AN ACT relating to retirement and declaring an emergency.

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

➔Section 1. KRS 61.565 is repealed, reenacted, and amended to read as follows:

(1) (a) Each employer participating in the State Police Retirement System as provided for in KRS 16.505 to 16.652, the County Employees Retirement System as provided for in KRS 78.510 to 78.852, and the Kentucky Employees Retirement System as provided for in KRS 61.510 to 61.705 shall contribute annually to the respective retirement system an amount determined by the actuarial valuation completed in accordance with KRS 61.670 and as specified by this section. Employer contributions for each respective retirement system shall be equal to the sum of the "normal cost contribution" and the "actuarially accrued liability contribution."

(b) For purposes of this section, the normal cost contribution shall be computed as a percentage of pay and shall be an annual amount that is sufficient when combined with employee contributions to fund benefits earned during the year in the respective system~~[or plan, including costs for those members who elect to participate in the 401(a) money purchase plan]~~. The amount shall be**:**

1. Paid as a percentage of creditable compensation reported for each employee participating in the system~~[or plan]~~ and accruing benefits**;** ***and***

2. The same percentage of pay for all employees who are participating in the same retirement system, except that separate percentage rates shall be developed in each system for those employers whose employees are participating in hazardous duty retirement coverage as provided by KRS 61.592.

(c) For purposes of this section, the actuarially accrued liability contribution shall be**:**

1. Computed by amortizing~~[an annual dollar amount that is sufficient to amortize]~~ the total unfunded actuarially accrued liability of each system over a closed period of thirty (30) years ***beginning with the 2019 actuarial valuation*** using the ***level percentage of payroll***~~[level dollar]~~ amortization method***, except that any increase or decrease in the unfunded actuarially accrued liability occurring after the completion of the 2019 actuarial valuation shall be amortized over a closed period of twenty (20) years beginning with the actuarial valuation in which the increase or decrease in the unfunded actuarially accrued liability is recognized. An increase or decrease in the unfunded actuarially accrued liability may result from, but not be limited to, legislative changes to benefits, changes in actuarial methods or assumptions, or actuarial gains or losses;***

2. Paid as a percentage of payroll on the creditable compensation reported for each employee participating in the system and accruing benefits; and

3. The same percentage of pay for all employees who are participating in the same retirement system, except that separate percentage rates shall be developed in each system for those employers whose employees are participating in hazardous duty retirement coverage as provided by KRS 61.592. ~~[This method shall be used beginning with the 2019 actuarial valuation, and employer costs for the actuarially accrued liability contribution shall be prorated to each employer as provided by paragraph (f) of this subsection.]~~

(d) The employer contributions computed under this section shall be determined using:

1. The entry age normal cost funding method;

2. An asset smoothing method that smooths investment gains and losses over a five (5) year period; and

3. Other funding methods and assumptions established by the board in accordance with KRS 61.670.

(e) Effective with the 2019 actuarial valuation, the amortization period for the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System ***for liabilities accrued as of the 2019 actuarial valuation*** shall be reset to a new thirty (30) year closed period for purposes of calculating the actuarially accrued liability contribution prescribed by ***paragraph (c)*** this subsection.

~~[(f) The dollar value of the actuarially accrued liability contribution specified by paragraph (c) of this subsection payable by each individual system employer based upon the 2019 actuarial valuation shall be prorated based upon the individual employer's average percentage of the total creditable compensation reported by all employers in the specific system in fiscal years 2014-2015, 2015-2016, and 2016-2017, except that the amount shall:~~

~~1. Not apply to any employer who ceases participation and pays the full actuarial cost of ceasing participation as provided by KRS 61.522;~~

~~2. Be adjusted for each remaining employer of a system to reflect any employer who ceases participation and who pays the full actuarial cost of ceasing participation as provided by KRS 61.522; and~~

~~3. Be a single amount for all executive branch departments, program cabinets and their respective departments and administrative bodies enumerated in KRS 12.020, and any other executive branch agencies administratively attached to a department, program cabinet, or administrative body enumerated in KRS 12.020.]~~

(2) (a) Normal cost contribution rates and the actuarially accrued liability

contribution shall be determined by the board on the basis of the annual actuarial valuation last preceding the July 1 of a new biennium.

(b) The board may amend contribution rates as of July 1 of the second year of a biennium ***for the County Employees Retirement System***, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy the requirements of this section.

(c) ~~[Effective for employer contribution rates payable on or after July 1, 2014, through June 30, 2020,]~~The board shall not have the authority to amend contribution rates as of July 1 of the second year of the biennium for the Kentucky Employees Retirement System and the State Police Retirement System.

(3) The system shall advise each employer prior to ~~[the beginning of each biennium, or prior to]~~July 1~~[of the second year of a biennium for employers participating in the County Employees Retirement System,]~~ of any change in the employer contribution rate. Based on the employer contribution rate, each employer shall include in the budget sufficient funds to pay the employer contributions as determined by the board under this section.

(4) ***All employers, including*** the General Assembly**,** shall pay the full actuarially required ***contributions***~~[contribution rate]~~, as prescribed by this section, to the Kentucky Employees Retirement System and the State Police Retirement System in fiscal years occurring on or after ***July 1, 2020***~~[July 1, 2014]~~.

(5) Notwithstanding any other provision of KRS Chapter 61 or 78 to the contrary, the employer contribution established by the board for the County Employees Retirement System that are payable on or after July 1, 2018, and until June 30, 2028, for the pension and health insurance funds, including the normal cost contribution and the actuarially accrued liability contribution for each fund, shall not increase by more than twelve percent (12%) in terms of projected dollars paid

by participating employers over the prior fiscal year as determined by the system's consulting actuary.

➔Section 2. 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, or investment returns earned as provided by KRS 61.5956, on such amounts and any other amounts the member shall have contributed thereto, including interest credited

thereon or investment returns earned as provided by KRS 61.5956. "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, 61.515, and 78.520, as prescribed by KRS 61.702(2)(b);

(13) "Creditable compensation":

(a) Except as provided by paragraph (b) or (c) of this subsection, 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. Uniform, equipment, or any other expense allowances paid on or after January 1, 2019, 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 participating in a nonhazardous position who began participating prior to September 1, 2008, and who retire after July 1, 2023, lump-sum payments for compensatory time upon termination of

employment;

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

5. 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 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, except that for members retiring on or after January 1, 2019, the five (5) fiscal years shall be complete fiscal years. If the number of months of service credit during the five (5) year period is less than forty-eight (48) for members retiring prior to January 1, 2019, one (1) or more additional fiscal years shall be used. If a member retiring on or after January 1, 2019, 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;

(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, and who retired prior to January 1, 2019, the creditable compensation of the member during the three (3) fiscal years he was paid at the highest average monthly rate divided by the number of months of service credit during that three (3) year period multiplied by twelve (12). The three (3) years may be fractional and need not be consecutive. If the number of months of service credit during the three (3) year period is less than twenty-four (24), one (1) or more additional fiscal years shall be used;

(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, or for a member who begins participating prior to September 1, 2008, who is employed in a hazardous position as provided in KRS 61.592, who retires on or after January 1, 2019, the creditable compensation of the member during the three (3) complete fiscal years he 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) "Delayed contribution payment" means an amount paid by an employee for purchase of current service. The amount shall be determined using the same formula in KRS 61.5525, and the payment shall not be picked up by the employer. A delayed contribution payment shall be deposited to the member's account and considered as accumulated contributions of the individual member. In determining payments under this subsection, the formula found in this subsection shall prevail over the one found in KRS 212.434;

(23) "Parted employer" means a department, portion of a department, board, or agency, such as Outwood Hospital and School, which previously participated in the system, but due to lease or other contractual arrangement is now operated by a publicly held corporation or other similar organization, and therefore is no longer participating in the system. 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*** ~~[dollar]~~ amortization method" means a method of determining the annual amortization payment on the unfunded actuarial accrued liability ***as expressed as a percentage of payroll*** ~~[that is set as an equal dollar amount]~~ over ***a set period of years*** ~~[the remaining amortization period as of the actuarial valuation date]~~. Under this method, the ***percentage of payroll shall be projected to remain constant for all years remaining in the set period and the*** unfunded actuarially accrued liability shall be projected to be fully amortized at the conclusion of the ***set*** ~~[amortization]~~ period;

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

(30) "Person" means a natural person;

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

(32) "Last day of paid employment" means the last date employer and employee contributions are required to be reported in accordance with KRS 16.543, 61.543, or 78.615 to the retirement office in order for the employee to receive current service

credit for the month. Last day of paid employment does not mean a date the employee receives payment for accrued leave, whether by lump sum or otherwise, if that date occurs twenty-four (24) or more months after previous contributions;

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

(34) "Participating" means an employee is currently earning service credit in the system as provided in KRS 61.543;

(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; or

(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);

(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;

(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; or

(c) For nonhazardous members who are participating in the 401(a) money purchase plan as provided by KRS 61.5956, the combined sum of the member's accumulated contribution and the member's accumulated employer contribution in the 401(a) money purchase plan;

(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 twenty-four (24) 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) "Accumulated employer contribution" means the employer contribution deposited to the member's account and any investment returns on such amounts as provided by KRS 61.5956; and

(46) "Monthly average pay" means 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.

➔Section 3. KRS 61.522 is amended to read as follows:

Notwithstanding any other provision of KRS 61.510 to 61.705 or 78.510 to 78.852 to the contrary:

(1) For purposes of this section:

(a) "Active member" means a member who is participating in the system;

(b) "Employer" means the governing body of a department, as defined by KRS 61.510, or a county as defined by KRS 78.510;

(c) "Employer's effective cessation date" means:

1. The last day of the system's plan year in the year in which the employer has elected to cease participation in the system, provided the employer has met the requirements of this section and has given the Kentucky Retirement Systems sufficient notice as provided by administrative

regulations promulgated by the systems; or

2. For Kentucky Employees Retirement System employers making an election to cease participating under the provisions of subsection (8) of this section, it shall be June 30, ***2021*** ~~[2020]~~; and

(d) "Inactive member" means a member who is not participating with the system;

(2) Any employer participating in the Kentucky Employees Retirement System or the County Employees Retirement System on July 1, 2015, except as limited by subsection (6) of this section, may:

(a) Voluntarily cease participation in its respective retirement system subject to the requirements and restrictions of this section;

(b) Be required to involuntarily cease participation in the system under the provisions of this section if the board has determined the employer is no longer qualified to participate in a governmental plan or has failed to comply with the provisions of KRS 61.510 to 61.705 or 78.510 to 78.852; or

(c) If the employer is participating in the Kentucky Employees Retirement System, request an estimate of the cost of voluntarily ceasing participation in the system prior to officially making a request to cease participation. For those Kentucky Employees Retirement System nonhazardous employers who are considering ceasing participating in the system under the provisions of subsection (8) of this section on June 30, ***2021*** ~~[2020]~~, the request for an estimate to voluntarily cease participating must be made prior to December 31, 2019, and the estimate shall be provided to that employer within sixty (60) days of the request, except that no estimate shall be required to be provided prior to January 31, 2020;

(3) (a) If an employer desires to voluntarily cease participation in the Kentucky Employees Retirement System or the County Employees Retirement System as provided by subsection (2)(a) of this section:

1. The employer shall adopt a resolution requesting to cease participation in the system and shall submit the resolution to the board for its approval. The board shall not be able to deny a resolution to cease participation in the Kentucky Employees Retirement System for any employer who seeks to voluntarily cease participation in the system as provided by subsection (8) of this section;
2. Except as provided by subsection (8)(d) of this section, the cessation of participation in the system shall apply to all employees of the employer;
3. The employer shall pay for all administrative costs of an actuarial study to be completed by the Kentucky Retirement Systems' consulting actuary and for any other administrative costs for discontinuing participation in the system as determined by the board and as provided by this section;
4. The employer shall provide an alternative retirement program for employees who will no longer be covered by the system, which may include a voluntary defined contribution plan but, for Kentucky Employees Retirement System employers with effective cessation dates occurring on or after June 30, 2020, the alternative retirement program shall not include a defined benefit plan which by its nature can have an unfunded liability;
5. If the alternative retirement program established by the employer meets the qualification requirements under 26 U.S.C. sec. 401(a) or 26 U.S.C. sec. 403(b) and is capable of accepting trustee-to-trustee transfers of both pre-tax and post-tax contributions, employees of the employer ceasing participation may, except for those employees continuing to participate in the system as provided by subsection (8)(d)2. of this section, seek to transfer his or her account balance to the employer's qualified alternate retirement program within sixty (60) days of the

employer's effective cessation date. An employee's election to transfer his or her account balance within sixty (60) days of the employer's effective cessation date is an irrevocable waiver of the right to obtain service credits in the system for the time worked for the employer ceasing participation;

6. The employer shall pay to the system by lump sum or in installments as provided by subsection (8) of this section, if eligible, the full actuarial cost, except as provided by subsection (8)(g)4. of this section, of the benefits accrued by its current and former employees in the system as determined separately for the pension fund and the insurance fund by the actuarial study required by subparagraph 3. of this paragraph. If the employer makes an election for employees to continue to participate in the system as provided by subsection (8)(d)2. of this section, the cost shall also include the present value of future normal costs of those employees who will continue to participate in the system after the employer's effective cessation date. The full actuarial cost shall not include any employee who seeks a transfer of his or her account balance within sixty (60) days of the employer's effective cessation date as provided by subparagraph 5. of this paragraph. The actuarial cost shall be fixed, and the employer shall not be subject to any increases or subsequent adjustments, once the lump sum is paid or the installment payments have commenced; and

7. Kentucky Employees Retirement System employers ceasing participating under the provisions of subsection (8) of this section who elect to pay their actuarial costs by a lump sum shall make the full lump-sum payment by June 30, ***2022*** ~~[2021]~~, and shall pay interest on the principal amount beginning on July 1, ***2021*** ~~[2020]~~, equal to a rate of five

and one-quarter percent (5.25%) per annum for pension costs and at a rate of six and one-quarter percent (6.25%) per annum for retiree health costs until the lump-sum payment is made. If the ceasing employer fails to make the full lump-sum payment by June 30, ***2022*** ~~[2021]~~, the ceasing employer shall make installments as provided by subsection (8)(g) of this section, and the ceasing employer shall have the costs recalculated based upon making installment payments as provided by this section and shall be required to make up any missed installment payments as determined by the system.

(b) If the board determines an employer must involuntarily cease participation in the system as provided by subsection (2)(b) of this section:

1. The cessation of participation in the system shall apply to all employees of the employer;
2. The employer shall pay for all administrative costs of an actuarial study to be completed by the Kentucky Retirement Systems' consulting actuary and for any other administrative costs for discontinuing participation in the system as determined by the board and as provided by this section; and
3. The employer shall pay by lump sum to the system the full actuarial cost of the benefits accrued by its current and former employees in the system as determined separately for the pension fund and the insurance fund by the actuarial study required by subparagraph 2. of this paragraph. The actuarial cost shall be fixed, and the employer shall not be subject to any increases or subsequent adjustments, once the lump sum is paid.

A Kentucky Employees Retirement System employer who ceases participation in the systems under this paragraph shall not establish or contribute to on

behalf of its employees a defined benefit plan which by its nature can have an unfunded liability;

(4) Any employee hired on or after the employer's effective cessation date by an employer who has ceased participation in the system as provided by this section shall not, regardless of his or her membership date in the systems administered by Kentucky Retirement Systems, be eligible to participate in the Kentucky Employees Retirement System or the County Employees Retirement System through the employer that ceased participation for the duration of his or her employment with that employer;

(5) If an employer has ceased participation in the system as provided by this section:

(a) The rights of recipients and the vested rights of inactive members accrued as of the employer's effective cessation date shall not be impaired or reduced in any manner as a result of the employer ceasing participation in the system; and

(b) Except as provided by subsection (8)(d)2. of this section, employees of the employer ceasing participation shall accrue benefits through the employer's effective cessation date but shall not accrue any additional benefits in the Kentucky Employees Retirement System or the County Employees Retirement System, including earning years of service credit through the ceased employer, after the employer's effective cessation date for as long as they remain employed by the employer. The day after the employer's effective cessation date, each employee described by this paragraph, except as provided by subsection (8)(d)2. of this section, shall be considered an inactive member with respect to his or her employment with the employer that ceased participation and, subject to the provisions and limitations of KRS 61.510 to 61.705 and 78.510 to 78.852, shall:

1. Retain his or her accounts with the Kentucky Employees Retirement System or the County Employees Retirement System and have those

accounts credited with interest in accordance with KRS 61.510 to 61.705 and 78.510 to 78.852;

2. Retain his or her vested rights in accordance with paragraph (a) of this subsection; and

3. Be eligible to take a refund of his or her accumulated account balance in accordance with KRS 61.625 or any other available distribution if eligible;

(6) (a) Kentucky Employees Retirement System employers who are county attorney offices, Commonwealth's attorney offices, local and district health departments governed by KRS Chapter 212, master commissioners, executive branch agencies whose employees are subject to KRS 18A.005 to 18A.200, state-administered retirement systems, state-supported universities and community colleges, property valuation administration offices, or employers in the legislative or judicial branch of Kentucky state government, shall not be eligible to voluntarily discontinue participation in the Kentucky Employees Retirement System, except that:

1. Any employer who is a nonstock nonprofit corporation organized under KRS Chapter 273 may voluntarily cease participation; and

2. Local and district health departments governed by KRS Chapter 212, state-supported universities and community colleges, and the Kentucky Higher Education Student Loan Corporation may voluntarily cease participation in the Kentucky Employees Retirement System solely under the provisions and requirements of subsection (8) of this section.

(b) Only the employers in the County Employees Retirement System who are a nonstock nonprofit corporation organized under KRS Chapter 273 may voluntarily cease participation in the County Employees Retirement System;

(7) For purposes of this section, the full actuarial cost shall be determined by the

Kentucky Retirement Systems' consulting actuary separately for the pension fund and the insurance fund using the assumptions and methodology established by the system specifically for determining the full actuarial cost of ceasing participation as of the employer's effective cessation date. For purposes of determining the full actuarial cost, the assumed rate of return used to calculate the cost shall be the lesser of the assumed rate of return utilized in the system's most recent actuarial valuation or the yield on a thirty (30) year United States treasury bond as of the employer's effective cessation date, but shall in no case be lower than:

(a) Except as provided by paragraphs (b) to (e) of this subsection, the assumed rate of return utilized in the system's most recent actuarial valuation minus three and one-half percent (3.5%);

(b) Four and one-half percent (4.5%) for those Kentucky Employees Retirement System employers who voluntarily cease participation under the provisions of subsection (8) of this section who pay the costs of ceasing participation by lump-sum payment by June 30, ***2022*** ~~[2021]~~, and who do not make an election for their employees to continue to participate in the system after the employer's effective cessation date as provided by subsection (8)(d)3. of this section;

(c) Three and one-half percent (3.5%) for those Kentucky Employees Retirement System employers who voluntarily cease participation under the provisions of subsection (8) of this section who pay the costs of ceasing participation by lump-sum payment by June 30, ***2022*** ~~[2021]~~, and who do make an election for employees to continue to participate in the system after the employer's effective cessation date as provided by subsection (8)(d)2. of this section;

(d) Three and one-half percent (3.5%) for those Kentucky Employees Retirement System employers who voluntarily cease participation under the provisions of subsection (8) of this section who pay the costs of ceasing participation by

installment payments and who do not make an election for employees to continue to participate in the system after the employer's effective cessation date as provided by subsection (8)(d)3. of this section; or

(e) Three percent (3%) for those Kentucky Employees Retirement System employers who voluntarily cease participation under the provisions of subsection (8) of this section who pay the costs of ceasing participation by installment payments and who do make an election for employees to continue to participate in the system after the employer's effective cessation date as provided by subsection (8)(d)2. of this section;

(8) Notwithstanding the provisions of this section, any Kentucky Employees Retirement System employer who is eligible to voluntarily cease participating as provided by subsection (6) of this section may, on or after April 1, 2020, but prior to May 1, ***2021***~~[2020]~~, ***except in the case of university or community college employers it shall be prior to January 1, 2021,*** elect to voluntarily cease participating in the systems for its nonhazardous employees by submitting a resolution in accordance with subsection (3)(a)1. of this section. If an employer makes an election to voluntarily cease participation by submitting a resolution as provided by this subsection:

(a) The board shall accept any election to cease participation on or before June 30, ***2021***~~[2020]~~, and the employer's effective cessation date shall be June 30, ***2021***~~[2020]~~. Prior to May 1, ***2021***~~[2020]~~, ***or January 1, 2021, in the case of university or community college employers, the***~~[an]~~ employer may rescind a previously submitted election to cease participation;

(b) Nonhazardous employees hired on or after the employer's effective cessation date by an employer who has ceased participation in the system as provided by this section shall not, regardless of his or her membership date in the systems administered by Kentucky Retirement Systems, be eligible to participate in the

Kentucky Employees Retirement System through the employer that ceased participation for the duration of his or her employment with that ceasing employer;

(c) Nonhazardous employees hired prior to the employer's effective cessation date, who began participating in the systems administered by Kentucky Retirement Systems on or after January 1, 2014, and who are participating in the hybrid cash balance plan as provided by KRS 61.597, shall continue to contribute and earn service credit in the systems through the employer's effective cessation date. After the employer's effective cessation date, the employee shall participate in the alternative retirement plan established by the employer as provided by subsection (3)(a)4. of this section. A nonhazardous employee covered by this paragraph who elects to transfer his or her account balance within sixty (60) days of the employer's effective cessation date as provided by subsection (3)(a)5. of this section, shall, notwithstanding KRS 61.597, receive a transfer of the employee's accumulated account balance, including the entire accumulated employer credit, regardless of the employee's years of service credit;

(d) 1. The employer shall, in the resolution submitted in accordance with subsection (3)(a)1. of this section, make an election as to whether or not nonhazardous employees hired prior to the employer's effective cessation date, who began participating in the systems administered by Kentucky Retirement Systems prior to January 1, 2014, who are participating in the systems administered by Kentucky Retirement Systems through the employer, will continue to participate in the system after the employer's effective cessation date.

2. If the employer makes an election for the employees described by this paragraph to continue participating in the system after the employer's

effective cessation date, these employees will continue to contribute and earn service credit in the systems for as long as they remain employed by the employer in a regular full-time position that is eligible to participate in the systems, except in the event the employer fails to make installment payments as provided by KRS 61.675(4). Any costs for the present value of future normal costs of the employees covered by this subparagraph who will contribute and earn service in the system after the employer's effective cessation date shall be included in the cost calculation established by subsection (7) of this section.

3. If the employer does not make an election for the employees described by this paragraph to continue participating in the system after the employer's effective cessation date, these employees shall continue to contribute and earn service credit in the systems through the employer's effective cessation date. After the employer's effective cessation date, these employees shall participate in the alternative retirement plan established by the employer as provided by subsection (3)(a)4. of this section;

(e) The cost of ceasing participating to an individual employer shall be equal to the cost determined under subsection (7) of this section and shall include the costs of those employees who continue to participate in the system as provided by paragraph (d)2. of this subsection;

(f) The employer may pay the full actuarial cost of ceasing participation by lump-sum payment or in installments as provided by paragraph (g) of this subsection;

(g) If the employer elects to pay the costs in installment payments, the cost of ceasing participation as provided by this subsection shall be financed by the systems using the following method:

1. Annual payments occurring on or after July 1, ***2021***~~[2020]~~, shall be a set dollar value and shall be paid in monthly installments. In fiscal year ***2021-2022***~~[2020-2021]~~, the set dollar value shall be equal to the higher of the actual contributions paid by the employer in fiscal year ***2020-2021***~~[2019-2020]~~ or the annualized average of the creditable compensation reported to the systems by the ceasing employer over the last sixty (60) months occurring prior to July 1, 2019, for which contributions were paid by the ceasing employer, and multiplied by an employer rate of forty-nine and forty-seven one-hundredths percent (49.47%). Annual payments, for fiscal years occurring on or after July 1, ***2022***~~[2021]~~, which shall be paid monthly, shall be increased by one and one-half percent (1.5%) annually and shall be paid until the cost as provided by subsection (7) of this section and as adjusted annually by subparagraphs 2. and 3. of this paragraph are paid in full or until an employer as described by subparagraph 4. of this paragraph has paid for thirty (30) years from the effective cessation date;
2. Interest shall be assigned to the principal amount annually beginning on July 1, ***2021***~~[2020]~~, and for each July 1 thereafter, that is equal to a rate of five and one-quarter percent (5.25%) per annum for pension costs and at a rate of six and one-quarter percent (6.25%) per annum for retiree health costs;
3. If an employer is not projected by the systems to pay off the full actuarial costs to cease participation with interest as provided by subparagraph 2. of this paragraph at the conclusion of the thirty (30) year installment period from the employer's effective cessation date, and the employer makes an election for employees to continue to participate in the system after the employer's effective cessation date as provided by

paragraph (d)2. of this subsection, then the systems shall adjust the base value for the first annual payments occurring on or after July 1, ***2021***~~[2020]~~, in order to keep the maximum period of installments to thirty (30) years; and

4. If an employer is not projected by the systems to pay off the full actuarial costs to cease participation with interest as provided by subparagraph 2. of this paragraph at the conclusion of the thirty (30) year installment period from the employer's effective cessation date, and the employer does not make an election for employees to continue to participate in the system after the employer's effective cessation date as provided by paragraph (d)3. of this subsection, the employer shall pay the amount determined by subparagraph 1. of this paragraph for thirty (30) years from the effective cessation date and no additional costs shall be billed to a ceasing employer after the conclusion of the thirty (30) year period nor shall the employer be subject to adjustments under subparagraph 3. of this paragraph. The system may request in future biennial executive branch budgets the additional funding needed on an annual basis to fully pay off the installments at the conclusion of the thirty (30) year period for the employers described by this paragraph, and it is the intent of the General Assembly to pay the additional funding needed by appropriation in the biennial executive branch budget.

An employer ceasing participation who is making installment payments as provided by this paragraph may at any time pay off a portion of the remaining balance or the entire remaining balance and shall not be charged any interest for periods beyond the pay-off date for the balance that is paid off;

(h) Kentucky Employees Retirement System employers eligible to cease participation under the provisions of this subsection who do not make an

election to cease participation in the system prior to May 1, ***2021*** ~~[2020]~~, ***or prior to January 1, 2021, in the case of university and community college employers,*** shall be required to pay the full actuarially determined contributions established by KRS 61.565 and 61.702 for fiscal years occurring on or after July 1, ***2021*** ~~[2020]~~; and

(i) Kentucky Employees Retirement System employers who elect to cease participation in the system as provided by this subsection who are currently receiving a distribution of general fund appropriations in the biennial executive branch budget under the provisions of 2018 Ky. Acts ch. 169, Part I, G., 4., (5), 2018 Ky. Acts ch. 169, Part I, G., 5., (2), or 2018 Ky. Acts ch. 169, Part I, G., 9., (2) to help pay employer contributions to the system shall continue to receive the same level of distribution of general fund appropriations to help pay the costs of ceasing participation until such time that the employer's full actuarial costs of ceasing participation are paid off;

(9) The Kentucky Retirement Systems shall promulgate administrative regulations pursuant to KRS Chapter 13A to administer this section;

(10) (a) Any employer who voluntarily ceases participation, or who is required to involuntarily cease participation as provided in this section, shall hold the Commonwealth and the Kentucky Retirement Systems, including board members and employees of the Kentucky Retirement Systems, harmless from damages, attorney's fees and costs from legal claims for any cause of action brought by any member or retired member of the departing employer related to the employer's cessation of participation as set forth in this section.

(b) Any employer who is voluntarily ceasing participation under the provisions of subsection (8) of this section shall be required to pledge any security in any relevant real estate, chattel paper, deposit accounts, documents, goods covered by documents, instruments, investment property, letters of credit rights, and

money to the costs of ceasing participation until all costs of ceasing participation are paid in full; and

(11) Notwithstanding any other provision of statute to the contrary, the provisions of KRS 61.510 to 61.705 and 78.510 to 78.852, and the administrative regulations promulgated thereunder, shall prevail regarding any question of participation in the systems of any employer or any employee of an employer who ceases participation in the Kentucky Employees Retirement System.

➔Section 4. The Kentucky Retirement Systems board of trustees shall amend the 2019 actuarial valuation for the Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System in accordance with the provisions of Section 1 of this Act and shall provide the information to the Governor and General Assembly for purposes of the 2020-2022 biennial budgeting process.

➔Section 5. The amendments to Section 3 of this Act shall be retroactive back to April 1, 2020.

➔Section 6. Notwithstanding Section 1 of this Act and KRS 61.702, the employer contribution rates for the County Employees Retirement System from July 1, 2020, through June 30, 2021, shall remain 24.06 percent, consisting of 19.30 percent for pension and 4.76 percent for health insurance, for nonhazardous duty employees and 39.58 percent, consisting of 30.06 percent for pension and 9.52 percent for health insurance, for hazardous duty employees. Any future increases in the County Employees Retirement System after June 30, 2021, as provided by subsection (5) of Section 1 of this Act, shall use the employer contribution rate established by this section for County Employees Retirement System employers as the base rate to calculate future increases in County Employees Retirement System employer contribution rates.

➔Section 7. Notwithstanding KRS 6.350, 6.945, or 6.955, the provisions of KRS 6.350, 6.945, or 6.955 shall not affect or impair the validity of any provision of this Act in a court of competent jurisdiction.

➔Section 8. Whereas ensuring the financial health of the Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System employers is imperative, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming law.