployment date preceded
26 August 1, 1998, who does not elect, within sixty (60) days of notification by
27 the retirement systems, to remain under the provisions of subsections (1) to

1 (4) of this section shall be deemed to have elected to participate under this
2 subsection.

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

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

24 (9) 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 County Employees Retirement
27 System within twelve (12) months of his or her retirement date, the member shall

1 submit a copy of that contract to the Authority, and the Authority shall determine if
2 the member is an independent contractor or leased employee for purposes of
3 retirement benefits. The retired member and the participating employer shall submit
4 the information required or requested by the Authority to confirm the individual's
5 status as an independent contractor or leased employee. The retired member shall
6 not be required to notify the Authority regarding any services entered into as an
7 independent contractor or leased employee with a participating agency that the
8 employee enters into after twelve (12) months following his or her retirement date.

9 (10) If a member is receiving a retirement allowance, or has filed the forms required for
10 a retirement allowance, and is employed within one (1) month of the member's
11 initial retirement date in a position that is required to participate in the same
12 retirement system from which the member retired, the member's retirement shall be
13 voided and the member shall repay to the retirement system all benefits received.
14 The member shall contribute to the member account established for him or her prior
15 to his or her voided retirement. The retirement allowance for which the member
16 shall be eligible upon retirement shall be determined by total service and creditable
17 compensation.

18 (11) (a) If a member of the Kentucky Employees Retirement System retires from a
19 department which participates in more than one (1) retirement system and is
20 reemployed within one (1) month of his or her initial retirement date by the
21 same department in a position participating in another retirement system, the
22 retired member's retirement allowance shall be suspended for the first month
23 of his or her retirement, and the member shall repay to the retirement system
24 all benefits received for the month.

25 (b) A retired member of the County Employees Retirement System who after
26 initial retirement is hired by the county from which the member retired shall
27 be considered to have been hired by the same employer.

- 1 (12) (a) If a hazardous member who retired prior to age fifty-five (55), or a
2 nonhazardous member who retired prior to age sixty-five (65), is reemployed
3 within six (6) months of the member's termination by the same employer, the
4 member shall obtain from his or her previous and current employers a copy of
5 the job description established by the employers for the position and a
6 statement of the duties performed by the member for the position from which
7 he or she retired and for the position in which he or she has been reemployed.
- 8 (b) The job descriptions and statements of duties shall be filed with the retirement
9 office.
- 10 (13) If the retirement system determines that the retired member has been employed in a
11 position with the same principal duties as the position from which the member
12 retired:
- 13 (a) The member's retirement allowance shall be suspended during the period that
14 begins on the month in which the member is reemployed and ends six (6)
15 months after the member's termination;
- 16 (b) The retired member shall repay to the retirement system all benefits paid from
17 systems administered by Kentucky Retirement Systems or County Employees
18 Retirement System under reciprocity, including medical insurance benefits,
19 that the member received after reemployment began;
- 20 (c) Upon termination, or subsequent to expiration of the six (6) month period
21 from the date of termination, the retired member's retirement allowance based
22 on his or her initial retirement account shall no longer be suspended, and the
23 member shall receive the amount to which he or she is entitled, including an
24 increase as provided by KRS 61.691;
- 25 (d) Except as provided in subsection (7) of this section, if the position in which a
26 retired member is employed after initial retirement is a regular full-time
27 position, the retired member shall contribute to a second member account

1 established for him or her in the retirement system. Service credit gained after
2 the member's date of reemployment shall be credited to the second member
3 account; and

4 (e) Upon termination, the retired member shall be entitled to benefits payable
5 from his or her second retirement account.

6 (14) (a) If the retirement system determines that the retired member has not been
7 reemployed in a position with the same principal duties as the position from
8 which he or she retired, the retired member shall continue to receive his or her
9 retirement allowance.

10 (b) If the position is a regular full-time position, the member shall contribute to a
11 second member account in the retirement system.

12 (15) (a) If a retired member is reemployed at least one (1) month after initial
13 retirement in a different position, or at least six (6) months after initial
14 retirement in the same position, and prior to normal retirement age, the retired
15 member shall contribute to a second member account in the retirement system
16 and continue to receive a retirement allowance from the first member account.

17 (b) Service credit gained after reemployment shall be credited to the second
18 member account. Upon termination, the retired member shall be entitled to
19 benefits payable from the second member account.

20 (16) A retired member who is reemployed and contributing to a second member account
21 shall not be eligible to purchase service credit under any of the provisions of KRS
22 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 which he or she was
23 eligible to purchase prior to his or her initial retirement.

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

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

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

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

26 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a member is
27 receiving a retirement allowance from one (1) of the systems administered by

1 Kentucky Retirement Systems or County Employees Retirement System and
2 is employed in a regular full-time position required to participate in one (1) of
3 the systems administered by Kentucky Retirement Systems or County
4 Employees Retirement System after a three (3) 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
15 retirement and takes office~~[and has retired from the elected office]~~
16 within twelve (12) months of his or her retirement date~~[prior to taking~~
17 ~~the new term of office]~~, he or she shall be deemed by the
18 Authority~~[system]~~ as having a prearranged agreement under the
19 provisions of this subparagraph and shall have his or her retirement
20 voided. If the participating agency fails to complete the certification, the
21 member's retirement shall be voided and the provisions of paragraph (a)
22 of this subsection shall apply to the member and the employer.
23 Employment that is accepted by the retired member after twelve (12)
24 months following the member's retirement date shall not constitute a
25 prearranged agreement under this paragraph;
- 26 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
27 the contrary, the member shall not contribute to the systems and shall

1 not earn any additional benefits for any work performed during the
2 period of reemployment;

- 3 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
4 except for any retiree employed as a school resource officer as defined
5 by KRS 158.441, the employer shall pay employer contributions as
6 specified by KRS 61.565, 61.702, and 78.635, as applicable, on all
7 creditable compensation earned by the employee during the period of
8 reemployment. The additional contributions paid shall be used to reduce
9 the unfunded actuarial liability of the systems; and
- 10 4. 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 be required to reimburse the
13 systems for the cost of the health insurance premium paid by the systems
14 to provide coverage for the retiree, not to exceed the cost of the single
15 premium. Effective July 1, 2015, local school boards shall not be
16 required to pay the reimbursement required by this subparagraph for
17 retirees employed by the board for eighty (80) days or less during the
18 fiscal year;

- 19 (c) If a member is receiving a retirement allowance from the State Police
20 Retirement System or from hazardous duty retirement coverage with the
21 Kentucky Employees Retirement System or the County Employees Retirement
22 System, or has filed the forms required to receive a retirement allowance from
23 the State Police Retirement System or from hazardous duty retirement
24 coverage with the Kentucky Employees Retirement System or the County
25 Employees Retirement System, and is employed in a regular full-time position
26 required to participate in the State Police Retirement System or in a hazardous
27 duty position with the Kentucky Employees Retirement System or the County

1 Employees Retirement System within one (1) month following the member's
2 initial retirement date, the member's retirement shall be voided, and the
3 member shall repay to the retirement system all benefits received, including
4 any health insurance benefits. If the member is returning to work in a regular
5 full-time position required to participate in one (1) of the systems
6 administered by Kentucky Retirement Systems or County Employees
7 Retirement System:

8 1. The member shall contribute to a member account established for him or
9 her in one (1) of the systems administered by Kentucky Retirement
10 Systems or County Employees Retirement System, and employer
11 contributions shall be paid on behalf of the member by the participating
12 employer; 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 (d) If a member is receiving a retirement allowance from the State Police
18 Retirement System or from hazardous duty retirement coverage with the
19 Kentucky Employees Retirement System or the County Employees Retirement
20 System and is employed in a regular full-time position required to participate
21 in the State Police Retirement System or in a hazardous duty position with the
22 Kentucky Employees Retirement System or the County Employees Retirement
23 System after a one (1) month period following the member's initial retirement
24 date, the member may continue to receive his or her retirement allowance
25 during the period of reemployment subject to the following provisions:

26 1. If a member is reemployed by a participating agency within twelve (12)
27 months of the member's retirement date, the participating agency shall

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

- 17 2. Notwithstanding any other provision of KRS Chapter 16, 61, or 78 to
18 the contrary, the member shall not contribute to the systems and shall
19 not earn any additional benefits for any work performed during the
20 period of reemployment;
- 21 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
22 except for any retiree employed as a school resource officer as defined
23 by KRS 158.441, the employer shall pay employer contributions as
24 specified by KRS 61.565, 61.702, and 78.635, as applicable, on all
25 creditable compensation earned by the employee during the period of
26 reemployment. The additional contributions paid shall be used to reduce
27 the unfunded actuarial liability of the systems;

- 1 4. 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 be required to reimburse the
4 systems for the cost of the health insurance premium paid by the systems
5 to provide coverage for the retiree, not to exceed the cost of the single
6 premium;
- 7 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
8 who qualifies as a volunteer for an employer participating in one (1) of the
9 systems administered by Kentucky Retirement Systems or County Employees
10 Retirement System and who is receiving reimbursement of actual expenses, a
11 nominal fee for his or her volunteer services, or both, shall not be considered
12 an employee of the participating employer and shall not be subject to
13 paragraphs (a) to (d) of this subsection if:
- 14 1. Prior to the retired member's most recent retirement date, he or she did
15 not receive creditable compensation from the participating employer in
16 which the retired member is performing volunteer services;
- 17 2. Any reimbursement or nominal fee received prior to the retired
18 member's most recent retirement date has not been credited as creditable
19 compensation to the member's account or utilized in the calculation of
20 the retired member's benefits;
- 21 3. The retired member has not purchased or received service credit under
22 any of the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852 for
23 service with the participating employer for which the retired member is
24 performing volunteer services; and
- 25 4. Other than the status of volunteer, the retired member does not become
26 an employee, leased employee, or independent contractor of the
27 employer for which he or she is performing volunteer services for a

1 period of at least twelve (12) months following the retired member's
2 most recent retirement date.

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

9 (f) Notwithstanding any provision of this section, any mayor or member of a city
10 legislative body shall not be required to resign from his or her position as
11 mayor or as a member of the city legislative body in order to begin drawing
12 benefits from the systems administered by Kentucky Retirement Systems or
13 subject to any provision of this section as it relates solely to his or her service
14 as a mayor or member of the city legislative body if the mayor or member of a
15 city legislative body:

16 1. Has not participated in the County Employees Retirement System prior
17 to retirement, but is otherwise eligible to retire from the Kentucky
18 Employees Retirement System or the State Police Retirement System; or
19 2. Has been or is participating in the County Employees Retirement System
20 and is at least sixty-two (62) years of age. If a mayor or member of a city
21 legislative body who is at least sixty-two (62) years of age retires from
22 the systems administered by Kentucky Retirement Systems but remains
23 in office after his or her effective retirement date, the mayor or member
24 of the city legislative body shall not accrue any further service credit or
25 benefits in the systems administered by Kentucky Retirement Systems
26 for any employment occurring on or after the effective retirement date;

27 (g) If a member is receiving a retirement allowance from any of the retirement

1 systems administered by the Kentucky Retirement Systems or County
2 Employees Retirement System and enters into a contract or becomes a leased
3 employee of an employer under contract with an employer participating in one
4 (1) of the systems administered by the Kentucky Retirement Systems or
5 County Employees Retirement System:

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

27 The initiation of a contract or the initial date of the leased employment of a

1 retired member by a participating agency that occurs after twelve (12) months
2 or more following the retired member's retirement date shall not constitute a
3 prearranged agreement under this subsection; and

4 (h) The Authority shall issue a final determination regarding a certification of the
5 absence of a prearranged agreement or the retired member's qualification as an
6 independent contractor or leased employee as required under this section no
7 later than thirty (30) days after the retired member and participating employer
8 provide all required forms and additional information required by the
9 Authority.

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

14 ➔Section 12. KRS 61.645 is amended to read as follows:

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

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

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

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

1 retirement experience;

2 (d) For purposes of paragraph (c) 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 CFA
12 Institute; or
- 13 5. A university professor, teaching investment-related studies; and

14 (e) For purposes of paragraph (c) 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 emphasis
26 is economics or finance.

27 (2) The board is hereby granted the powers and privileges of a corporation, including

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 61.650(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 KRS Chapters 45, 45A, 56,
8 and 57. Actuarial consulting services shall be provided by a firm hired by the
9 Kentucky Public Pensions Authority;

10 (e) To purchase fiduciary liability insurance;

11 (f) Except as provided in KRS 61.650(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) (a) Notwithstanding the provisions of subsection (1) of this section, each trustee
24 shall serve a term of four (4) years or until his or her successor is duly
25 qualified except as otherwise provided in this section. An elected trustee or a
26 trustee appointed by the Governor under subsection (1)(c) of this section, shall
27 not serve more than three (3) consecutive four (4) year terms. An elected

1 trustee or a trustee appointed by the Governor under subsection (1)(c) of this
2 section, who has served three (3) consecutive terms may be elected or
3 appointed again after an absence of four (4) years from the board.

4 (b) The term limits established by paragraph (a) of this subsection shall apply to
5 trustees serving on or after July 1, 2012, and all terms of office served prior to
6 July 1, 2012, shall be used to determine if the trustee has exceeded the term
7 limits provided by paragraph (a) of this subsection.

8 (4) (a) The trustees selected by the membership of each of the various retirement
9 systems shall be elected by ballot. For each trustee to be elected, the board
10 may nominate, not less than six (6) months before a term of office of a trustee
11 is due to expire, three (3) constitutionally eligible individuals.

12 (b) Individuals may be nominated by the retirement system members which are to
13 elect the trustee by presenting to the executive director, not less than four (4)
14 months before a term of office of a trustee is due to expire, a petition, bearing
15 the name, last four (4) digits of the Social Security number, and signature of
16 no less than one-tenth (1/10) of the number voting in the last election by the
17 retirement system members.

18 (c) Within four (4) months of the nominations made in accordance with
19 paragraphs (a) and (b) of this subsection, the executive director shall cause to
20 be prepared an official ballot. The ballot shall include the name, address, and
21 position title of each individual nominated by the board and by petition.
22 Provisions shall also be made for write-in votes.

23 (d) Except as provided by paragraph (j) of this subsection, the ballots shall be
24 distributed to the eligible voters by mail to their last known residence address
25 *on file with the Kentucky Public Pensions Authority. Ballots shall not be*
26 *distributed by mail to member addresses reported as invalid to the Kentucky*
27 *Public Pensions Authority.*

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

1 The criminal background check shall be performed by the Department of
2 Kentucky State Police.

3 (j) In lieu of the ballots mailed to members and retired members as provided by
4 this subsection, the systems may by promulgation of administrative regulation
5 pursuant to KRS Chapter 13A conduct trustee elections using electronic
6 ballots, except that the systems shall mail a paper ballot upon request of any
7 eligible voter.

8 (5) (a) Any vacancy which may occur in an appointed position during a term of office
9 shall be filled in the same manner which provides for the selection of the
10 particular trustee, and any vacancy which may occur in an elected position
11 during a term of office shall be filled by appointment by a majority vote of the
12 remaining elected trustees with a person selected from the system in which the
13 vacancy occurs; however, any vacancy shall be filled only for the duration of
14 the unexpired term. In the event of a vacancy of an elected trustee during a
15 term of office, Kentucky Retirement Systems shall notify members of the
16 system in which the vacancy occurs of the vacancy and the opportunity to be
17 considered for the vacant position. Any vacancy during a term of office shall
18 be filled within ninety (90) days of the position becoming vacant.

19 (b) Any appointments or reappointments to an appointed position on the board
20 shall be made no later than thirty (30) days prior to an appointed member's
21 term of office ending.

22 (6) (a) Membership on the board of trustees shall not be incompatible with any other
23 office unless a constitutional incompatibility exists. No trustee shall serve in
24 more than one (1) position as trustee on the board; and if a trustee holds more
25 than one (1) position as trustee on the board, he or she shall resign a position.

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

1 of competent jurisdiction.

2 (c) A current or former employee of Kentucky Retirement Systems, County
3 Employees Retirement System, or the Kentucky Public Pensions Authority
4 shall not be eligible to serve as a member of the board.

5 (7) Trustees who do not otherwise receive a salary from the State Treasury shall receive
6 a per diem of eighty dollars (\$80) for each day they are in session or on official
7 duty, and they shall be reimbursed for their actual and necessary expenses in
8 accordance with state administrative regulations and standards.

9 (8) (a) The board shall meet at least once in each quarter of the year and may meet in
10 special session upon the call of the chair or the chief executive officer.

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

17 (c) A majority of the trustees shall constitute a quorum and all actions taken by
18 the board shall be by affirmative vote of a majority of the trustees present.

19 (9) (a) The board of trustees shall appoint or contract for the services of a chief
20 executive officer and general counsel and fix the compensation and other
21 terms of employment for these positions without limitation of the provisions
22 of KRS Chapters 18A and 45A and KRS 64.640. The chief executive officer
23 shall serve as the legislative and executive adviser to the board. The general
24 counsel shall serve as legal adviser to the board. The chief executive officer
25 and general counsel shall work with the executive director of the Kentucky
26 Public Pensions Authority to carry out the provisions of KRS 16.505 to
27 16.652 and 61.510 to 61.705. The executive director of the Kentucky Public

- 1 Pensions Authority shall be the chief administrative officer of the board.
- 2 (b) Prior to April 1, 2021, the board of trustees shall authorize the executive
3 director to appoint the employees deemed necessary to transact the business of
4 the system. Effective April 1, 2021, the responsibility of appointing
5 employees and managing personnel needs shall be transferred to the Kentucky
6 Public Pensions Authority established by KRS 61.505.
- 7 (c) The board shall require the chief executive officer and may require the general
8 counsel to execute bonds for the faithful performance of his or her duties
9 notwithstanding the limitations of KRS Chapter 62.
- 10 (d) The board shall have a system of accounting established by the Kentucky
11 Public Pensions Authority.
- 12 (e) The board shall do all things, take all actions, and promulgate all
13 administrative regulations, not inconsistent with the provisions of KRS 16.505
14 to 16.652 and 61.510 to 61.705, necessary or proper in order to carry out the
15 provisions of KRS 16.505 to 16.652 and 61.510 to 61.705. Notwithstanding
16 any other evidence of legislative intent, it is hereby declared to be the
17 controlling legislative intent that the provisions of KRS 16.505 to 16.652 and
18 61.510 to 61.705 conform with federal statute or regulation and meet the
19 qualification requirements under 26 U.S.C. sec. 401(a), applicable federal
20 regulations, and other published guidance. Provisions of KRS 16.505 to
21 16.652 and 61.510 to 61.705 which conflict with federal statute or regulation
22 or qualification under 26 U.S.C. sec. 401(a), applicable federal regulations,
23 and other published guidance shall not be available. The board shall have the
24 authority to promulgate administrative regulations to conform with federal
25 statute and regulation and to meet the qualification requirements under 26
26 U.S.C. sec. 401(a), including an administrative regulation to comply with 26
27 U.S.C. sec. 401(a)(9).

- 1 (f) Notwithstanding any other provision of statute to the contrary, including but
2 not limited to any provision of KRS Chapter 12, the Governor shall have no
3 authority to change any provision of KRS 16.505 to 16.652 and 61.510 to
4 61.705 by executive order or action, including but not limited to reorganizing,
5 replacing, amending, or abolishing the membership of the Kentucky
6 Retirement Systems board of trustees.
- 7 (10) Notwithstanding any statute to the contrary, employees shall not be considered
8 legislative agents under KRS 6.611.
- 9 (11) The Attorney General, or an assistant designated by him or her, may attend each
10 meeting of the board and may receive the agenda, board minutes, and other
11 information distributed to trustees of the board upon request. The Attorney General
12 may act as legal adviser and attorney for the board, and the board may contract for
13 legal services, notwithstanding the limitations of KRS Chapter 12 or 13B.
- 14 (12) (a) The **Kentucky Public Pensions Authority**~~[system]~~ shall publish an annual
15 financial report showing all receipts, disbursements, assets, and liabilities **for**
16 **the systems**. The annual report shall include a copy of an audit conducted in
17 accordance with generally accepted auditing standards. Except as provided by
18 paragraph (b) of this subsection, the board may select **the**~~[an]~~ independent
19 certified public accountant **hired by the Kentucky Public Pensions Authority**
20 or the Auditor of Public Accounts to perform the audit. If the audit is
21 performed by an independent certified public accountant, the Auditor of
22 Public Accounts shall not be required to perform an audit pursuant to KRS
23 43.050(2)(a), but may perform an audit at his or her discretion. All
24 proceedings and records of the board shall be open for inspection by the
25 public. The **Kentucky Public Pensions Authority**~~[system]~~ shall make copies
26 of the audit required by this subsection available for examination by any
27 member, retiree, or beneficiary in the offices of the Kentucky Public Pensions

1 Authority and in other places as necessary to make the audit available to all
2 members, retirees, and beneficiaries. A copy of the annual audit shall be sent
3 to the Legislative Research Commission no later than ten (10) days after
4 receipt by the board.

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

10 (13) All expenses incurred by or on behalf of the system and the board in the
11 administration of the system during a fiscal year shall be paid from the retirement
12 allowance account, including any administrative expenses for the Kentucky Public
13 Pensions Authority that are assigned to the Kentucky Retirement Systems by KRS
14 61.505. The board shall submit any administrative expenses that are specific to the
15 Kentucky Retirement Systems that are not otherwise covered by KRS
16 61.505(11)(a).

17 (14) Any person adversely affected by a decision of the board, except as provided under
18 subsection (16) of this section or KRS 61.665, involving KRS 16.505 to 16.652 and
19 61.510 to 61.705, may appeal the decision of the board to the Franklin Circuit Court
20 within sixty (60) days of the board action.

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

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

27 (b) A trustee discharges his or her duties on an informed basis if, when he or she

1 makes an inquiry into the business and affairs of the Kentucky Retirement
2 Systems or into a particular action to be taken or decision to be made, he or
3 she exercises the care an ordinary prudent person in a like position would
4 exercise under similar circumstances.

5 (c) In discharging his or her duties, a trustee may rely on information, opinions,
6 reports, or statements, including financial statements and other financial data,
7 if prepared or presented by:

8 1. One (1) or more officers or employees of the Kentucky Retirement
9 Systems whom the trustee honestly believes to be reliable and competent
10 in the matters presented;

11 2. Legal counsel, public accountants, actuaries, or other persons as to
12 matters the trustee honestly believes are within the person's professional
13 or expert competence; or

14 3. A committee of the board of trustees of which he or she is not a member
15 if the trustee honestly believes the committee merits confidence.

16 (d) A trustee shall not be considered as acting in good faith if he or she has
17 knowledge concerning the matter in question that makes reliance otherwise
18 permitted by paragraph (c) of this subsection unwarranted.

19 (e) Any action taken as a trustee, or any failure to take any action as a trustee,
20 shall not be the basis for monetary damages or injunctive relief unless:

21 1. The trustee has breached or failed to perform the duties of the trustee's
22 office in compliance with this section; and

23 2. In the case of an action for monetary damages, the breach or failure to
24 perform constitutes willful misconduct or wanton or reckless disregard
25 for human rights, safety, or property.

26 (f) A person bringing an action for monetary damages under this section shall
27 have the burden of proving by clear and convincing evidence the provisions of

1 paragraph (e)1. and 2. of this subsection, and the burden of proving that the
2 breach or failure to perform was the legal cause of damages suffered by the
3 Kentucky Retirement Systems.

4 (g) Nothing in this section shall eliminate or limit the liability of any trustee for
5 any act or omission occurring prior to July 15, 1988.

6 (h) In discharging his or her administrative duties under this section, a trustee
7 shall strive to administer the retirement system in an efficient and cost-
8 effective manner for the taxpayers of the Commonwealth of Kentucky and
9 shall take all actions available under the law to contain costs for the trusts,
10 including costs for participating employers, members, and retirees.

11 (16) When an order by the system substantially impairs the benefits or rights of a
12 member, retired member, or recipient, except action which relates to entitlement to
13 disability benefits, or when an employer disagrees with an order of the system as
14 provided by KRS 61.598, the affected member, retired member, recipient, or
15 employer may request a hearing to be held in accordance with KRS Chapter 13B.
16 The board may establish an appeals committee whose members shall be appointed
17 by the chair and who shall have authority to act upon the recommendations and
18 reports of the hearing officer on behalf of the board. The member, retired member,
19 recipient, or employer aggrieved by a final order of the board following the hearing
20 may appeal the decision to the Franklin Circuit Court, in accordance with KRS
21 Chapter 13B. The board may establish a joint administrative appeals committee
22 with the County Employees Retirement System and may also establish a joint
23 disability appeals committee with the County Employees Retirement System.

24 (17) The board shall give the Kentucky Education Support Personnel Association
25 twenty-four (24) hours notice of the board meetings, to the extent possible.

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

- 1 (a) A required orientation program for all new trustees elected or appointed to the
2 board. The orientation program shall include training on:
- 3 1. Benefits and benefits administration;
 - 4 2. Investment concepts, policies, and current composition and
5 administration of retirement systems investments;
 - 6 3. Laws, bylaws, and administrative regulations pertaining to the
7 retirement systems and to fiduciaries; and
 - 8 4. Actuarial and financial concepts pertaining to the retirement systems.

9 If a trustee fails to complete the orientation program within one (1) year from
10 the beginning of his or her first term on the board, the retirement systems shall
11 withhold payment of the per diem and travel expenses due to the board
12 member under this section and KRS 16.640 until the trustee has completed the
13 orientation program;

14 (b) Annual required training for board members on the administration, benefits,
15 financing, and investing of the retirement systems. If a trustee fails to
16 complete the annual required training during the calendar or fiscal year, the
17 retirement systems shall withhold payment of the per diem and travel
18 expenses due to the board member under this section and KRS 16.640 until
19 the board member has met the annual training requirements; and

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

22 (19) In order to improve public transparency regarding the administration of the systems,
23 the board of trustees shall adopt a best practices model by posting the following
24 information to the Kentucky Public Pensions Authority's Web site and shall make
25 available to the public:

26 (a) Meeting notices and agendas for all meetings of the board. Notices and
27 agendas shall be posted to the Kentucky Public Pensions Authority's Web site

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

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

1 after July 1, 2017;

2 (k) A searchable database of the systems' expenditures and a listing of each
3 individual employed by the systems along with the employee's salary or
4 wages. In lieu of posting the information required by this paragraph to the
5 Kentucky Public Pensions Authority's Web site, the systems may provide the
6 information through a Web site established by the executive branch to inform
7 the public about executive branch agency expenditures and public employee
8 salaries and wages;

9 (l) All contracts or offering documents for services, goods, or property purchased
10 or utilized by the systems; and

11 (m) Information regarding the systems' financial and actuarial condition that is
12 easily understood by the members, retired members, and the public.

13 (20) Notwithstanding the requirements of subsection (19) of this section, the retirement
14 systems shall not be required to furnish information that is protected under KRS
15 61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the
16 retirement systems' ability to competitively invest in real estate or other asset
17 classes, except that no provision of this section or KRS 61.878 shall exclude
18 disclosure and review of all contracts, including investment contracts, by the board,
19 the Auditor of Public Accounts, and the Government Contract Review Committee
20 established pursuant to KRS 45A.705 or the disclosure of investment fees and
21 commissions as provided by this section. If any public record contains material
22 which is not excepted under this section, the systems shall separate the excepted
23 material by removal, segregation, or redaction, and make the nonexcepted material
24 available for examination.

25 (21) Notwithstanding any other provision of KRS 16.505 to 16.652 and 61.510 to 61.705
26 to the contrary, no funds of the systems administered by Kentucky Retirement
27 Systems, including fees and commissions paid to an investment manager, private

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

6 ➔Section 13. KRS 61.661 is amended to read as follows:

7 (1) (a) Each current, former, or retired member's account shall be administered in a
 8 confidential manner, and specific data regarding a current, former, or retired
 9 member shall not be released for publication, except that:

10 1. The member or recipient may authorize the release of his or her account
 11 information;

12 2. *The Kentucky Public Pensions Authority*~~[Kentucky Retirement~~
 13 ~~Systems]~~ may release account information to the employer or to other
 14 state and federal agencies as it deems necessary or in response to a
 15 lawful subpoena or order issued by a court of law; or

16 3. a. Upon request by any person, the systems shall release the
 17 following information from the accounts of any member or retired
 18 member of the Kentucky Employees Retirement System, the
 19 County Employees Retirement System, or the State Police
 20 Retirement System, if the member or retired member is a current
 21 or former officeholder in the Kentucky General Assembly:

22 i. The first and last name of the member or retired member;

23 ii. The system or systems in which the member has an account
 24 or from which the retired member is receiving a monthly
 25 retirement allowance;

26 iii. The status of the member or retired member, including but
 27 not limited to whether he or she is a contributing member, a

- 1 member who is not currently contributing to the systems but
 2 has not retired, a retired member, or a retired member who
 3 has returned to work following retirement with an agency
 4 participating in the systems;
- 5 iv. If the individual is a retired member, the monthly retirement
 6 allowance that he or she was receiving at the end of the most
 7 recently completed fiscal year;
- 8 v. If the individual is a member who has not yet retired, the
 9 estimated monthly retirement allowance that he or she is
 10 eligible to receive at his or her normal retirement date based
 11 upon his or her service credit, final compensation, and
 12 accumulated account balance at the end of the most recently
 13 completed fiscal year; and
- 14 vi. The current employer or last participating employer of the
 15 member or retired member, if applicable.
- 16 b. No information shall be disclosed under this subparagraph from an
 17 account that is paying benefits to a beneficiary due to the death of
 18 a member or retired member.
- 19 (b) A current, former, or retired member's account shall be exempt from the
 20 provisions of KRS 171.410 to 171.990.
- 21 (c) The release of information under paragraph (a)3. of this subsection shall not
 22 constitute a violation of the Open Records Act, KRS 61.870 to 61.884.
- 23 (2) (a) When a subpoena is served upon any employee of the Kentucky Retirement
 24 Systems, *the County Employees Retirement System, or the Kentucky Public*
 25 *Pensions Authority*, requiring production of any specific data regarding a
 26 current, former, or retired member, it is sufficient if the employee of the
 27 Kentucky *Public Pensions Authority*~~Retirement Systems~~ charged with the

1 responsibility of being custodian of the original delivers within five (5)
2 working days, by certified mail or by personal delivery, legible and durable
3 copies of records, certified by the employee, or an affidavit stating the
4 information required by the subpoena to the person specified in the subpoena.
5 The production of documents or an affidavit shall be in lieu of any personal
6 testimony of any employee of the Kentucky Retirement Systems, *the County*
7 *Employees Retirement System, or the Kentucky Public Pensions Authority,*
8 unless, after the production of documents or affidavit, a separate subpoena is
9 served upon the systems *or the Authority* specifically directing the testimony
10 of an employee of the systems *or of the Authority*. When a subpoena is served
11 on any employee of the systems *or of the Authority* requiring the employee to
12 give deposition for any purpose, in the absence of a court order requiring the
13 deposition of a specific employee, the systems *or the Authority* may designate
14 an employee to be deposed upon the matter referred to in the subpoena.

15 (b) The certification required by this subsection shall be signed before a notary
16 public by the employee and shall include the full name of the member or
17 recipient, the member's or recipient's Social Security number, and a legend
18 substantially to the following effect: "The records are true and complete
19 reproductions of the original or microfiched records which are housed in the
20 retirement systems office. This certification is given in lieu of his or her
21 personal appearance."

22 (c) When an affidavit or copies of records are personally delivered, a receipt shall
23 be presented to the person receiving the records for his *or her* signature and
24 shall be immediately signed and returned to the person delivering the records.
25 When an affidavit or copies of records are sent via certified mail, the receipt
26 used by the postal authorities shall be sufficient to prove delivery and receipt
27 of the affidavit or copies of records.

1 (d) When the affidavit or copies of records are delivered to a party for use in
2 deposition, they shall, after termination of the deposition, be delivered
3 personally or by certified mail to the clerk of the court or other body before
4 which the action or proceeding is pending. It shall be the responsibility of the
5 party or attorney to transmit the receipt obtained to the employee of the
6 Kentucky Public Pensions Authority~~[Retirement Systems]~~ charged with
7 responsibility of being custodian of the original. Upon issuance of a final
8 order terminating the case and after the normal retention period for court
9 records expires, the affidavit or copies of records shall be permanently
10 disposed of by the clerk in a manner that protects the confidentiality of the
11 information contained therein.

12 (e) Records of the Kentucky Public Pensions Authority~~[Retirement Systems]~~
13 that are susceptible to photostatic reproduction may be proved as to
14 foundation, identity, and authenticity without any preliminary testimony, by
15 use of legible and durable copies, certified in accordance with the provisions
16 of this subsection.

17 ➔Section 14. KRS 61.665 is amended to read as follows:

18 (1) The Authority shall employ or contract for the services of at least three (3)
19 physicians, licensed in the state and not members of the system, upon terms and
20 conditions it prescribes to serve as medical examiners, whose duty it shall be to pass
21 upon all medical examinations required under KRS 61.510 to 61.705, 16.505 to
22 16.652, and 78.510 to 78.852, to investigate all health or medical statements and
23 certificates made by or in behalf of any person in connection with the payment of
24 money to the person under KRS 61.510 to 61.705, 16.505 to 16.652, and 78.510 to
25 78.852, and who shall report in writing to the system the conclusions and
26 recommendations upon all matters referred to them. The Authority may employ or
27 contract for the services of one (1) or more licensed mental health professionals in

1 making recommendations regarding mental impairments.

- 2 (2) (a) Each person requesting disability retirement shall file at the retirement office
3 an application for disability retirement and supporting medical information to
4 report the person's physical and mental condition. The person shall also file at
5 the retirement office a complete description of the job and duties from which
6 he or she received his or her last pay as well as **information regarding**
7 **whether**~~[evidence that]~~ the person has made a request for reasonable
8 accommodation as provided for in 42 U.S.C. sec. 12111(9) and 29 C.F.R. Part
9 1630 **or reasonable accommodation as provided for in 42 U.S.C. sec.**
10 **12111(9) and 29 C.F.R. Part 1630 has been offered to the person.** The
11 person shall certify to the retirement office that the application for disability
12 retirement and supporting medical information are ready to be evaluated by
13 the medical examiners in accordance with paragraph (d) of this subsection. If,
14 after good faith efforts, the person informs the Authority that he or she has
15 been unable to obtain the employment or medical information, the Authority
16 shall assist the person in obtaining the records and may use the authority
17 granted pursuant to KRS 61.685(1) to obtain the records. If the person fails to
18 file, at the retirement office within one hundred eighty (180) days of the date
19 the person filed his or her notification of retirement, any of the forms,
20 certifications, or information required by this subsection, the person's
21 application for disability retirement shall be void. Any subsequent filing of an
22 application for disability retirement or supporting medical information shall
23 not be evaluated, except as provided in paragraph (f) of this subsection or
24 KRS 61.600(2), 78.5522, or 78.5524.
- 25 (b) The employer shall file at the retirement office a complete description of the
26 job and duties for which the person was last paid and shall submit a detailed
27 description of **any** reasonable accommodations attempted.

- 1 (c) The cost of medical examinations and the filing of the medical information,
2 reports, or data with the retirement office shall be paid by the person applying
3 for disability retirement.
- 4 (d) The Authority shall select three (3) medical examiners to evaluate the medical
5 evidence submitted by the person. The medical examiners shall recommend
6 that disability retirement be approved, or that disability retirement be denied.
7 If there is evidence of a mental impairment, the medical examiners may
8 request the Authority's licensed mental health professional to assist in
9 determining the level of the mental impairment.
- 10 (e) If two (2) or more of the three (3) medical examiners recommend that the
11 person be approved for disability retirement, the system shall make retirement
12 payments in accordance with the retirement plan selected by the person.
- 13 (f) If two (2) or more of the three (3) medical examiners recommend that the
14 person be denied disability retirement, the Authority shall send notice of this
15 recommendation by United States first-class mail to the person's last address
16 on file in the retirement office, by electronic mail to the person's last
17 electronic mail address on file in the retirement office, or by other electronic
18 means. The person shall have one hundred eighty (180) days from the day that
19 the Authority ~~sent~~~~mailed~~ the notice to file at the retirement office additional
20 supporting medical information and certify to the retirement office that the
21 application for disability retirement and supporting medical information are
22 ready to be evaluated by the medical examiners or to appeal his or her denial
23 of disability retirement by filing at the retirement office a request for a formal
24 hearing. Any subsequent filing of an application for disability retirement or
25 supporting medical information shall not be evaluated, except as provided in
26 KRS 61.600(2), 78.5522, or 78.5524.
- 27 (g) If two (2) or more of the three (3) medical examiners recommend that the

1 person be approved for disability retirement based upon the evaluation of
2 additional supporting medical information in accordance with paragraph (f) of
3 this subsection, the system shall make retirement payments in accordance with
4 the retirement plan selected by the person.

5 (h) If two (2) or more of the three (3) medical examiners recommend that the
6 person be denied disability retirement based upon the evaluation of additional
7 supporting medical information in accordance with paragraph (f) of this
8 subsection, the Authority shall send notice of this recommendation by United
9 States first-class mail to the person's last address on file in the retirement
10 office, by electronic mail to the person's last electronic mail address on file
11 in the retirement office, or by other electronic means. The person shall have
12 one hundred eighty (180) days from the day that the Authority ~~sent~~^{mailed}
13 the notice to appeal his or her denial of disability retirement by filing at the
14 retirement office a request for a formal hearing.

15 (i) The medical examiners shall be paid a reasonable amount by the retirement
16 system for each case evaluated.

17 (j) Notwithstanding the foregoing provisions of this section, the Authority may
18 pay for one (1) or more medical examinations of the person requested by the
19 medical examiners for the purpose of providing medical information deemed
20 necessary by the medical examiners. The system may require the person to
21 submit to one (1) or more medical examinations.

22 (3) (a) Any person whose disability benefits have been reduced, discontinued, or
23 denied pursuant to subsection (2)(f) or (2)(h) of this section may file at the
24 retirement office a request for a formal hearing to be conducted in accordance
25 with KRS Chapter 13B. The right to demand a formal hearing shall be limited
26 to a period of one hundred eighty (180) days after the person had notice of the
27 system's determination, as described in subsection (2)(f) or (2)(h) of this

1 section. The request for a formal hearing shall be filed with the executive
 2 director, at the retirement office in Frankfort. The request for a formal hearing
 3 shall include a short and plain statement of the reasons the denial of disability
 4 retirement is being contested.

5 (b) Failure of the person to request a formal hearing within the period of time
 6 specified shall preclude the person from proceeding any further with the
 7 application for disability retirement, except as provided in KRS 61.600(2),
 8 78.5522, or 78.5524. This paragraph shall not limit the person's right to appeal
 9 to a court.

10 (c) The system may require the person requesting the formal hearing to submit to
 11 one (1) or more medical or psychological examinations. Notice of the time
 12 and place of the examination shall be provided~~mailed~~ to the person or his or
 13 her legal representative. The system shall be responsible for the cost of the
 14 examination.

15 (d) A final order of the board shall be based on substantial evidence appearing in
 16 the record as a whole and shall set forth the decision of the board and the facts
 17 and law upon which the decision is based.

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

19 (4) The ~~board~~ boards of the Kentucky Retirement Systems and the County
 20 Employees Retirement Systems may each establish an appeals committee whose
 21 members shall be appointed by the chair and that~~who~~ shall have the authority to
 22 act upon the recommendations and reports of the hearing officer pursuant to this
 23 section on behalf of each respective~~the~~ board. The boards~~Authority may, upon~~
 24 ~~the joint approval of the board~~ of the Kentucky Retirement Systems and the County
 25 Employees Retirement System may~~,~~ establish a joint~~an~~ appeals committee that
 26 shall be authorized to select a chair from among its committee members
 27 and~~whose members shall be appointed by the chair of the Authority and who have~~

1 ~~the authorization]~~ to act upon the recommendations and reports of the hearing
2 officer pursuant to this section on behalf of both boards.

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

6 ~~[(6) The system, pursuant to regulations, may refer an employee determined by it to be
7 disabled to the Kentucky Office of Vocational Rehabilitation for evaluation and, if
8 appropriate, retraining.~~

9 ~~(a) The cost of the evaluation and retraining shall be paid by the system in
10 accordance with the regulations established by the board.~~

11 ~~(b) The member shall perform all acts that are necessary to enroll in and satisfy
12 the requirements of Vocational Rehabilitation as prescribed by the board. This
13 shall include the exchange of confidential information between Kentucky
14 Retirement Systems and the Kentucky Office of Vocational Rehabilitation as
15 necessary to conduct the rehabilitation process. Failure of the member to
16 cooperate with the system or Vocational Rehabilitation may result in his or
17 her disability allowance being discontinued, reduced, or denied until the
18 member complies with the agency requests. If the refusal continues for one (1)
19 year, all his or her rights to any further disability allowance shall cease.]~~

20 ➔Section 15. KRS 61.701 is amended to read as follows:

21 (1) (a) There is hereby maintained a trust fund known as "Kentucky Retirement
22 Systems insurance trust fund."

23 (b) Insurance trust fund assets shall be deemed trust funds to be held and applied
24 solely as provided in this section. Assets shall not be used for any other
25 purpose and shall not be used to pay the claims of creditors or any individual,
26 person, or employer participating in the Kentucky Employees Retirement
27 System, County Employees Retirement System, or State Police Retirement

1 System.

2 (c) The trust fund has been established as a trust exempt from taxation under 26
3 U.S.C. sec. 115.

4 (2) The insurance trust fund has been created for the purpose of providing a trust
5 separate from the retirement funds. Trust fund assets are **and shall be:**

6 **(a)** Dedicated for use for health benefits as provided in KRS 61.702 and 78.5536
7 and as permitted under 26 U.S.C. secs. 105 and 106, to retired recipients and
8 employees of employers participating in the Kentucky Employees Retirement
9 System, County Employees Retirement System, and State Police Retirement
10 System, and to certain of their dependents or beneficiaries, including but not
11 limited to qualified beneficiaries as described in 42 U.S.C. secs. 300bb-1 et
12 seq;

13 **(b) For recordkeeping purposes, segregated from the retirement trust funds**
14 **established under KRS 16.510 and Sections 4 and 19 of this Act and**
15 **attributable to members of the State Police Retirement System, the Kentucky**
16 **Employees Retirement System, and the County Employees Retirement**
17 **System, respectively, and when payment is made from the insurance trust**
18 **fund:**

19 **1. The assets attributable to members of the Kentucky Employees**
20 **Retirement System shall not be used to pay health benefits for**
21 **members of the County Employees Retirement System or the State**
22 **Police Retirement System;**

23 **2. The assets attributable to members of the County Employees**
24 **Retirement System shall not be used to pay health benefits for**
25 **members of the Kentucky Employees Retirement System or the State**
26 **Police Retirement System; and**

27 **3. The assets attributable to members of the State Police Retirement**

1 System shall not be used to pay health benefits for members of the
 2 Kentucky Employees Retirement System or the County Employees
 3 Retirement System; and

4 (c) For recordkeeping purposes for the assets attributable to the members of
 5 the Kentucky Employees Retirement System and the County Employees
 6 Retirement System, further segregated between members in hazardous
 7 positions as defined in KRS 61.592 and Section 18 of this Act and members
 8 in nonhazardous positions as defined in Sections 3 and 18 of this Act, and
 9 when payment is made from the insurance trust fund:

10 1. The assets attributable to members in hazardous positions shall not be
 11 used to pay health benefits to members in nonhazardous positions;
 12 and

13 2. The assets attributable to members in nonhazardous positions shall
 14 not be used to pay health benefits to members in hazardous positions.

15 (3) The boards shall manage the assets of the insurance fund in the same manner in
 16 which the respective board administers its retirement funds, except that separate
 17 accounting and financial reporting shall be maintained for the insurance trust fund.

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

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

26 (6) The respective board of trustees may adopt regulations and procedures and take all
 27 action necessary and appropriate to provide that the income of the insurance trust

1 fund the board administrators is exempt from taxation under Title 26 of United States
2 Code.

3 (7) The establishment of the Kentucky Retirement Systems insurance trust fund shall
4 not diminish or expand the rights of any recipients, employees, or dependents to
5 health benefits.

6 ➔Section 16. KRS 61.702 is amended to read as follows:

7 (1) For purposes of this section:

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

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

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

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

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

27 (c) "Months of service" means the total months of combined service used to

1 determine benefits under the system, except service added to determine
2 disability benefits or service otherwise prohibited from being used to
3 determine retiree health benefits under KRS 16.505 to 16.652 or 61.510 to
4 61.705 shall not be counted as "months of service." For current and former
5 employees of the Council on Postsecondary Education who were employed
6 prior to January 1, 1993, and who earn at least fifteen (15) years of service
7 credit in the Kentucky Employees Retirement System, "months of service"
8 shall also include vested service in another retirement system other than the
9 Kentucky Teachers' Retirement System sponsored by the Council on
10 Postsecondary Education.

- 11 (2) (a) 1. The board of trustees of the system shall arrange by appropriate contract
12 or on a self-insured basis to provide a group hospital and medical
13 insurance plan coverage for:
- 14 a. Present and future recipients of a retirement allowance from the
15 Kentucky Employees Retirement System and the State Police
16 Retirement System; and
 - 17 b. The spouse and each qualified dependent of a recipient who is a
18 former member or the beneficiary, provided the spouse and
19 dependent meet the requirements to participate in the hospital and
20 medical insurance plans established, contracted, or authorized by
21 the system.
- 22 2. Any recipient who chooses coverage under a hospital and medical
23 insurance plan shall pay, by payroll deduction from the retirement
24 allowance, electronic funds transfer, or by another method, the
25 difference between the premium cost of the hospital and medical
26 insurance plan coverage selected and the monthly contribution rate to
27 which he or she would be entitled under this section.

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

1 *insurance benefit or by a participating agency which is prevented*
2 *from offering a hospital and medical benefit to the recipient as a*
3 *condition of reemployment under KRS 70.293, 95.022, or*
4 *164.952. Individuals who are eligible, pursuant to this*
5 *subdivision, to be included in the Kentucky Employees Health*
6 *Plan as provided by KRS 18A.225 to 18A.2287 may be rated as a*
7 *separate class from other eligible employees and retirees for the*
8 *purpose of determining medical insurance premiums.*

9 (c) For recipients of a retirement allowance who are not eligible for the same
10 level of hospital and medical benefits as recipients living in Kentucky having
11 the same Medicare hospital and medical insurance eligibility status, the board
12 shall provide a medical insurance reimbursement plan as described in
13 subsection (6) of this section.

14 (d) Notwithstanding anything in KRS Chapter 16 or 61 to the contrary, the board
15 of trustees, in its discretion, may take necessary steps to ensure compliance
16 with 42 U.S.C. secs. 300bb-1 et seq.

17 (3) (a) Each employer participating in the Kentucky Employees Retirement System
18 or the State Police Retirement System as provided in KRS 16.505 to 16.652 or
19 61.510 to 61.705 shall contribute to the insurance trust fund established under
20 KRS 61.701 the amount necessary to provide the monthly contribution rate as
21 provided for under this section. Such employer contribution rate shall be
22 developed by appropriate actuarial method as a part of the determination of
23 each respective employer contribution rate determined under KRS 61.565.

24 (b) 1. Each employer described in paragraph (a) of this subsection shall deduct
25 from the creditable compensation of each member whose membership
26 date begins on or after September 1, 2008, an amount equal to one
27 percent (1%) of the member's creditable compensation. The deducted

1 amounts shall, at the discretion of the board, be credited to accounts
2 established pursuant to 26 U.S.C. sec. 401(h), within the funds
3 established in KRS 16.510 and 61.515, or the insurance trust fund
4 established under KRS 61.701. Notwithstanding the provisions of this
5 paragraph, a transfer of assets between the accounts established pursuant
6 to 26 U.S.C. sec. 401(h), within the funds established in KRS 16.510
7 and 61.515, and the insurance trust fund established under KRS 61.701
8 shall not be allowed.

9 2. The employer shall file the contributions as provided by subparagraph 1.
10 of this paragraph at the retirement office in accordance with KRS
11 61.675. Any interest or penalties paid on any delinquent contributions
12 shall be credited to accounts established pursuant to 26 U.S.C. sec.
13 401(h), within the funds established in KRS 16.510 and 61.515, or the
14 insurance trust fund established under KRS 61.701. Notwithstanding any
15 minimum compensation requirements provided by law, the deductions
16 provided by this paragraph shall be made, and the compensation of the
17 member shall be reduced accordingly.

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

21 4. Every member shall be deemed to consent and agree to the deductions
22 made pursuant to this paragraph, and the payment of salary or
23 compensation less the deductions shall be a full and complete discharge
24 of all claims for services rendered by the person during the period
25 covered by the payment, except as to any benefits provided by KRS
26 16.505 to 16.652 or 61.510 to 61.705. No member may elect whether to
27 participate in, or choose the contribution amount to accounts established

1 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
2 16.510 and 61.515, or the insurance trust fund established under KRS
3 61.701. The member shall have no option to receive the contribution
4 required by this paragraph directly instead of having the contribution
5 paid to accounts established pursuant to 26 U.S.C. sec. 401(h) within the
6 funds established in KRS 16.510 and 61.515, or the insurance trust fund
7 established under KRS 61.701. No member may receive a rebate or
8 refund of contributions. If a member establishes a membership date prior
9 to September 1, 2008, pursuant to KRS 61.552(2) or (3), then this
10 paragraph shall not apply to the member and all contributions previously
11 deducted in accordance with this paragraph shall be refunded to the
12 member without interest. The contribution made pursuant to this
13 paragraph shall not act as a reduction or offset to any other contribution
14 required of a member or recipient under KRS 16.505 to 16.652 or
15 61.510 to 61.705.

16 5. The board of trustees, at its discretion, may direct that the contributions
17 required by this paragraph be accounted for within accounts established
18 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
19 16.510 and 61.515, or the insurance trust fund established under KRS
20 61.701, through the use of separate accounts.

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

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

26 2. The insurance trust fund established under KRS 61.701 or accounts
27 established pursuant to 26 U.S.C. sec. 401(h) within the funds

- 1 established in KRS 16.510 and 61.515;
- 2 3. Another state-administered retirement system, including the County
3 Employees Retirement System, under a reciprocal arrangement, except
4 that any portion of the premium paid from the funds specified by
5 subparagraph 2. of this paragraph under a reciprocal agreement shall not
6 exceed the amount that would be payable under this section if all the
7 member's service were in the systems administered by the Kentucky
8 Retirement Systems. If the board provides for cross-referencing of
9 insurance premiums, the employer's contribution for the working
10 member or spouse shall be applied toward the premium, and the
11 insurance trust fund established under Section 15 of this Act or
12 accounts established pursuant to 26 U.S.C. sec. 401(h) within the
13 funds established in Section 4 of this Act and KRS 16.510 shall pay
14 the balance; or
- 15 4. A combination of the fund sources described by subparagraphs 1. to 3.
16 of this paragraph.

17 Group rates under the hospital and medical insurance plan shall be made
18 available to the spouse, each dependent child, and each disabled child,
19 regardless of the disabled child's age, of a recipient who is a former member
20 or the beneficiary, if the premium for the hospital and medical insurance for
21 the spouse, each dependent child, and each disabled child, or beneficiary is
22 paid by payroll deduction from the retirement allowance, electronic funds
23 transfer, or by another method. For purposes of this subsection only, a child
24 shall be considered disabled if he or she has been determined to be eligible for
25 federal Social Security disability benefits or meets the dependent disability
26 standard established by the Department of Employee Insurance in the
27 Personnel Cabinet.

- 1 (b) For a member who began participating in the system prior to July 1, 2003, the
2 monthly contribution rate shall be paid by the system from the funds specified
3 under paragraph (a)2. of this subsection and shall be equal to a percentage of
4 the single premium to cover the retired member as follows:
- 5 1. One hundred percent (100%) of the monthly premium for single
6 coverage shall be paid for a retired member who had two hundred forty
7 (240) months of service or more upon retirement or for a retired member
8 who when he or she was an employee became disabled as a direct result
9 of an act in line of duty as defined in KRS 16.505 or as a result of a
10 duty-related injury as defined in KRS 61.621;
 - 11 2. Seventy-five percent (75%) of the monthly premium for single coverage
12 shall be paid for a retired member who had less than two hundred forty
13 (240) months of service but at least one hundred eighty (180) months of
14 service upon retirement, provided such retired member agrees to pay the
15 remaining twenty-five percent (25%) by payroll deduction from his or
16 her retirement allowance, electronic funds transfer, or by another
17 method;
 - 18 3. Fifty percent (50%) of the monthly premium for single coverage shall be
19 paid for a retired member who had less than one hundred eighty (180)
20 months of service but had at least one hundred twenty (120) months of
21 service upon retirement, provided such retired member agrees to pay the
22 remaining fifty percent (50%) by payroll deduction from his or her
23 retirement allowance, electronic funds transfer, or by another method; or
 - 24 4. Twenty-five percent (25%) of the monthly premium for single coverage
25 shall be paid for a retired member who had less than one hundred twenty
26 (120) months of service but had at least forty-eight (48) months of
27 service upon retirement, provided such retired member agrees to pay the

1 remaining seventy-five percent (75%) by payroll deduction from his or
2 her retirement allowance, electronic funds transfer, or by another
3 method.

4 (c) Notwithstanding ~~[the foregoing provisions of this]~~paragraph (b) of this
5 subsection, for a member~~[an employee]~~ participating in the system prior to
6 July 1, 2003, who:

- 7 1. Dies~~[is killed]~~ as a direct result of an act in line of duty as defined in
8 KRS 16.505 or dies as a result of a duty-related injury as defined in KRS
9 61.621, the monthly premium shall be paid for his or her spouse so
10 long as the spouse remains eligible for a monthly retirement benefit;
- 11 2. Becomes totally and permanently disabled as defined in Section 1 of
12 this Act as a direct result of an act in line of duty as defined in KRS
13 16.505 or becomes disabled as a result of a duty-related injury as
14 defined in KRS 61.621 and is eligible for the benefits provided by KRS
15 61.621(5)(a), ~~[shall have]~~the monthly premium shall be paid for his or
16 her spouse so long as the member and the spouse individually remain
17 eligible for a monthly retirement benefit; and
- 18 3. Dies as a direct result of an act in line of duty as defined in KRS
19 16.505, dies as a result of a duty-related injury as defined in KRS
20 61.621, becomes totally and permanently disabled as defined in
21 Section 1 of this Act as a direct result of an act in line of duty as
22 defined in KRS 16.505, or becomes disabled as a result of a duty-
23 related injury as defined in KRS 61.621 and is eligible for the benefits
24 provided by KRS 61.621(5)(a), the monthly premium shall be paid for
25 each dependent child as defined in KRS 16.505, so long as the member
26 remains eligible for a monthly retirement benefit, unless deceased,
27 and each dependent child individually remains eligible under KRS

1 ~~16.505[the beneficiary, if the beneficiary is the member's spouse, and for~~
2 ~~each dependent child as defined by KRS 16.505, so long as they~~
3 ~~individually remain eligible for a monthly retirement benefit].~~

4 ~~(d)~~~~(e)~~ 1. For a member who began participating in the system prior to July
5 1, 2003, who was determined to be in a hazardous position in the
6 Kentucky Employees Retirement System or in a position in the State
7 Police Retirement System, the funds specified under paragraph (a)2. of
8 this subsection shall also pay a percentage of the monthly contribution
9 rate sufficient to fund the premium costs for hospital and medical
10 insurance coverage for the spouse and for each dependent child of a
11 recipient.

12 2. The percentage of the monthly contribution rate paid for the spouse and
13 each dependent child of a recipient who was in a hazardous position in
14 accordance with subparagraph 1. of this paragraph shall be based solely
15 on the member's service in a hazardous position using the formula in
16 paragraph (b) of this subsection.

17 ~~(e)~~~~(d)~~ For members who begin participating in the system on or after July 1,
18 2003:

19 1. Participation in the insurance benefits provided under this section shall
20 not be allowed until the member has earned at least one hundred twenty
21 (120) months of service in the state-administered retirement systems,
22 except that for members who begin participating in the system on or
23 after September 1, 2008, participation in the insurance benefits provided
24 under this section shall not be allowed until the member has earned at
25 least one hundred eighty (180) months of service credited under KRS
26 16.543(1) or 61.543(1), or another state-administered retirement system.

27 2. A member who meets the minimum service requirements as provided by

1 subparagraph 1. of this paragraph shall upon retirement be eligible for
 2 the following monthly contribution rate to be paid on his or her behalf
 3 from the funds specified under paragraph (a)2. of this subsection:

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

7 b. For members with service in a hazardous position or who
 8 participate in the State Police Retirement System, a monthly
 9 insurance contribution of fifteen dollars (\$15) for each year of
 10 service as a participating employee in a hazardous position or the
 11 State Police Retirement System. Upon the death of the retired
 12 member, the beneficiary, if the beneficiary is the member's spouse,
 13 shall be entitled to a monthly insurance contribution of ten dollars
 14 (\$10) for each year of service the member attained as a
 15 participating employee in a hazardous position.

16 3. The minimum service requirement to participate in benefits as provided
 17 by subparagraph 1. of this paragraph shall be waived for a member who
 18 **receives a satisfactory determination of a hazardous disability that**
 19 **is**~~is~~~~becomes disabled as~~ a direct result of an act in line of duty as defined
 20 in KRS 16.505~~[or who dies as a result of a duty-related injury as~~
 21 ~~defined in KRS 61.621]~~, and the member shall be entitled to the benefits
 22 payable under this subsection as though the member had twenty (20)
 23 years of service in a~~the~~ **hazardous** position,~~[for which the disabling~~
 24 ~~condition occurred]~~

25 **4. The minimum service required to participate in benefits as provided by**
 26 **subparagraph 1. of this paragraph shall be waived for a member who**
 27 **is disabled as a result of a duty-related injury as defined in KRS**

1 *61.621 and is eligible for the benefits provided by KRS 61.621(5)(b),*
 2 *and the member shall be entitled to the benefits payable under this*
 3 *subsection as though the member had twenty (20) years of service in a*
 4 *nonhazardous position.*

5 ~~5~~[4]. Notwithstanding the provisions of this paragraph, the minimum service
 6 requirement to participate in benefits as provided by subparagraph 1. of
 7 this paragraph shall be waived for a for a member who dies as a direct
 8 result of an act in line of duty as defined in KRS 16.505, *who becomes*
 9 *totally and permanently disabled as defined in Section 1 of this Act as*
 10 *a direct result of an act in line of duty as defined in KRS 16.505,*~~[or]~~
 11 who dies as a result of a duty-related injury as defined in KRS 61.621,
 12 *or who becomes disabled as a result of a duty-related injury as defined*
 13 *in KRS 61.621 and is eligible for the benefits provided by KRS*
 14 *61.621(5)(a),* and the premium for *the member,* the member's spouse,
 15 and for each dependent child as defined in KRS 16.505 shall be paid in
 16 full by the systems so long as *the member, member's spouse, or*
 17 *dependent child*~~[they]~~ individually *remains*~~[remain]~~ eligible for a
 18 monthly retirement benefit.

19 ~~6~~[5]. Except as provided by subparagraph ~~5~~[4]. of this paragraph, the monthly
 20 insurance contribution amount shall be increased July 1 of each year by
 21 one and one-half percent (1.5%). The increase shall be cumulative and
 22 shall continue to accrue after the member's retirement for as long as a
 23 monthly insurance contribution is payable to the retired member or
 24 beneficiary.

25 ~~7~~[6]. The benefits of this paragraph provided to a member whose participation
 26 begins on or after July 1, 2003, shall not be considered as benefits
 27 protected by the inviolable contract provisions of KRS 16.652 or 61.692.

1 The General Assembly reserves the right to suspend or reduce the
2 benefits conferred in this paragraph if in its judgment the welfare of the
3 Commonwealth so demands.

4 ~~§77.~~ An employee whose membership date is on or after September 1, 2008,
5 who retires and is reemployed in a regular full-time position required to
6 participate in the system or the County Employees Retirement System
7 shall not be eligible for health insurance coverage or benefits provided
8 by this section and shall take coverage with his or her employing agency
9 during the period of reemployment in a regular full-time position.

10 ~~(f)(e)~~ For members with service in another state-administered retirement
11 system who select hospital and medical insurance plan coverage through the
12 system:

13 1. The system shall compute the member's combined service, including
14 service credit in another state-administered retirement system, and
15 calculate the portion of the member's premium monthly contribution rate
16 to be paid by the funds specified under paragraph (a)2. of this subsection
17 according to the criteria established in paragraphs (a) to ~~(e)(d)~~ of this
18 subsection. Each state-administered retirement system shall pay annually
19 to the insurance trust fund established under KRS 61.701 the portion of
20 the system's cost of the retiree's monthly contribution for single coverage
21 for hospital and medical insurance plan which shall be equal to the
22 percentage of the member's number of months of service in the other
23 state-administered retirement plan divided by his or her total combined
24 service and in conjunction with the reciprocal agreement established
25 between the system and the other state-administered retirement systems.
26 The amounts paid by the other state-administered retirement plans and
27 by the Kentucky Retirement Systems from funds specified under

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

1 ➔Section 17. KRS 61.703 is amended to read as follows:

- 2 (1) Upon the death of a member, retiree, or recipient who has an existing account or
3 other benefit in a retirement system administered by the Kentucky Retirement
4 Systems that totals no more than one thousand dollars (\$1,000), the surviving
5 spouse, or if none, a surviving child, or if none, a surviving parent, or if none, a
6 surviving brother or sister, may without formal administration of the estate collect
7 the account subject to the provisions of this section.
- 8 (2) The surviving spouse, child, parent, or brother or sister who makes demand for the
9 deceased member, retiree, or recipient account shall file with the retirement office
10 an affidavit stating that he or she is entitled to payment of the account. The affidavit
11 shall conform to the requirements of the administrative regulation promulgated by
12 the board.
- 13 (3) After having paid the account to the surviving spouse, child, parent, or brother or
14 sister, the retirement system shall be discharged and held harmless to the same
15 extent as if conducting business with a personal representative. The retirement
16 system shall not be required to inquire into the truth or veracity of any statement
17 made in the affidavit. In the event any person or entity establishes a superior right to
18 the account, the surviving spouse, child, parent, or brother or sister, and not the
19 retirement system or the Kentucky Public Pensions Authority~~[Kentucky~~
20 ~~Retirement Systems]~~, shall be answerable and accountable to any appointed
21 personal representative for the estate.

22 ➔Section 18. 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;
- 25 (2) "Board" means the board of trustees of the system as provided in KRS 78.782;
- 26 (3) "County" means any county, or nonprofit organization created and governed by a
27 county, counties, or elected county officers, sheriff and his or her employees, county

1 clerk and his or her employees, circuit clerk and his or her deputies, former circuit
2 clerks or former circuit clerk deputies, or political subdivision or instrumentality,
3 including school boards, cities, charter county governments, urban-county
4 governments, consolidated local governments, or unified local governments
5 participating in the system by order appropriate to its governmental structure, as
6 provided in KRS 78.530, and if the board is willing to accept the agency,
7 organization, or corporation, the board being hereby granted the authority to
8 determine the eligibility of the agency to participate;

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

13 (5) "Examiner" means the medical examiners as provided in KRS 61.665;

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

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

23 (8) "Member" means any employee who is included in the membership of the system or
24 any former employee whose membership has not ceased under KRS 78.535;

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

27 (10) "Current service" means the number of years and months of employment as an

1 employee, on and after July 1, 1958, for which creditable compensation is paid and
2 employee contributions deducted, except as otherwise provided;

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

9 (12) "Accumulated contributions" means the sum of all amounts deducted from the
10 compensation of a member and credited to his individual account in the members'
11 account, including employee contributions picked up after August 1, 1982, pursuant
12 to KRS 78.610(4), together with interest credited, on the amounts, and any other
13 amounts the member shall have contributed thereto, including interest credited
14 thereon. "Accumulated contributions" shall not include employee contributions that
15 are deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the
16 fund established in KRS 78.520, as prescribed by KRS 78.5536(3)(b);

17 (13) "Creditable compensation":

18 (a) Except as limited by paragraph (c) of this subsection, means all salary, wages,
19 and fees, including payments for compensatory time, paid to the employee as
20 a result of services performed for the employer or for time during which the
21 member is on paid leave, which are includable on the member's federal form
22 W-2 wage and tax statement under the heading "wages, tips, other
23 compensation", including employee contributions picked up after August 1,
24 1982, pursuant to KRS 78.610(4). The creditable compensation of fee officers
25 who receive salary, fees, maintenance, or other perquisites as a result of their
26 official duties is the gross amount received decreased by the cost of salary
27 paid deputies and clerks and the cost of office supplies and other official

1 expenses;

2 (b) Includes:

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

1 employee by reason of 26 U.S.C. sec. 132(f)(4); and

2 (c) Excludes:

- 3 1. Living allowances, expense reimbursements, lump-sum payments for
4 accrued vacation leave, sick leave except as provided in KRS 78.616(5),
5 and other items determined by the board;
- 6 2. For employees who begin participating on or after September 1, 2008,
7 lump-sum payments for compensatory time;
- 8 3. Training incentive payments for city officers paid as set out in KRS
9 64.5277 to 64.5279;
- 10 4. For employees who begin participating on or after August 1, 2016,
11 nominal fees paid for services as a volunteer; and
- 12 5. Any salary or wages paid to an employee for services as a Kentucky
13 State Police school resource officer as defined by KRS 158.441;

14 (14) "Final compensation" means:

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

23 (b) For a member who is employed in a nonhazardous position, whose effective
24 retirement date is between August 1, 2001, and January 1, 2009, and whose
25 total service credit is at least twenty-seven (27) years and whose age and years
26 of service total at least seventy-five (75), final compensation means the
27 creditable compensation of the member during the three (3) fiscal years the

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

7 (c) For a member who begins participating before September 1, 2008, who is
8 employed in a hazardous position, as provided in KRS 61.592, the creditable
9 compensation of the member during the three (3) fiscal years he or she was
10 paid at the highest average monthly rate divided by the number of months of
11 service credit during that three (3) year period multiplied by twelve (12). The
12 three (3) years may be fractional and need not be consecutive. If the number of
13 months of service credit during the three (3) year period is less than twenty-
14 four (24), one (1) or more additional fiscal years, which may contain less than
15 twelve (12) months of service credit, shall be used;

16 (d) For a member who begins participating on or after September 1, 2008, but
17 prior to January 1, 2014, who is employed in a nonhazardous position, the
18 creditable compensation of the member during the five (5) complete fiscal
19 years immediately preceding retirement divided by five (5). Each fiscal year
20 used to determine final compensation must contain twelve (12) months of
21 service credit. If the member does not have five (5) complete fiscal years that
22 each contain twelve (12) months of service credit, then one (1) or more
23 additional fiscal years, which may contain less than twelve (12) months of
24 service credit, shall be added until the number of months in the final
25 compensation calculation is at least sixty (60) months; or

26 (e) For a member who begins participating on or after September 1, 2008, but
27 prior to January 1, 2014, who is employed in a hazardous position as provided

1 in KRS 61.592, the creditable compensation of the member during the three
2 (3) complete fiscal years he or she was paid at the highest average monthly
3 rate divided by three (3). Each fiscal year used to determine final
4 compensation must contain twelve (12) months of service credit. If the
5 member does not have three (3) complete fiscal years that each contain twelve
6 (12) months of service credit, then one (1) or more additional fiscal years,
7 which may contain less than twelve (12) months of service credit, shall be
8 added until the number of months in the final compensation calculation is at
9 least thirty-six (36) months;

10 (15) "Final rate of pay" means the actual rate upon which earnings of an employee were
11 calculated during the twelve (12) month period immediately preceding the
12 member's effective retirement date, and shall include employee contributions picked
13 up after August 1, 1982, pursuant to KRS 78.610(4). The rate shall be certified to
14 the system by the employer and the following equivalents shall be used to convert
15 the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour
16 workdays, one thousand nine hundred fifty (1,950) hours for seven and one-half
17 (7.5) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve
18 (12) months, one (1) year;

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

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

- 1 computed under early retirement;
- 2 (18) "Normal retirement date", unless otherwise provided in KRS 78.510 to 78.852,
- 3 means:
- 4 (a) For a member with service in a nonhazardous position, the sixty-fifth birthday
- 5 of a member;
- 6 (b) For a member with service in a hazardous position who begins participating
- 7 before September 1, 2008, the first day of the month following a member's
- 8 fifty-fifth birthday; or
- 9 (c) For a member with service in a hazardous position who begins participating
- 10 on or after September 1, 2008, the first day of the month following a member's
- 11 sixtieth birthday;
- 12 (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the
- 13 following June 30, which shall also be the plan year. The "fiscal year" shall be the
- 14 limitation year used to determine contribution and benefits limits as set out in 26
- 15 U.S.C. sec. 415;
- 16 (20) "Agency reporting official" means the person designated by the participating
- 17 employer who shall be responsible for forwarding all employer and employee
- 18 contributions and a record of the contributions to the system and for performing
- 19 other administrative duties pursuant to the provisions of KRS 78.510 to 78.852;
- 20 (21) "Regular full-time positions," as used in subsection (6) 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 hours actually worked in a calendar or fiscal year, or eighty
- 23 (80) or more hours per month in the case of noncertified employees of school
- 24 boards, determined by using the number of hours actually worked in a calendar or
- 25 school year, unless otherwise specified, except:
- 26 (a) Seasonal positions, which although temporary in duration, are positions which
- 27 coincide in duration with a particular season or seasons of the year and that

1 may recur regularly from year to year, in which case the period of time shall
2 not exceed nine (9) months, except for employees of school boards, in which
3 case the period of time shall not exceed six (6) months;

4 (b) Emergency positions ~~which~~~~that~~ are positions *utilized by the employer*
5 *during:*

6 *1. An emergency as determined by the employer for a period*~~that do~~ not
7 *exceeding*~~exceed~~ thirty (30) working days and are nonrenewable; *or*

8 *2. A state of emergency declared by the President of the United States or*
9 *the Governor of the Commonwealth of Kentucky that are created or*
10 *filled specifically for addressing the employer's needs during and as a*
11 *result of the declared emergency;*

12 (c) Temporary positions that are positions of employment with a participating
13 agency for a period of time not to exceed twelve (12) months and not
14 renewable;

15 (d) Probationary positions which are positions of employment with a participating
16 employer that do not exceed twelve (12) months and that are used uniformly
17 by the participating agency on new employees who would otherwise be
18 eligible for participation in the system. Probationary positions shall not be
19 renewable by the participating employer for the same employee, unless the
20 employee has not been employed with the participating employer for a period
21 of at least twelve (12) months; or

22 (e) Part-time positions that are positions that may be permanent in duration, but
23 that require less than a calendar or fiscal year average of one hundred (100)
24 hours of work per month, determined by using the number of months actually
25 worked within a calendar or fiscal year, in the performance of duty, except in
26 case of noncertified employees of school boards, the school term average shall
27 be eighty (80) hours of work per month, determined by using the number of

1 months actually worked in a calendar or school year, in the performance of
2 duty;

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

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

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

11 (25) "Beneficiary" means the person, persons, estate, trust, or trustee designated by the
12 member in accordance with KRS 61.542 or 61.705 to receive any available benefits
13 in the event of the member's death. As used in KRS 78.5536, beneficiary shall not
14 mean an estate, trust, or trustee;

15 (26) "Recipient" means the retired member, the person or persons designated as
16 beneficiary by the member and drawing a retirement allowance as a result of the
17 member's death, or a dependent child drawing a retirement allowance. An alternate
18 payee of a qualified domestic relations order shall not be considered a recipient,
19 except for purposes of KRS 61.623;

20 (27) "Person" means a natural person;

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

23 (29) "Retirement office" means the Kentucky Public Pensions Authority office building
24 in Frankfort, unless otherwise designated by the Kentucky Public Pensions
25 Authority;

26 (30) "Vested" for purposes of determining eligibility for purchasing service credit under
27 KRS 61.552 means the employee has at least forty-eight (48) months of service if

- 1 age sixty-five (65) or older or at least sixty (60) months of service if under the age
2 of sixty-five (65). For purposes of this subsection, "service" means service in the
3 systems administered by the Kentucky Retirement Systems and County Employees
4 Retirement System;
- 5 (31) "Participating" means an employee is currently earning service credit in the system
6 as provided in KRS 78.615;
- 7 (32) "Month" means a calendar month;
- 8 (33) "Membership date" means the date upon which the member began participating in
9 the system as provided in KRS 78.615;
- 10 (34) "Participant" means a member, as defined by subsection (8) of this section, or a
11 retired member, as defined by subsection (23) of this section;
- 12 (35) "Qualified domestic relations order" means any judgment, decree, or order,
13 including approval of a property settlement agreement, that:
- 14 (a) Is issued by a court or administrative agency; and
- 15 (b) Relates to the provision of child support, alimony payments, or marital
16 property rights to an alternate payee;
- 17 (36) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
18 participant, who is designated to be paid retirement benefits in a qualified domestic
19 relations order;
- 20 (37) "Accumulated employer credit" means the employer pay credit deposited to the
21 member's account and interest credited on such amounts as provided by KRS
22 78.5512 and 78.5516;
- 23 (38) "Accumulated account balance" means:
- 24 (a) For members who began participating in the system prior to January 1, 2014,
25 the member's accumulated contributions; or
- 26 (b) For members who began participating in the system on or after January 1,
27 2014, in the hybrid cash balance plan as provided by KRS 78.5512 and

1 78.5516, the combined sum of the member's accumulated contributions and
2 the member's accumulated employer credit;

3 (39) "Volunteer" means an individual who:

4 (a) Freely and without pressure or coercion performs hours of service for an
5 employer participating in one (1) of the systems administered by Kentucky
6 Retirement Systems or the County Employees Retirement System without
7 receipt of compensation for services rendered, except for reimbursement of
8 actual expenses, payment of a nominal fee to offset the costs of performing
9 the voluntary services, or both; and

10 (b) If a retired member, does not become an employee, leased employee, or
11 independent contractor of the employer for which he or she is performing
12 volunteer services for a period of at least twelve (12) months following the
13 retired member's most recent retirement date;

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

20 (41) "Nonhazardous position" means a position that does not meet the requirements of
21 KRS 78.5520 or has not been approved by the board as a hazardous position;

22 (42) "Hazardous position" means a position that meets the requirements of KRS 78.5520
23 and has been approved by the board as hazardous;

24 (43) "Level-percentage-of-payroll amortization method" means a method of determining
25 the annual amortization payment on the unfunded actuarial accrued liability as
26 expressed as a percentage of payroll over a set period of years. Under this method,
27 the percentage of payroll shall be projected to remain constant for all years

1 remaining in the set period and the unfunded actuarially accrued liability shall be
2 projected to be fully amortized at the conclusion of the set period;

3 (44) "Increment" means twelve (12) months of service credit which are purchased. The
4 twelve (12) months need not be consecutive. The final increment may be less than
5 twelve (12) months;

6 (45) "Last day of paid employment" means the last date employer and employee
7 contributions are required to be reported in accordance with KRS 16.543, 61.543, or
8 78.615 to the retirement office in order for the employee to receive current service
9 credit for the month. Last day of paid employment does not mean a date the
10 employee receives payment for accrued leave, whether by lump sum or otherwise, if
11 that date occurs twenty-four (24) or more months after previous contributions;

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

20 (47) "Hazardous disability" as used in KRS 78.510 to 78.852 means a disability which
21 results in an employee's total incapacity to continue as an employee in a hazardous
22 position, but the employee is not necessarily deemed to be totally and permanently
23 disabled to engage in other occupations for remuneration or profit;

24 (48) "Act in line of duty" means, for employees in hazardous positions under KRS
25 78.5520:~~[-, for purposes of members serving in a hazardous position,]~~

26 (a) A single~~[-an]~~ act occurring which was required in the performance of the
27 principal duties of the hazardous position as defined by the job description; or

1 **(b) A single act of violence committed against the employee that is found to be**
2 **related to his or her job duties, whether or not it occurs at his or her job site;**

3 (49) "Dependent child" means a child in the womb and a natural or legally adopted child
4 of the member who has neither attained age eighteen (18) nor married or who is an
5 unmarried full-time student who has not attained age twenty-two (22). Solely in the
6 case of a member who dies as a direct result of an act in line of duty as defined in
7 this section, ~~or who~~ dies as a result of a duty-related injury as defined in KRS
8 61.621, **becomes totally and permanently disabled as a direct result of an act in**
9 **the line of duty as defined in this section, or becomes disabled as a result of a**
10 **duty-related injury as defined in KRS 61.621 and is eligible for the benefits**
11 **provided by KRS 61.621(5)(a)**, "dependent child" also means a naturally or legally
12 adopted disabled child of the member, regardless of the child's age, if the child has
13 been determined to be eligible for federal Social Security disability benefits or is
14 being claimed as a qualifying child for tax purposes due to the child's total and
15 permanent disability;

16 (50) "Normal retirement age" means the age at which the member meets the
17 requirements for his or her normal retirement date as provided by subsection (18) of
18 this section;

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

21 (52) "Monthly average pay" means:

22 (a) In the case of a member who dies as a direct result of an act in line of duty as
23 defined in KRS 16.505 or who dies as a result of a duty-related injury as
24 defined in KRS 61.621, the higher of the member's monthly final rate of pay
25 or the average monthly creditable compensation earned by the deceased
26 member during his or her last twelve (12) months of employment; or

27 (b) In the case where a member becomes totally and permanently disabled as a

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

8 (53) "Authority" means the Kentucky Public Pensions Authority as provided by KRS
9 61.505; and

10 (54) "Executive director" means the executive director of the Kentucky Public Pensions
11 Authority.

12 ➔Section 19. KRS 78.520 is amended to read as follows:

13 There is hereby created and established:

14 (1) A retirement system for employees to be known as the "County Employees
15 Retirement System" by and in which name it shall, pursuant to the provisions of
16 KRS 78.510 to 78.852, transact all of its business and shall have the powers and
17 privileges of a corporation; and

18 (2) (a) A fund, called the "County Employees Retirement Fund," which shall consist
19 of all the assets of the system as set forth in KRS 78.510 to 78.852.

20 (b) All assets received in the fund shall be deemed trust funds to be held and
21 applied solely as provided in KRS 78.510 to KRS 78.852.

22 (c) *The assets in the fund shall be attributable to members participating in the*
23 *County Employees Retirement System in both hazardous positions as*
24 *defined in Section 18 of this Act and nonhazardous positions as defined in*
25 *Section 18 of this Act, and when payment is made from the fund:*

26 *1. No assets attributable to members in hazardous positions shall be used*
27 *to pay benefits to members in nonhazardous positions; and*

1 **2. No assets attributable to members in nonhazardous positions shall be**
2 **used to pay benefits to members in hazardous positions.**

3 ➔Section 20. KRS 78.5524 is amended to read as follows:

4 The disability retirement provisions contained in this section shall apply to a person
5 whose last date of paid employment was in a hazardous position.

6 (1) (a) For purposes of this section:

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

13 2. "Hazardous disability" means a disability which results in an employee's
14 total incapacity to continue as an employee in a hazardous position, but
15 the employee is not necessarily deemed to be totally and permanently
16 disabled to engage in other occupations for remuneration or profit.

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

20 (c) If the board determines that the total and permanent disability of a member
21 receiving a retirement allowance under this section has ceased, then the board
22 shall determine if the member has a hazardous disability as defined by KRS
23 78.510.

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

25 (a) The person shall have sixty (60) months of service, twelve (12) of which shall
26 be current service credited under KRS 16.543(1), 61.543(1), or 78.615(1). The
27 service requirement shall be waived if the disability is a total and permanent

- 1 disability or a hazardous disability and is a direct result of an act in line of
2 duty;
- 3 (b) For a person whose membership date is prior to August 1, 2004, the person
4 shall not be eligible for an unreduced retirement allowance;
- 5 (c) The person's application shall be on file in the retirement office no later than
6 twenty-four (24) months after the person's last day of paid employment, as
7 defined in KRS 78.510, in a regular full-time position that has been approved
8 as a hazardous position in accordance with KRS 78.5520;
- 9 (d) The person shall receive a satisfactory determination pursuant to KRS 61.665;
10 and
- 11 (e) A person's disability application based on the same claim of incapacity shall
12 be accepted and reconsidered for disability if accompanied by new objective
13 medical evidence. The application shall be on file in the retirement office no
14 later than twenty-four (24) months after the person's last day of paid
15 employment in a regular full-time hazardous position.
- 16 (3) Upon the examination of the objective medical evidence by licensed physicians
17 pursuant to KRS 61.665, it shall be determined that:
- 18 (a) The incapacity results from bodily injury, mental illness, or disease. For
19 purposes of this section, "injury" means any physical harm or damage to the
20 human organism other than disease or mental illness;
- 21 (b) The incapacity is deemed to be permanent; and
- 22 (c) The incapacity does not result directly or indirectly from:
- 23 1. Injury intentionally self-inflicted while sane or insane; or
- 24 2. Bodily injury, mental illness, disease, or condition which pre-existed
25 membership in the system or reemployment, whichever is most recent,
26 unless:
- 27 a. The disability results from bodily injury, mental illness, disease, or

1 a condition which has been substantially aggravated by an injury or
2 accident arising out of or in the course of employment; or

3 b. The person has at least sixteen (16) years' current or prior service
4 for employment with employers participating in the County
5 Employees Retirement System or the Kentucky Retirement
6 Systems.

7 For purposes of this subparagraph, "reemployment" shall not mean a
8 change of employment between employers participating in the County
9 Employees Retirement System or the Kentucky Retirement Systems
10 with no loss of service credit.

11 (4) (a) 1. An incapacity shall be deemed to be permanent for the purpose of
12 hazardous disability if it is expected to result in death or can be
13 expected to last for a continuous period of not less than twelve (12)
14 months from the person's last day of paid employment in a hazardous
15 position.

16 2. The determination of a permanent incapacity for the purpose of
17 hazardous disability shall be based on the medical evidence contained
18 in the member's file and the member's residual functional capacity and
19 physical exertion requirements.

20 3. The determination of a total and permanent incapacity shall be based
21 on the medical evidence contained in the member's file and the
22 member's residual functional capacity.

23 (b) The person's residual functional capacity shall be the person's capacity for
24 work activity on a regular and continuing basis. The person's physical ability
25 shall be assessed in light of the severity of the person's physical, mental, and
26 other impairments. The person's ability to walk, stand, carry, push, pull, reach,
27 handle, and other physical functions shall be considered with regard to

1 physical impairments. The person's ability to understand, remember, and carry
2 out instructions and respond appropriately to supervision, coworkers, and
3 work pressures in a work setting shall be considered with regard to mental
4 impairments. Other impairments, including skin impairments, epilepsy, visual
5 sensory impairments, postural and manipulative limitations, and
6 environmental restrictions, shall be considered in conjunction with the
7 person's physical and mental impairments to determine residual functional
8 capacity.

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

- 11 1. Sedentary work shall be work that involves lifting no more than ten (10)
12 pounds at a time and occasionally lifting or carrying articles such as
13 large files, ledgers, and small tools. Although a sedentary job primarily
14 involves sitting, occasional walking and standing may also be required
15 in the performance of duties.
- 16 2. Light work shall be work that involves lifting no more than twenty (20)
17 pounds at a time with frequent lifting or carrying of objects weighing up
18 to ten (10) pounds. A job shall be in this category if lifting is
19 infrequently required but walking and standing are frequently required,
20 or if the job primarily requires sitting with pushing and pulling of arm or
21 leg controls. If the person has the ability to perform substantially all of
22 these activities, the person shall be deemed capable of light work. A
23 person deemed capable of light work shall be deemed capable of
24 sedentary work unless the person has additional limitations such as the
25 loss of fine dexterity or inability to sit for long periods.
- 26 3. Medium work shall be work that involves lifting no more than fifty (50)
27 pounds at a time with frequent lifting or carrying of objects weighing up

1 to twenty-five (25) pounds. If the person is deemed capable of medium
2 work, the person shall be deemed capable of light and sedentary work.

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

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

13 (5) Upon disability retirement, an employee may receive a disability retirement
14 allowance payable during his or her lifetime which shall be:

15 (a) For a member who began participating in the system prior to August 1, 2004,
16 an annual retirement allowance payable monthly and determined in the same
17 manner as for retirement at his or her normal retirement date with years of
18 service and final compensation being determined as of the date of his or her
19 disability, except that service shall be added beginning with his or her last date
20 of paid employment and continuing to his or her fifty-fifth birthday. The
21 maximum service credit added shall not exceed the total service the member
22 had on his or her last day of paid employment, and the maximum service
23 credit for calculating his or her retirement allowance, including his or her total
24 service and service added under this section, shall not exceed twenty (20)
25 years;

26 (b) For a member who begins participating on or after August 1, 2004, but prior
27 to January 1, 2014, the higher of twenty-five percent (25%) of the member's

1 monthly final rate of pay or the retirement allowance determined in the same
2 manner as for retirement at his or her normal retirement date with years of
3 service and final compensation being determined as of the date of his or her
4 disability; or

5 (c) For a member who begins participating on or after January 1, 2014, in the
6 hybrid cash balance plan as provided by KRS 78.5516, the disability
7 retirement allowance shall be the higher of twenty-five percent (25%) of the
8 member's monthly final rate of pay or the retirement allowance determined in
9 the same manner as for retirement at his or her normal retirement date under
10 KRS 78.5516.

11 (6) If the member receives a satisfactory determination of ~~total and permanent~~
12 ~~disability or~~ hazardous disability pursuant to KRS 61.665 and the disability is the
13 direct result of an act in line of duty ***as defined in Section 18 of this Act***, the
14 member's retirement allowance shall be calculated as follows:

15 (a) For the disabled member, benefits as provided in subsection (5) of this section
16 except that the monthly retirement allowance payable shall not be less than
17 twenty-five percent (25%) of the member's monthly final rate of pay; and

18 (b) For each dependent child of the member on his or her disability retirement
19 date, who is alive at the time any particular payment is due, a monthly
20 payment equal to ten percent (10%) of the disabled member's monthly final
21 rate of pay; however, total maximum dependent children's benefit shall not
22 exceed forty percent (40%) of the member's monthly final rate of pay. The
23 payments shall be payable to each dependent child, or to a legally appointed
24 guardian or as directed by the system.

25 (7) ***If the member receives a satisfactory determination of total and permanent***
26 ***disability pursuant to Section 14 of this Act and the disability is the direct result***
27 ***of an act in line of duty as defined in Section 18 of this Act, the member's***

1 retirement allowance shall be calculated as follows:

2 (a) For the disabled member, the benefits as provided in subsection (5) of this
 3 section, except that the monthly retirement allowance payable shall not be
 4 less than seventy-five percent (75%) of the member's monthly average pay;
 5 and

6 (b) For each dependent child of the member on his or her disability retirement
 7 date, who is alive at the time any particular payment is due, a monthly
 8 payment equal to ten percent (10%) of the disabled member's monthly
 9 average pay, except that:

10 1. Member and dependent children payments under this subsection shall
 11 not exceed one hundred percent (100%) of the member's monthly
 12 average pay; and

13 2. Total maximum dependent children's benefits shall not exceed twenty-
 14 five percent (25%) of the member's monthly average pay while the
 15 member is living and forty percent (40%) of the member's monthly
 16 average pay after the member's death. The payments shall be payable
 17 to each dependent child, or to a legally appointed guardian or as
 18 directed by the system, and shall be divided equally among all
 19 dependent children.

20 (8) No benefit provided in this section shall be reduced as a result of any change in the
 21 extent of disability of any retired member who is normal retirement age or older.

22 (9)~~[(8)]~~ If a regular full-time member in a hazardous position has been approved for
 23 benefits under a hazardous disability, the board shall, upon request of the member,
 24 permit the member to receive the hazardous disability allowance while accruing
 25 benefits in a nonhazardous position, subject to proper medical review of the
 26 nonhazardous position's job description by the Authority's medical examiner.

27 ➔Section 21. KRS 78.5526 is amended to read as follows:

- 1 (1) Once each year following the retirement of a person on a disability retirement
2 allowance, **except for persons who become totally and permanently disabled as a**
3 **direct result of an act in line of duty as defined in Section 18 of this Act or**
4 **become disabled as a result of a duty-related injury as defined in KRS 61.621 in**
5 **which case shall be once every three (3) years following retirement,** or less
6 frequently as determined by the Authority's medical examiner but not less than once
7 every five (5) years, the system may require the person, prior to his or her normal
8 retirement date, to undergo an employment and medical staff review and, if
9 necessary, be required to file at the retirement office on the review form prescribed
10 by the Authority current employment information and current medical information
11 for the bodily injury, mental illness, or disease for which he or she receives a
12 disability retirement allowance. The person shall have one hundred eighty (180)
13 days from the day the Authority ~~sent~~~~mailed~~ the review form **by United States**
14 **first-class mail** to the person's last address on file in the retirement office, **by**
15 **electronic mail to the person's last electronic mail address on file in the**
16 **retirement office, or by other electronic means** to file at the retirement office the
17 review form and the current employment and medical information. The person shall
18 certify to the Authority that the review form, including current employment and
19 medical information, is ready to be evaluated by the medical examiner in
20 accordance with KRS 78.5528.
- 21 (2) If, after good faith efforts, the person informs the Authority that he or she has been
22 unable to obtain the employment or medical information, the Authority shall assist
23 the person in obtaining the records and may use the powers granted pursuant to
24 KRS 61.685(1) to obtain the records.
- 25 (3) If the person fails or refuses to file at the retirement office the review form,
26 including the current employment and medical information, his or her retirement
27 allowance shall be discontinued or reduced on the first day of the month following

1 the expiration of the one hundred eighty (180) days from the day the Authority
 2 ~~sent~~~~[mailed]~~ the review form by United States first-class mail to the person's last
 3 address on file in the retirement office, by electronic mail to the person's last
 4 electronic mail address on file in the retirement office, or by other electronic
 5 means. The Authority shall send notice of the discontinuance or reduction of the
 6 disability retirement allowance by United States first-class mail to the person's last
 7 address on file in the retirement office, by electronic mail to the person's last
 8 electronic mail address on file in the retirement office, or by other electronic
 9 means. If the person's benefits are discontinued or reduced under this section, his or
 10 her rights to further disability retirement allowances shall cease, except as provided
 11 by KRS 78.5528.

12 **(4) The Kentucky Public Pensions Authority shall hire or contract for the services of**
 13 **one (1) or more investigators to investigate potential fraud involving disability**
 14 **benefits with the system. The investigators shall evaluate potential cases of**
 15 **disability fraud and conduct spot audits for potential fraud as determined by the**
 16 **system in cases involving members who become totally and permanently disabled**
 17 **as a direct result of an act in line of duty as defined in Section 18 of this Act or**
 18 **become disabled as a result of a duty-related injury as defined in KRS 61.621.**

19 ➔Section 22. KRS 78.5530 is amended to read as follows:

20 Notwithstanding any other provisions of KRS 78.510 to 78.852, a maximum disability
 21 benefit is hereby established which shall apply, upon disability retirement, to any disabled
 22 employee's account to which service credit is added to determine disability benefits or in
 23 any case where disability benefits are determined by computing a percentage of the
 24 disabled employee's final monthly rate of pay or monthly average pay. The maximum
 25 disability benefit shall be determined by the following formula:

26 (1) Add the monthly benefit payable to the disabled employee from the County
 27 Employees Retirement System and the Kentucky Retirement Systems, using the

1 monthly disability retirement allowance without any reduction due to the selection
2 of an optional payment plan under KRS 61.635 but excluding dependent children's
3 allowances, if any, to his or her monthly benefit, if any, from Social Security, even
4 though these payments may not begin for a period of time as required for
5 qualification under the federal Social Security law, excluding spouse or dependent
6 benefits, and his or her monthly benefit, if any, from workers' compensation, even
7 though these payments may not have begun as of the date the disabled member
8 applies for disability retirement benefits, excluding spouse or dependent children's
9 allowances, from workers' compensation, to arrive at a projected combined monthly
10 benefit.

11 (2) If the projected combined monthly benefit exceeds one hundred percent (100%) of
12 the disabled employee's final rate of pay or his or her final compensation, whichever
13 is greater, his or her disability retirement allowance from the County Employees
14 Retirement System and the Kentucky Retirement Systems shall be reduced to an
15 amount which would cause his or her projected combined monthly benefit to equal
16 one hundred percent (100%) of his or her final rate of pay or his or her final
17 compensation, whichever is greater; however, the disability retirement allowance
18 shall not be reduced below an amount which would result from a computation of his
19 or her disability retirement allowance from the County Employees Retirement
20 System and the Kentucky Retirement Systems using the disabled employee's actual
21 total service.

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

27 (4) Any increase in Social Security benefits or workers' compensation benefits which

1 becomes law, regardless of their effective date, subsequent to the disabled
2 employee's effective retirement date, shall not be considered in determination of the
3 maximum benefit payable, as the maximum benefit payable is based on the amount
4 of combined benefits under these programs as of the disabled employee's effective
5 retirement date.

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

14 (6) The amount of combined disability benefit payments made to an individual on or
15 after April 1 2021, from the Kentucky Retirement Systems and the County
16 Employees Retirement System shall not be increased as a result of the passage of
17 2021 Ky. Acts ch. 102.

18 **(7) Subsequent to his or her effective retirement date, each disability recipient who is**
19 **still eligible to receive disability payments based upon a total and permanent**
20 **disability that occurred as a direct result of an act in line of duty as defined in**
21 **Section 18 of this Act or a disablement that occurred as a result of a duty-related**
22 **injury as defined in KRS 61.621 shall annually file, on a form or via an**
23 **electronic method established by the Authority, information on whether payments**
24 **to the recipient have ceased or begun under the federal Social Security Act or**
25 **Workers' Compensation Act, and the Authority shall make any necessary**
26 **adjustments as provided by this section.**

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

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

- 1 insurance plan coverage for:
- 2 a. Present and future recipients of a retirement allowance from the
- 3 County Employees 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

1 recipient who elects coverage becomes eligible for Medicare, he or she
2 shall participate in the plans offered by the systems for Medicare eligible
3 recipients. Individuals participating in the Medicare eligible plans may
4 be required to obtain and pay for Medicare Part A and Part B coverage
5 in order to participate in the Medicare eligible plans offered by the
6 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*
15 *insurance benefit or by a participating agency which is prevented*
16 *from 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*
19 *subdivision, to be included in the Kentucky Employees Health*
20 *Plan as provided by KRS 18A.225 to 18A.2287 may be rated as a*
21 *separate class from other eligible employees and retirees for the*
22 *purpose of 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.

- 1 (d) Notwithstanding anything in KRS Chapter 78 to the contrary, the board of
2 trustees, in its discretion, may take necessary steps to ensure compliance with
3 42 U.S.C. secs. 300bb-1 et seq.
- 4 (3) (a) Each employer participating in the County Employees Retirement System as
5 provided in KRS 78.510 to 78.852 shall contribute to the insurance trust fund
6 established by KRS 61.701 the amount necessary to provide the monthly
7 contribution rate as provided for under this section. Such employer
8 contribution rate shall be developed by appropriate actuarial method as a part
9 of the determination of each respective employer contribution rate determined
10 under KRS 78.635.
- 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 78.520, or the insurance trust fund established under
18 KRS 61.701. Notwithstanding the provisions of this paragraph, a
19 transfer of assets between the accounts established pursuant to 26 U.S.C.
20 sec. 401(h), within the funds established in KRS 78.520, and the
21 insurance trust fund established under KRS 61.701 shall not be allowed.
- 22 2. The employer shall file the contributions as provided by subparagraph 1.
23 of this paragraph at the retirement office in accordance with KRS
24 78.625. Any interest or penalties paid on any delinquent contributions
25 shall be credited to accounts established pursuant to 26 U.S.C. sec.
26 401(h), within the funds established in KRS 78.520, or the insurance
27 trust fund established under KRS 61.701. Notwithstanding any

- 1 minimum compensation requirements provided by law, the deductions
2 provided by this paragraph shall be made, and the compensation of the
3 member shall be reduced accordingly.
- 4 3. Each employer shall submit payroll reports, contributions lists, and other
5 data as may be required by administrative regulation promulgated by the
6 board of trustees pursuant to KRS Chapter 13A.
- 7 4. Every member shall be deemed to consent and agree to the deductions
8 made pursuant to this paragraph, and the payment of salary or
9 compensation less the deductions shall be a full and complete discharge
10 of all claims for services rendered by the person during the period
11 covered by the payment, except as to any benefits provided by KRS
12 78.510 to 78.852. No member may elect whether to participate in, or
13 choose the contribution amount to accounts established pursuant to 26
14 U.S.C. sec. 401(h) within the funds established in KRS 78.520, or the
15 insurance trust fund established under KRS 61.701. The member shall
16 have no option to receive the contribution required by this paragraph
17 directly instead of having the contribution paid to accounts established
18 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
19 78.520, or the insurance trust fund established under KRS 61.701. No
20 member may receive a rebate or refund of contributions. If a member
21 establishes a membership date prior to September 1, 2008, pursuant to
22 KRS 61.552(2) or (3), then this paragraph shall not apply to the member
23 and all contributions previously deducted in accordance with this
24 paragraph shall be refunded to the member without interest. The
25 contribution made pursuant to this paragraph shall not act as a reduction
26 or offset to any other contribution required of a member or recipient
27 under KRS 78.510 to 78.852.

- 1 5. The board of trustees, at its discretion, may direct that the contributions
2 required by this paragraph be accounted for within accounts established
3 pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS
4 78.520, or the insurance trust fund established under KRS 61.701,
5 through the use of separate accounts.
- 6 (4) (a) The premium required to provide hospital and medical insurance plan
7 coverage under this section shall be paid wholly or partly from funds
8 contributed by:
- 9 1. The recipient of a retirement allowance, by payroll deduction from his or
10 her retirement allowance, electronic funds transfer, or by other method;
- 11 2. The insurance trust fund established by KRS 61.701 or accounts
12 established pursuant to 26 U.S.C. sec. 401(h) within the funds
13 established in KRS 78.520;
- 14 3. Another state-administered retirement system, including the systems
15 administered by Kentucky Retirement Systems, under a reciprocal
16 arrangement, except that any portion of the premium paid from the funds
17 specified by subparagraph 2. of this paragraph under a reciprocal
18 agreement shall not exceed the amount that would be payable under this
19 section if all the member's service were in the County Employees
20 Retirement System. If the board provides for cross-referencing of
21 insurance premiums, the employer's contribution for the working
22 member or spouse shall be applied toward the premium, and the
23 insurance trust fund established under KRS 61.701 or accounts
24 established pursuant to 26 U.S.C. sec. 401(h) within the funds
25 established in KRS 78.520, shall pay the balance; or
- 26 4. A combination of the fund sources described by subparagraph 1. to 3. of
27 this paragraph.

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

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

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

22 2. Seventy-five percent (75%) of the monthly premium for single coverage
23 shall be paid for a retired member who had less than two hundred forty
24 (240) months of service but at least one hundred eighty (180) months of
25 service upon retirement, provided such retired member agrees to pay the
26 remaining twenty-five percent (25%) by payroll deduction from his or
27 her retirement allowance, electronic funds transfer, or by another

1 method;

- 2 3. Fifty percent (50%) of the monthly premium for single coverage shall be
 3 paid for a retired member who had less than one hundred eighty (180)
 4 months of service but had at least one hundred twenty (120) months of
 5 service upon retirement, provided such retired member agrees to pay the
 6 remaining fifty percent (50%) by payroll deduction from his or her
 7 retirement allowance, electronic funds transfer, or by another method; or
 8 4. Twenty-five percent (25%) of the monthly premium for single coverage
 9 shall be paid for a retired member who had less than one hundred twenty
 10 (120) months of service but had at least forty-eight (48) months of
 11 service upon retirement, provided such retired member agrees to pay the
 12 remaining seventy-five percent (75%) by payroll deduction from his or
 13 her retirement allowance, electronic funds transfer, or by another
 14 method.

15 (c) Notwithstanding ~~the foregoing provisions of this~~ paragraph (b) of this
 16 subsection, for a member~~an employee~~ participating in the system prior to
 17 July 1, 2003, who:

- 18 1. Dies~~is killed~~ as a direct result of an act in line of duty as defined in
 19 KRS 78.510~~(48)~~ or dies as a result of a duty-related injury as defined
 20 in KRS 61.621, the monthly premium shall be paid for his or her
 21 spouse so long as the spouse remains eligible for a monthly retirement
 22 benefit;
 23 2. Becomes totally and permanently disabled as defined in Section 20 of
 24 this Act as a direct result of an act in line of duty as defined in Section
 25 18 of this Act or becomes disabled as a result of a duty-related injury
 26 as defined in KRS 61.621 and is eligible for the benefits provided by
 27 KRS 61.621(5)(a), ~~shall have~~ the monthly premium shall be paid for

1 his or her spouse so long as the member and the spouse individually
 2 remain eligible for a monthly retirement benefit; and

3 3. Dies as a direct result of an act in line of duty as defined in Section 18
 4 of this Act, dies as a result of a duty-related injury as defined in KRS
 5 61.621, becomes totally and permanently disabled as defined in
 6 Section 20 of this Act as a direct result of an act in line of duty as
 7 defined in Section 18 of this Act, or becomes disabled as a result of a
 8 duty-related injury as defined in KRS 61.621 and is eligible for the
 9 benefits provided by KRS 61.621(5)(a), the monthly premium shall be
 10 paid for each dependent child as defined in Section 18 of this Act, so
 11 long as the member remains eligible for a monthly retirement benefit,
 12 unless deceased, and each dependent child individually remains
 13 eligible under Section 18 of this Act~~the beneficiary, if the beneficiary~~
 14 ~~is the member's spouse, and for each dependent child, so long as they~~
 15 ~~individually remain eligible for a monthly retirement benefit].~~

16 ~~(d)~~~~(e)~~ 1. For a member who began participating in the system prior to July
 17 1, 2003, who was determined to be in a hazardous position in the County
 18 Employees Retirement System, the funds specified under paragraph (a)2.
 19 of this subsection shall also pay a percentage of the monthly contribution
 20 rate sufficient to fund the premium costs for hospital and medical
 21 insurance coverage for the spouse and for each dependent child of a
 22 recipient.

23 2. The percentage of the monthly contribution rate paid for the spouse and
 24 each dependent child of a recipient who was in a hazardous position in
 25 accordance with subparagraph 1. of this paragraph shall be based solely
 26 on the member's service in a hazardous position using the formula in
 27 paragraph (b) of this subsection, except that for any recipient of a

1 retirement allowance from the County Employees Retirement System
2 who was contributing to the system on January 1, 1998, for service in a
3 hazardous position, the percentage of the monthly contribution shall be
4 based on the total of hazardous service and any nonhazardous service as
5 a police or firefighter with the same agency, if that agency was
6 participating in the County Employees Retirement System but did not
7 offer hazardous duty coverage for its police and firefighters at the time
8 of initial participation.

9 ~~(e)~~ For members who begin participating in the system on or after July 1,
10 2003:

- 11 1. Participation in the insurance benefits provided under this section shall
12 not be allowed until the member has earned at least one hundred twenty
13 (120) months of service in the state-administered retirement systems,
14 except that for members who begin participating in the system on or
15 after September 1, 2008, participation in the insurance benefits provided
16 under this section shall not be allowed until the member has earned at
17 least one hundred eighty (180) months of service credited under KRS
18 78.615(1) or another state-administered retirement system.
- 19 2. A member who meets the minimum service requirements as provided by
20 subparagraph 1. of this paragraph shall upon retirement be eligible for
21 the following monthly contribution rate to be paid on his or her behalf
22 from the funds specified under paragraph (a)2. of this subsection:
 - 23 a. For members with service in a nonhazardous position, a monthly
24 insurance contribution of ten dollars (\$10) for each year of service
25 as a participating employee in a nonhazardous position; and
 - 26 b. For members with service in a hazardous position, a monthly
27 insurance contribution of fifteen dollars (\$15) for each year of

1 service as a participating employee in a hazardous position. Upon
 2 the death of the retired member, the beneficiary, if the beneficiary
 3 is the member's spouse, shall be entitled to a monthly insurance
 4 contribution of ten dollars (\$10) for each year of service the
 5 member attained as a participating employee in a hazardous
 6 position.

- 7 3. The minimum service requirement to participate in benefits as provided
 8 by subparagraph 1. of this paragraph shall be waived for a member who
 9 receives a satisfactory determination of a hazardous disability that is
 10 ~~disabled as~~ a direct result of an act in line of duty as defined in KRS
 11 78.510(48) ~~or as a result of a duty-related injury as defined by KRS~~
 12 ~~61.621~~ and the member shall be entitled to the benefits payable under
 13 this subsection as though the member had twenty (20) years of service in
 14 a ~~the~~ hazardous position ~~for which the disabling condition occurred~~.

- 15 4. The minimum service required to participate in benefits as provided by
 16 subparagraph 1. of this paragraph shall be waived for a member who
 17 is disabled as a result of a duty-related injury as defined in KRS
 18 61.621 and is eligible for the benefits provided by KRS 61.621(5)(b),
 19 and the member shall be entitled to the benefits payable under this
 20 subsection as though the member had twenty (20) years of service in a
 21 nonhazardous position.

- 22 ~~5~~[4]. Notwithstanding the provisions of this paragraph, the minimum service
 23 requirement to participate in benefits as provided by subparagraph 1. of
 24 this paragraph shall be waived ~~for a~~ for a member who dies ~~a~~ as a
 25 direct result of an act in line of duty as defined in KRS 78.510(48), who
 26 becomes totally and permanently disabled as defined in Section 20 of
 27 this Act as a direct result of an act in line of duty as defined in Section

1 **18 of this Act, who dies as a result of a duty-related injury as defined**
 2 **in KRS 61.621, or who becomes disabled** as a result of a duty-related
 3 injury as defined in KRS 61.621 **and is eligible for the benefits provided**
 4 **by KRS 61.621(5)(a)**, and the premium for **the member,** the member's
 5 spouse, and for each dependent child as defined in KRS 78.510 shall be
 6 paid in full by the systems so long as **the member, member's spouse, or**
 7 **dependent child**~~they~~ individually **remains**~~remain~~ eligible for a
 8 monthly retirement benefit.

9 ~~6~~⁵. Except as provided by subparagraph ~~5~~⁴ of this paragraph, the monthly
 10 insurance contribution amount shall be increased July 1 of each year by
 11 one and one-half percent (1.5%). The increase shall be cumulative and
 12 shall continue to accrue after the member's retirement for as long as a
 13 monthly insurance contribution is payable to the retired member or
 14 beneficiary.

15 ~~7~~⁶. The benefits of this paragraph provided to a member whose participation
 16 begins on or after July 1, 2003, shall not be considered as benefits
 17 protected by the inviolable contract provisions of KRS 78.852. The
 18 General Assembly reserves the right to suspend or reduce the benefits
 19 conferred in this paragraph if in its judgment the welfare of the
 20 Commonwealth so demands.

21 ~~8~~⁷. An employee whose membership date is on or after September 1, 2008,
 22 who retires and is reemployed in a regular full-time position required to
 23 participate in the system or the Kentucky Retirement Systems shall not
 24 be eligible for health insurance coverage or benefits provided by this
 25 section and shall take coverage with his or her employing agency during
 26 the period of reemployment in a regular full-time position.

27 ~~(f)(e)~~ For members with service in another state-administered retirement

1 system who select hospital and medical insurance plan coverage through the
2 system:

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

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

6 (6) The board shall promulgate an administrative regulation to establish a medical
7 insurance reimbursement plan to provide reimbursement for hospital and medical
8 insurance plan premiums of recipients of a retirement allowance who are not
9 eligible for the same level of hospital and medical benefits as recipients living in
10 Kentucky and having the same Medicare hospital and medical insurance eligibility
11 status. An eligible recipient shall file proof of payment for hospital and medical
12 insurance plan coverage with the retirement office. Reimbursement to eligible
13 recipients shall be made on a quarterly basis. The recipient shall be eligible for
14 reimbursement of substantiated medical insurance premiums for an amount not to
15 exceed the total monthly contribution rate determined under subsection (4) of this
16 section. The plan shall not be made available if all recipients are eligible for the
17 same coverage as recipients living in Kentucky.

18 ➔Section 24. KRS 78.5540 is amended to read as follows:

19 (1) A retired member whose disability retirement was discontinued pursuant to KRS
20 78.5528 and who is reemployed by an employer participating in the system or the
21 Kentucky Retirement Systems prior to his or her normal retirement date shall have
22 his or her accounts combined upon termination for determining eligibility for
23 benefits. If the member is eligible for retirement, the member's service and
24 creditable compensation earned as a result of his or her reemployment shall be used
25 in the calculation of benefits, except that the member's final compensation shall not
26 be less than the final compensation last used in determining his or her retirement
27 allowance. The member shall not change beneficiary or payment option

1 designations.

2 (2) (a) If a retired member accepts employment or begins serving as a volunteer with
3 an employer participating in the systems administered by Kentucky
4 Retirement Systems or the County Employees Retirement System within
5 twelve (12) months of his or her retirement date, the retired member shall
6 notify the Authority and the participating employer shall submit the
7 information required or requested by the Authority to confirm the individual's
8 employment or volunteer status. The retired member shall not be required to
9 notify the Authority regarding any employment or volunteer service with a
10 participating agency that is accepted after twelve (12) months following his or
11 her retirement date.

12 (b) If the retired member is under a contract to provide services as an independent
13 contractor or leased employee to an employer participating in the systems
14 administered by Kentucky Retirement Systems or the County Employees
15 Retirement System within twelve (12) months of his or her retirement date,
16 the member shall submit a copy of that contract to the Authority, and the
17 Authority shall determine if the member is an independent contractor or leased
18 employee for purposes of retirement benefits. The retired member and the
19 participating employer shall submit the information required or requested by
20 the Authority to confirm the individual's status as an independent contractor or
21 leased employee. The retired member shall not be required to notify the
22 Authority regarding any services entered into as an independent contractor or
23 leased employee with a participating agency that the employee enters into
24 after twelve (12) months following his or her retirement date.

25 (3) Retired members of the County Employees Retirement System who returned to
26 work with an employer that participates in the County Employees Retirement
27 System or Kentucky Retirement Systems prior to September 1, 2008, shall be

1 governed by the provisions of KRS 61.637(1) to (16).

2 (4) The following shall apply to retired members of the County Employees Retirement
3 System who are reemployed on or after September 1, 2008, by an agency
4 participating in the systems administered by the County Employees Retirement
5 System or the Kentucky Retirement Systems:

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

19 1. The member shall contribute to a member account established for him or
20 her in the County Employees Retirement System or the Kentucky
21 Retirement Systems, and employer contributions shall be paid on behalf
22 of the member by the participating employer to the system; and

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

27 (b) Except as provided by paragraphs (c) and (d) of this subsection, if a retired

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

8 1. If a member is reemployed by a participating employer within twelve
9 (12) months of the member's retirement date, the participating employer
10 shall certify in writing on a form prescribed by the Authority that no
11 prearranged agreement existed between the employee and employer
12 prior to the employee's retirement for the employee to return to work
13 with the participating employer. If the participating employer fails to
14 complete the certification or the Authority determines a prearranged
15 agreement exists, the member's retirement shall be voided and the
16 provisions of paragraph (a) of this subsection shall apply to the member
17 and the employer. For purposes of this paragraph:

18 a. If an elected official is reelected to a new term of office in the
19 same position **as the elected official held prior to retirement and**
20 **takes office**~~[and has retired from the elected office]~~ within twelve
21 (12) months **of his or her retirement date**~~[prior to taking the new~~
22 ~~term of office]~~, he or she shall be deemed by the Authority as
23 having a prearranged agreement; and

24 b. Employment that is accepted by the retired member after twelve
25 (12) months following the member's retirement date shall not
26 constitute a prearranged agreement under this paragraph;

27 2. Notwithstanding any other provision of KRS Chapter 78 to the contrary,

1 the member shall not contribute to the system and shall not earn any
2 additional benefits for any work performed during the period of
3 reemployment;

4 3. Except as provided by KRS 70.291 to 70.293, 95.022, and 164.952 and
5 except for any retiree employed as a school resource officer as defined
6 by KRS 158.441, the employer shall pay employer contributions as
7 specified by KRS 78.5536 and 78.635 on all creditable compensation
8 earned by the employee during the period of reemployment. The
9 additional contributions paid shall be used to reduce the unfunded
10 actuarial liability of the system; and

11 4. 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 be required to reimburse the system
14 for the cost of the health insurance premium paid by the system to
15 provide coverage for the retiree, not to exceed the cost of the single
16 premium. Effective July 1, 2015, local school boards shall not be
17 required to pay the reimbursement required by this subparagraph for
18 retirees employed by the board for eighty (80) days or less during the
19 fiscal year;

20 (c) If a member is receiving a retirement allowance from hazardous position
21 coverage with the County Employees Retirement System, or has filed the
22 forms required to receive a retirement allowance from the County Employees
23 Retirement System for service in a hazardous position, and is employed in a
24 regular full-time hazardous position required to participate in the County
25 Employees Retirement System or the Kentucky Retirement Systems within
26 one (1) month following the member's initial retirement date, the member's
27 retirement shall be voided, and the member shall repay to the system all

1 benefits received, including any health insurance benefits. If the member is
2 returning to work in a regular full-time position required to participate in the
3 County Employees Retirement System or the Kentucky Retirement Systems:

- 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; 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 (d) If a member is receiving a retirement allowance from the hazardous position
13 coverage with the County Employees Retirement System and is employed in a
14 regular full-time hazardous position required to participate in the County
15 Employees Retirement System or the Kentucky Retirement Systems after a
16 one (1) month period following the member's initial retirement date, the
17 member may continue to receive his or her retirement allowance during the
18 period of reemployment subject to the following provisions:

- 19 1. If a member is reemployed by a participating employer within twelve
20 (12) months of the member's retirement date, the participating employer
21 shall certify in writing on a form prescribed by the Authority that no
22 prearranged agreement existed between the employee and employer
23 prior to the employee's retirement for the employee to return to work
24 with the participating employer. If the participating employer fails to
25 complete the certification or the Authority determines a prearranged
26 agreement exists, the member's retirement shall be voided and the
27 provisions of paragraph (c) of this subsection shall apply to the member

- 1 and the employer. For purposes of this paragraph:
- 2 a. If an elected official is reelected to a new term of office in the
- 3 same position **as the elected official held prior to retirement and**
- 4 **takes office**~~and has retired from the elected office~~ within twelve
- 5 (12) months **of his or her retirement date**~~prior to taking the new~~
- 6 ~~term of office~~, he or she shall be deemed by the
- 7 **Authority**~~system~~ as having a 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 or the Kentucky
- 13 Retirement Systems and shall not earn any additional benefits for any
- 14 work performed during the period of 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;

1 (e) Notwithstanding paragraphs (a) to (d) of this subsection, a retired member
2 who qualifies as a volunteer for an employer participating in the County
3 Employees Retirement System or the Kentucky Retirement Systems and who
4 is receiving reimbursement of actual expenses, a nominal fee for his or her
5 volunteer services, or both, shall not be considered an employee of the
6 participating employer and shall not be subject to paragraphs (a) to (d) of this
7 subsection if:

- 8 1. Prior to the retired member's most recent retirement date, he or she did
9 not receive creditable compensation from the participating employer in
10 which the retired member is performing volunteer services;
- 11 2. Any reimbursement or nominal fee received prior to the retired
12 member's most recent retirement date has not been credited as creditable
13 compensation to the member's account or utilized in the calculation of
14 the retired member's benefits;
- 15 3. The retired member has not purchased or received service credit under
16 any of the provisions of KRS 78.510 to 78.852 for service with the
17 participating employer for which the retired member is performing
18 volunteer services; and
- 19 4. Other than the status of volunteer, the retired member does not become
20 an employee, leased employee, or independent contractor of the
21 employer for which he or she is performing volunteer services for a
22 period of at least twelve (12) months following the retired member's
23 most recent retirement date.

24 If a retired member, who provided volunteer services with a participating
25 employer under this paragraph violates any provision of this paragraph, then
26 he or she shall be deemed an employee of the participating employer as of the
27 date he or she began providing volunteer services and both the retired member

1 and the participating employer shall be subject to paragraphs (a) to (d) of this
2 subsection for the period of volunteer service;

3 (f) Notwithstanding any provision of this section, any mayor or member of a city
4 legislative body shall not be required to resign from his or her position as
5 mayor or as a member of the city legislative body in order to begin drawing
6 benefits from the systems administered by the Kentucky Retirement Systems
7 or the County Employees Retirement System or subject to any provision of
8 this section as it relates solely to his or her service as a mayor or member of
9 the city legislative body, if the mayor or member of a city legislative body:

- 10 1. Has not participated in the County Employees Retirement System prior
11 to retirement, but is otherwise eligible to retire from the Kentucky
12 Employees Retirement System or the State Police Retirement System; or
- 13 2. Has been or is participating in the County Employees Retirement System
14 and is at least sixty-two (62) years of age. If a mayor or member of a city
15 legislative body who is at least sixty-two (62) years of age retires from
16 the systems administered by Kentucky Retirement Systems or the
17 County Employees Retirement System but remains in office after his or
18 her effective retirement date, the mayor or member of the city legislative
19 body shall not accrue any further service credit or benefits in the systems
20 administered by Kentucky Retirement Systems or the County Employees
21 Retirement System for any employment occurring on or after the
22 effective retirement date;

23 (g) If a member is receiving a retirement allowance from the County Employees
24 Retirement System and enters into a contract or becomes a leased employee of
25 an employer under contract with an employer participating in the County
26 Employees Retirement System or the Kentucky Retirement Systems:

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

- 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 employment
11 arrangement does not qualify as an independent contractor or leased
12 employee and that a prearranged agreement existed between the member
13 and the agency for the member to return to work with the agency, the
14 member's retirement shall be voided in accordance with paragraph (a) of
15 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 Authority or submit any documentation for
20 purposes of this section to the Authority. The initiation of a contract or
21 the initial date of the leased employment of a retired member by a
22 participating agency that occurs after twelve (12) months or more
23 following the retired member's retirement date shall not constitute a
24 prearranged agreement under this subsection;
- 25 (h) The Authority shall issue a final determination regarding a certification of the
26 absence of a prearranged agreement or the retired member's qualification as an
27 independent contractor or leased employee as required under this section no

1 later than thirty (30) days after the retired member and participating employer
2 provide all required forms and additional information required by the
3 Authority; and

4 (i) Retired members of one (1) of the systems administered by Kentucky
5 Retirement Systems who are reemployed by an employer in the County
6 Employees Retirement System on or after September 1, 2008, shall not be
7 eligible to earn a second retirement account in the County Employees
8 Retirement System for his or her service to the employer.

9 (5) The Authority shall promulgate administrative regulations to implement the
10 requirements of this section, including incorporating by reference Authority-
11 prescribed forms that a retired member and participating agency shall provide the
12 systems under subsections (1) and (4) of this section.

13 (6) "Reemployment" or "reinstatement" as used in this section shall not include a
14 retired member who has been ordered reinstated by the Personnel Board under
15 authority of KRS 18A.095. A retired member who has been ordered reinstated by
16 the Personnel Board under authority of KRS 18A.095 or by court order or by order
17 of the Human Rights Commission and accepts employment by an agency
18 participating in the Kentucky Employees Retirement System or County Employees
19 Retirement System shall void his or her retirement by reimbursing the system in the
20 full amount of his or her retirement allowance payments received.

21 ➔Section 25. KRS 78.782 is amended to read as follows:

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

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

27 1. Two (2) shall have a majority of his or her service credit earned in the

- 1 County Employees Retirement System in a nonhazardous position; and
- 2 2. One (1) shall have a majority of his or her service credit earned in the
- 3 County Employees Retirement System in a hazardous position;
- 4 (b) Six (6) trustees appointed by the Governor, subject to Senate confirmation in
- 5 accordance with KRS 11.160 for each appointment or reappointment. Of the
- 6 six (6) trustees appointed by the Governor:
- 7 1. One (1) trustee with retirement experience shall be appointed from a list
- 8 of three (3) applicants submitted by the Kentucky League of Cities;
- 9 2. One (1) trustee with investment experience shall be appointed from a list
- 10 of three (3) applicants submitted by the Kentucky League of Cities;
- 11 3. One (1) trustee with retirement experience shall be appointed from a list
- 12 of three (3) applicants submitted by the Kentucky Association of
- 13 Counties;
- 14 4. One (1) trustee with investment experience shall be appointed from a list
- 15 of three (3) applicants submitted by the Kentucky Association of
- 16 Counties;
- 17 5. One (1) trustee with retirement experience shall be appointed from a list
- 18 of three (3) applicants submitted by the Kentucky School Boards
- 19 Association; and
- 20 6. One (1) trustee with investment experience shall be appointed from a list
- 21 of three (3) applicants submitted by the Kentucky School Boards
- 22 Association.

23 Notwithstanding the provisions of KRS 12.070(3), the Governor shall appoint

24 each individual trustee described by subparagraphs 1. to 6. of this paragraph

25 solely from each corresponding individual list required to be submitted by the

26 Kentucky League of Cities, the Kentucky Association of Counties, or the

27 Kentucky School Boards Association as provided by subparagraphs 1. to 6. of

1 this paragraph, and the Governor shall not be able to reject the list of
2 applicants submitted, request that another list be provided, or use a list
3 different from the one (1) individual list required to be submitted for each
4 specific appointment or reappointment;

5 (c) For purposes of paragraph (b) of this subsection, a trustee with "investment
6 experience" means an individual who does not have a conflict of interest, as
7 provided by KRS 61.655, and who has at least ten (10) years of experience in
8 one (1) of the following areas of expertise:

- 9 1. A portfolio manager acting in a fiduciary capacity;
- 10 2. A professional securities analyst or investment consultant;
- 11 3. A current or retired employee or principal of a trust institution,
12 investment or finance organization, or endowment fund acting in an
13 investment-related capacity;
- 14 4. A chartered financial analyst in good standing as determined by the CFA
15 Institute; or
- 16 5. A university professor, teaching investment-related studies; and

17 (d) For purposes of paragraph (b) of this subsection, a trustee with "retirement
18 experience" means an individual who does not have a conflict of interest, as
19 provided by KRS 61.655, and who has at least ten (10) years of experience in
20 one (1) of the following areas of expertise:

- 21 1. Experience in retirement or pension plan management;
- 22 2. A certified public accountant with relevant experience in retirement or
23 pension plan accounting;
- 24 3. An actuary with relevant experience in retirement or pension plan
25 consulting;
- 26 4. An attorney licensed to practice law in the Commonwealth of Kentucky
27 with relevant experience in retirement or pension plans; or

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

1 otherwise provided in this section. An elected or appointed trustee shall not serve
2 more than three (3) consecutive four (4) year terms. An elected or appointed trustee
3 who has served three (3) consecutive terms may be elected or appointed again after
4 an absence of four (4) years from the board.

5 (4) (a) The trustees selected by the membership of the system shall be elected by
6 ballot. For each trustee to be elected, the board may nominate, not less than
7 six (6) months before a term of office of a trustee is due to expire, three (3)
8 constitutionally eligible individuals.

9 (b) Individuals may be nominated by the system members by presenting to the
10 executive director, not less than four (4) months before a term of office of a
11 trustee is due to expire, a petition, bearing the name, last four (4) digits of the
12 Social Security number, and signature of no less than one-tenth (1/10) of the
13 number voting in the last election by the 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 carry the name, address, and
17 position title of each individual nominated by the board and by petition.
18 Provision 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 County Employees Retirement System in
25 care of a predetermined box number at a United States Post Office or
26 submitted electronically as provided by paragraph (j) of this subsection.
27 Access to this post office box shall be limited to the board's contracted firm.

- 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 submit the electronic
4 ballot at least thirty (30) days prior to the date the term to be filled is due to
5 expire. The latest mailing date, or date of submission in the case of electronic
6 ballots, shall be 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 year.
- 12 (i) Each individual who submits a request to be nominated by the board under
13 paragraph (a) of this subsection and each individual who is nominated by the
14 membership under paragraph (b) of this subsection shall:
- 15 1. Complete an application developed by the system which shall include
16 but not be limited to a disclosure of any prior felonies and any conflicts
17 of interest that would hinder the individual's ability to serve on the
18 board;
- 19 2. Submit a resume detailing the individual's education and employment
20 history and a cover letter detailing the member's qualifications for
21 serving as trustee to the board; and
- 22 3. Authorize the system to have a criminal background check performed.
23 The criminal background check shall be performed by the Department of
24 Kentucky State Police.
- 25 (j) In lieu of the ballots mailed to members and retired members as provided by
26 this subsection, the systems may by promulgation of administrative regulation
27 pursuant to KRS Chapter 13A conduct trustee elections using electronic

1 ballots, except that the systems shall mail a paper ballot upon request of any
2 eligible voter.

3 (5) (a) Any vacancy which may occur in an appointed position during a term of office
4 shall be filled in the same manner which provides for the selection of the
5 particular trustee, and any vacancy which may occur in an elected position
6 during a term of office shall be filled by appointment by a majority vote of the
7 remaining elected trustees; however, any vacancy shall be filled only for the
8 duration of the unexpired term. In the event of a vacancy of an elected trustee
9 during a term of office, the system shall notify members of the vacancy and
10 the opportunity to be considered for the vacant position. Any vacancy shall be
11 filled within ninety (90) days of the position becoming vacant.

12 (b) Any appointments or reappointments to an appointed position on the board
13 shall be made at least thirty (30) days prior to an appointed member's term of
14 office ending. The Governor's Office shall, with each appointment or
15 reappointment, request lists to be submitted and base selections on those lists
16 solely under the procedures and requirements provided by subsection (1)(b) of
17 this section.

18 (6) (a) Membership on the board of trustees shall not be incompatible with any other
19 office unless a constitutional incompatibility exists. No trustee shall serve in
20 more than one (1) position as trustee on the board and, if a trustee holds more
21 than one (1) position as trustee on the board, he or she shall resign a position.

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

25 (c) A current or former employee of the County Employees Retirement System,
26 Kentucky Retirement Systems, or the Kentucky Public Pensions Authority
27 shall not be eligible to serve as a member of the board.

- 1 (7) Trustees who do not otherwise receive a salary from the State Treasury shall receive
2 a per diem of eighty dollars (\$80) for each day they are in session or on official
3 duty, and they shall be reimbursed for their actual and necessary expenses in
4 accordance with state administrative regulations and standards.
- 5 (8) (a) The board shall meet at least once in each quarter of the year and may meet in
6 special session upon the call of the chair or the chief executive officer.
- 7 (b) The board shall elect a chair and a vice chair. The chair shall not serve more
8 than four (4) consecutive years as chair or vice chair of the board. The vice
9 chair shall not serve more than four (4) consecutive years as chair or vice chair
10 of the board. A trustee who has served four (4) consecutive years as chair or
11 vice chair of the board may be elected chair or vice chair of the board after an
12 absence of two (2) years from the positions.
- 13 (c) A majority of the trustees shall constitute a quorum, and all actions taken by
14 the board shall be by affirmative vote of a majority of the trustees present.
- 15 (9) (a) The board of trustees shall appoint or contract for the services of a chief
16 executive officer and general counsel and fix the compensation and other
17 terms of employment for these positions without limitation of the provisions
18 of KRS Chapters 18A and 45A and KRS 64.640. The chief executive officer
19 shall serve as the legislative and executive adviser to the board. The general
20 counsel shall serve as legal adviser to the board. The chief executive officer
21 and general counsel shall work with the executive director of the Kentucky
22 Public Pensions Authority to carry out the provisions of KRS 78.510 to
23 78.852. The executive director of the Kentucky Public Pensions Authority
24 shall be the chief administrative officer of the board.
- 25 (b) The board shall require the chief executive officer and may require the general
26 counsel to execute bonds for the faithful performance of his or her duties
27 notwithstanding the limitations of KRS Chapter 62.

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

1 meeting of the board and may receive the agenda, board minutes, and other
2 information distributed to trustees of the board upon request. The Attorney General
3 may act as legal adviser and attorney for the board, and the board may contract for
4 legal services, notwithstanding the limitations of KRS Chapter 12 or 13B.

5 (12) (a) The **Kentucky Public Pensions Authority**~~[system]~~ shall publish an annual
6 financial report showing all receipts, disbursements, assets, and liabilities **for**
7 **the systems**. The annual report shall include a copy of an audit conducted in
8 accordance with generally accepted auditing standards. Except as provided by
9 paragraph (b) of this subsection, the board may select **the**~~[an]~~ independent
10 certified public accountant **hired by the Kentucky Public Pensions Authority**
11 or the Auditor of Public Accounts to perform the audit. If the audit is
12 performed by an independent certified public accountant, the Auditor of
13 Public Accounts shall not be required to perform an audit pursuant to KRS
14 43.050(2)(a), but may perform an audit at his or her discretion. All
15 proceedings and records of the board shall be open for inspection by the
16 public. The **Kentucky Public Pensions Authority**~~[system]~~ shall make copies
17 of the audit required by this subsection available for examination by any
18 member, retiree, or beneficiary in the offices of the County Employees
19 Retirement System and in other places as necessary to make the audit
20 available to all members, retirees, and beneficiaries. A copy of the annual
21 audit shall be sent electronically to the Legislative Research Commission no
22 later than ten (10) days after receipt by the board.

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

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

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

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

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

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

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

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

27 (b) Annual required training for board members on the administration, benefits,

1 financing, and investing of the system. If a trustee fails to complete the annual
2 required training during the calendar or fiscal year, the retirement system shall
3 withhold payment of the per diem and travel expenses due to the board
4 member under this section until the board member has met the annual training
5 requirements; and

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

8 (18) In order to improve public transparency regarding the administration of the system,
9 the board of trustees shall adopt a best practices model by posting the following
10 information to the Kentucky Public Pensions Authority's Web site and shall make
11 available to the public:

12 (a) Meeting notices and agendas for all meetings of the board. Notices and
13 agendas shall be posted to the Kentucky Public Pensions Authority's Web site
14 at least seventy-two (72) hours in advance of the board or committee
15 meetings, except in the case of special or emergency meetings as provided by
16 KRS 61.823;

17 (b) The Comprehensive Annual Financial Report with the information as follows:
18 1. A general overview and update on the system by the executive director;
19 2. A listing of the board of trustees;
20 3. A listing of key staff;
21 4. An organizational chart;
22 5. Financial information, including a statement of plan net assets, a
23 statement of changes in plan net assets, an actuarial value of assets, a
24 schedule of investments, a statement of funded status and funding
25 progress, and other supporting data;
26 6. Investment information, including a general overview, a list of the
27 system's professional consultants, a total net of fees return on system

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

1 other partnership expenses received by or paid to each manager or
2 partnership; and

3 3. As applicable, report each fee or commission by manager or partnership
4 consistent with standards established by the Institutional Limited
5 Partners Association (ILPA).

6 In addition to the requirements of this paragraph, the system shall also
7 disclose the name and address of all individual underlying managers or
8 partners in any fund of funds in which system assets are invested;

9 (j) An update of net of fees investment returns, asset allocations, and the
10 performance of the funds against benchmarks adopted by the board for each
11 fund, for each asset class administered by the board, and for each manager.
12 The update shall be posted on a quarterly basis for fiscal years beginning on or
13 after July 1, 2021;

14 (k) A searchable database of the system's expenditures and a listing of each
15 individual employed by the system along with the employee's salary or wages.
16 In lieu of posting the information required by this paragraph to the Kentucky
17 Public Pensions Authority's Web site, the system may provide the information
18 through a Web site established by the executive branch to inform the public
19 about public employee salaries and wages;

20 (l) All contracts or offering documents for services, goods, or property purchased
21 or utilized by the system for contracts or offering documents entered into on
22 or after July 1, 2021; and

23 (m) Information regarding the system's financial and actuarial condition that is
24 easily understood by the members, retired members, and the public.

25 (19) Notwithstanding the requirements of subsection (18) of this section, the system
26 shall not be required to furnish information that is protected under KRS 61.661,
27 exempt under KRS 61.878, or that, if disclosed, would compromise the system's

1 ability to competitively invest in real estate or other asset classes, except that no
2 provision of this section or KRS 61.878 shall exclude disclosure and review of all
3 contracts, including investment contracts, by the board, the Auditor of Public
4 Accounts, and the Government Contract Review Committee established pursuant to
5 KRS 45A.705 or the disclosure of investment fees and commissions as provided by
6 this section. If any public record contains material which is not excepted under this
7 section, the system shall separate the excepted material by removal, segregation, or
8 redaction, and make the nonexcepted material available for examination.

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

17 ➔Section 26. KRS 18A.225 is amended to read as follows:

18 (1) (a) The term "employee" for purposes of this section means:

- 19 1. Any person, including an elected public official, who is regularly
20 employed by any department, office, board, agency, or branch of state
21 government; or by a public postsecondary educational institution; or by
22 any city, urban-county, charter county, county, or consolidated local
23 government, whose legislative body has opted to participate in the state-
24 sponsored health insurance program pursuant to KRS 79.080; and who
25 is either a contributing member to any one (1) of the retirement systems
26 administered by the state, including but not limited to the Kentucky
27 Retirement Systems, County Employees Retirement System, Kentucky

- 1 Teachers' Retirement System, the Legislators' Retirement Plan, or the
 2 Judicial Retirement Plan; or is receiving a contractual contribution from
 3 the state toward a retirement plan; or, in the case of a public
 4 postsecondary education institution, is an individual participating in an
 5 optional retirement plan authorized by KRS 161.567; or is eligible to
 6 participate in a retirement plan established by an employer who ceases
 7 participating in the Kentucky Employees Retirement System pursuant to
 8 KRS 61.522 whose employees participated in the health insurance plans
 9 administered by the Personnel Cabinet prior to the employer's effective
 10 cessation date in the Kentucky Employees Retirement System;
- 11 2. Any certified or classified employee of a local board of education;
 - 12 3. Any elected member of a local board of education;
 - 13 4. Any person who is a present or future recipient of a retirement
 14 allowance from the Kentucky Retirement Systems, County Employees
 15 Retirement System, Kentucky Teachers' Retirement System, the
 16 Legislators' Retirement Plan, the Judicial Retirement Plan, or the
 17 Kentucky Community and Technical College System's optional
 18 retirement plan authorized by KRS 161.567, except that a person who is
 19 receiving a retirement allowance and who is age sixty-five (65) or older
 20 shall not be included, with the exception of persons covered under
 21 subsection (2)(b)3. of Section 16 of this Act and subsection (2)(b)3. of
 22 Section 23 of this Act~~[KRS 61.702(4)(e)]~~, unless he or she is actively
 23 employed pursuant to subparagraph 1. of this paragraph; and
 - 24 5. Any eligible dependents and beneficiaries of participating employees
 25 and retirees who are entitled to participate in the state-sponsored health
 26 insurance program;
- 27 (b) The term "health benefit plan" for the purposes of this section means a health

1 benefit plan as defined in KRS 304.17A-005;

2 (c) The term "insurer" for the purposes of this section means an insurer as defined
3 in KRS 304.17A-005; and

4 (d) The term "managed care plan" for the purposes of this section means a
5 managed care plan as defined in KRS 304.17A-500.

6 (2) (a) The secretary of the Finance and Administration Cabinet, upon the
7 recommendation of the secretary of the Personnel Cabinet, shall procure, in
8 compliance with the provisions of KRS 45A.080, 45A.085, and 45A.090,
9 from one (1) or more insurers authorized to do business in this state, a group
10 health benefit plan that may include but not be limited to health maintenance
11 organization (HMO), preferred provider organization (PPO), point of service
12 (POS), and exclusive provider organization (EPO) benefit plans encompassing
13 all or any class or classes of employees. With the exception of employers
14 governed by the provisions of KRS Chapters 16, 18A, and 151B, all
15 employers of any class of employees or former employees shall enter into a
16 contract with the Personnel Cabinet prior to including that group in the state
17 health insurance group. The contracts shall include but not be limited to
18 designating the entity responsible for filing any federal forms, adoption of
19 policies required for proper plan administration, acceptance of the contractual
20 provisions with health insurance carriers or third-party administrators, and
21 adoption of the payment and reimbursement methods necessary for efficient
22 administration of the health insurance program. Health insurance coverage
23 provided to state employees under this section shall, at a minimum, contain
24 the same benefits as provided under Kentucky Kare Standard as of January 1,
25 1994, and shall include a mail-order drug option as provided in subsection
26 (13) of this section. All employees and other persons for whom the health care
27 coverage is provided or made available shall annually be given an option to

1 elect health care coverage through a self-funded plan offered by the
2 Commonwealth or, if a self-funded plan is not available, from a list of
3 coverage options determined by the competitive bid process under the
4 provisions of KRS 45A.080, 45A.085, and 45A.090 and made available
5 during annual open enrollment.

6 (b) The policy or policies shall be approved by the commissioner of insurance and
7 may contain the provisions the commissioner of insurance approves, whether
8 or not otherwise permitted by the insurance laws.

9 (c) Any carrier bidding to offer health care coverage to employees shall agree to
10 provide coverage to all members of the state group, including active
11 employees and retirees and their eligible covered dependents and
12 beneficiaries, within the county or counties specified in its bid. Except as
13 provided in subsection (20) of this section, any carrier bidding to offer health
14 care coverage to employees shall also agree to rate all employees as a single
15 entity, except for those retirees whose former employers insure their active
16 employees outside the state-sponsored health insurance program and as
17 otherwise provided in subsection (2)(b)3.b. of Section 16 of this Act and
18 subsection (2)(b)3.b. of Section 23 of this Act.

19 (d) Any carrier bidding to offer health care coverage to employees shall agree to
20 provide enrollment, claims, and utilization data to the Commonwealth in a
21 format specified by the Personnel Cabinet with the understanding that the data
22 shall be owned by the Commonwealth; to provide data in an electronic form
23 and within a time frame specified by the Personnel Cabinet; and to be subject
24 to penalties for noncompliance with data reporting requirements as specified
25 by the Personnel Cabinet. The Personnel Cabinet shall take strict precautions
26 to protect the confidentiality of each individual employee; however,
27 confidentiality assertions shall not relieve a carrier from the requirement of

- 1 providing stipulated data to the Commonwealth.
- 2 (e) The Personnel Cabinet shall develop the necessary techniques and capabilities
3 for timely analysis of data received from carriers and, to the extent possible,
4 provide in the request-for-proposal specifics relating to data requirements,
5 electronic reporting, and penalties for noncompliance. The Commonwealth
6 shall own the enrollment, claims, and utilization data provided by each carrier
7 and shall develop methods to protect the confidentiality of the individual. The
8 Personnel Cabinet shall include in the October annual report submitted
9 pursuant to the provisions of KRS 18A.226 to the Governor, the General
10 Assembly, and the Chief Justice of the Supreme Court, an analysis of the
11 financial stability of the program, which shall include but not be limited to
12 loss ratios, methods of risk adjustment, measurements of carrier quality of
13 service, prescription coverage and cost management, and statutorily required
14 mandates. If state self-insurance was available as a carrier option, the report
15 also shall provide a detailed financial analysis of the self-insurance fund
16 including but not limited to loss ratios, reserves, and reinsurance agreements.
- 17 (f) If any agency participating in the state-sponsored employee health insurance
18 program for its active employees terminates participation and there is a state
19 appropriation for the employer's contribution for active employees' health
20 insurance coverage, then neither the agency nor the employees shall receive
21 the state-funded contribution after termination from the state-sponsored
22 employee health insurance program.
- 23 (g) Any funds in flexible spending accounts that remain after all reimbursements
24 have been processed shall be transferred to the credit of the state-sponsored
25 health insurance plan's appropriation account.
- 26 (h) Each entity participating in the state-sponsored health insurance program shall
27 provide an amount at least equal to the state contribution rate for the employer

1 portion of the health insurance premium. For any participating entity that used
2 the state payroll system, the employer contribution amount shall be equal to
3 but not greater than the state contribution rate.

- 4 (3) The premiums may be paid by the policyholder:
- 5 (a) Wholly from funds contributed by the employee, by payroll deduction or
6 otherwise;
- 7 (b) Wholly from funds contributed by any department, board, agency, public
8 postsecondary education institution, or branch of state, city, urban-county,
9 charter county, county, or consolidated local government; or
- 10 (c) Partly from each, except that any premium due for health care coverage or
11 dental coverage, if any, in excess of the premium amount contributed by any
12 department, board, agency, postsecondary education institution, or branch of
13 state, city, urban-county, charter county, county, or consolidated local
14 government for any other health care coverage shall be paid by the employee.
- 15 (4) If an employee moves his or her place of residence or employment out of the service
16 area of an insurer offering a managed health care plan, under which he or she has
17 elected coverage, into either the service area of another managed health care plan or
18 into an area of the Commonwealth not within a managed health care plan service
19 area, the employee shall be given an option, at the time of the move or transfer, to
20 change his or her coverage to another health benefit plan.
- 21 (5) No payment of premium by any department, board, agency, public postsecondary
22 educational institution, or branch of state, city, urban-county, charter county,
23 county, or consolidated local government shall constitute compensation to an
24 insured employee for the purposes of any statute fixing or limiting the
25 compensation of such an employee. Any premium or other expense incurred by any
26 department, board, agency, public postsecondary educational institution, or branch
27 of state, city, urban-county, charter county, county, or consolidated local

- 1 government shall be considered a proper cost of administration.
- 2 (6) The policy or policies may contain the provisions with respect to the class or classes
3 of employees covered, amounts of insurance or coverage for designated classes or
4 groups of employees, policy options, terms of eligibility, and continuation of
5 insurance or coverage after retirement.
- 6 (7) Group rates under this section shall be made available to the disabled child of an
7 employee regardless of the child's age if the entire premium for the disabled child's
8 coverage is paid by the state employee. A child shall be considered disabled if he or
9 she has been determined to be eligible for federal Social Security disability benefits.
- 10 (8) The health care contract or contracts for employees shall be entered into for a period
11 of not less than one (1) year.
- 12 (9) The secretary shall appoint thirty-two (32) persons to an Advisory Committee of
13 State Health Insurance Subscribers to advise the secretary or the secretary's designee
14 regarding the state-sponsored health insurance program for employees. The
15 secretary shall appoint, from a list of names submitted by appointing authorities,
16 members representing school districts from each of the seven (7) Supreme Court
17 districts, members representing state government from each of the seven (7)
18 Supreme Court districts, two (2) members representing retirees under age sixty-five
19 (65), one (1) member representing local health departments, two (2) members
20 representing the Kentucky Teachers' Retirement System, and three (3) members at
21 large. The secretary shall also appoint two (2) members from a list of five (5) names
22 submitted by the Kentucky Education Association, two (2) members from a list of
23 five (5) names submitted by the largest state employee organization of nonschool
24 state employees, two (2) members from a list of five (5) names submitted by the
25 Kentucky Association of Counties, two (2) members from a list of five (5) names
26 submitted by the Kentucky League of Cities, and two (2) members from a list of
27 names consisting of five (5) names submitted by each state employee organization

1 that has two thousand (2,000) or more members on state payroll deduction. The
2 advisory committee shall be appointed in January of each year and shall meet
3 quarterly.

4 (10) Notwithstanding any other provision of law to the contrary, the policy or policies
5 provided to employees pursuant to this section shall not provide coverage for
6 obtaining or performing an abortion, nor shall any state funds be used for the
7 purpose of obtaining or performing an abortion on behalf of employees or their
8 dependents.

9 (11) Interruption of an established treatment regime with maintenance drugs shall be
10 grounds for an insured to appeal a formulary change through the established appeal
11 procedures approved by the Department of Insurance, if the physician supervising
12 the treatment certifies that the change is not in the best interests of the patient.

13 (12) Any employee who is eligible for and elects to participate in the state health
14 insurance program as a retiree, or the spouse or beneficiary of a retiree, under any
15 one (1) of the state-sponsored retirement systems shall not be eligible to receive the
16 state health insurance contribution toward health care coverage as a result of any
17 other employment for which there is a public employer contribution. This does not
18 preclude a retiree and an active employee spouse from using both contributions to
19 the extent needed for purchase of one (1) state sponsored health insurance policy for
20 that plan year.

21 (13) (a) The policies of health insurance coverage procured under subsection (2) of
22 this section shall include a mail-order drug option for maintenance drugs for
23 state employees. Maintenance drugs may be dispensed by mail order in
24 accordance with Kentucky law.

25 (b) A health insurer shall not discriminate against any retail pharmacy located
26 within the geographic coverage area of the health benefit plan and that meets
27 the terms and conditions for participation established by the insurer, including

1 price, dispensing fee, and copay requirements of a mail-order option. The
2 retail pharmacy shall not be required to dispense by mail.

3 (c) The mail-order option shall not permit the dispensing of a controlled
4 substance classified in Schedule II.

5 (14) The policy or policies provided to state employees or their dependents pursuant to
6 this section shall provide coverage for obtaining a hearing aid and acquiring hearing
7 aid-related services for insured individuals under eighteen (18) years of age, subject
8 to a cap of one thousand four hundred dollars (\$1,400) every thirty-six (36) months
9 pursuant to KRS 304.17A-132.

10 (15) Any policy provided to state employees or their dependents pursuant to this section
11 shall provide coverage for the diagnosis and treatment of autism spectrum disorders
12 consistent with KRS 304.17A-142.

13 (16) Any policy provided to state employees or their dependents pursuant to this section
14 shall provide coverage for obtaining amino acid-based elemental formula pursuant
15 to KRS 304.17A-258.

16 (17) If a state employee's residence and place of employment are in the same county, and
17 if the hospital located within that county does not offer surgical services, intensive
18 care services, obstetrical services, level II neonatal services, diagnostic cardiac
19 catheterization services, and magnetic resonance imaging services, the employee
20 may select a plan available in a contiguous county that does provide those services,
21 and the state contribution for the plan shall be the amount available in the county
22 where the plan selected is located.

23 (18) If a state employee's residence and place of employment are each located in counties
24 in which the hospitals do not offer surgical services, intensive care services,
25 obstetrical services, level II neonatal services, diagnostic cardiac catheterization
26 services, and magnetic resonance imaging services, the employee may select a plan
27 available in a county contiguous to the county of residence that does provide those

1 services, and the state contribution for the plan shall be the amount available in the
2 county where the plan selected is located.

3 (19) The Personnel Cabinet is encouraged to study whether it is fair and reasonable and
4 in the best interests of the state group to allow any carrier bidding to offer health
5 care coverage under this section to submit bids that may vary county by county or
6 by larger geographic areas.

7 (20) Notwithstanding any other provision of this section, the bid for proposals for health
8 insurance coverage for calendar year 2004 shall include a bid scenario that reflects
9 the statewide rating structure provided in calendar year 2003 and a bid scenario that
10 allows for a regional rating structure that allows carriers to submit bids that may
11 vary by region for a given product offering as described in this subsection:

12 (a) The regional rating bid scenario shall not include a request for bid on a
13 statewide option;

14 (b) The Personnel Cabinet shall divide the state into geographical regions which
15 shall be the same as the partnership regions designated by the Department for
16 Medicaid Services for purposes of the Kentucky Health Care Partnership
17 Program established pursuant to 907 KAR 1:705;

18 (c) The request for proposal shall require a carrier's bid to include every county
19 within the region or regions for which the bid is submitted and include but not
20 be restricted to a preferred provider organization (PPO) option;

21 (d) If the Personnel Cabinet accepts a carrier's bid, the cabinet shall award the
22 carrier all of the counties included in its bid within the region. If the Personnel
23 Cabinet deems the bids submitted in accordance with this subsection to be in
24 the best interests of state employees in a region, the cabinet may award the
25 contract for that region to no more than two (2) carriers; and

26 (e) Nothing in this subsection shall prohibit the Personnel Cabinet from including
27 other requirements or criteria in the request for proposal.

- 1 (21) Any fully insured health benefit plan or self-insured plan issued or renewed on or
2 after July 12, 2006, to public employees pursuant to this section which provides
3 coverage for services rendered by a physician or osteopath duly licensed under KRS
4 Chapter 311 that are within the scope of practice of an optometrist duly licensed
5 under the provisions of KRS Chapter 320 shall provide the same payment of
6 coverage to optometrists as allowed for those services rendered by physicians or
7 osteopaths.
- 8 (22) Any fully insured health benefit plan or self-insured plan issued or renewed on or
9 after June 29, 2021, to public employees pursuant to this section shall comply with:
- 10 (a) KRS 304.12-237;
11 (b) KRS 304.17A-270 and 304.17A-525;
12 (c) KRS 304.17A-600 to 304.17A-633;
13 (d) KRS 205.593;
14 (e) KRS 304.17A-700 to 304.17A-730;
15 (f) KRS 304.14-135;
16 (g) KRS 304.17A-580 and 304.17A-641;
17 (h) KRS 304.99-123;
18 (i) KRS 304.17A-138; and
19 (j) Administrative regulations promulgated pursuant to statutes listed in this
20 subsection.
- 21 (23) Any fully insured health benefit plan or self-insured plan issued or renewed on or
22 after January 1, 2022, to public employees pursuant to this section shall comply
23 with KRS 304.17A-148.
- 24 ➔Section 27. KRS 7A.220 is amended to read as follows:
- 25 (1) The Public Pension Oversight Board shall be composed of the following twenty-
26 three (23)~~nineteen (19)~~ members:
- 27 (a) 1. Four (4) members of the General Assembly appointed by the Speaker of

1 the House of Representatives, each of whom shall serve while a member
 2 of the House for the term for which he or she has been elected, one (1)
 3 of whom shall be the chair or a vice chair of the House Standing
 4 Committee on Appropriations and Revenue;[~~;~~] and

5 **2. Two (2) members of the General Assembly appointed by the Speaker**
 6 **of the House of Representatives, each of whom shall serve while a**
 7 **member of the House for the term for which he or she has been**
 8 **elected, and who each shall be selected to ensure representation on the**
 9 **board by House members of the General Assembly is in closer**
 10 **proportion to the representation of each political party in the House of**
 11 **Representatives.**

12 **Of the members appointed pursuant to this paragraph, the Speaker shall**
 13 **designate** one (1) [~~of whom the Speaker shall designate~~] as co-chair of the
 14 board;

15 (b) **1.** Four (4) members of the General Assembly appointed by the President
 16 of the Senate, each of whom shall serve while a member of the Senate
 17 for the term for which he or she has been elected, one (1) of whom shall
 18 be the chair or a vice chair of the Senate Standing Committee on
 19 Appropriations and Revenue;[~~;~~] and

20 **2. Two (2) members of the General Assembly appointed by the President**
 21 **of the Senate, each of whom shall serve while a member of the Senate**
 22 **for the term for which he or she has been elected, and who each shall**
 23 **be selected to ensure representation on the board by Senate members**
 24 **of the General Assembly is in closer proportion to the representation**
 25 **of each political party in the Senate.**

26 **Of the members appointed pursuant to this paragraph, the President shall**
 27 **designate** one (1) [~~of whom the President shall designate~~] as co-chair of the

- 1 board;
- 2 (c) Two (2) members of the General Assembly appointed by the Minority Floor
3 Leader of the Senate, who shall serve while a member of the Senate for the
4 term for which he or she has been elected;
- 5 (d) Two (2) members of the General Assembly appointed by the Minority Floor
6 Leader of the House of Representatives, who shall serve while a member of
7 the House for the term for which he or she has been elected;
- 8 (e) One (1) individual appointed by the Speaker of the House of Representatives,
9 who shall be certified as a chartered financial analyst (CFA) with at least ten
10 (10) years of investment experience or who shall possess at least ten (10)
11 years of retirement experience as defined by subsection (2) of this section;
- 12 (f) One (1) individual appointed by the President of the Senate, who shall be
13 certified as a chartered financial analyst (CFA) with at least ten (10) years of
14 investment experience or who shall possess at least ten (10) years of
15 retirement experience as defined by subsection (2) of this section;
- 16 (g) The state budget director or his or her designee;
- 17 (h) The Auditor of Public Accounts or his or her designee;
- 18 (i) The Attorney General or his or her designee; and
- 19 (j) Two (2) individuals appointed by the Governor, one (1) of whom shall be
20 certified as a chartered financial analyst (CFA) with at least ten (10) years of
21 investment experience and one (1) of whom shall possess at least ten (10)
22 years of retirement experience as defined by subsection (2) of this section.
- 23 (2) For purposes of this section, "retirement experience" means:
- 24 (a) Experience in retirement or pension plan management;
- 25 (b) A certified public accountant with relevant experience in retirement or
26 pension plan accounting;
- 27 (c) An actuary with relevant experience in retirement or pension plan consulting;

- 1 (d) An attorney licensed to practice law in the Commonwealth of Kentucky with
2 relevant experience in retirement or pension plans; or
- 3 (e) A current or former university professor whose primary area of emphasis is
4 economics or finance.
- 5 (3) Individuals appointed under subsection (1)(e), (f), and (j) of this section shall not:
- 6 (a) Be a member of the General Assembly;
- 7 (b) Be employed by a state agency of the Commonwealth of Kentucky or
8 receiving a contractual payment for services rendered to a state agency of the
9 Commonwealth of Kentucky that would conflict with his or her service to the
10 board; or
- 11 (c) Serve more than three (3) consecutive four (4) year terms on the board.
- 12 (4) Any vacancy which may occur in the membership of the board shall be filled by the
13 appointing authority who made the original appointment.
- 14 (5) Individuals appointed under subsection (1)(e), (f), and (j) of this section shall serve
15 a term of four (4) years.
- 16 ➔Section 28. KRS 61.675 is amended to read as follows:
- 17 (1) **Except as provided by subsection (5) of this section,** the employer shall prepare the
18 records and, from time to time, shall furnish the information the system may require
19 in the discharge of its duties. Upon employment of an employee, the employer shall
20 inform him of his duties and obligations in connection with the system as a
21 condition of employment.
- 22 (2) The system may at any time conduct an audit of the employer in order to determine
23 if the employer is complying with the provisions of KRS 16.505 to 16.652, 61.610
24 to 61.705, or 78.510 to 78.852. The system shall have access to and may examine
25 all books, accounts, reports, correspondence files, and records of any employer.
26 Every employer, employee, or agency reporting official of a department or county,
27 as defined in KRS 78.510(3), having records in his possession or under his control,

1 shall permit access to and examination of the records upon the request of the
2 system.

3 (3) (a) Any agency participating in the Kentucky Employees Retirement System
4 which is not an integral part of the executive branch of state government shall
5 file the following at the retirement office on or before the tenth day of the
6 month following the period being reported:

- 7 1. The employer and employee contributions required under KRS 61.560,
8 61.565, and 61.702;
- 9 2. The employer contributions and reimbursements for retiree health
10 insurance premiums required under KRS 61.637; and
- 11 3. A record of all contributions to the system on the forms prescribed by
12 the board.

13 (b) If the agency fails to file all contributions and reports on or before the tenth
14 day of the month following the period being reported, interest on the
15 delinquent contributions at the actuarial rate adopted by the board
16 compounded annually, but not less than one thousand dollars (\$1,000), may be
17 added to the amount due the system.

18 (4) If a nonhazardous employer in the Kentucky Employees Retirement System is
19 delinquent in paying the employer contributions required by KRS 61.565 for a
20 period of ninety (90) days or more for those contributions payable on or after July 1,
21 2021, or if an employer who voluntarily ceases participation in the Kentucky
22 Employees Retirement System as provided by KRS 61.522(8) elects to pay off the
23 costs of ceasing participation by installment payments as provided by KRS
24 61.522(8)(g) and subsequently is delinquent in making installment payments for a
25 period of ninety (90) days or more:

26 (a) Employees of the employer who are participating in the system or who are
27 continuing to participate in the system after the employer's effective cessation

1 date as provided by KRS 61.522(8)(d)2. shall not accrue any additional
2 service credit or benefits in the system through the employer or ceasing
3 employer until such time as the employer has satisfied the required employer
4 contributions or installment payments to the system;

5 (b) The board may file an action in the Franklin Circuit Court to collect any
6 delinquent employer contributions or installment payments owed by the
7 employer and to attach so much of the general fund appropriations of the
8 delinquent employer as is necessary to achieve full compliance with the
9 provisions of KRS 61.522(8) or 61.565; and

10 (c) The systems shall notify the Finance and Administration Cabinet, and the
11 Finance and Administration Cabinet may withhold or intercept from the
12 employer or ceasing employer a sufficient portion of any appropriated state
13 funds not yet disbursed to the employer or ceasing employer to satisfy the
14 required employer contributions or installment payments to the system.

15 **(5) Employers shall not be required to report any information or pay employer**
16 **contributions on any individual serving as a volunteer who is receiving**
17 **compensation from the employer equal to or less than a nominal fee as defined by**
18 **Sections 3 and 18 of this Act if the compensation paid to the volunteer is excluded**
19 **from the definition of creditable compensation as provided by subsection (13) of**
20 **Section 3 of this Act or subsection (13) of Section 18 of this Act.**

21 ➔Section 29. KRS 61.680 is amended to read as follows:

22 (1) Prior to August 1, 1982, every employee shall be deemed to consent and agree to
23 any deduction from his or her compensation required by KRS 6.500 to 6.535,
24 16.505 to 16.652, 61.510 to 61.692, 78.510 to 78.852, and to all other provisions
25 thereof. Thereafter, employee contributions shall be picked up by the employer
26 pursuant to KRS 61.560(4).

27 (2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to

- 1 16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:
- 2 1. Upon death, disability, or service retirement, a member's accounts under
- 3 the Legislators' Retirement Plan, State Police Retirement System,
- 4 Kentucky Employees Retirement System, County Employees Retirement
- 5 System, and Teachers' Retirement System, except for service prohibited
- 6 by KRS 161.623(2), shall be consolidated for the purpose of determining
- 7 eligibility and amount of benefits, including those members who
- 8 participate in the hybrid cash balance plan within the Kentucky
- 9 Employees Retirement System, the County Employees Retirement
- 10 System, and the State Police Retirement System, on or after January 1,
- 11 2014, and regardless of the transition of administration of the County
- 12 Employees Retirement System to the County Employees Retirement
- 13 System board of trustees;
- 14 2. Vested service credit in a retirement system, other than the Teachers'
- 15 Retirement System, sponsored by a Kentucky institution of higher
- 16 education and accepted by the Kentucky Employees Retirement System
- 17 or the County Employees Retirement System, may be used to determine
- 18 eligibility for twenty-seven (27) year retirement for an employee who
- 19 begins participating before September 1, 2008, but not the amount of
- 20 benefits;
- 21 3. The computation of benefits shall be based on the applicable formula in
- 22 each system and service credit in each system, but the final
- 23 compensation, excluding compensation earned under KRS 161.155(10),
- 24 shall be determined as if all service were in one (1) system;
- 25 4. If the member has prior service in more than one (1) system
- 26 administered by Kentucky Retirement Systems, he or she shall obtain at
- 27 least twelve (12) months' current service in each system in which he or

1 she has prior service in order to validate the prior service in each system
2 for purposes of determining consolidated benefits under this subsection;
3 and

4 5. Upon the determination of benefits, each system shall pay the applicable
5 amount of benefits due the member.

6 (b) The provisions of paragraph (a) of this subsection shall be waived if the
7 member:

8 1. Notifies the system of his or her desire to maintain separate retirement
9 accounts in the State Police Retirement System, Kentucky Employees
10 Retirement System, or County Employees Retirement System; or

11 2. Fails to simultaneously retire from all state-administered retirement
12 systems in which the member has an account or fails to retire from any
13 other systems not administered by Kentucky Retirement Systems within
14 one (1) month of the member's effective retirement date in the systems
15 administered by Kentucky Retirement Systems.

16 (c) If the member has not contributed at least one (1) year in a system in which he
17 or she has prior service, his or her current service in the system shall be valid
18 for purposes of determining eligibility and in computation of benefits on a
19 consolidated basis.

20 (3) (a) A member with service credit in the Kentucky Employees Retirement System,
21 State Police Retirement System, or the County Employees Retirement System
22 who becomes the holder of an office entitling him or her to membership in the
23 Judicial Retirement Plan or the Legislators' Retirement Plan, but who does not
24 elect within thirty (30) days after taking office in such service to participate in
25 the plan, in accordance with KRS 6.505 or 21.360, shall be deemed to have
26 elected to retain membership in the system in which he or she is a member,
27 either the Kentucky Employees Retirement System, State Police Retirement

1 System, or the County Employees Retirement System. In that event, the
2 agency employing the member shall withhold employee contributions, or
3 picked-up employee contributions after August 2, 1982, make employer
4 contributions and remit these contributions to the system in which the member
5 retained his or her membership.

6 (b) Any person entitled to membership in the Judicial Retirement Plan or the
7 Legislators' Retirement Plan, who does not elect within thirty (30) days after
8 taking office to participate in the plan, in accordance with KRS 6.505 or
9 21.360, and who at the time of taking office is not a contributing member of,
10 or does not have service credit in, any of the retirement systems mentioned in
11 this section, or the Teachers' Retirement System, shall participate in the
12 Kentucky Employees Retirement System.

13 (c) A member of one (1) of the state-administered retirement plans who ceases to
14 contribute to the plan as provided in KRS 21.360 and who is employed in a
15 nonelected position by an agency participating in the Kentucky Retirement
16 Systems or Kentucky Teachers' Retirement System shall be deemed to have
17 elected membership in the system in which the employer of the nonelected
18 position participates. A member of one (1) of the state-administered
19 retirement plans who ceases to contribute to the plan as provided in KRS
20 21.360 and who is not employed in a nonelected position by an agency
21 participating in the Kentucky Retirement Systems shall be deemed to have
22 elected membership in the Kentucky Employees Retirement System.

23 (4) (a) Prior to July 1, 1976, a person entering the service of an employer
24 participating in the Kentucky Employees Retirement System or the County
25 Employees Retirement System with service credit in the Teachers' Retirement
26 System and who desires to retain membership in the Teachers' Retirement
27 System, and who is permitted by that system to continue, shall be exempt

1 from participating in the Kentucky Employees Retirement System or the
2 County Employees Retirement System.

3 (b) Any person who has elected to retain membership in the Teachers' Retirement
4 System as provided in paragraph (a) of this subsection may cancel his or her
5 election and participate in the system under which his or her position would
6 normally participate, if he or she elects to cancel his or her option prior to
7 January 1, 1977.

8 (c) Any member of the General Assembly who upon election is a contributing
9 member of the Teachers' Retirement System and who does not elect within
10 thirty (30) days after taking office to participate in the Legislators' Retirement
11 Plan, in accordance with KRS 6.505, shall during his or her term of office
12 participate in the Kentucky Employees Retirement System unless an election
13 to retain membership in the Teachers' Retirement System is filed in writing
14 within ninety (90) days after his or her term of office begins. No contributions
15 may be made to the Teachers' Retirement System for the same period of
16 service under the Legislators' Retirement Plan or the Kentucky Employees
17 Retirement System as a member of the General Assembly, but contributions
18 made to the Teachers' Retirement System while a member of the General
19 Assembly shall be transferred to the Legislators' Retirement Plan, as provided
20 for in KRS 6.535, when the member elects to join the Legislators' Retirement
21 Plan, and service credit in the Legislators' Retirement Plan shall be granted as
22 provided for in KRS 6.505(5).

23 (5) Any member of the Kentucky Employees Retirement System or County Employees
24 Retirement System who is working in a position covered by one (1) of these
25 retirement systems and his or her employee contributions, service credit and
26 employer contributions made on his or her behalf are being transferred to the other
27 retirement system shall contribute to the system in which his or her employer

1 participates, or after August 1, 1982, the employer shall pick up the employee
2 contributions, and no further contributions or service credit shall be transferred to
3 the system in which he or she elected to retain membership, as subsection (2) of this
4 section eliminates the necessity of the transfers.

5 (6) (a) Except as provided by KRS 61.545(3)(b)2., any member of the Kentucky
6 Employees Retirement System or County Employees Retirement System who
7 is working in more than one (1) position covered by the same retirement
8 system, shall have his or her wages and contributions consolidated and his or
9 her retirement account administered as a single account. If part-time positions
10 are involved, an accumulation of all hours worked within the same retirement
11 system shall be used to determine eligibility under KRS 61.510(21).

12 (b) The provisions of this subsection shall not apply to an individual serving as
13 a volunteer who is receiving compensation from the employer equal to or
14 less than a nominal fee as defined by Sections 3 and 18 of this Act if the
15 compensation paid to the volunteer is excluded from the definition of
16 creditable compensation as provided by subsection (13) of Section 3 of this
17 Act or subsection (13) of Section 18 of this Act.

18 (7) (a) Notwithstanding the provisions of subsection (2) of this section, a person who
19 does not have the amount of service required for service retirement in the
20 State Police Retirement System, Kentucky Employees Retirement System,
21 County Employees Retirement System, Legislators' Retirement Plan, or
22 Teachers' Retirement System, but who is a member of one (1) of the systems
23 or is a former member of one (1) or more of the systems with valid service
24 credit therein, shall become eligible for service retirement benefits attributable
25 to the amount of his or her actual service credit in each system in which he or
26 she has service credit when his or her combined service credit in all the
27 systems, plus any service credit he or she has in the Judicial Retirement Plan,

1 is equal to that required for service retirement in each respective system. The
2 computation of benefits shall be based on the applicable formula in each
3 system and service credit in each system, except that total service in all
4 systems, unless prohibited by KRS 161.623(2), shall be used to determine the
5 reduction for early retirement, if any. Except as provided in KRS 21.360, the
6 final compensation shall be determined by using the creditable compensation
7 reported to the State Police Retirement System, Kentucky Employees
8 Retirement System, County Employees Retirement System, Legislators'
9 Retirement Plan, or Teachers' Retirement System and only as much of the
10 compensation earned in the Judicial Retirement Plan as is needed to satisfy the
11 final compensation requirement applicable in the respective retirement
12 systems.

13 (b) Paragraph (a) of this subsection shall be waived if the member fails to
14 simultaneously retire from all state-administered retirement systems in which
15 the member has an account or fails to retire from any other systems not
16 administered by Kentucky Retirement Systems within one (1) month of the
17 member's effective retirement date in the systems administered by the
18 Kentucky Retirement Systems.

19 (8) Each retirement system from which the member retires shall pay a retirement
20 allowance upon receipt of required forms and documents, except that no retirement
21 system shall pay a retirement allowance or annuity until all forms and documents
22 are filed at all retirement systems in compliance with each system's requirements.

23 ➔Section 30. KRS 78.625 is amended to read as follows:

24 (1) **Except as provided by subsection (6) of this section,** the employer shall prepare the
25 reporting records necessary for the system to administer the provisions of KRS
26 78.510 to 78.852 and, from time to time, shall furnish the information the system
27 may require in the discharge of its duties. Upon employment of an employee, the

- 1 employer shall inform him or her of his or her duties and obligations in connection
2 with the system as a condition of employment.
- 3 (2) The agency reporting official of the county shall file the following at the retirement
4 office on or before the tenth day of the month following the period being reported:
- 5 (a) The employee and employer contributions required under KRS 78.610 and
6 78.635;
- 7 (b) The employer contributions and reimbursements for retiree health insurance
8 premiums required under KRS 78.5540; and
- 9 (c) A record of all contributions to the system on the forms prescribed by the
10 systems.
- 11 (3) (a) If the agency reporting official fails to file at the retirement office all
12 contributions and reports on or before the tenth day of the month following
13 the period being reported, interest on the delinquent contributions at the
14 actuarial rate adopted by the board compounded annually, but not less than
15 one thousand dollars (\$1,000), may be added to the amount due the system.
- 16 (b) Delinquent contributions, with interest at the rate adopted by the board
17 compounded annually, or penalties may be recovered by action in the Franklin
18 Circuit Court against the county liable or may, at the request of the board, be
19 deducted from any other moneys payable to the county by any department or
20 agency of the state.
- 21 (4) If an agency is delinquent in the payment of contributions due in accordance with
22 any of the provisions of KRS 78.510 to 78.852, refunds and retirement allowance
23 payments to members of this agency may be suspended until the delinquent
24 contributions, with interest at the rate adopted by the board compounded annually,
25 or penalties have been paid to the system.
- 26 (5) The system may at any time conduct an audit of the employer in order to determine
27 if the employer is complying with the provisions of KRS 78.510 to 78.852. The

1 system shall have access to and may examine all books, accounts, reports,
2 correspondence files, and records of any employer. Every employer, employee, or
3 agency reporting official of a county, as defined in KRS 78.510(3), having records
4 in its possession or under its control, shall permit access to and examination of the
5 records upon the request of the system.

6 **(6) Employers shall not be required to report any information or pay employer**
7 **contributions on any individual serving as a volunteer who is receiving**
8 **compensation from the employer equal to or less than a nominal fee as defined by**
9 **Sections 3 and 18 of this Act if the compensation paid to the volunteer is excluded**
10 **from the definition of creditable compensation as provided by subsection (13) of**
11 **Section 3 of this Act or subsection (13) of Section 18 of this Act.**

12 ➔Section 31. The amendments to subsection (21)(b) of Section 3 of this Act and
13 subsection (21)(b) of Section 18 of this Act shall be retroactive to March 1, 2020, and
14 shall for purposes of anyone employed or contracted by health departments during and as
15 a result of the state of emergency declared by the Governor of Kentucky during the
16 COVID-19 pandemic apply to any such employment or contracts through December 31,
17 2022, as determined by the health department and regardless of whether or not the state of
18 emergency has expired or been lifted.

19 ➔Section 32. Whereas the prompt administration of retirement benefits by the
20 Kentucky Public Pensions Authority is a matter of the utmost importance to state and
21 local employees and retirees and the Commonwealth, an emergency is declared to exist,
22 and this Act takes effect upon its passage and approval by the Governor or upon its
23 otherwise becoming law.