

## CHAPTER 165

## ( HB 76 )

AN ACT relating to retirement.

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

→Section 1. KRS 21.440 is amended to read as follows:

- (1) (a) The investment committee for the judicial retirement fund shall at least once in every two (2) year period procure an actuarial valuation of the judicial retirement fund. The valuation shall, at a minimum, include:
1. A description of the actuarial assumptions used in the actuarial valuation, which shall be reasonably related to the experience of the fund and represent the actuary's best estimate of anticipated experience;
  2. A description of any funding methods utilized or required by state law in the development of the actuarial valuation results;
  3. A description of any changes in actuarial assumptions and methods from the previous year's actuarial valuation;
  4. The actuarially recommended contribution rate for employers for the upcoming budget periods;
  5. A thirty (30) year projection of the funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers based upon the actuarial assumptions, funding methods, and experience of the system as of the valuation date; ~~and~~
  6. A sensitivity analysis that evaluates the impact of changes in plan assumptions, including but not limited to the investment return assumption, payroll growth assumption, and medical inflation assumptions, on employer contribution rates, funding levels, and unfunded liabilities; **and**
  7. ***An actuarial investigation to be made of all of the economic experience under the plans, including but not limited to the inflation rate and investment return assumptions, relative to the economic assumptions and funding methods previously adopted by the board. The actuarial investigation shall include at a minimum a summary of the changes in actuarial assumptions and funding methods recommended in the investigation and the projected impact of the recommended changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.***
- (b) At least once in each five (5) year period, the board of trustees of the Judicial Form Retirement System shall cause an actuarial investigation to be made of all the relevant ***demographic*** experience under the retirement plan, ***including but not limited to mortality tables, withdrawal rates, and retirement rate assumptions***, relative to the ***demographic*** actuarial assumptions ~~and funding methods~~ previously adopted by the board. The actuarial investigation shall include at a minimum a summary of the changes in actuarial assumptions ~~and funding methods~~ recommended in the investigation and the projected impact of the recommended changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.
- (c) Pursuant to the investigation, the board shall from time to time revise the actuarial tables previously adopted by the board and shall thereupon revise the bases of the rates of contributions required under KRS 21.345 to 21.580.
- (d) For any change in actuarial assumptions, funding methods, retiree health insurance premiums and subsidies, or any other decisions made by the board that impact system liabilities and actuarially recommended contribution rates for employers and that are not made in conjunction with the actuarial ***investigations***~~investigation~~ required by ***paragraphs (a)7. and***~~paragraph~~ (b) of this subsection, an actuarial analysis shall be completed showing the projected impact of the changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.

## ACTS OF THE GENERAL ASSEMBLY

- (e) A copy of the valuation, ~~each~~ ~~the five (5) year~~ actuarial investigation, and any analysis required by this subsection shall be forwarded electronically to the Legislative Research Commission within ten (10) days of receipt by the committee, and the Legislative Research Commission shall distribute the information received to the committee staff and co-chairs of any committee that has jurisdiction over the Judicial Form Retirement System. The actuarial valuation required by paragraph (a) of this subsection shall be submitted no later than November 15 following the close of the fiscal year.
  - (f) All the investigations and valuations shall be certified to the board by an actuary who shall be a fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries.
- (2) (a) The board of trustees of the Judicial Form Retirement System shall annually procure an audit of the system and each of the funds therein. The audit shall be conducted in accordance with generally accepted auditing standards. Except as provided by paragraph (b) of this subsection, the board may select an independent certified public accountant or the Auditor of Public Accounts to perform the audit. If the audit is performed by an independent certified public accountant, the Auditor of Public Accounts shall not be required to perform an audit pursuant to KRS 43.050(2)(a), but may perform an audit at his discretion. The board shall make copies of the audit required by this section available for examination by any member or beneficiary in the office of the manager of the system and in such other places as may be necessary to make the audit available to all members and beneficiaries. A copy of the audit shall be sent to the Legislative Research Commission within ten (10) days of receipt by the committee.
- (b) Once every five (5) years, the Auditor of Public Accounts shall perform the audit described by this subsection, and the system shall reimburse the Auditor of Public Accounts for all costs of the audit. The Auditor of Public Accounts shall determine which fiscal year during the five (5) year period the audit prescribed by this paragraph will be completed.

➔Section 2. KRS 61.670 is amended to read as follows:

- (1) (a) As soon as practicable after its organization, the board shall adopt the actuarial tables necessary for the administration of the system and for the annual determination of actuarial assets and liabilities of the system.
- (b) The board shall cause an actuarial valuation to be made annually. The valuation shall at a minimum include:
1. A description of the actuarial assumptions used in the actuarial valuation, which shall be reasonably related to the experience of the system and represent the actuary's best estimate of anticipated experience;
  2. A description of any funding methods utilized or required by state law in the development of the actuarial valuation results;
  3. A description of any changes in actuarial assumptions and methods from the previous year's actuarial valuation;
  4. The actuarially recommended contribution rate for employers for the upcoming budget periods;
  5. A thirty (30) year projection of the funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers based upon the actuarial assumptions, funding methods, and experience of the system as of the valuation date; and
  6. A sensitivity analysis that evaluates the impact of changes in system assumptions, including but not limited to the investment return assumption, payroll growth assumption, and medical inflation rates, on employer contribution rates, funding levels, and unfunded liabilities.
- (c) 1. ***At least once in each two (2) year period, the board shall cause an actuarial investigation to be made of all of the economic experience under the retirement system, including but not limited to the inflation rate, investment return, and payroll growth assumptions, relative to the economic assumptions and funding methods previously adopted by the board.***
2. At least once in each five (5) year period, the board shall cause an actuarial investigation to be made of all the ***demographic*** experience under the retirement system, ***including but not limited to mortality tables, withdrawal rates, and retirement rate assumptions***, relative to the ***demographic*** actuarial assumptions ~~and funding methods~~ previously adopted by the board.

3. ~~Each~~~~The~~ actuarial investigation shall include at a minimum a summary of the changes in actuarial assumptions and funding methods recommended in the investigation and the projected impact of the recommended changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.
- (d) Pursuant to the actuarial ~~investigation~~~~investigation~~ *investigations* the board shall, from time to time, revise the actuarial tables previously adopted by the board and shall thereupon revise the bases of the rates of contributions required under KRS 61.510 to 61.692 and KRS 16.505 to 16.652.
- (e) For any change in actuarial assumptions, funding methods, retiree health insurance premiums and subsidies, or any other decisions made by the board that impact system liabilities and actuarially recommended contribution rates for employers and that are not made in conjunction with the actuarial ~~investigation~~~~investigation~~ *investigations* required by paragraph (c) of this subsection, an actuarial analysis shall be completed showing the projected impact of the changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.
- (f) All actuarial investigations, analyses, and valuations shall be certified to the board by an actuary who shall be a fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries.
- (2) A copy of each ~~five (5) year~~ actuarial investigation, actuarial analysis, and annual valuation required by subsection (1) of this section shall be forwarded electronically to the Legislative Research Commission no later than ten (10) days after receipt by the board, and the Legislative Research Commission shall distribute the information received to the committee staff and co-chairs of any committee that has jurisdiction over the Kentucky Retirement Systems. The actuarial valuation required by subsection (1)(b) of this section shall be submitted no later than November 15 following the close of the fiscal year.
- (3) The Legislative Research Commission may employ an actuary with the same qualifications as the actuary employed by the board, and the board shall, free of charge, provide the actuary employed by the Commission with the same data provided to its own actuary, and any supplementary data he or she may require. The actuary employed by the Commission shall review the assumptions, determinations and recommendations of the board actuary, and legislative proposals related to the retirement systems, and report his or her findings to the Commission and to the board. ***Except as provided by KRS 7A.240(5)***, the board shall pay fifty percent (50%) of the cost of the Commission's actuary, and the Commission shall pay the other fifty percent (50%).

➔Section 3. KRS 78.784 is amended to read as follows:

- (1) (a) As soon as practicable after its organization, the County Employees Retirement System board shall adopt the actuarial tables, assumptions, and methods necessary for the administration of the system and for the annual determination of actuarial assets, actuarial liabilities, and recommended employer contribution rates of the system as provided by KRS 61.702 and 78.635, for the pension and retiree health funds.
- (b) The board shall cause an actuarial valuation to be made annually. The valuation shall at a minimum include:
1. A description of the actuarial assumptions used in the actuarial valuation, which shall be reasonably related to the experience of the system and represent the actuary's best estimate of anticipated experience;
  2. A description of any funding methods utilized or required by state law in the development of the actuarial valuation results;
  3. A description of any changes in actuarial assumptions and methods from the previous year's actuarial valuation;
  4. The actuarially recommended contribution rate for employers for the upcoming budget periods;
  5. A ***thirty (30)***~~twenty (20)~~ year projection of the funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers based upon the actuarial assumptions, funding methods, and experience of the system as of the valuation date; and
  6. A sensitivity analysis that evaluates the impact of changes in system assumptions, including but not limited to the investment return assumption, payroll growth assumption, and medical inflation rates, on employer contribution rates, funding levels, and unfunded liabilities.

- (c) 1. *At least once in each two (2) year period, the board shall cause an actuarial investigation to be made of all of the economic experience under the retirement system, including but not limited to the inflation rate, investment return, and payroll growth assumptions, relative to the economic assumptions and funding methods previously adopted by the board.*
2. At least once in each five (5) year period, the board shall cause an actuarial investigation to be made of all the **demographic** experience under the system, **including but not limited to mortality tables, withdrawal rates, and retirement rate assumptions**, relative to the **demographic** actuarial assumptions ~~and funding methods~~ previously adopted by the board.
3. ~~Each~~**The** actuarial investigation shall include at a minimum a summary of the changes in actuarial assumptions and funding methods recommended in the investigation and the projected impact of the recommended changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a **thirty (30)**~~twenty (20)~~ year period.
- (d) Pursuant to the actuarial **investigations**~~investigation~~ the board shall, from time to time, revise the actuarial tables previously adopted by the board and shall thereupon revise the bases of the rates of employer contributions required under KRS 78.510 to 78.852.
- (e) For any change in actuarial assumptions, funding methods, retiree health insurance premiums and subsidies, or any other decisions made by the board that impact system liabilities and actuarially recommended contribution rates for employers and that are not made in conjunction with the actuarial **investigations**~~investigation~~ required by paragraph (c) of this subsection, an actuarial analysis shall be completed showing the projected impact of the changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a **thirty (30)**~~twenty (20)~~ year period.
- (f) All actuarial investigations, analyses, and valuations shall be certified to the board by an actuary who shall be a fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries.
- (2) A copy of each ~~five (5) year~~ actuarial investigation, actuarial analysis, and annual valuation required by subsection (1) of this section shall be forwarded electronically to the Legislative Research Commission no later than ten (10) days after receipt by the board, and the Legislative Research Commission shall distribute the information received to the committee staff and co-chairs of any committee that has jurisdiction over the County Employees Retirement System. The actuarial valuation required by subsection (1)(b) of this section shall be submitted no later than November 15 following the close of the fiscal year. In addition, the County Employees Retirement System shall submit a summary of the actuarial valuation to the Public Pension Oversight Board by December 31 following completion of the actuarial valuation which shall include the employer contribution rates to be payable by participating employers in the upcoming fiscal year, key actuarial statistics and trends, any changes in assumptions or methods since the last valuation, and other pertinent actuarial data and information.

➔Section 4. KRS 161.400 is amended to read as follows:

- (1) (a) The board of trustees shall designate as actuary a competent person who shall be a fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries. He or she shall be the technical adviser of the board on matters regarding the operation of the funds of the system and shall perform such other duties as are required in connection therewith.
- (b) 1. *At least once in each two (2) year period, the board shall cause an actuarial investigation to be made of all of the economic experience under the retirement system, including but not limited to the inflation rate, investment return, and payroll growth assumptions, relative to the economic assumptions and funding methods previously adopted by the board.*
2. At least once in each five (5) year period, the actuary shall make an actuarial investigation into **all of the demographic** actuarial assumptions ~~and funding methods~~ used, including but not limited to mortality **tables, withdrawal rates, and retirement rate assumptions**, ~~investment rate of return, and service and compensation of the members and beneficiaries of the retirement system,~~ relative to the **demographic** actuarial assumptions ~~and funding methods~~ previously adopted by the board.
3. ~~Each~~**The** actuarial investigation shall include at a minimum a summary of the changes in actuarial assumptions and funding methods recommended in the investigation and the projected

impact of the recommended changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.

- (c) At least annually the actuary shall make an actuarial valuation of the retirement system. The valuation shall include:
  - 1. A description of the actuarial assumptions used, and the assumptions shall be reasonably related to the experience of the system and represent the actuary's best estimate of anticipated experience;
  - 2. A description of any funding methods utilized or required by state law in the development of the actuarial valuation results;
  - 3. A description of any changes in actuarial assumptions and methods from the previous year's actuarial valuation;
  - 4. The actuarially recommended contribution rate for employers for the upcoming budget periods;
  - 5. A thirty (30) year projection of the funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers based upon the actuarial assumptions, funding methods, and experience of the system as of the valuation date; and
  - 6. A sensitivity analysis that evaluates the impact of changes in system assumptions, including but not limited to the investment return assumption, payroll growth assumption, and medical inflation rates, on employer contribution rates, funding levels, and unfunded liabilities.
- (d) On the basis of the results of the valuations, the board of trustees shall make necessary changes in the retirement system within the provisions of law and shall establish the contributions payable by employers and the state specified in KRS 161.550, including changes prescribed by KRS 161.633, 161.634, 161.635, and 161.636, as applicable.
- (e) For any change in actuarial assumptions, funding methods, retiree health insurance premiums and subsidies, or any other decisions made by the board that impact system liabilities and actuarially recommended contribution rates for employers and that are not made in conjunction with the actuarial **investigations**~~[investigation]~~ required by paragraph (b) of this subsection, an actuarial analysis shall be completed showing the projected impact of the changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.
- (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for all purposes shall be determined by the actuary of the retirement system and approved by the board of trustees by resolution and implemented without the necessity of an administrative regulation.
- (3) A copy of each ~~five (5) year~~ actuarial investigation, actuarial analysis, and valuation required by subsection (1) of this section shall be forwarded electronically to the Legislative Research Commission no later than ten (10) days after receipt by the board, and the Legislative Research Commission shall distribute the information received to the committee staff and co-chairs of any committee that has jurisdiction over the Teachers' Retirement System. The actuarial valuation required by subsection (1)(c) of this section shall be submitted no later than November 15 following the close of the fiscal year.

➔Section 5. KRS 61.552 is amended to read as follows:

- (1) Called to Active Duty Military Service. An employee of an employer participating in the system who is called to active military duty in the Armed Forces of the United States shall be credited in accordance with 38 U.S.C. sec. 4318 with service credit, creditable compensation, and in the case of employees participating in the hybrid cash balance plan, employee contributions, employer credits, and interest credits, for a period of active military duty of up to six (6) years, provided:
  - (a) The employee was called to active military duty in the Armed Forces of the United States:
    - 1. After he or she began participating in the system and provided the employee was on leave of absence from the employer and did not withdraw his or her accumulated account balance; or
    - 2. Prior to the date he or she began participating in the system and terminated employment with his or her employer;

- (b) The employee entered active military service within three (3) months of his or her last day of paid employment;
- (c) His or her discharge military service was terminated in a manner other than as described in 38 U.S.C. sec. 4304; and
- (d) He or she returns to work with an employer participating in the system within two (2) years after completion of the period of active military duty, or upon the subsequent termination of any total disability which existed at the expiration of the two (2) years after discharge.

For periods of active military duty that meet the requirements of this subsection, the employer shall pay the employer contributions payable under KRS 61.565, 61.702, 78.5536, and 78.635.

- (2) (a) Omitted Service. Any person who is entitled to service credit for employment which was not reported by the employer in accordance with KRS 16.543, 61.543, or 78.615 may obtain credit for the service subject to the provisions of this subsection.
  - (b) Provided the person pays for the omitted service with within six (6) months of notification by the system, the cost of the service shall be equal to the employee contributions that would have been paid if the person had been correctly reported in accordance with KRS 16.543, 61.543, or 78.615.
  - (c) Any employee participating in one (1) of the state-administered retirement systems entitled to service credit under paragraph (a) of this subsection who has not repaid the employee contributions due within six (6) months of notification by the system may purchase the credit after the six (6) months by paying to the system the employee contributions plus interest at the actuarially assumed rate from the date of initial notification under paragraph (b) of this subsection.
  - (d) Omitted service purchased under this subsection shall:
    - 1. Be considered service credited under KRS 16.543(1), 61.543(1), or 78.615(1) for purposes of determining eligibility for retirement benefits under KRS 78.510 to 78.852; and
    - 2. Not be credited to the member's account until the employer contributions due and any interest or penalties on the delinquent employer contributions for the period of omitted service are received by the system.
  - (e) Employees who begin participating on or after January 1, 2014, in the hybrid cash balance plan provided by KRS 16.583 or 61.597 or 78.5512 or 78.5516 shall, upon payment of the employee and employer contributions due under this subsection, have their accumulated account balance increased by the employee contributions, employer pay credits, and interest credits that would have been credited to their member's account if the contributions had been paid on time.
  - (f) Contributions payable by the employer under this subsection for omitted service shall be considered delinquent from the date the employee should have been reported and received service credit in accordance with KRS 16.543, 61.543, and 78.615.
- (3) (a) Recontribution of a Refund. Any employee participating in one (1) of the state-administered retirement systems who has been refunded his or her accumulated account balance under the provisions of KRS 61.625, thereby losing service credit in the system, may regain the credit by paying to the system the amount or amounts refunded by the system with interest at a rate determined by the board. Service purchased under this subsection on or after January 1, 2014, shall not be used to determine the member's participation date in the systems.
  - (b) Recontribution of a refund purchased under this subsection shall not be used in determining a retirement allowance until the member has accrued at least six (6) months of service credit in a state-administered retirement system, excluding the service purchased under this subsection. If the member does not accrue at least six (6) months of service credit in a state-administered retirement system, excluding service purchased under this subsection, then the payment plus interest as provided in KRS 16.560, 61.575, or 78.640 shall be refunded upon retirement, death, or written request following termination of employment. The service requirement shall be waived if the member dies or becomes disabled as provided for by KRS 16.582, 61.600, 61.621, 78.5522, or 78.5524.
- (4) (a) Summer Months. Any employee participating in one (1) of the state-administered retirement systems who is or has been employed by a school board or community action agency participating in the County Employees Retirement System or a state-operated school under KRS Chapter 167 or an institution of higher learning participating in the Kentucky Employees Retirement System, who receives service

credit for less than twelve (12) months each year, may purchase the additional months of service credit needed to total one (1) year of service credit, except the amount purchased for any specific year shall not exceed three (3) months.

- (b) The cost of the summer months service credit shall be determined by the formula established by subsection (10) of this section and may be purchased by the employee, or the employer on behalf of the employee, or the cost may be paid by both the employer and employee in which case the employer and employee shall each pay fifty percent (50%) of the cost. Service credit shall not be credited to the member's account until both the employer's and employee's payment are received by the system.
  - (c) If the employee has purchased service credit under this subsection based on months reported by the employer for the fiscal year, and an audit of the employee's account reduces the number of months of service credit for which the employee is eligible to no fewer than nine (9) months, the employee shall retain credit for the months purchased unless the employee is ineligible for any service in the fiscal year. The employee shall be eligible to purchase the additional months under this subsection to total one (1) year.
  - (d) This subsection shall not apply to members who began participating in the County Employees Retirement System on or after January 1, 2014.
- (5) Vested Service Purchases. Any employee who began participating in the County Employees Retirement System, the Kentucky Employees Retirement System, or the State Police Retirement System prior to January 1, 2014, who is vested may purchase service credit for:
- (a) Past service. "Past service" means periods of employment:
    1. Between July 1, 1956, in the case of the Kentucky Employees Retirement System, or July 1, 1958, in the case of the County Employees Retirement System, and the effective date of participation by the employer;
    2. Where the employee did not participate in the system due to the employee not electing to participate as provided in KRS 61.525(2) or 78.540(1); and
    3. With a public agency that did not participate in the Kentucky Employees Retirement System but would have been eligible to participate under KRS 61.520 or a political subdivision that did not participate in the County Employees Retirement System but would have been eligible to participate under KRS 78.530, provided the public agency or political subdivision has merged with or been taken over by a participating employer;
  - (b) State university service, provided the university does not participate in a state-administered retirement system and the university service being purchased was in a nonteaching position that did not participate in a defined benefit retirement program;
  - (c)
    1. Up to ten (10) years of out-of-state service. "Out-of-state" means service credited to a state or local government-administered public defined benefit plan in another state that is not a defined benefit plan for teachers.
    2. Up to ten (10) years of out-of-state hazardous service. "Out-of-state hazardous service" means service in a regular full-time position that was credited to a defined benefit retirement plan administered by a state or local government in another state, if the service could be certified as hazardous pursuant to KRS 61.592 or 78.5520, as applicable. The employee may purchase out-of-state hazardous service under this subparagraph provided the employee is vested to receive benefits from the State Police Retirement System or hazardous duty benefits from the Kentucky Employees Retirement System or the County Employees Retirement System.

The employee must purchase out-of-state service or out-of-state hazardous service in the system in which he or she is vested based solely upon the service in that system;
  - (d) Active military duty, which means periods of active military duty in the Armed Forces of the United States, provided:
    1. The employee's military service was terminated in a manner other than as described in 38 U.S.C. sec. 4304; and
    2. The service has not been credited as free military service under subsection (1) of this section;

- (e) National Guard service. An employee may purchase one (1) month of service for each six (6) months of service in the National Guard or the military reserves of the United States. The service shall be treated as service earned prior to participation in the system;
  - (f) Federal service. "Federal service" means service with the United States government, that is not service in the Armed Forces;
  - (g) Seasonal, emergency, interim, probationary, or temporary employment or part-time employment as provided by KRS 61.510(21) or 78.510(21) averaging one hundred (100) or more hours of work per month on a calendar or fiscal year basis. If the average number of hours of work is less than one hundred (100) per month, the member may purchase credit for only those months he or she receives creditable compensation for one hundred (100) hours of work;
  - (h) Part-time employment in a noncertified position at a school board prior to the 1990-91 school year which averaged eighty (80) or more hours of work per month on a calendar or fiscal year basis. If the average number of hours of work is less than eighty (80) per month, the noncertified employee of a school board shall be allowed to purchase credit only for those months he or she receives creditable compensation for eighty (80) hours of work;
  - (i) Any period of:
    - 1. Authorized maternity leave without pay or sick leave without pay;
    - 2. Unpaid leave authorized under the federal Family and Medical Leave Act;
    - 3. Approved educational leave; and
    - 4. Agency-approved leave to work for a work-related labor organization if the agency subsequently participated in the County Employees Retirement System, but only if the board receives a favorable private letter ruling from the United States Internal Revenue Service or a favorable opinion letter from the United States Department of Labor;
  - (j) Non-participating employer service, which means periods of employment with the following types of agencies provided the agency does not participate in a state-administered retirement system:
    - 1. A regional community services program for mental health organized and operated under the provisions of KRS 210.370 to 210.480;
    - 2. A community action agency created under KRS 273.405 to 273.453. The service provided by this subparagraph shall be purchased in the County Employees Retirement System;
    - 3. An area development district created pursuant to KRS 147A.050; or
    - 4. A business development corporation created pursuant to KRS 155.001 to 155.230, provided the system receives a favorable private letter ruling from the United States Internal Revenue Service or a favorable opinion letter from the United States Department of Labor;
  - (k) Urban-county government service, which means employment in an urban-county government position that would qualify for hazardous duty coverage under KRS 61.592 or 78.5520. The provisions of this paragraph shall only be applicable to vested members participating in the State Police Retirement System or in a hazardous position in the Kentucky Employees Retirement System or the County Employees Retirement System;
  - (l) Periods of service as assistants to officers and employees of the General Assembly for persons who were unable to acquire service under KRS 61.510(20) for service performed after January 1, 1960;
  - (m) Service as a volunteer in the Kentucky Peace Corps, created by KRS 154.1-720; and
  - (n) Employment with a vocational technical school in a noncertified part-time position averaging eighty (80) or more hours per month, determined by using the number of months actually worked within a calendar or fiscal year. The service provided by this paragraph shall be purchased in the Kentucky Employees Retirement System.
- (6) Non-qualified service. Provided the employee's participation date in the system is prior to July 15, 2002, and provided the employee has total service in all state-administered retirement systems of at least one hundred eighty (180) months of service credit, the employee may purchase a combined maximum total of five (5) years of service credit, known as non-qualified service, which is not otherwise purchasable under any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852. The service purchased under this



paragraph shall not be used in determining a retirement allowance until the member has accrued at least two hundred forty (240) months of service, excluding service purchased under this subsection. If the member does not accrue at least two hundred forty (240) months of service, excluding service purchased under this subsection, upon retirement, death, or written request following termination, the payment, plus interest as provided in KRS 16.560, 61.575, or 78.640, as applicable, shall be refunded.

- (7) For purposes of service purchased under subsections (2) to (6) of this section:
- (a) Except for subsection (6) of this section, the service must qualify as regular full-time as provided by KRS 61.510 and 78.510;
  - (b) No service credit may be purchased for periods already credited to the system or another public defined benefit retirement fund, including non-qualified service purchased in another state-administered retirement system;
  - (c) Except as provided by paragraph (a)2.a. of subsection (9) of this section, the employee payment for service purchases shall not be picked up, as described in KRS 16.545(4), 61.560(4), or 78.610(4), by the employer;
  - (d) Except for service purchased under subsection (2) or (3) of this section, service purchases made pursuant to this section may be purchased by the entire amount of service available or by increments. Service purchases made pursuant to subsections (2) and (3) of this section shall only be purchased by the entire amount of service available; and
  - (e) Service purchases as provided by subsections (5)(b), (5)(d) to (f), (5)(j)1., and (6) of this section may be purchased in any system in which the member has service credit.
- (8) (a) Employer purchase of past service. Any employer participating in the system may purchase service credit, between July 1, 1956, in the case of the Kentucky Employees Retirement System, or July 1, 1958, in the case of the County Employees Retirement System, and the participation date of the employer, for present employees of the county or department who have elected coverage under KRS 61.525(2) or 78.540(1), provided the employee began participating in the system prior to January 1, 2014.
- (b) A Kentucky Employees Retirement System employer shall pay the cost of the service credit within the fiscal year the election is made to purchase the service credit. A County Employees Retirement System employer may purchase the service, with interest at the rate actuarially assumed by the board, over a period not to exceed ten (10) years.
  - (c) If an employer elects to purchase service under the provisions of this subsection, any present employee who would be eligible to receive service credit under the provisions of this subsection and has purchased service credit under subsection (5)(a) of this section shall have his or her payment for the service credit refunded with interest at the rate paid under KRS 61.575 or 78.640; and
  - (d) Any payments made by an employer under this subsection shall be deposited to the retirement allowance account of the system and these funds shall not be considered accumulated contributions of the individual members.
- (9) (a) An employee participating in the system may purchase service credit under any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852 for which he or she is eligible to purchase, or as otherwise required by 38 U.S.C. ch. 43, by:
- 1. Making a lump-sum payment on a before-tax basis as provided in subparagraph 3. of this paragraph, or on an after-tax basis if the employee is purchasing service credit under subsection (1) or (3) of this section, service available pursuant to 38 U.S.C. ch. 43 not otherwise provided for in this section, or grandfathered service as defined in paragraph (b) of this subsection;
  - 2. Entering into an agreement to purchase service credit through an installment purchase of service agreement with the systems as provided by paragraph (c) of this subsection:
    - a. On a before-tax basis in which the service is purchased pursuant to the employer pick-up provisions in 26 U.S.C. sec. 414(h)(2); or
    - b. On an after-tax basis if the employee is purchasing service credit under subsection (1) or (3) of this section, service available pursuant to 38 U.S.C. ch. 43 not otherwise provided

for in this section, or grandfathered service as defined in paragraph (b) of this subsection;  
or

3. Transferring funds to the system through a direct trustee-to-trustee transfer as permitted under the applicable sections of the Internal Revenue Code and any regulations or rulings issued thereunder, through a direct rollover as contemplated by and permitted under 26 U.S.C. sec. 401(a)(31) and any regulations or rulings issued thereunder, or through a rollover of funds pursuant to and permitted under the rules specified in 26 U.S.C. secs. 402(c) and 408(d)(3). The system shall accept the transfer or rollover to the extent permitted under the rules specified in the applicable provisions of the Internal Revenue Code and any regulations and rulings issued thereunder.
- (b) For purposes of this subsection, "grandfathered service" means service purchases for which a member, whose membership date in the system is prior to July 1, 1999, is eligible to purchase under KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, that were available for all members of the system to purchase on August 5, 1997.
- (c)
1. For service purchased under a before-tax or after-tax installment purchase of service agreement as provided by paragraph (a)2. of this subsection, the cost of the service shall be computed in the same manner as for a lump-sum payment which shall be the principal, except that interest compounded annually at the actuarial rate in effect at the time the member elects to make the purchase shall be added for the period that the installments are to be made.
  2. Multiple service purchases may be combined under a single installment agreement, except that no employee may make more than one (1) installment purchase at the same time.
  3. For after-tax installment purchase of service agreements, the employee may elect to stop the installment payments by notifying the system; may have the installment purchase recalculated to add one (1) or more additional service purchases; or may pay by lump sum the remaining principal or a portion of the remaining principal.
  4. Before-tax installment purchase of service agreements shall be irrevocable, and the employee shall not be able to stop installment payments or to pay off the remaining balance of the purchase of service agreement, except upon termination of employment or death.
  5. One (1) year of installment payments shall be made for each one thousand dollars (\$1,000) or any part thereof of the total cost, except that the total period allowed for installments shall not be less than one (1) year and shall not exceed five (5) years.
  6. The employee shall pay the installments by payroll deduction for after-tax purchase of service agreements, and the employer shall pick up installments for before-tax purchase of service agreements. Upon notification by the system, the employer shall report the installment payments monthly continuously over each twelve (12) month period at the same time as, but separate from, regular employee contributions on the forms or by the computer format specified by the board.
  7. The system shall determine how much of the total cost represents payment for one (1) month of the service to be purchased and shall credit one (1) month of service to the member's account each time this amount has been paid. The first service credited shall represent the first calendar month of the service to be purchased and each succeeding month of service credit shall represent the succeeding months of that service.
  8. If the employee utilizing an installment purchase of service agreement dies, retires, does not continue employment in a position required to participate in the system, or elects to stop an after-tax installment purchase of service agreement, the member, or in the case of death, the beneficiary, shall have sixty (60) days to pay the remaining principal or a portion of the remaining principal of the installment purchase of service agreement by lump sum, subject to the restrictions of paragraph (a)1. of this subsection, or by transfer of funds under paragraph (a)3. of this subsection, except that payment by the member shall be filed with the system prior to the member's effective retirement date. If the member or beneficiary does not pay the remaining cost, the system shall refund to the member or the beneficiary the payment, payments, or portion of a payment that does not represent a full month of service purchased, except as provided by subsection (6) of this section.

9. If the employer does not report installment payments on an employee for sixty (60) days for an after-tax installment purchase of service agreement, except in the case of employees on military leave or sick leave without pay, the installment purchase shall cease and the system shall refund to the employee the payment, payments, or portion of a payment that does not represent a full month of service purchased.
  10. Installment payments of employees on military leave or sick leave without pay shall be suspended during the period of leave and shall resume without recalculation upon the employee's return from leave.
  11. If payments have ceased under subparagraph 8. or 9. of this paragraph and the member later becomes a participating employee in the County Employees Retirement System, Kentucky Employees Retirement System, or State Police Retirement System, the employee may complete the adjusted original installment purchase by lump sum or installment payments, subject to the restrictions of this subsection. If the employee elects to renew the installment purchase, the cost of the remaining service shall be recalculated in accordance with subsection (10) of this section.
- (d) Member payments, including interest, properly received pursuant to this subsection, shall be deposited to the member's account and considered as accumulated contributions of the individual member.
- (10) (a) The cost of purchasing service credit under any provision of this section, except as provided by subsections (1) to (3) of this section, shall be determined by multiplying the higher of the employee's current rate of pay, final rate of pay, or final compensation as of the end of the month in which the purchase is made times the actuarial factor times the number of years of service being purchased. The actuarial factor used to determine the cost of purchasing service credit shall assume the earliest date the member may retire without a reduction in benefits and the cost-of-living adjustments provided to members upon retirement.
- (b) Service purchased on or after August 1, 2004, under the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, except for service purchased under subsections (1) to (3) of this section *or service purchased as described by paragraph (d) of this subsection*, shall not be used to determine eligibility for or the amount of the monthly insurance contribution under KRS 61.702 or 78.5536.
- (c) For a member whose participation begins on or after August 1, 2004, service purchased under the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, except for service purchased under subsections (1) to (3) of this section *or service purchased as described by paragraph (d) of this subsection*:
1. Shall not be used to determine eligibility for a retirement allowance under disability retirement, early retirement, normal retirement, or upon death of the member under any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852; and
  2. Shall only be used to determine the amount of the retirement allowance of a member who is eligible for a retirement allowance under disability, early retirement, normal retirement, or upon death of the member under any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, or 78.510 to 78.852, based on service earned as a participating employee.
- (d) *Paragraphs (b) and (c) of this subsection shall not apply to a member who was bound by an educational contract as a conditional employee to the state of Kentucky prior to December 31, 2003, regardless of participation date or membership date in the system. Educational leave, seasonal service, or any other qualified service purchased by a member with this classification under this section shall be used to determine eligibility for benefits, membership dates or participation dates, and the amount of benefit for:*
1. *A retirement allowance under disability retirement, early retirement, normal retirement, or death under any of the provisions of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852; and*
  2. *The monthly insurance contribution under KRS 61.702 or 78.5536.*

➔Section 6. KRS 61.510 is amended to read as follows:

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

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

- (2) "Board" means the board of trustees of the system as provided in KRS 61.645;
- (3) "Department" means any state department or board or agency participating in the system in accordance with appropriate executive order, as provided in KRS 61.520. For purposes of KRS 61.510 to 61.705, the members, officers, and employees of the General Assembly and any other body, entity, or instrumentality designated by executive order by the Governor, shall be deemed to be a department, notwithstanding whether said body, entity, or instrumentality is an integral part of state government;
- (4) "Examiner" means the medical examiners as provided in KRS 61.665;
- (5) "Employee" means the members, officers, and employees of the General Assembly and every regular full-time, appointed or elective officer or employee of a participating department, including the Department of Military Affairs. The term does not include persons engaged as independent contractors, seasonal, emergency, temporary, interim, and part-time workers. In case of any doubt, the board shall determine if a person is an employee within the meaning of KRS 61.510 to 61.705;
- (6) "Employer" means a department or any authority of a department having the power to appoint or select an employee in the department, including the Senate and the House of Representatives, or any other entity, the employees of which are eligible for membership in the system pursuant to KRS 61.525;
- (7) "State" means the Commonwealth of Kentucky;
- (8) "Member" means any employee who is included in the membership of the system or any former employee whose membership has not been terminated under KRS 61.535;
- (9) "Service" means the total of current service and prior service as defined in this section;
- (10) "Current service" means the number of years and months of employment as an employee, on and after July 1, 1956, except that for members, officers, and employees of the General Assembly this date shall be January 1, 1960, for which creditable compensation is paid and employee contributions deducted, except as otherwise provided, and each member, officer, and employee of the General Assembly shall be credited with a month of current service for each month he serves in the position;
- (11) "Prior service" means the number of years and completed months, expressed as a fraction of a year, of employment as an employee, prior to July 1, 1956, for which creditable compensation was paid; except that for members, officers, and employees of the General Assembly, this date shall be January 1, 1960. An employee shall be credited with one (1) month of prior service only in those months he received compensation for at least one hundred (100) hours of work; provided, however, that each member, officer, and employee of the General Assembly shall be credited with a month of prior service for each month he served in the position prior to January 1, 1960. Twelve (12) months of current service in the system are required to validate prior service;
- (12) "Accumulated contributions" at any time means the sum of all amounts deducted from the compensation of a member and credited to his individual account in the members' account, including employee contributions picked up after August 1, 1982, pursuant to KRS 61.560(4), together with interest credited, on such amounts and any other amounts the member shall have contributed thereto, including interest credited thereon. For members who begin participating on or after September 1, 2008, "accumulated contributions" shall not include employee contributions that are deposited into accounts established pursuant to 26 U.S.C. sec. 401(h) within the funds established in KRS 16.510 and 61.515, as prescribed by KRS 61.702(3)(b);
- (13) "Creditable compensation":
  - (a) Means all salary, wages, tips to the extent the tips are reported for income tax purposes, and fees, including payments for compensatory time, paid to the employee as a result of services performed for the employer or for time during which the member is on paid leave, which are includable on the member's federal form W-2 wage and tax statement under the heading "wages, tips, other compensation," including employee contributions picked up after August 1, 1982, pursuant to KRS 61.560(4). For members of the General Assembly, it shall mean all amounts which are includable on the member's federal form W-2 wage and tax statement under the heading "wages, tips, other compensation," including employee contributions picked up after August 1, 1982, pursuant to KRS 6.505(4) or 61.560(4);
  - (b) Includes:

1. Lump-sum bonuses, severance pay, or employer-provided payments for purchase of service credit, which shall be averaged over the employee's total service with the system in which it is recorded if it is equal to or greater than one thousand dollars (\$1,000);
  2. Cases where compensation includes maintenance and other perquisites, but the board shall fix the value of that part of the compensation not paid in money;
  3. Lump-sum payments for creditable compensation paid as a result of an order of a court of competent jurisdiction, the Personnel Board, or the Commission on Human Rights, or for any creditable compensation paid in anticipation of settlement of an action before a court of competent jurisdiction, the Personnel Board, or the Commission on Human Rights, including notices of violations of state or federal wage and hour statutes or violations of state or federal discrimination statutes, which shall be credited to the fiscal year during which the wages were earned or should have been paid by the employer. This subparagraph shall also include lump-sum payments for reinstated wages pursuant to KRS 61.569, which shall be credited to the period during which the wages were earned or should have been paid by the employer;
  4. Amounts which are not includable in the member's gross income by virtue of the member having taken a voluntary salary reduction provided for under applicable provisions of the Internal Revenue Code; and
  5. Elective amounts for qualified transportation fringes paid or made available on or after January 1, 2001, for calendar years on or after January 1, 2001, that are not includable in the gross income of the employee by reason of 26 U.S.C. sec. 132(f)(4); and
- (c) Excludes:
1. Living allowances, expense reimbursements, lump-sum payments for accrued vacation leave, and other items determined by the board;
  2. For employees who begin participating on or after September 1, 2008, lump-sum payments for compensatory time;
  3. For employees who begin participating on or after August 1, 2016, nominal fees paid for services as a volunteer; and
  4. Any salary or wages paid to an employee for services as a Kentucky State Police school resource officer as defined by KRS 158.441;
- (14) "Final compensation" of a member means:
- (a) For a member who begins participating before September 1, 2008, who is employed in a nonhazardous position, the creditable compensation of the member during the five (5) fiscal years he or she was paid at the highest average monthly rate divided by the number of months of service credit during that five (5) year period multiplied by twelve (12). The five (5) years may be fractional and need not be consecutive. If the number of months of service credit during the five (5) year period is less than forty-eight (48), one (1) or more additional fiscal years shall be used;
  - (b) For a member who is employed in a nonhazardous position, whose effective retirement date is between August 1, 2001, and January 1, 2009, and whose total service credit is at least twenty-seven (27) years and whose age and years of service total at least seventy-five (75), final compensation means the creditable compensation of the member during the three (3) fiscal years the member was paid at the highest average monthly rate divided by the number of months of service credit during that three (3) years period multiplied by twelve (12). The three (3) years may be fractional and need not be consecutive. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used. Notwithstanding the provision of KRS 61.565, the funding for this paragraph shall be provided from existing funds of the retirement allowance;
  - (c) For a member who begins participating before September 1, 2008, who is employed in a hazardous position, as provided in KRS 61.592, the creditable compensation of the member during the three (3) fiscal years he or she was paid at the highest average monthly rate divided by the number of months of service credit during that three (3) year period multiplied by twelve (12). The three (3) years may be

- fractional and need not be consecutive. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used;
- (d) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, who is employed in a nonhazardous position, the creditable compensation of the member during the five (5) complete fiscal years immediately preceding retirement divided by five (5). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit. If the member does not have five (5) complete fiscal years that each contain twelve (12) months of service credit, then one (1) or more additional fiscal years, which may contain less than twelve (12) months of service credit, shall be added until the number of months in the final compensation calculation is at least sixty (60) months; or
  - (e) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, who is employed in a hazardous position as provided in KRS 61.592, the creditable compensation of the member during the three (3) complete fiscal years he or she was paid at the highest average monthly rate divided by three (3). Each fiscal year used to determine final compensation must contain twelve (12) months of service credit. If the member does not have three (3) complete fiscal years that each contain twelve (12) months of service credit, then one (1) or more additional fiscal years, which may contain less than twelve (12) months of service credit, shall be added until the number of months in the final compensation calculation is at least thirty-six (36) months;
- (15) "Final rate of pay" means the actual rate upon which earnings of an employee were calculated during the twelve (12) month period immediately preceding the member's effective retirement date, including employee contributions picked up after August 1, 1982, pursuant to KRS 61.560(4). The rate shall be certified to the system by the employer and the following equivalents shall be used to convert the rate to an annual rate: two thousand eighty (2,080) hours for eight (8) hour workdays, nineteen hundred fifty (1,950) hours for seven and one-half (7-1/2) hour workdays, two hundred sixty (260) days, fifty-two (52) weeks, twelve (12) months, one (1) year;
  - (16) "Retirement allowance" means the retirement payments to which a member is entitled;
  - (17) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of the actuarial tables that are adopted by the board. In cases of disability retirement, the options authorized by KRS 61.635 shall be computed by adding ten (10) years to the age of the member, unless the member has chosen the Social Security adjustment option as provided for in KRS 61.635(8), in which case the member's actual age shall be used. For members who began participating in the system prior to January 1, 2014, no disability retirement option shall be less than the same option computed under early retirement;
  - (18) "Normal retirement date" means the sixty-fifth birthday of a member, unless otherwise provided in KRS 61.510 to 61.705;
  - (19) "Fiscal year" of the system means the twelve (12) months from July 1 through the following June 30, which shall also be the plan year. The "fiscal year" shall be the limitation year used to determine contribution and benefit limits as established by 26 U.S.C. sec. 415;
  - (20) "Officers and employees of the General Assembly" means the occupants of those positions enumerated in KRS 6.150. The term shall also apply to assistants who were employed by the General Assembly for at least one (1) regular legislative session prior to July 13, 2004, who elect to participate in the retirement system, and who serve for at least six (6) regular legislative sessions. Assistants hired after July 13, 2004, shall be designated as interim employees;
  - (21) "Regular full-time positions," as used in subsection (5) of this section, shall mean all positions that average one hundred (100) or more hours per month determined by using the number of months actually worked within a calendar or fiscal year, including all positions except:
    - (a) Seasonal positions, which although temporary in duration, are positions which coincide in duration with a particular season or seasons of the year and which may recur regularly from year to year, the period of time shall not exceed nine (9) months;
    - (b) Emergency positions which are positions which do not exceed thirty (30) working days and are nonrenewable;
    - (c) Temporary positions which are positions of employment with a participating department for a period of time not to exceed nine (9) months and are nonrenewable;

- (d) Part-time positions which are positions which may be permanent in duration, but which require less than a calendar or fiscal year average of one hundred (100) hours of work per month, determined by using the number of months actually worked within a calendar or fiscal year, in the performance of duty; and
  - (e) Interim positions which are positions established for a one-time or recurring need not to exceed nine (9) months;
- (22) "Vested" for purposes of determining eligibility for purchasing service credit under KRS 61.552 means the employee has at least forty-eight (48) months of service if age sixty-five (65) or older or at least sixty (60) months of service if under the age of sixty-five (65). For purposes of this subsection, "service" means service in the systems administered by the Kentucky Retirement Systems and County Employees Retirement System;
  - (23) "Parted employer" means a department, portion of a department, board, or agency, such as Outwood Hospital and School, which previously participated in the system, but due to lease or other contractual arrangement is now operated by a publicly held corporation or other similar organization, and therefore is no longer participating in the system. The term "parted employer" shall not include a department, board, or agency that ceased participation in the system pursuant to KRS 61.522;
  - (24) "Retired member" means any former member receiving a retirement allowance or any former member who has filed the necessary documents for retirement benefits and is no longer contributing to the retirement system;
  - (25) "Current rate of pay" means the member's actual hourly, daily, weekly, biweekly, monthly, or yearly rate of pay converted to an annual rate as defined in final rate of pay. The rate shall be certified by the employer;
  - (26) "Beneficiary" means the person or persons or estate or trust or trustee designated by the member in accordance with KRS 61.542 or 61.705 to receive any available benefits in the event of the member's death. As used in KRS 61.702, "beneficiary" does not mean an estate, trust, or trustee;
  - (27) "Recipient" means the retired member or the person or persons designated as beneficiary by the member and drawing a retirement allowance as a result of the member's death or a dependent child drawing a retirement allowance. An alternate payee of a qualified domestic relations order shall not be considered a recipient, except for purposes of KRS 61.623;
  - (28) "Level percentage of payroll amortization method" means a method of determining the annual amortization payment on the unfunded actuarial accrued liability as expressed as a percentage of payroll over a set period of years but that may be converted to a dollar value for purposes of KRS 61.565(1)(d). Under this method, the percentage of payroll shall be projected to remain constant for all years remaining in the set period of time and the unfunded actuarially accrued liability shall be projected to be fully amortized at the conclusion of the set period of years;
  - (29) "Increment" means twelve (12) months of service credit which are purchased. The twelve (12) months need not be consecutive. The final increment may be less than twelve (12) months;
  - (30) "Person" means a natural person;
  - (31) "Retirement office" means the Kentucky Public Pensions Authority's office building in Frankfort, unless otherwise designated by the Kentucky Public Pensions Authority;
  - (32) "Last day of paid employment" means the last date employer and employee contributions are required to be reported in accordance with KRS 16.543, 61.543, or 78.615 to the retirement office in order for the employee to receive current service credit for the month. Last day of paid employment does not mean a date the employee receives payment for accrued leave, whether by lump sum or otherwise, if that date occurs twenty-four (24) or more months after previous contributions;
  - (33) "Objective medical evidence" means reports of examinations or treatments; medical signs which are anatomical, physiological, or psychological abnormalities that can be observed; psychiatric signs which are medically demonstrable phenomena indicating specific abnormalities of behavior, affect, thought, memory, orientation, or contact with reality; or laboratory findings which are anatomical, physiological, or psychological phenomena that can be shown by medically acceptable laboratory diagnostic techniques, including but not limited to chemical tests, electrocardiograms, electroencephalograms, X-rays, and psychological tests;
  - (34) "Participating" means an employee is currently earning service credit in the system as provided in KRS 61.543;

- (35) "Month" means a calendar month;
- (36) "Membership date" means:
- (a) The date upon which the member began participating in the system as provided in KRS 61.543; ~~for~~
  - (b) For a member electing to participate in the system pursuant to KRS 196.167(4) who has not previously participated in the system or the Kentucky Teachers' Retirement System, the date the member began participating in a defined contribution plan that meets the requirements of 26 U.S.C. sec. 403(b); *or*
  - (c) ***For members bound by an educational contract as a conditional employee to the state of Kentucky prior to December 31, 2003, the date on which the educational contract became effective;***
- (37) "Participant" means a member, as defined by subsection (8) of this section, or a retired member, as defined by subsection (24) of this section;
- (38) "Qualified domestic relations order" means any judgment, decree, or order, including approval of a property settlement agreement, that:
- (a) Is issued by a court or administrative agency; and
  - (b) Relates to the provision of child support, alimony payments, or marital property rights to an alternate payee;
- (39) "Alternate payee" means a spouse, former spouse, child, or other dependent of a participant, who is designated to be paid retirement benefits in a qualified domestic relations order;
- (40) "Accumulated employer credit" mean the employer pay credit deposited to the member's account and interest credited on such amounts as provided by KRS 16.583 and 61.597;
- (41) "Accumulated account balance" means:
- (a) For members who began participating in the system prior to January 1, 2014, the member's accumulated contributions; or
  - (b) For members who began participating in the system on or after January 1, 2014, in the hybrid cash balance plan as provided by KRS 16.583 and 61.597, the combined sum of the member's accumulated contributions and the member's accumulated employer credit;
- (42) "Volunteer" means an individual who:
- (a) Freely and without pressure or coercion performs hours of service for an employer participating in one (1) of the systems administered by Kentucky Retirement Systems without receipt of compensation for services rendered, except for reimbursement of actual expenses, payment of a nominal fee to offset the costs of performing the voluntary services, or both; and
  - (b) If a retired member, does not become an employee, leased employee, or independent contractor of the employer for which he or she is performing volunteer services for a period of at least twelve (12) months following the retired member's most recent retirement date;
- (43) "Nominal fee" means compensation earned for services as a volunteer that does not exceed five hundred dollars (\$500) per month. Compensation earned for services as a volunteer from more than one (1) participating employer during a month shall be aggregated to determine whether the compensation exceeds the five hundred dollars (\$500) per month maximum provided by this subsection;
- (44) "Nonhazardous position" means a position that does not meet the requirements of KRS 61.592 or has not been approved by the board as a hazardous position;
- (45) "Monthly average pay" means:
- (a) In the case of a member who dies as a direct result of an act in line of duty as defined in KRS 16.505 or who dies as a result of a duty-related injury as defined in KRS 61.621, the higher of the member's monthly final rate of pay or the average monthly creditable compensation earned by the deceased member during his or her last twelve (12) months of employment; or
  - (b) In the case where a member becomes totally and permanently disabled as a direct result of an act in line of duty as defined in KRS 16.505 or becomes disabled as a result of a duty-related injury as defined in KRS 61.621 and is eligible for the benefits provided by KRS 61.621(5)(a), the higher of the member's monthly final rate of pay or the average monthly creditable compensation earned by the disabled



member during his or her last twelve (12) months of employment prior to the date the act in line of duty or duty-related injury occurred;

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

(47) "Executive director" means the executive director of the Kentucky Public Pensions Authority.

➔Section 7. The first actuarial investigations of economic assumptions and funding methods for the Legislators' Retirement Plan, Judicial Retirement Plan, Kentucky Retirement Systems, the County Employees Retirement System, and the Teachers' Retirement System, as provided by subsection (1)(a).7. of Section 1 of this Act, subsection (1)(c)1. of Section 2 of this Act, subsection (1)(c)1. of Section 3 of this Act, and subsection (1)(b)1. of Section 4 of this Act, respectively, shall take place prior to the completion of the 2023 actuarial valuations for each system so that any changes in economic assumptions shall be reflected in the 2023 actuarial valuations.

**Signed by Governor April 8, 2022.**