AN ACT relating to retirement benefits for state and county employees in hazardous positions.

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

SECTION 1. A NEW SECTION OF KRS 16.505 TO 16.652 IS CREATED TO READ AS FOLLOWS:

Notwithstanding any provision of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852 to the contrary:

(1) Effective January 1, 2023, a member participating in the State Police Retirement System, in a hazardous position in the Kentucky Employees Retirement System, or in a hazardous position in the County Employees Retirement System, who began participating on or after January 1, 2014, but prior to January 1, 2023, in the hybrid cash balance plan as provided by Section 4 or 6 of this Act, shall, in lieu of the benefits of the hybrid cash balance plan that he or she would otherwise be eligible to receive from the systems, receive the benefits and rights provided to members in a hazardous position who began participating in the systems immediately prior to January 1, 2014, unless the member makes an election under subsection (3) of this section.

(2) For each member participating in a hazardous position whose rights and benefits change as a result of subsection (1) of this section, unless the member makes an election under subsection (3) of this section:

(a) All service accrued on or after January 1, 2014, in the State Police Retirement System, in a hazardous position in the Kentucky Employees Retirement System, or in a hazardous position in the County Employees Retirement System, shall be presumed as service credit earned immediately prior to January 1, 2014, for purposes of determining benefits under KRS 16.510 to 16.652, 61.510 to 61.705, and 78.510 to 78.852;

(b) The member's accumulated contributions shall remain in the member's
account; and

(c) The accumulated employer credit shall be transferred to the retirement allowance account as provided by KRS 16.565, 61.580, and 78.650, as applicable.

(3) (a) A member participating in the State Police Retirement System, in a hazardous position in the Kentucky Employees Retirement System, or in a hazardous position in the County Employees Retirement System, who began participating on or after January 1, 2014, but prior to January 1, 2023, in the hybrid cash balance plan as provided by Section 4 or 6 of this Act, may make a one (1) time, irrevocable election to opt out of the change to his or her rights and benefits under subsection (1) of this section.

(b) An election under this subsection shall be:

1. In writing and on a form prescribed by the Kentucky Public Pensions Authority;

2. For a member participating on or after the effective date of this Act, but prior to January 1, 2023, made by January 31, 2023; and

3. For a member who did not participate or participated in a nonhazardous position on or after the effective date of this Act, but prior to January 1, 2023, who subsequently accepts a position participating in the State Police Retirement System, a hazardous position in the Kentucky Employees Retirement System, or a hazardous position in the County Employees Retirement System, made within thirty (30) days of the member's date of employment.

(4) This section shall not apply to:

(a) Retired members who are reemployed on or after September 1, 2008, and who are not eligible to participate in the systems during reemployment;

(b) Members who prior to the effective date of this Act made an election under
Section 7 of this Act; or

(c) Any service credit earned on or after January 1, 2014, in a nonhazardous position, except that nonhazardous service in the hybrid cash balance plan of either the Kentucky Employees Retirement System or the County Employees Retirement System shall be consolidated as provided by Section 18 of this Act with hazardous service credit resulting from subsection (1) of this section in order to determine eligibility and benefits.

Section 2. KRS 16.576 is amended to read as follows:

(1) (a) Any member who begins participating before September 1, 2008, who has at least five (5) years of service credit may retire at his or her normal retirement date, or subsequent thereto, upon written notification to the system, setting forth at what date the retirement is to become effective, if the effective date shall be after his or her last day of service and subsequent to the filing of the notice at the retirement office.

(b) Any member who begins participating on or after September 1, 2008, who has at least five (5) years of service credited under KRS 16.543(1), 61.543(1), or another state-administered retirement system may retire at his or her normal retirement date, or subsequent thereto, upon written notification to the system, setting forth what date the retirement is to become effective, if the effective date shall be after his or her last day of service and subsequent to the filing of the notice at the retirement office.

(2) The member shall have the right to elect to have his or her retirement allowance payable under subsection (3), (4), or (6) of this section or any one (1) of the plans set forth in KRS 61.635.

(3) (a) Effective August 1, 1990, a member of the Kentucky State Police Retirement System may elect to receive an annual retirement allowance, payable monthly during his or her lifetime, equal to two and five-tenths percent (2.5%) of final
compensation for each year of service credit. Effective August 1, 1988, a member of the Kentucky Employees Retirement System covered by this section may elect to receive an annual retirement allowance, payable monthly during his or her lifetime, equal to two and forty-nine hundredths percent (2.49%) of final compensation for each year of service credit. The annual retirement allowance for a member covered by this section shall not exceed the maximum benefit as set forth in the Internal Revenue Code.

(b) A member of the State Police Retirement System or a member of the Kentucky Employees Retirement System covered by this section, whose participation begins on or after September 1, 2008, but prior to January 1, 2014, or whose participation is presumed under Section 1 of this Act to begin immediately prior to January 1, 2014, shall receive an annual retirement allowance, payable monthly during his or her lifetime, equal to:

1. One and three-tenths percent (1.3%) of final compensation for each year of service credit if the employee has earned ten (10) or less years of service at retirement;

2. One and one-half percent (1.5%) of final compensation for each year of service credit if the employee has earned greater than ten (10) but no more than twenty (20) years of service at retirement;

3. Two and one-quarter percent (2.25%) of final compensation for each year of service credit if the employee has earned greater than twenty (20) but less than twenty-five (25) years of service at retirement; or

4. Two and one-half percent (2.5%) of final compensation for each year of service credit if the employee has earned twenty-five (25) or more years of service at retirement.

(4) The member may elect to receive a monthly retirement allowance payable for ten
(10) years certain, actuarially equivalent to the retirement allowance payable under subsection (3) of this section. If the member should become deceased prior to the expiration of ten (10) years, his or her beneficiary, unless the beneficiary is the member's estate, shall receive the remaining payments monthly for the duration of the ten (10) years. If the member's estate is the beneficiary, the member's estate shall receive a lump-sum payment which shall be the actuarial equivalent to the remaining payments. The provisions of KRS 61.702 notwithstanding, the member who retired on June 17, 1978, or thereafter, and his or her spouse and eligible dependents shall continue to receive the insurance benefits to which they are entitled pursuant to KRS 61.702 after the expiration of ten (10) years. Effective with any insurance contract procured, or self-insurance plan instituted, after July 15, 1990, a member who retired prior to June 17, 1978, and his or her spouse and eligible dependents shall receive insurance benefits pursuant to KRS 61.702 upon payment by the member or beneficiary of the entire cost of the required insurance premium.

(5) Notwithstanding any other provisions of this section, upon written notification to the system, a member shall have the option to defer his or her election to receive his or her retirement allowance. The retirement allowance payable under a deferred option shall be increased to reflect the deferred receipt of benefits.

(6) In lieu of any other benefits due under KRS 16.505 to 16.652, a member who begins participating before September 1, 2008, who has attained age fifty-five (55) and who has attained at least one (1) month of service credit but no more than fifty-nine (59) months of service credit may elect to receive an annual retirement allowance, payable monthly or less frequently as determined by the board, which shall be determined by multiplying his or her accumulated contributions by two (2) and converting this amount to an annual retirement allowance based on an annuity rate adopted by the board which would pay the actuarial equivalent of twice his or
accumulated contributions over the lifetime of the retired member.

Subsections (1) to (6) of this section shall not apply to:

1. Members who begin participating in the system on or after January 1, 2014, **but prior to January 1, 2023, who make an election under subsection (3) of Section 1 of this Act; or**

2. **Members who prior to the effective date of this Act made an election under Section 7 of this Act.**

Members who:

1. Begin participating in the system on or after January 1, 2014, but prior to January 1, 2023, who make an election under subsection (3) of Section 1 of this Act; or

2. Prior to the effective date of this Act, made an election under Section 7 of this Act;

shall receive the retirement benefit calculation prescribed by KRS 16.583.

> Section 3. KRS 16.577 is amended to read as follows:

1. Upon retirement at early retirement date, a member may receive an annual retirement allowance payable monthly during his or her lifetime which shall be determined in the same manner as for retirement at his or her normal retirement date, with years of service and final compensation being determined as of the date of his or her actual retirement, but the amount of the retirement allowance so determined shall be reduced at an amount determined by the board's actuary to reflect the earlier commencement of benefits.

2. For a member who begins participating before September 1, 2008, there shall be no reduction in the retirement allowance if the member has twenty (20) or more years of service credit, at least fifteen (15) of which are current service.

3. For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, or who begins participating on or after January 1, 2023, or who
is presumed under Section 1 of this Act to begin participating immediately prior
to January 1, 2014, there shall be no reduction in the retirement allowance if the
member has twenty-five (25) or more years of service credited under KRS 16.543(1), 61.543(1), or another state-administered retirement system.

(4)  (a) Subsections (1) to (3) of this section shall not apply to:

1. Members who begin participating in the system on or after January 1, 2014, but prior to January 1, 2023, who make an election under
subsection (3) of Section 1 of this Act; or

2. Members who prior to the effective date of this Act made an election
under Section 7 of this Act.

(b) Members who:

1. Begin participating in the system on or after January 1, 2014, but prior
to January 1, 2023, who make an election under subsection (3) of
Section 1 of this Act; or

2. Prior to the effective date of this Act, made an election under Section 7
of this Act;

shall receive the retirement benefit calculation prescribed by KRS 16.583.

Section 4.  KRS 16.583 is amended to read as follows:

(1) A member of the State Police Retirement System[†] or a member of the Kentucky Employees Retirement System in a hazardous [duty] position covered by this section, whose participation begins on or after January 1, 2014, but prior to January 1, 2023, who makes an election under subsection (3) of Section 1 of this Act, or a member who prior to the effective date of this Act made an election under Section 7 of this Act[†] shall receive the retirement benefits provided by this section in lieu of the retirement benefits provided under KRS 16.576 and 16.577. The retirement benefit provided by this section shall be known as the hybrid cash balance plan and shall
operate as another benefit tier within the State Police Retirement System and the
Kentucky Employees Retirement System.

(2) The hybrid cash balance plan shall provide a retirement benefit based upon the
member's accumulated account balance, which shall include:

(a) Contributions made by the member as provided by KRS 16.505 to 16.652 and
61.510 to 61.705, except for employee contributions prescribed by KRS
61.702(3)(b);

(b) An employer pay credit of seven and one-half percent (7.5%) of the creditable
compensation earned by the employee for each month the employee is
contributing to the hybrid cash balance plan provided by this section; and

(c) Interest credits added annually to the member's accumulated account balance
as provided by this section.

(3) (a) Member contributions and employer pay credits as provided by subsection
(2)(a) and (b) of this section shall be credited to the member's account
monthly as contributions are reported and posted to the system in accordance
with KRS 61.675.

(b) Interest credits, as provided by subsection (2)(c) of this section, shall be
credited to the member's account annually on June 30 of each fiscal year, as
determined by subsection (4) of this section.

(4) (a) On June 30 of each fiscal year, the system shall determine if the member
contributed to the hybrid cash balance plan during the fiscal year.

(b) If the member contributed to the hybrid cash balance plan during the fiscal
year, the interest credit added to the member's account for that fiscal year shall
be determined by multiplying the member's accumulated account balance on
June 30 of the preceding fiscal year by a percentage increase equal to:

1. Four percent (4%); plus

2. Seventy-five percent (75%) of the system's geometric average net
investment return in excess of a four percent (4%) rate of return.

(c) If the member did not contribute to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by four percent (4%).

(d) For purposes of this subsection, "system's geometric average net investment return":

1. Means the annual average geometric investment return, net of administrative and investment fees and expenses, over the last five (5) fiscal years as of the date the interest is credited to the member's account; and

2. Shall be expressed as a percentage and based upon the system in which the member has an account.

(e) No employer pay credits or interest credits shall be provided to a member who has taken a refund of contributions as provided by KRS 61.625 or who has retired and annuitized his or her accumulated account balance as prescribed by this section.

(5) (a) Upon termination of employment, a member who has less than five (5) years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to take a refund of his or her accumulated account balance as provided by KRS 61.625, shall forfeit the accumulated employer credit, and shall only receive a refund of his or her accumulated contributions.

(b) Upon termination of employment, a member who has five (5) or more years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to take a refund of his or her accumulated account balance as provided by KRS 61.625, shall receive a full refund of his or her accumulated account balance.

(6) A member participating in the hybrid cash balance plan provided by this section
may retire:

(a) At his or her normal retirement date, provided he or she has earned five (5) or more years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another state-administered retirement system; or

(b) At any age, provided he or she has earned twenty-five (25) or more years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another state-administered retirement system.

(7) A member eligible to retire under subsection (6) of this section may elect to:

(a) Receive a monthly retirement allowance payable for life by having his or her accumulated account balance annuitized by the retirement systems in accordance with the actuarial assumptions and actuarial methods adopted by the board and in effect on the member's retirement date;

(b) Receive the actuarial equivalent of his or her retirement allowance calculated under paragraph (a) of this subsection payable under one (1) of the options set forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

(c) Take a refund of his or her account balance as provided by KRS 61.625.

(8) The provisions of this section shall not apply to:

(a) Members who began participating in the Kentucky Employees Retirement System, the County Employees Retirement System, or the State Police Retirement System prior to January 1, 2014;

(b) Members who are presumed under Section 1 of this Act to have begun participating in the State Police Retirement System, in a hazardous position in the Kentucky Employees Retirement System, or in a hazardous position in the County Employees Retirement System immediately prior to January 1, 2014, and have not made an election under subsection (3) of Section 1 of this Act; or

(c) Members who begin participating in the State Police Retirement System, in
a hazardous position in the Kentucky Employees Retirement System, or in a hazardous position in the County Employees Retirement System on or after January 1, 2023, except for those members who make an election pursuant to KRS 61.5955).

Section 5. KRS 78.5514 is amended to read as follows:

(1) The provisions of this section shall only apply to members of the County Employees Retirement System who began participating in the system prior to January 1, 2014, who have service in a hazardous position, except for those members who make an election under subsection (3) of Section 1 of this Act or those members who prior to the effective date of this Act made an election under Section 7 of this Act.

(2) (a) A member who began participating prior to September 1, 2008, is eligible for a retirement allowance determined under subsection (4)(a) of this section for his or her service if:

1. The member has attained normal retirement age and has five (5) or more years of service, at least one (1) of which is current service;
2. The member has twenty (20) or more years of service, at least fifteen (15) of which are current service; or
3. The member has attained age fifty (50) and has fifteen (15) or more years of service.

(b) In lieu of any other benefits due under 78.510 to 78.852, a member who began participating prior to September 1, 2008, who has attained normal retirement age and who has obtained at least one (1) month of service credit but no more than fifty-nine (59) months of service may elect to receive an annual retirement allowance payable monthly or less frequently, as determined by the board, which shall be determined by multiplying his or her accumulated contributions by two (2) and converting this amount to an annual retirement
allowance based on an annuity rate adopted by the board which would pay the actuarial equivalent of twice his or her accumulated contributions over the lifetime of the retired member.

(3) A member who began participating on or after September 1, 2008, but prior to January 1, 2014, or who began participating on or after January 1, 2023, or who is presumed under Section 1 of this Act to have begun participating immediately prior to January 1, 2014, is eligible for a retirement allowance determined under subsection (4)(b) of this section for his or her service if:

(a) The member has attained normal retirement age and has five (5) years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another state-administered retirement system;

(b) The member has twenty-five (25) or more years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another state-administered retirement system; or

(c) The member has attained age fifty (50) and has fifteen (15) years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another state-administered retirement system.

(4) (a) A member of the system covered by this section who began participating prior to September 1, 2008, may elect to receive an annual retirement allowance, payable monthly during his or her lifetime, equal to two and five-tenths percent (2.5%) of final compensation for each year of service credit.

(b) A member of the system covered by this section, who begins participating in the system on or after September 1, 2008, but prior to January 1, 2014, or who begins participating on or after January 1, 2023, or who is presumed under Section 1 of this Act to begin participating in the system immediately prior to January 1, 2014, shall be eligible to receive an annual retirement allowance, payable monthly during his or her lifetime, equal to:
1. One and three-tenths percent (1.3%) of final compensation for each year of service credit if the employee has earned ten (10) or less years of service at retirement;

2. One and one-half percent (1.5%) of final compensation for each year of service credit if the employee has earned greater than ten (10) but no more than twenty (20) years of service at retirement;

3. Two and one-quarter percent (2.25%) of final compensation for each year of service credit if the employee has earned greater than twenty (20) but less than twenty-five (25) years of service at retirement; or

4. Two and one-half percent (2.5%) of final compensation for each year of service credit if the employee has earned twenty-five (25) or more years of service at retirement.

(c) The annual retirement allowance determined under this subsection shall:

1. Not be reduced for a member retiring under the provisions specified by subsections (2)(a)1., (2)(a)2., (3)(a), and (3)(b) of this section; and

2. Be reduced for a member retiring under the provisions specified by subsections (2)(a)3. and (3)(c) of this section by an amount determined by the board's actuary to reflect the earlier commencement of benefits.

Section 6. KRS 78.5516 is amended to read as follows:

(1) A member of the County Employees Retirement System in a hazardous position covered by this section who begins participating in the system on or after January 1, 2014, but prior to January 1, 2023, who makes an election under subsection (3) of Section 1 of this Act or a member who prior to the effective date of this Act made an election under Section 7 of this Act, or a member who makes an election pursuant to KRS 61.5955, shall receive the retirement benefits provided by this section in lieu of the retirement benefits provided under KRS 78.5514. The retirement benefit provided by this section shall be known as the hybrid cash
balance plan and shall operate as another benefit tier within the County Employees Retirement System.

(2) The hybrid cash balance plan shall provide a retirement benefit based upon the member's accumulated account balance, which shall include:

(a) Contributions made by the member as provided by KRS 78.510 to 78.852, except for employee contributions prescribed by KRS 78.5536(3)(b);

(b) An employer pay credit of seven and one-half percent (7.5%) of the creditable compensation earned by the employee for each month the employee is contributing to the hybrid cash balance plan provided by this section; and

(c) Interest credits added annually to the member's accumulated account balance as provided by this section.

(3) (a) Member contributions and employer pay credits as provided by subsection (2)(a) and (b) of this section shall be credited to the member's account monthly as contributions are reported and posted to the system in accordance with KRS 78.625.

(b) Interest credits, as provided by subsection (2)(c) of this section, shall be credited to the member's account annually on June 30 of each fiscal year, as determined by subsection (4) of this section.

(4) (a) On June 30 of each fiscal year, the system shall determine if the member contributed to the hybrid cash balance plan or the Kentucky Retirement Systems during the fiscal year.

(b) If the member contributed to the hybrid cash balance plan or the Kentucky Retirement Systems during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by a percentage increase equal to:

1. Four percent (4%); plus
2. Seventy-five percent (75%) of the system's geometric average net investment return in excess of a four percent (4%) rate of return.

(c) If the member did not contribute to the hybrid cash balance plan or the Kentucky Retirement Systems during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by four percent (4%).

(d) For purposes of this subsection, "system's geometric average net investment return":

1. Means the annual average geometric investment return, net of administrative and investment fees and expenses, over the last five (5) fiscal years as of the date the interest is credited to the member's account; and

2. Shall be expressed as a percentage and based upon the system in which the member has an account.

(e) No employer pay credits or interest credits shall be provided to a member who has taken a refund of contributions as provided by KRS 61.625 or who has retired and annuitized his or her accumulated account balance as prescribed by this section.

(5) (a) Upon termination of employment, a member who has less than five (5) years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to take a refund of his or her accumulated account balance as provided by KRS 61.625, shall forfeit the accumulated employer credit, and shall only receive a refund of his or her accumulated contributions.

(b) Upon termination of employment, a member who has five (5) or more years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to take a refund of his or her accumulated account balance as provided by KRS
61.625, shall receive a full refund of his or her accumulated account balance.

(6) A member participating in the hybrid cash balance plan provided by this section may retire:

(a) At his or her normal retirement date, provided he or she has earned five (5) or more years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another state-administered retirement system; or

(b) At any age, provided he or she has earned twenty-five (25) or more years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another state-administered retirement system.

(7) A member eligible to retire under subsection (6) of this section may elect to:

(a) Receive a monthly retirement allowance payable for life by having his or her accumulated account balance annuitized by the system in accordance with the actuarial assumptions and actuarial methods adopted by the board and in effect on the member's retirement date;

(b) Receive the actuarial equivalent of his or her retirement allowance calculated under paragraph (a) of this subsection payable under one (1) of the options set forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

(c) Take a refund of his or her account balance as provided by KRS 61.625.

(8) The provisions of this section shall not apply to:

(a) Members who began participating in the Kentucky Employees Retirement System, County Employees Retirement System, or the State Police Retirement System prior to January 1, 2014;

(b) Members who are presumed under Section 1 of this Act to have begun participating in the State Police Retirement System, in a hazardous position in the Kentucky Employees Retirement System, or in a hazardous position in the County Employees Retirement System immediately prior to January 1, 2014, and have not made an election under subsection (3) of Section 1 of
this Act; or

(c) Members who begin participating in the State Police Retirement System, in a hazardous position in the Kentucky Employees Retirement System, or in a hazardous position in the County Employees Retirement System on or after January 1, 2023[, except as provided by KRS 61.5955].

Section 7. KRS 61.5955 is amended to read as follows:

As of the effective date of this Act, notwithstanding any provision of KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852 to the contrary:

(1) Subject to the provisions of this section, a member who began participating in a nonhazardous position in the Kentucky Employees Retirement System[, or the County Employees Retirement System[, or the State Police Retirement System] on or after September 1, 2008, but prior to January 1, 2014, may in lieu of the benefits he or she is currently eligible to receive from the systems, elect to receive the benefits and rights provided to members who began participating in the systems on or after January 1, 2014, including participating in the hybrid cash balance plan created pursuant to KRS 61.597 or 78.5512[, for members in nonhazardous duty positions or pursuant to KRS 16.583 or 78.5516 for members in hazardous duty positions], as applicable;

(2) The election provided by this section shall be made in writing and on a form prescribed by the Kentucky Public Pensions Authority and shall apply to all service or accounts in the Kentucky Retirement Systems or the County Employees Retirement System;

(3) For each member who makes an election provided by this section:

(a) Any service credit the member has accrued prior to January 1, 2014, shall be considered as service credit earned on or after January 1, 2014, for purposes of determining benefits under KRS 16.505 to 16.652, 61.510 to 61.705, and 78.510 to 78.852;
(b) On the member's effective election date, the value of the member's accumulated contributions, less any interest, shall be deposited into the member's hybrid cash balance account as provided by KRS 16.583, 61.597, 78.5512, or 78.5516, as applicable, and considered part of the member's accumulated account balance;

c) On the member's effective election date, an employer pay credit as provided by KRS 16.583, 61.597, 78.5512, or 78.5516, as applicable, shall be added to the member's accumulated account balance for each month the member contributed to the Kentucky Employees Retirement System or the County Employees Retirement System or the State Police Retirement System prior to his or her effective election date; and

d) Interest credits as provided by KRS 16.583, 61.597, 78.5512, or 78.5516, as applicable, shall only be applied for periods occurring on or after the member's effective election date;

(4) Before accepting an election provided by this section, the Kentucky Public Pensions Authority shall provide the member with information detailing the potential results of the member's election;

(5) An election made pursuant to this section shall be irrevocable;

(6) (a) A member of the Kentucky Employees Retirement System or the County Employees Retirement System or the State Police Retirement System shall not be eligible to make an election prescribed by this section until the Kentucky Retirement Systems receives a favorable private letter ruling from the Internal Revenue Service regarding this section.

(b) If the Internal Revenue Service denies the request for a private letter ruling as provided by paragraph (a) of this subsection, this section shall be void.

(c) The Kentucky Public Pensions Authority may promulgate administrative regulations under KRS Chapter 13A in order to carry out this section; and
This section shall not apply to:

(a) Retirees who were reemployed on or after September 1, 2008, and who are not eligible to participate in the systems during reemployment; or

(b) Service that a member may have in the State Police Retirement System, in a hazardous position in the Kentucky Employees Retirement System, or in a hazardous position in the County Employees Retirement System, unless the member made an election under this section prior to the effective date of this Act.

Section 8. KRS 16.505 is amended to read as follows:

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

1. "System" means the State Police Retirement System created by KRS 16.505 to 16.652;

2. "Board" means the board of trustees of the Kentucky Retirement Systems;

3. "Employer" or "State Police" means the Department of Kentucky State Police, or its successor;

4. "Current service" means the number of years and completed months of employment as an employee subsequent to July 1, 1958, for which creditable compensation was paid by the employer and employee contributions deducted except as otherwise provided;

5. "Prior service" means the number of years and completed months of employment as an employee prior to July 1, 1958, for which creditable compensation was paid to the employee by the Commonwealth. Twelve (12) months of current service in the system are required to validate prior service;

6. "Service" means the total of current service and prior service;

7. "Accumulated contributions" at any time means the sum of all amounts deducted from the compensation of a member and credited to his or her individual account in the member's account, including employee contributions picked up after August 1,
1982, pursuant to KRS 16.545(4), together with interest credited on such amounts
as provided in KRS 16.505 to 16.652, and any other amounts the member shall have
contributed, including interest credited. 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);

(8) "Creditable compensation":

(a) Except as provided by paragraph (b) or (c) of this subsection, means all salary
and wages, 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 16.545(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. 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;

3. 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

4. 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; and

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

(9) "Final compensation" means:

(a) For a member who begins participating before September 1, 2008, the creditable compensation of a 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 the 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; or
(b) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, or a member who begins participating on or after January 1, 2023, or a member who is presumed under Section 1 of this Act to begin participating immediately prior to January 1, 2014, 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;

(10) "Final rate of pay" means the actual rate upon which earnings of a member 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 16.545(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, one thousand nine 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, or one (1) year;

(11) "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;

(12) "Retirement allowance" means the retirement payments to which a retired member is entitled;

(13) "Actuarial equivalent" means a benefit of equal value when computed upon the
basis of actuarial tables 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, or who begin participating in the system on or after January
1, 2023, or who are presumed under Section 1 of this Act to begin participating in
the system immediately prior to January 1, 2014, no disability retirement option
shall be less than the same option computed under early retirement;

(14) "Authorized leave of absence" means any time during which a person is absent from
employment but retained in the status of an employee in accordance with the
personnel policy of the Department of Kentucky State Police;

(15) "Normal retirement date" means:

(a) For a member who begins participating before September 1, 2008, the first
day of the month following a member's fifty-fifth birthday, except that for
members over age fifty-five (55) on July 1, 1958, it shall mean January 1,
1959; or

(b) For a member who begins participating on or after September 1, 2008, the
first day of the month following a member's sixtieth birthday;

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

(17) "Dependent child" means a child in the womb and a natural or legally adopted child
of the member who has neither attained age eighteen (18) nor married or who is an
unmarried full-time student who has not attained age twenty-two (22). Solely in the
cases where a member dies as a direct result of an act in line of duty as defined in
this section, dies as a result of a duty-related injury as defined in KRS 61.621,
becomes totally and permanently disabled as a direct result of an act in line of duty
as defined in this section, 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), "dependent child" also means a naturally or legally adopted disabled child of the member, regardless of the child's age, if the child has been determined to be eligible for federal Social Security disability benefits or is being claimed as a qualifying child for tax purposes due to the child's total and permanent disability;

(18) "Optional allowance" means an actuarially equivalent benefit elected by the member in lieu of all other benefits provided by KRS 16.505 to 16.652;

(19) "Act in line of duty" means:

(a) A single act occurring or a single thing done, which, as determined by the board, was required in the performance of the duties specified in KRS 16.060;

(b) For employees in hazardous positions under KRS 61.592, a single act occurring which was required in the performance of the principal duties of the position as defined by the job description; or

(c) For employees participating in the State Police Retirement System and for employees who are in hazardous positions under KRS 61.592, a single act of violence committed against the employee that is found to be related to his or her job duties, whether or not it occurs at his or her job site;

(20) "Early retirement date" means:

(a) For a member who begins participating before September 1, 2008, the retirement date declared by a member who is not less than fifty (50) years of age and has fifteen (15) years of service; or

(b) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, or a member who begins participating on or after January 1, 2023, or a member who is presumed under Section 1 of this Act to begin participating immediately prior to January 1, 2014, the retirement date declared by a member who is not less than fifty (50) years of age and has
fifteen (15) years of service credited under KRS 16.543(1) or 61.543(1) or another state-administered retirement system;

(21) "Member" means any officer included in the membership of the system as provided under KRS 16.520 whose membership has not been terminated under KRS 61.535;

(22) "Regular full-time officers" means the occupants of positions as set forth in KRS 16.010;

(23) "Hazardous disability" as used in KRS 16.505 to 16.652 means a disability which results in an employee's total incapacity to continue as an employee in a hazardous position, but the employee is not necessarily deemed to be totally and permanently disabled to engage in other occupations for remuneration or profit;

(24) "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;

(25) "Beneficiary" means the person, persons, estate, 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;

(26) "Recipient" means the retired member, 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;

(27) "Person" means a natural person;

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

(29) "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 Systems;

(30) "Last day of paid employment" means the last date employer and employee contributions are required to be reported in accordance with KRS 16.543 or 61.543 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;

(31) "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;

(32) "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 established by 26 U.S.C. sec. 415;

(33) "Participating" means an employee is currently earning service credit in the system as provided in KRS 16.543;

(34) "Month" means a calendar month;

(35) "Membership date" means the date upon which the member began participating in
the system as provided by KRS 16.543;

(36) "Participant" means a member, as defined by subsection (21) of this section, or a retired member, as defined by subsection (11) of this section;

(37) "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;

(38) "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;

(39) "Accumulated employer credit" means the employer pay credit deposited to the member's account and interest credited on such amounts as provided by KRS 16.583;

(40) "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, but prior to January 1, 2023, in the hybrid cash balance plan as provided by KRS 16.583, who make an election under subsection (3) of Section 1 of this Act, and for those members who prior to the effective date of this Act made an election under Section 7 of this Act, the combined sum of the member's accumulated contributions and the member's accumulated employer pay credit; and

(41) "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 this section 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 this section 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.

Section 9.  KRS 16.560 is amended to read as follows:

(1) The member account shall be the account to which:

(a) All members' contributions, or contributions picked up by the employer after
August 1, 1982, and interest allowances as provided in KRS 16.505 to 16.652
shall be credited, except as provided by KRS 61.702(2)(b); and
(b) For members who begin participating in the system on or after January 1,
2014, but prior to January 1, 2023, who make an election under subsection
(3) of Section 1 of this Act, and for those members who prior to the effective
date of this Act made an election under Section 7 of this Act, the employer
pay credit and interest credited on such amounts as provided by KRS 16.583
shall be credited.

Only funds from this account shall be used to return accumulated contributions or
accumulated account balances of a member when required by reason of any
provision of KRS 16.505 to 16.652. Prior to the member's retirement, death, or
refund in accordance with KRS 61.625, no funds shall be made available from the
member's account.
(2) Each member's contribution or contribution picked up by the employer shall be credited to the individual account of the contributing member, except as provided by KRS 61.702(2)(b).

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

(b) For members who begin participating before September 1, 2008, interest shall be credited to their individual account at a rate determined by the board but not less than two and one-half percent (2.5%) per annum on the accumulated account balance of the member on June 30 of the preceding fiscal year.

(c) For members who begin participating on or after September 1, 2008, but prior to January 1, 2014, or who begin participating on or after January 1, 2023, or who are presumed under Section 1 of this Act to begin participating immediately prior to January 1, 2014, interest shall be credited to their individual account at a rate of two and one-half percent (2.5%) per annum on the accumulated account balance of the member on June 30 of the preceding fiscal year.

(d) For members who begin participating on or after January 1, 2014, but prior to January 1, 2023, who make an election under subsection (3) of Section 1 of this Act, and those members who prior to the effective date of this Act made an election under Section 7 of this Act to opt in the hybrid cash balance plan, interest shall be credited to their individual account in accordance with KRS 16.583.

(e) The amounts of interest credited to a member's account under this subsection and KRS 16.583 and the employer pay credit as provided by KRS 16.583 shall be transferred from the retirement allowance account.

(4) (a) Upon the retirement of a member who began participating in the system prior to January 1, 2014, or a member who begins participating on or after
January 1, 2023, or a member who is presumed under Section 1 of this Act to begin participating immediately prior to January 1, 2014, his or her accumulated account balance shall be transferred from the member's account to the retirement allowance account.

(b) Upon the retirement of a member who began participating in the system on or after January 1, 2014, but prior to January 1, 2023, who makes an election under subsection (3) of Section 1 of this Act, or who prior to the effective date of this Act made an election under Section 7 of this Act, who elects to annuitize his or her accumulated account balance as prescribed by KRS 16.583(7)(a) or (b), the member's accumulated account balance shall be transferred to the retirement allowance account.

(5) Included as a part of such member's account shall be his or her accumulated account balance in the Kentucky Employees Retirement System, if any, transferred to this system.

Section 10. KRS 16.578 is amended to read as follows:

(1) If a member dies prior to the first day of the month in which the member would have received his or her first retirement allowance, the member's beneficiary shall be eligible for the benefits provided by this section if the member had on file a written designation of a beneficiary with the retirement office as provided by KRS 61.542 and the member met the following conditions at the date of his or her death:

(a) The member was eligible to retire under KRS 16.576, 16.577, or 16.583(6);
(b) The member was in active employment or on authorized leave of absence with five (5) or more years of service credit and died prior to his or her normal retirement date; or
(c) The member was not in active employment or on authorized leave of absence with twelve (12) or more years of service credit and died prior to his or her normal retirement date.
(2) If the beneficiary eligible for benefits as provided in subsection (1) of this section is a single person, then the beneficiary may elect to receive:

(a) A monthly benefit payable for the life of the beneficiary that is equal to the benefit that would have been paid had the member retired immediately prior to his or her date of death and elected to receive benefits payable under the survivorship one hundred percent (100%) option as provided in KRS 61.635(2);

(b) A monthly benefit payable for the life of the beneficiary under the beneficiary Social Security adjustment option as provided in KRS 61.635(9) that is the actuarial equivalent to the amount computed under paragraph (a) of this subsection;

(c) A monthly benefit payable for a period of sixty (60) months that is the actuarial equivalent to the amount computed under paragraph (a) of this subsection;

(d) A monthly benefit payable for a period of one hundred twenty (120) months that is the actuarial equivalent to the amount computed under paragraph (a) of this subsection;

(e) If the member began participating in the system prior to January 1, 2014, or began participating on or after January 1, 2023, or is presumed under Section 1 of this Act to have begun participating immediately prior to January 1, 2014, a monthly benefit payable for:

1. Sixty (60) months certain;

2. One hundred twenty (120) months certain;

3. The actuarial equivalent refund; or

4. The Social Security adjustment option;

that is equivalent to the benefit the member would have been entitled to receive based on his or her years of service and final compensation at the date
of his or her death reduced by the survivorship fifty percent (50%) factor as
provided for in KRS 61.635(4), then reduced by fifty percent (50%), and that
is the actuarial equivalent to the amount computed under paragraph (a) of this
subsection; or

(f) The higher of a refund of the member's accumulated account balance and
interest as described in KRS 61.625(1) or a one (1) time lump-sum payment
which shall be the actuarial equivalent of the amount payable under paragraph
(a) of this subsection for a period of sixty (60) months.

(3) If the beneficiary eligible for benefits as provided in subsection (1) of this section
are multiple beneficiaries or a trust, then the multiple beneficiaries by consensus or
the trustee may elect to receive the actuarial equivalent amounts payable under
subsection (2)(c), (d), (e), or (f) of this section using the assumption that the
beneficiary's age is the same as the member's age.

(4) If the beneficiary eligible for benefits as provided in subsection (1) of this section is
the member's estate, then the beneficiary shall receive the higher of a refund of the
member's accumulated account balance and interest as described in KRS 61.625(1)
or the one (1) time lump-sum payment payable under subsection (2)(f) of this
section, using the assumption that the beneficiary's age is the same as the member's
age.

(5) Payments of taxable distributions made pursuant to this section shall be subject to
state and federal tax as appropriate.

Section 11. KRS 16.582 is amended to read as follows:

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

(b) Hazardous disability means a disability which results in the member's total incapacity to continue as a regular full-time officer or as an employee in a hazardous position, as defined in KRS 61.592, but which does not result in the member's total and permanent incapacity to engage in other occupations for remuneration or profit.

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

(d) If the board determines that the total and permanent disability of a member receiving a retirement allowance under this section has ceased, then the board shall determine if the member has a hazardous disability.

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

(a) The person shall have sixty (60) months of service, twelve (12) of which shall be current service credited under KRS 16.543(1), 61.543(1), or 78.615(1). The service requirement shall be waived if the disability is a total and permanent disability or a hazardous disability and is a direct result of an act in line of duty;

(b) For a person whose membership date is prior to August 1, 2004, the person shall not be eligible for an unreduced retirement allowance;

(c) The person's application shall be on file in the retirement office no later than twenty-four (24) months after the person's last day of paid employment, as defined in KRS 16.505, as a regular full-time officer or in a regular full-time hazardous position under KRS 61.592;

(d) The person shall receive a satisfactory determination pursuant to KRS 61.665; and

(e) A person's disability application based on the same claim of incapacity shall
be accepted and reconsidered for disability if accompanied by new objective
medical evidence. The application shall be on file in the retirement office no
later than twenty-four (24) months after the person's last day of paid
employment as a regular full-time officer or in a regular full-time hazardous
position.

(3) Upon the examination of the objective medical evidence by licensed physicians
pursuant to KRS 61.665, it shall be determined that:

(a) The incapacity results from bodily injury, mental illness, or disease. For
purposes of this section, "injury" means any physical harm or damage to the
human organism other than disease or mental illness;

(b) The incapacity is deemed to be permanent; and

(c) The incapacity does not result directly or indirectly from:

1. Injury intentionally self-inflicted while sane or insane; or

2. Bodily injury, mental illness, disease, or condition which pre-existed
membership in the system or reemployment, whichever is most recent,
unless:

a. The disability results from bodily injury, mental illness, disease, or
a condition which has been substantially aggravated by an injury or
accident arising out of or in the course of employment; or

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

For purposes of this subparagraph, "reemployment" shall not mean a
change of employment between employers participating in the
retirement systems administered by the Kentucky Retirement Systems or
the County Employees Retirement System with no loss of service credit.
1. An incapacity shall be deemed to be permanent if it is expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months from the person's last day of paid employment in a position as regular full-time officer or a hazardous position.

2. The determination of a permanent incapacity shall be based on the medical evidence contained in the member's file and the member's residual functional capacity and physical exertion requirements.

(b) The person's residual functional capacity shall be the person's capacity for work activity on a regular and continuing basis. The person's physical ability shall be assessed in light of the severity of the person's physical, mental, and other impairments. The person's ability to walk, stand, carry, push, pull, reach, handle, and other physical functions shall be considered with regard to physical impairments. The person's ability to understand, remember, and carry out instructions and respond appropriately to supervision, coworkers, and work pressures in a work setting shall be considered with regard to mental impairments. Other impairments, including skin impairments, epilepsy, visual sensory impairments, postural and manipulative limitations, and environmental restrictions, shall be considered in conjunction with the person's physical and mental impairments to determine residual functional capacity.

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

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

3. Medium work shall be work that involves lifting no more than fifty (50) pounds at a time with frequent lifting or carrying of objects weighing up to twenty-five (25) pounds. If the person is deemed capable of medium work, the person shall be deemed capable of light and sedentary work.

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

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

(5) (a) For a member whose participation begins prior to August 1, 2004, the disability retirement allowance shall be determined as provided in KRS 16.576, except if the member's total service credit on his or her last day of
paid employment in a regular full-time position is less than twenty (20) years, service shall be added beginning with his or her last date of paid employment and continuing to his or her fifty-fifth birthday. The maximum service credit added shall not exceed the total service the member had on his or her last day of paid employment, and the maximum service credit for calculating his or her retirement allowance, including his or her total service and service added under this section, shall not exceed twenty (20) years.

(b) For a member whose participation begins on or after August 1, 2004, but prior to January 1, 2014, or whose participation begins on or after January 1, 2023, or whose participation is presumed under Section 1 of this Act to begin immediately prior to January 1, 2014, the disability retirement allowance shall be the higher of twenty-five percent (25%) of the member's monthly final rate of pay or the retirement allowance determined in the same manner as for retirement at his or her normal retirement date with years of service and final compensation being determined as of the date of his or her disability.

(c) For a member who begins participating on or after January 1, 2014, but prior to January 1, 2023, in the hybrid cash balance plan as provided by KRS 16.583, or who makes an election under subsection (3) of Section 1 of this Act, or who prior to the effective date of this Act made an election under Section 7 of this Act, the disability retirement allowance shall be the higher of twenty-five percent (25%) of the member's monthly final rate of pay or the retirement allowance determined in the same manner as for retirement at his or her normal retirement date under KRS 16.583.

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

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

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

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

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

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

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

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

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

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

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

Section 12. 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 or her 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, or a member who begins participating on or after January 1, 2023, or a member who is presumed under Section 1 of this Act to begin participating immediately 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, or who begin participating in a hazardous
position in the system on or after January 1, 2023, or who are presumed under
Section 1 of this Act to begin participating in a hazardous position in the system
immediately 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; 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; 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, and for those members making an election under subsection (3) of Section 1 of this Act or Section 7 of this Act, 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 13. KRS 61.546 is amended to read as follows:

(1) Except as otherwise provided by this section, any member of the Kentucky
Employees Retirement System or the State Police Retirement System whose
retirement date is July 14, 1984, or thereafter, shall receive credit for unused sick
leave accrued while contributing to the retirement system from which the retirement benefit is to be paid in accordance with this section.

(2)  
(a) Upon the member's notification of retirement as prescribed in KRS 16.576 or 61.590, the employer shall certify the retiring member's unused, accumulated sick leave balance to the system.

(b) The member's sick leave balance, expressed in days, shall be divided by the average number of working days per month in the state service and rounded to the nearest number of whole months.

(c) Except as provided by subsections (3) and (4) of this section, the member's sick leave balance, expressed in months, shall upon retirement be added to his or her service credit for the purpose of determining his or her annual retirement allowance under KRS 16.505 to 16.652 or 61.510 to 61.705 and for the purpose of determining whether the member is eligible to receive a retirement allowance under KRS 16.505 to 16.652 or 61.510 to 61.705.

(3) For a member who begins participating in the Kentucky Employees Retirement System or the State Police Retirement System on or after September 1, 2008, or for a member who begins participating in a hazardous duty position in the Kentucky Employees Retirement System or in the State Police Retirement System on or after January 1, 2023, or for a member who is presumed under Section 1 of this Act to begin participating in a hazardous duty position in the Kentucky Employees Retirement System or in the State Police Retirement System immediately prior to January 1, 2014:

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

(b) The service credited for accumulated unused sick leave as limited by this
section and added to the member's service credit shall be used for purposes of
determining the member's annual retirement allowance under KRS 16.505 to
16.652 and 61.510 to 61.705; and
(c) The service credited for accumulated unused sick leave and added to the
member's service credit shall not be used to determine whether a member is
eligible to receive a retirement allowance under any of the provisions of KRS
16.505 to 16.652 and 61.510 to 61.705 or to reduce any applicable actuarial
reductions.
(4) For a member who began participating in the Kentucky Employees Retirement
System or the State Police Retirement System prior to September 1, 2008, who
retires on or after July 1, 2023, the service credited for accumulated unused sick
leave and added to the member's service credit shall not be used to determine
whether a member is eligible to receive a retirement allowance under any of the
provisions of KRS 16.505 to 16.652 and 61.510 to 61.705 or to reduce any
applicable actuarial reductions.
(5) Notwithstanding any other provision of this section to the contrary, the value of any
accumulated sick leave that is added to the member's service credit in the Kentucky
Employees Retirement System or the State Police Retirement System on or after
July 1, 2010, shall be paid to the retirement system by the last participating
Kentucky Employees Retirement System or State Police Retirement System
employer based upon a formula adopted by the board.
(6) The provisions of this section shall not apply to a participating agency whose
employees are not employed by the Commonwealth until the agency certifies to the
system that a sick leave program has been formally adopted and is universally
administered within the agency, except that any agency participating in the
Kentucky Employees Retirement System who has not adopted a sick leave program
prior to August 1, 2018, shall not be eligible to adopt a sick leave program under
(7) This section shall not apply to:

(a) Members in a nonhazardous position who begin participating in the systems administered by Kentucky Retirement Systems on or after January 1, 2014; or

(b) Members making an election under subsection (3) of Section 1 of this Act or Section 7 of this Act.

Section 14. 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) Recontributio 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) Recontributio 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
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, or who began participating in the State Police Retirement System or in a hazardous position in the County Employees Retirement System or the Kentucky Employees Retirement System on or after January 1, 2023, or who is presumed under Section 1 of this Act to have begun participating in the State Police Retirement System or in a hazardous position in the County Employees Retirement System or the Kentucky Employees Retirement System immediately 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, 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:

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.

Section 15. KRS 61.575 is amended to read as follows:

(1) The members' account shall be the account to which:
(a) All members' contributions, or contributions picked up by the employer after August 1, 1982, and interest allowances as provided in KRS 61.510 to 61.692 shall be credited, except as provided by KRS 61.702(3)(b); and

(b) For members who begin participating in a nonhazardous position in the system on or after January 1, 2014, and for those members who make an election under subsection (3) of Section 1 of this Act or Section 7 of this Act, the employer pay credit and interest credited on such amounts as provided by KRS 16.583 and 61.597 shall be credited.

Only funds from this account shall be used to return the accumulated contributions or accumulated account balances of a member when required by reason of any provision of KRS 61.510 to 61.705. Prior to the member's retirement, death, or refund in accordance with KRS 61.625, no funds shall be made available from the member account.

(2) Each member's contribution or contribution picked up by the employer shall be credited to the individual account of the contributing member, except as provided by KRS 61.702(3)(b).

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

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

(c) For a member who begins participating on or after September 1, 2008, but prior to January 1, 2014, or who begins participating in a hazardous position on or after January 1, 2023, for his or her service in a hazardous position, or who is presumed under Section 1 of this Act to have begun participating in a hazardous position immediately prior to January 1, 2014, interest shall
be credited to his or her individual account at a rate of two and one-half percent (2.5%) per annum on the accumulated account balance of the member on June 30 of the preceding fiscal year.

(d) For a member who begins participating on or after January 1, 2014, in the hybrid cash balance plan, and for those members making an election under subsection (3) of Section 1 of this Act or Section 7 of this Act, interest shall be credited in accordance with KRS 16.583 and 61.597.

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

(4) (a) Upon the retirement of a member who began participating in the system prior to January 1, 2014, or who begins participating in a hazardous position on or after January 1, 2023, or who is presumed under Section 1 of this Act to have begun participating in a hazardous position immediately prior to January 1, 2014, his or her accumulated account balance shall be transferred from the members' account to the retirement allowance account.

(b) Upon the retirement of a member who began participating in the system on or after January 1, 2014, and a member making an election under subsection (3) of Section 1 of this Act or Section 7 of this Act, who elects to annuitize his or her accumulated account balance as prescribed by KRS 16.583(7)(a), except as otherwise provided under Section 1 of this Act, or 61.597(8)(7)(a) or (b), the member's accumulated account balance shall be transferred to the retirement allowance account.

Section 16. KRS 61.597 is amended to read as follows:

(1) A member of the Kentucky Employees Retirement System who is participating in a nonhazardous position, whose participation in the systems begins on or after January 1, 2014, and those members making an election pursuant to KRS 61.5955, shall receive the retirement benefits provided by this section in lieu of the retirement
benefits provided under KRS 61.559 and 61.595. The retirement benefit provided
by this section shall be known as the hybrid cash balance plan and shall operate as
another benefit tier within the Kentucky Employees Retirement System.

(2) The hybrid cash balance plan shall provide a retirement benefit based upon the
member's accumulated account balance, which shall include:

(a) Contributions made by the member as provided by KRS 16.505 to 16.652 and
61.510 to 61.705, except for employee contributions prescribed by KRS
61.702(3)(b);

(b) An employer pay credit of four percent (4%) of the creditable compensation
earned by the employee for each month the employee is contributing to the
hybrid cash balance plan provided by this section; and

(c) Interest credits added annually to the member's accumulated account balance
as provided by this section.

(3) (a) Member contributions and employer pay credits as provided by subsection
(2)(a) and (b) of this section shall be credited to the member's account
monthly as contributions are reported and posted to the system in accordance
with KRS 61.675.

(b) Interest credits, as provided by subsection (2)(c) of this section, shall be
credited to the member's account annually on June 30 of each fiscal year, as
determined by subsection (4) of this section.

(4) (a) On June 30 of each fiscal year, the system shall determine if the member
contributed to the hybrid cash balance plan or the County Employees
Retirement System during the fiscal year.

(b) If the member contributed to the hybrid cash balance plan or the County
Employees Retirement System during the fiscal year, the interest credit added
to the member's account for that fiscal year shall be determined by multiplying
the member's accumulated account balance on June 30 of the preceding fiscal
year by a percentage increase equal to:

1. Four percent (4%); plus
2. Seventy-five percent (75%) of the system's geometric average investment return in excess of the four percent (4%) rate of return.

(c) If the member did not contribute to the hybrid cash balance plan or the County Employees Retirement System during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by a percentage increase equal to four percent (4%).

(d) For purposes of this subsection, "system's geometric average net investment return":

1. Means the annual average geometric investment return, net of administrative and investment fees and expenses, over the last five (5) fiscal years as of the date the interest is credited to the member's account; and
2. Shall be expressed as a percentage and based upon the system in which the member has an account.

(e) No employer pay credits or interest credits shall be provided to a member who has taken a refund of contributions as provided by KRS 61.625 or who has retired and annuitized his or her accumulated account balance as prescribed by this section.

(5) (a) Upon termination of employment, a member who has less than five (5) years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to take a refund of his or her accumulated account balance as provided by KRS 61.625, shall forfeit the accumulated employer credit, and shall only receive a refund of his or her accumulated contributions.

(b) Upon termination of employment, a member who has five (5) or more years of
A member participating in the hybrid cash balance plan provided by this section may retire:

(a) At his or her normal retirement date, provided he or she has earned five (5) or more years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or another state-administered retirement system; or

(b) If the member is at least age fifty-seven (57) and has an age and years of service total of at least eighty-seven (87) years. The years of service used to determine eligibility for retirement under this paragraph shall only include years of service credited under KRS 16.543(1), 61.543(1), 78.615(1), or another state-administered retirement system.

(7) A member who has hazardous service credit presumed under Section 1 of this Act to be service credit earned immediately prior to January 1, 2014, and nonhazardous service credit earned on or after January 1, 2014, in the hybrid cash balance plan or the County Employees Retirement System, who is eligible for a reduced or unreduced benefit under Sections 2 and 3 of this Act when his or her hazardous service credit and nonhazardous service credit are consolidated pursuant to Section 18 of this Act, shall be eligible to retire from the hybrid cash balance plan at the same time with a benefit amount calculated by the board’s actuary to reflect the earlier commencement of benefits. The actuarial calculation of benefits shall not apply if the member satisfies the requirements provided in subsection (6) of this section.

(8) A member eligible to retire under subsection (6) of this section may elect to:

(a) Receive a monthly retirement allowance payable for life by having his or her accumulated account balance annuitized by the retirement systems in
accordance with the actuarial assumptions and actuarial methods adopted by
the board and in effect on the member's retirement date;

(b) Receive the actuarial equivalent of his or her retirement allowance calculated
under paragraph (a) of this subsection payable under one (1) of the options set
forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

(c) Take a refund of his or her account balance as provided by KRS 61.625.

The provisions of this section shall not apply to members who began
participating in the Kentucky Employees Retirement System prior to January 1,
2014, except for those members who make an election pursuant to KRS 61.5955.

Section 17. KRS 61.615 is amended to read as follows:

(1) If the board's medical examiner determines that a recipient of a disability retirement
allowance is, prior to his or her normal retirement date, employed in a position with
the same or similar duties, or in a position with duties requiring greater residual
functional capacity and physical exertion, as the position from which he or she was
disabled, except where the recipient has returned to work on a trial basis not to
exceed nine (9) months, the system may reduce or discontinue the retirement
allowance. Each recipient of a disability retirement allowance who is engaged in
gainful employment shall notify the system of any employment; otherwise, the
system shall have the right to recover payments of a disability retirement allowance
made during the employment.

(2) If the board's medical examiner determines that a recipient of a disability retirement
allowance is, prior to his or her normal retirement date, no longer incapacitated by
the bodily injury, mental illness, or disease for which he or she receives a disability
retirement allowance, the board may reduce or discontinue the retirement
allowance.

(3) The system shall have full power and exclusive authority to reduce or discontinue a
disability retirement allowance and the system shall utilize the services of a medical
examiner as provided in KRS 61.665, in determining whether to continue, reduce, or discontinue a disability retirement allowance under this section.

(a) The system shall select a medical examiner to evaluate the forms and medical information submitted by the person. If there is objective medical evidence of a mental impairment, the medical examiner may request the board's licensed mental health professional to assist in determining the level of the mental impairment.

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

(c) The medical examiner shall recommend that disability retirement allowance be continued, reduced, or discontinued.

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

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

   a. The person shall have sixty (60) days from the day that the system mailed the notice to file at the retirement office additional supporting employment or medical information and certify to the retirement office that the forms and additional supporting employment information or medical information are ready to be evaluated by the medical examiner or to appeal the recommendation of the medical examiner to reduce or discontinue the disability retirement allowance by filing at the retirement office a request for a formal hearing.
b. If the person fails or refuses to file at the retirement office the forms, the additional supporting employment information, and current medical information or to appeal the recommendation of the medical examiners to reduce or discontinue the disability retirement allowance, his or her retirement allowance shall be discontinued on the first day of the month following the expiration of the period of the sixty (60) days from the day the system mailed the notice of the recommendation to the person's last address on file in the retirement office.

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

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

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

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

b. If the person fails or refuses to appeal the recommendation of the medical examiners to reduce or discontinue the disability
retirement allowance, his or her retirement allowance shall be
discontinued on the first day of the month following the expiration
of the period of the sixty (60) days from the day the system mailed
the notice of the recommendation to the person's last address on
file in the retirement office.

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

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

(g) A final order of the board shall be based on substantial evidence appearing in
the record as a whole and shall set forth the decision of the board and the facts
and law upon which the decision is based. If the board orders that the person's
disability retirement allowance be discontinued or reduced, the order shall
take effect on the first day of the month following the day the system mailed
the order to the person's last address on file in the retirement office. Judicial
review of the final board order shall not operate as a stay and the system shall
discontinue or reduce the person's disability retirement allowance as provided
in this section.

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

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

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

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

(6) If a disability retirement allowance is reduced or discontinued for a person who
began participating in the system prior to January 1, 2014, or a person in a
hazardous position who began participating on or after January 1, 2023, or a
person who is presumed under Section 1 of this Act to have begun participating
in a hazardous position immediately prior to January 1, 2014, the person may
apply for early retirement benefits as provided under KRS 61.559, subject to the
following provisions:

(a) The person may not change his or her beneficiary or payment option, except
as provided by KRS 61.542(5);
(b) If the person has returned to employment with an employer participating in
one (1) of the systems administered by Kentucky Retirement Systems, the
service and creditable compensation shall be used in recomputing his or her
benefit, except that the person's final compensation shall not be less than the
final compensation last used in determining his or her retirement allowance;

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

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

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

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

→ Section 18. KRS 61.680 is amended to read as follows:

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

(2) (a) Notwithstanding any other provisions of KRS 6.500 to 6.535, 16.505 to
16.652, 61.510 to 61.692, 78.510 to 78.852 and 161.220 to 161.714:

1. Upon death, disability, or service retirement, a member's accounts under
the Legislators' Retirement Plan, State Police Retirement System,
Kentucky Employees Retirement System, County Employees Retirement
System, and Teachers' Retirement System, except for service prohibited
by KRS 161.623(2), shall be consolidated for the purpose of determining
eligibility and amount of benefits, including:

a. Members who participate in the hybrid cash balance plan
within the Kentucky Employees Retirement System, the County
Employees Retirement System, and the State Police Retirement
System, on or after January 1, 2014; and

b. Members who are presumed under Section 1 of this Act to begin
participating in a hazardous position immediately prior to
January 1, 2014, and have nonhazardous service credit in the
hybrid cash balance plan of either the Kentucky Employees
Retirement System or the County Employees Retirement System;
and regardless of the transition of administration of the County
Employees Retirement System to the County Employees Retirement
System board of trustees;

2. Vested service credit in a retirement system, other than the Teachers'
Retirement System, sponsored by a Kentucky institution of higher
education and accepted by the Kentucky Employees Retirement System
or the County Employees Retirement System, may be used to determine
eligibility for twenty-seven (27) year retirement for an employee who
begins participating before September 1, 2008, but not the amount of
benefits;

3. The computation of benefits shall be based on the applicable formula in
each system and service credit in each system, but the final
compensation, excluding compensation earned under KRS 161.155(10),
shall be determined as if all service were in one (1) system, including
for those members who are presumed under Section 1 of this Act to
begin participating in a hazardous position immediately prior to
January 1, 2014, and have nonhazardous service credit in the hybrid
cash balance plan of either the Kentucky Employees Retirement
System or the County Employees Retirement System;

4. If the member has prior service in more than one (1) system
administered by Kentucky Retirement Systems, he or she shall obtain at
least twelve (12) months' current service in each system in which he or
she has prior service in order to validate the prior service in each system
for purposes of determining consolidated benefits under this subsection;
and

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

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

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

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

(c) If the member has not contributed at least one (1) year in a system in which he or she has prior service, his or her current service in the system shall be valid for purposes of determining eligibility and in computation of benefits on a consolidated basis.

(3) (a) A member with service credit in the Kentucky Employees Retirement System, State Police Retirement System, or the County Employees Retirement System who becomes the holder of an office entitling him or her to membership in the Judicial Retirement Plan or the Legislators' Retirement Plan, but who does not elect within thirty (30) days after taking office in such service to participate in the plan, in accordance with KRS 6.505 or 21.360, shall be deemed to have elected to retain membership in the system in which he or she is a member, either the Kentucky Employees Retirement System, State Police Retirement System, or the County Employees Retirement System. In that event, the agency employing the member shall withhold employee contributions, or
picked-up employee contributions after August 2, 1982, make employer contributions and remit these contributions to the system in which the member retained his or her membership.

(b) Any person entitled to membership in the Judicial Retirement Plan or the Legislators' Retirement Plan, who does not elect within thirty (30) days after taking office to participate in the plan, in accordance with KRS 6.505 or 21.360, and who at the time of taking office is not a contributing member of, or does not have service credit in, any of the retirement systems mentioned in this section, or the Teachers' Retirement System, shall participate in the Kentucky Employees Retirement System.

(c) A member of one (1) of the state-administered retirement plans who ceases to contribute to the plan as provided in KRS 21.360 and who is employed in a nonelected position by an agency participating in the Kentucky Retirement Systems or Kentucky Teachers' Retirement System shall be deemed to have elected membership in the system in which the employer of the nonelected position participates. A member of one (1) of the state-administered retirement plans who ceases to contribute to the plan as provided in KRS 21.360 and who is not employed in a nonelected position by an agency participating in the Kentucky Retirement Systems shall be deemed to have elected membership in the Kentucky Employees Retirement System.

(4) (a) Prior to July 1, 1976, a person entering the service of an employer participating in the Kentucky Employees Retirement System or the County Employees Retirement System with service credit in the Teachers' Retirement System and who desires to retain membership in the Teachers' Retirement System, and who is permitted by that system to continue, shall be exempt from participating in the Kentucky Employees Retirement System or the County Employees Retirement System.
(b) Any person who has elected to retain membership in the Teachers’ Retirement System as provided in paragraph (a) of this subsection may cancel his or her election and participate in the system under which his or her position would normally participate, if he or she elects to cancel his or her option prior to January 1, 1977.

(c) Any member of the General Assembly who upon election is a contributing member of the Teachers’ Retirement System and who does not elect within thirty (30) days after taking office to participate in the Legislators’ Retirement Plan, in accordance with KRS 6.505, shall during his or her term of office participate in the Kentucky Employees Retirement System unless an election to retain membership in the Teachers’ Retirement System is filed in writing within ninety (90) days after his or her term of office begins. No contributions may be made to the Teachers’ Retirement System for the same period of service under the Legislators’ Retirement Plan or the Kentucky Employees Retirement System as a member of the General Assembly, but contributions made to the Teachers’ Retirement System while a member of the General Assembly shall be transferred to the Legislators’ Retirement Plan, as provided for in KRS 6.535, when the member elects to join the Legislators’ Retirement Plan, and service credit in the Legislators’ Retirement Plan shall be granted as provided for in KRS 6.505(5).

(5) Any member of the Kentucky Employees Retirement System or County Employees Retirement System who is working in a position covered by one (1) of these retirement systems and his or her employee contributions, service credit and employer contributions made on his or her behalf are being transferred to the other retirement system shall contribute to the system in which his or her employer participates, or after August 1, 1982, the employer shall pick up the employee contributions, and no further contributions or service credit shall be transferred to
the system in which he or she elected to retain membership, as subsection (2) of this section eliminates the necessity of the transfers.

(6) Except as provided by KRS 61.545(3)(b)2., any member of the Kentucky Employees Retirement System or County Employees Retirement System who is working in more than one (1) position covered by the same retirement system, shall have his or her wages and contributions consolidated and his or her retirement account administered as a single account. If part-time positions are involved, an accumulation of all hours worked within the same retirement system shall be used to determine eligibility under KRS 61.510(21).

(7) (a) Notwithstanding the provisions of subsection (2) of this section, a person who does not have the amount of service required for service retirement in the State Police Retirement System, Kentucky Employees Retirement System, County Employees Retirement System, Legislators' Retirement Plan, or Teachers' Retirement System, but who is a member of one (1) of the systems or is a former member of one (1) or more of the systems with valid service credit therein, shall become eligible for service retirement benefits attributable to the amount of his or her actual service credit in each system in which he or she has service credit when his or her combined service credit in all the systems, plus any service credit he or she has in the Judicial Retirement Plan, is equal to that required for service retirement in each respective system. The computation of benefits shall be based on the applicable formula in each system and service credit in each system, except that total service in all systems, unless prohibited by KRS 161.623(2), shall be used to determine the reduction for early retirement, if any. Except as provided in KRS 21.360, the final compensation shall be determined by using the creditable compensation reported to the State Police Retirement System, Kentucky Employees Retirement System, County Employees Retirement System, Legislators'
Retirement Plan, or Teachers' Retirement System and only as much of the compensation earned in the Judicial Retirement Plan as is needed to satisfy the final compensation requirement applicable in the respective retirement systems.

(b) Paragraph (a) of this subsection shall be waived if the member fails to simultaneously retire from all state-administered retirement systems in which the member has an account or fails to retire from any other systems not administered by Kentucky Retirement Systems within one (1) month of the member's effective retirement date in the systems administered by the Kentucky Retirement Systems.

(8) Each retirement system from which the member retires shall pay a retirement allowance upon receipt of required forms and documents, except that no retirement system shall pay a retirement allowance or annuity until all forms and documents are filed at all retirement systems in compliance with each system's requirements.
determine the eligibility of the agency to participate;

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

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

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

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

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

(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, 1958, for which creditable compensation is paid and employee contributions deducted, except as otherwise provided;

(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, 1958, for which creditable compensation was paid. An employee shall be credited with one (1) month of prior service only in those months he or she received compensation for at least one hundred (100) hours of work. Twelve (12) months of current service in the
system shall be required to validate prior service;

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

(13) "Creditable compensation":

(a) Except as limited by paragraph (c) of this subsection, means all salary, wages, 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 78.610(4). The creditable compensation of fee officers who receive salary, fees, maintenance, or other perquisites as a result of their official duties is the gross amount received decreased by the cost of salary paid deputies and clerks and the cost of office supplies and other official expenses;

(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 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, sick leave except as provided in KRS 78.616(5), 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. Training incentive payments for city officers paid as set out in KRS 64.5277 to 64.5279;

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" 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) 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;
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, which may contain less than
twelve (12) months of service credit, shall be used;

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

For a member who begins participating on or after September 1, 2008, but
prior to January 1, 2014, or a member who begins participating on or after
January 1, 2023, or a member who is presumed under Section 1 of this Act
to begin participating immediately 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, and shall include employee contributions picked up after August 1, 1982, pursuant to KRS 78.610(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, one thousand nine hundred fifty (1,950) hours for seven and one-half (7.5) 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 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 begin participating in the system prior to January 1, 2014, or who begin participating in a hazardous position in the system on or after January 1, 2023, or who are presumed under Section 1 of this Act to begin participating in a hazardous position in the system immediately prior to January 1, 2014, no disability retirement option shall be less than the same option computed under early retirement;
(18) "Normal retirement date", unless otherwise provided in KRS 78.510 to 78.852, means:
(a) For a member with service in a nonhazardous position, the sixty-fifth birthday of a member;
(b) For a member with service in a hazardous position who begins participating before September 1, 2008, the first day of the month following a member's fifty-fifth birthday; or
(c) For a member with service in a hazardous position who begins participating on or after September 1, 2008, the first day of the month following a member's sixtieth birthday;
(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 benefits limits as set out in 26 U.S.C. sec. 415;
(20) "Agency reporting official" means the person designated by the participating employer who shall be responsible for forwarding all employer and employee contributions and a record of the contributions to the system and for performing other administrative duties pursuant to the provisions of KRS 78.510 to 78.852;
(21) "Regular full-time positions," as used in subsection (6) of this section, shall mean all positions that average one hundred (100) or more hours per month, determined by using the number of hours actually worked in a calendar or fiscal year, or eighty (80) or more hours per month in the case of noncertified employees of school boards, determined by using the number of hours actually worked in a calendar or school year, unless otherwise specified, 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 that may recur regularly from year to year, in which case the period of time shall
not exceed nine (9) months, except for employees of school boards, in which case the period of time shall not exceed six (6) months;

(b) Emergency positions that are positions that do not exceed thirty (30) working days and are nonrenewable;

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

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

(e) Part-time positions that are positions that may be permanent in duration, but that 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, except in case of noncertified employees of school boards, the school term average shall be eighty (80) hours of work per month, determined by using the number of months actually worked in a calendar or school year, in the performance of duty;

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

(23) "Retired member" means any former member receiving a retirement allowance or any former member who has on file at the retirement office the necessary documents for retirement benefits and is no longer contributing to the system;
(24) "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;

(25) "Beneficiary" means the person, persons, estate, 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 78.5536, beneficiary shall not mean an estate, trust, or trustee;

(26) "Recipient" means the retired member, 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;

(27) "Person" means a natural person;

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

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

(30) "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;

(31) "Participating" means an employee is currently earning service credit in the system as provided in KRS 78.615;

(32) "Month" means a calendar month;
(33) "Membership date" means the date upon which the member began participating in the system as provided in KRS 78.615;

(34) "Participant" means a member, as defined by subsection (8) of this section, or a retired member, as defined by subsection (23) of this section;

(35) "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;

(36) "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;

(37) "Accumulated employer credit" means the employer pay credit deposited to the member's account and interest credited on such amounts as provided by KRS 78.5512 and 78.5516;

(38) "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 78.5512 and 78.5516, and for those making an election under subsection (3) of Section 1 of this Act or Section 7 of this Act, the combined sum of the member's accumulated contributions and the member's accumulated employer credit;

(39) "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 or the County Employees Retirement System 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;
(40) "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;
(41) "Nonhazardous position" means a position that does not meet the requirements of KRS 78.5520 or has not been approved by the board as a hazardous position;
(42) "Hazardous position" means a position that meets the requirements of KRS 78.5520 and has been approved by the board as hazardous;
(43) "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. 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 period;
(44) "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;
(45) "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;

(46) "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;

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

(48) "Act in line of duty" means, for purposes of members serving in a hazardous position, an act occurring which was required in the performance of the principal duties of the hazardous position as defined by the job description;

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

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

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

(52) "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;

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

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

Section 20. KRS 78.545 is amended to read as follows:

The following matters shall be administered for the County Employees Retirement System in the same manner subject to the same limitations and requirements as provided
for the Kentucky Employees Retirement System as follows:

1. Statement of member and employer, as provided for by KRS 61.540;
2. Beneficiary to be designated by member, change, rights, as provided for by KRS 61.542;
3. Service credit determination, as provided for by KRS 61.545;
4. Retirement application procedure, effective retirement date, as provided for by KRS 61.590;
5. Refund of contributions, conditions, as provided for by KRS 61.625;
6. Refund of contributions, death after retirement, as provided for by KRS 61.630;
7. Recontribuition and delayed contribution payments, purchase of service credit, interest, and installment payments, as provided for by KRS 61.552;
8. Optional retirement plans, as provided for by KRS 61.635;
9. Board of trustees, conflict of interest, as provided for by KRS 61.655;
10. Custodian of funds, payments made, when, as provided for by KRS 61.660;
11. Medical examiners and hearing procedures, as provided for by KRS 61.665;
12. Correction of errors in records, as provided for by KRS 61.685;
13. Exemptions of retirement allowances, and qualified domestic relations orders, as provided for by KRS 61.690;
14. Credit for service prior to membership date, as provided for by KRS 61.526;
15. Members' account, confidential, as provided for by KRS 61.661;
16. Consent of employees to deductions and reciprocal arrangement between systems, as provided for by KRS 61.680;
17. Reinstated employee, contributions on creditable compensation, as provided for by KRS 61.569;
18. Statement to be made under oath, good faith reliance, as provided for in KRS 61.699;
19. Direct deposit of recipient's retirement allowance as provided for in KRS 61.623;
(20) Death or disability from a duty-related injury as provided in KRS 61.621;
(21) Payment of small accounts upon death of member, retiree, or recipient without
formal administration of the estate as provided in KRS 61.703;
(22) Employer payment of increases in creditable compensation and adjustments to
creditable compensation during the last five (5) years of employment as provided by
KRS 61.598;
(23) Calculation of retirement allowance, as provided by KRS 61.599; and
(24) Benefit election for members of the Kentucky Retirement Systems as provided by
KRS 61.5955; and

(25) Benefit change for members of the State Police Retirement System, members in a
hazardous position in the Kentucky Employees Retirement System, and members
in a hazardous position in the County Employees Retirement System, as provided
by Section 1 of this Act.

Effective April 1, 2021, as it relates to KRS 61.590, 61.598, 61.655, 61.665, and 61.703,
references to "Kentucky Retirement Systems" or "systems administered by Kentucky
Retirement Systems" as it relates to benefit eligibility shall include the County Employees
Retirement System and references to "Kentucky Retirement Systems" or the "Kentucky
Retirement Systems board of trustees" as it relates to administrative decisions, duties,
requirements, or conflict of interest provisions shall for purposes of the County
Employees Retirement System mean the County Employees Retirement System or
County Employees Retirement System board of trustees, as applicable.

Section 21. KRS 78.5512 is amended to read as follows:

(1) A member of the County Employees Retirement System who is participating in a
nonhazardous position and who began participating in the system on or after
January 1, 2014, or a member who makes an election pursuant to KRS 61.5955,
shall receive the retirement benefits provided by this section in lieu of the retirement
benefits provided under KRS 78.5510. The retirement benefit provided by this
section shall be known as the hybrid cash balance plan and shall operate as another
benefit tier within the County Employees Retirement System.

(2) The hybrid cash balance plan shall provide a retirement benefit based upon the
member's accumulated account balance, which shall include:

(a) Contributions made by the member as provided by KRS 78.510 to 78.852,
except for employee contributions prescribed by KRS 78.5536(3)(b);

(b) An employer pay credit of four percent (4%) of the creditable compensation
earned by the employee for each month the employee is contributing to the
hybrid cash balance plan provided by this section; and

(c) Interest credits added annually to the member's accumulated account balance
as provided by this section.

(3) (a) Member contributions and employer pay credits as provided by subsection
(2)(a) and (b) of this section shall be credited to the member's account
monthly as contributions are reported and posted to the system in accordance
with KRS 78.625.

(b) Interest credits, as provided by subsection (2)(c) of this section, shall be
credited to the member's account annually on June 30 of each fiscal year, as
determined by subsection (4) of this section.

(4) (a) On June 30 of each fiscal year, the system shall determine if the member
contributed to the hybrid cash balance plan or the Kentucky Retirement
Systems during the fiscal year.

(b) If the member contributed to the hybrid cash balance plan or the Kentucky
Retirement Systems during the fiscal year, the interest credit added to the
member's account for that fiscal year shall be determined by multiplying the
member's accumulated account balance on June 30 of the preceding fiscal year
by a percentage increase equal to:

1. Four percent (4%); plus
2. Seventy-five percent (75%) of the system's geometric average net investment return in excess of a four percent (4%) rate of return.

(c) If the member did not contribute to the hybrid cash balance plan or the Kentucky Retirement Systems during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by four percent (4%).

(d) For purposes of this subsection, "system's geometric average net investment return":

1. Means the annual average geometric investment return, net of administrative and investment fees and expenses, over the last five (5) fiscal years as of the date the interest is credited to the member's account; and

2. Shall be expressed as a percentage and based upon the system in which the member has an account.

(e) No employer pay credits or interest credits shall be provided to a member who has taken a refund of contributions as provided by KRS 61.625 or who has retired and annuitized his or her accumulated account balance as prescribed by this section.

(5) (a) Upon termination of employment, a member who has less than five (5) years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to take a refund of his or her accumulated account balance as provided by KRS 61.625, shall forfeit the accumulated employer credit, and shall only receive a refund of his or her accumulated contributions.

(b) Upon termination of employment, a member who has five (5) or more years of service credited under KRS 16.543(1), 61.543(1), and 78.615(1), who elects to take a refund of his or her accumulated account balance as provided by KRS
61.625, shall receive a full refund of his or her accumulated account balance.

(6) A member participating in the hybrid cash balance plan provided by this section may retire:

(a) At his or her normal retirement age, provided he or she has earned five (5) or more years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another state-administered retirement system; or

(b) If the member is at least age fifty-seven (57) and has an age and years of service total of at least eighty-seven (87) years. The years of service used to determine eligibility for retirement under this paragraph shall only include years of service credited under KRS 16.543(1), 61.543(1), or 78.615(1), or another state-administered retirement system.

(7) A member who has hazardous service credit presumed under Section 1 of this Act to be service credit earned immediately prior to January 1, 2014, and nonhazardous service credit earned on or after January 1, 2014, in the hybrid cash balance plan or the Kentucky Employees Retirement System, who is eligible for a reduced or unreduced benefit under Sections 2 and 3 of this Act when his or her hazardous service credit and nonhazardous service credit are consolidated pursuant to Section 18 of this Act, shall be eligible to retire from the hybrid cash balance plan at the same time with a benefit amount calculated by the board's actuary to reflect the earlier commencement of benefits. The actuarial calculation of benefits shall not apply if the member satisfies the requirements provided in subsection (6) of this section.

(8) A member eligible to retire under subsection (6) of this section may elect to:

(a) Receive a monthly retirement allowance payable for life by having his or her accumulated account balance annuitized by the system in accordance with the actuarial assumptions and actuarial methods adopted by the board and in effect on the member's retirement date;
(b) Receive the actuarial equivalent of his or her retirement allowance calculated under paragraph (a) of this subsection payable under one (1) of the options set forth in KRS 61.635, except for the option provided by KRS 61.635(11); or

c) Take a refund of his or her account balance as provided by KRS 61.625.

The provisions of this section shall not apply to members who began participating in the Kentucky Employees Retirement System, County Employees Retirement System, or the State Police Retirement System prior to January 1, 2014, except as provided by KRS 61.5955.

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

(1) If the Authority's medical examiner determines that a recipient of a disability retirement allowance is, prior to his or her normal retirement date, employed in a position with the same or similar duties, or in a position with duties requiring greater residual functional capacity and physical exertion, as the position from which he or she was disabled, except where the recipient has returned to work on a trial basis not to exceed nine (9) months, the system may reduce or discontinue the retirement allowance. Each recipient of a disability retirement allowance who is engaged in gainful employment shall notify the Authority of any employment; otherwise, the system shall have the right to recover payments of a disability retirement allowance made during the employment.

(2) If the Authority's medical examiner determines that a recipient of a disability retirement allowance is, prior to his or her normal retirement date, no longer incapacitated by the bodily injury, mental illness, or disease for which he or she receives a disability retirement allowance, the system may reduce or discontinue the retirement allowance.

(3) The system shall have full power and authority to reduce or discontinue a disability retirement allowance and the Authority shall utilize the services of a medical examiner as provided in KRS 61.665, in determining whether to continue, reduce,
or discontinue a disability retirement allowance under this section.

(a) The Authority shall select a medical examiner to evaluate the forms and medical information submitted by the person. If there is objective medical evidence of a mental impairment, the medical examiner may request the Authority's licensed mental health professional to assist in determining the level of the mental impairment.

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

(c) The medical examiner shall recommend that the disability retirement allowance be continued, reduced, or discontinued.

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

2. If the medical examiner recommends that the disability retirement allowance be reduced or discontinued, the Authority shall send notice of the recommendation by United States first-class mail to the person's last address on file in the retirement office.

   a. The person shall have sixty (60) days from the day that the Authority mailed the notice to file at the retirement office additional supporting employment or medical information and certify to the Authority that the forms and additional supporting employment information or medical information are ready to be evaluated by the medical examiner or to appeal the recommendation of the medical examiner to reduce or discontinue the disability retirement allowance by filing at the retirement office a request for a formal hearing.

   b. If the person fails or refuses to file at the retirement office the...
forms, the additional supporting employment information, and current medical information or to appeal the recommendation of the medical examiners to reduce or discontinue the disability retirement allowance, his or her retirement allowance shall be discontinued on the first day of the month following the expiration of the period of the sixty (60) days from the day the Authority mailed the notice of the recommendation to the person's last address on file in the retirement office.

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

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

2. If the medical examiner recommends that the disability retirement allowance be reduced or discontinued based upon the evaluation of additional supporting medical information, the Authority shall send notice of this recommendation by United States first-class mail to the person's last address on file in the retirement office.

   a. The person shall have sixty (60) days from the day that the Authority mailed the notice of the recommendation to appeal the recommendation to reduce or discontinue the disability retirement allowance by filing at the retirement office a request for formal hearing.

   b. If the person fails or refuses to appeal the recommendation of the medical examiners to reduce or discontinue the disability retirement allowance, his or her retirement allowance shall be
discontinued on the first day of the month following the expiration
of the period of the sixty (60) days from the day the Authority
mailed the notice of the recommendation to the person's last
address on file in the retirement office.

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

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

(g) A final order of the board shall be based on substantial evidence appearing in
the record as a whole and shall set forth the decision of the board and the facts
and law upon which the decision is based. If the board orders that the person's
disability retirement allowance be discontinued or reduced, the order shall
take effect on the first day of the month following the day the Authority
mailed the order to the person's last address on file in the retirement office.
Judicial review of the final board order shall not operate as a stay and the
system shall discontinue or reduce the person's disability retirement allowance
as provided in this section.
(h) Notwithstanding any other provisions of this section, the Authority may require the person to submit to one (1) or more medical or psychological examinations at any time. The system shall be responsible for any costs associated with any examinations of the person requested by the medical examiner or the system for the purpose of providing medical information deemed necessary by the medical examiner or the system. Notice of the time and place of the examination shall be mailed to the person or his or her legal representative. If the person fails or refuses to submit to one (1) or more medical examinations, his or her rights to further disability retirement allowance shall cease.

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

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

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

(6) If a disability retirement allowance is reduced or discontinued for a person who began participating prior to January 1, 2014, \textbf{or a person in a hazardous position who began participating on or after January 1, 2023, or a person who is presumed under Section 1 of this Act to have begun participating in a hazardous position immediately prior to January 1, 2014}, the person may apply for early retirement benefits as provided under KRS 78.5510 or 78.5514, as applicable, subject to the following provisions:

(a) The person may not change his or her beneficiary or payment option;
(b) If the person has returned to employment with an employer participating in the County Employees Retirement System or the Kentucky Retirement Systems, the service and creditable compensation shall be used in recomputing his or her benefit, except that the person's final compensation shall not be less than the final compensation last used in determining his or her retirement allowance;

(c) The benefit shall be reduced as provided by KRS 78.5510(4) or 78.5514(4);

(d) The person shall remain eligible for reinstatement of his or her disability allowance upon reevaluation by the medical examiners until his or her normal retirement age. The person shall apply for reinstatement of disability benefits in accordance with the provisions of this section. An application for reinstatement of disability benefits shall be administered as an application under KRS 78.5524 or 78.5526, as applicable, and only the bodily injuries, mental illnesses, diseases, or conditions for which the person was originally approved for disability benefits shall be considered. Bodily injuries, mental illnesses, diseases, or conditions that came into existence after the person's last day of paid employment shall not be considered as a basis for reinstatement of disability benefits. Bodily injuries, mental illnesses, diseases, or conditions alleged by the person as being incapacitating, but which were not the basis for the award of disability retirement benefits, shall not be considered. If the person establishes that the disability benefits should be reinstated, the system shall pay disability benefits effective from the first day of the month following the month in which the person applied for reinstatement of the disability benefits; and

(e) Upon attaining normal retirement age, the person shall receive the higher of either his or her disability retirement allowance or his or her early retirement allowance.
(7) No disability retirement allowance shall be reduced or discontinued by the system after the person's normal retirement date except in case of reemployment as provided for by KRS 78.5540. If a disability retirement allowance has been reduced or discontinued, except if the person is reemployed as provided for by KRS 78.5540, the retirement allowance shall be reinstated upon attainment of the person's normal retirement date to the retirement allowance prior to adjustment. No reinstated payment shall be less than the person is receiving upon attainment of the person's normal retirement date.

Section 23. KRS 78.5524 is amended to read as follows:

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

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

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

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

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

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

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

(a) The person shall have sixty (60) months of service, twelve (12) of which shall be current service credited under KRS 16.543(1), 61.543(1), or 78.615(1). The service requirement shall be waived if the disability is a total and permanent disability or a hazardous disability and is a direct result of an act in line of duty;

(b) For a person whose membership date is prior to August 1, 2004, the person shall not be eligible for an unreduced retirement allowance;

(c) The person's application shall be on file in the retirement office no later than twenty-four (24) months after the person's last day of paid employment, as defined in KRS 78.510, in a regular full-time position that has been approved as a hazardous position in accordance with KRS 78.5520;

(d) The person shall receive a satisfactory determination pursuant to KRS 61.665; and

(e) A person's disability application based on the same claim of incapacity shall be accepted and reconsidered for disability if accompanied by new objective medical evidence. The application shall be on file in the retirement office no later than twenty-four (24) months after the person's last day of paid employment in a regular full-time hazardous position.

(3) Upon the examination of the objective medical evidence by licensed physicians pursuant to KRS 61.665, it shall be determined that:

(a) The incapacity results from bodily injury, mental illness, or disease. For purposes of this section, "injury" means any physical harm or damage to the human organism other than disease or mental illness;

(b) The incapacity is deemed to be permanent; and
(c) The incapacity does not result directly or indirectly from:

1. Injury intentionally self-inflicted while sane or insane; or

2. Bodily injury, mental illness, disease, or condition which pre-existed membership in the system or reemployment, whichever is most recent, unless:

a. The disability results from bodily injury, mental illness, disease, or a condition which has been substantially aggravated by an injury or accident arising out of or in the course of employment; or

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

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

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

2. The determination of a permanent incapacity shall be based on the medical evidence contained in the member's file and the member's residual functional capacity and physical exertion requirements.

(b) The person's residual functional capacity shall be the person's capacity for work activity on a regular and continuing basis. The person's physical ability shall be assessed in light of the severity of the person's physical, mental, and other impairments. The person's ability to walk, stand, carry, push, pull, reach,
handle, and other physical functions shall be considered with regard to physical impairments. The person's ability to understand, remember, and carry out instructions and respond appropriately to supervision, coworkers, and work pressures in a work setting shall be considered with regard to mental impairments. Other impairments, including skin impairments, epilepsy, visual sensory impairments, postural and manipulative limitations, and environmental restrictions, shall be considered in conjunction with the person's physical and mental impairments to determine residual functional capacity.

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

1. Sedentary work shall be work that involves lifting no more than ten (10) pounds at a time and occasionally lifting or carrying articles such as large files, ledgers, and small tools. Although a sedentary job primarily involves sitting, occasional walking and standing may also be required in the performance of duties.

2. Light work shall be work that involves lifting no more than twenty (20) pounds at a time with frequent lifting or carrying of objects weighing up to ten (10) pounds. A job shall be in this category if lifting is infrequently required but walking and standing are frequently required, or if the job primarily requires sitting with pushing and pulling of arm or leg controls. If the person has the ability to perform substantially all of these activities, the person shall be deemed capable of light work. A person deemed capable of light work shall be deemed capable of sedentary work unless the person has additional limitations such as the loss of fine dexterity or inability to sit for long periods.

3. Medium work shall be work that involves lifting no more than fifty (50)
pounds at a time with frequent lifting or carrying of objects weighing up to twenty-five (25) pounds. If the person is deemed capable of medium work, the person shall be deemed capable of light and sedentary work.

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

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

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

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

(b) For a member who begins participating on or after August 1, 2004, but prior
to January 1, 2014, or who begins participating in a hazardous position on
or after January 1, 2023, or who is presumed under Section 1 of this Act to
begin participating in a hazardous position immediately prior to January 1,
2014, the higher of twenty-five percent (25%) of the member's monthly final
rate of pay or the retirement allowance determined in the same manner as for
retirement at his or her normal retirement date with years of service and final
compensation being determined as of the date of his or her disability; or

(c) For a member who begins participating on or after January 1, 2014, but prior
to January 1, 2023, in the hybrid cash balance plan as provided by KRS
78.5516, and for those members making an election under subsection (3) of
Section 1 of this Act or Section 7 of this Act, the disability retirement
allowance shall be the higher of twenty-five percent (25%) of the member's
monthly final rate of pay or the retirement allowance determined in the same
manner as for retirement at his or her normal retirement date under KRS
78.5516.

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

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

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

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

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

⇒Section 24. KRS 78.616 is amended to read as follows:

(1) Any employer participating in the County Employees Retirement System which has
formally adopted a sick-leave program that is universally administered to its
employees may purchase service credit with the retirement system for up to six (6)
months of unused sick leave for each retiring employee.

(2) Participation under this section shall be at the option of each participating employer.
The election to participate shall be made by the governing authority of the
participating employer and shall be certified in writing to the system on forms
prescribed by the board. The certification shall provide for equal treatment of all
employees participating under this section.

(3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590,
the employer shall certify the retiring employee's unused, accumulated sick-
leave balance to the system. The member's sick-leave balance, expressed in
days, shall be divided by the average number of working days per month in
county service and rounded to the nearest number of whole months. A
maximum of six (6) months of the member's sick-leave balance, expressed in
months, shall be added to his or her service credit for the purpose of
determining his annual retirement allowance under KRS 78.510 to 78.852 and
for the purpose of determining whether the member is eligible to receive a retirement allowance under KRS 78.510 to 78.852, except as provided by paragraph (d) of this subsection. Accumulated sick-leave in excess of six (6) months shall be added to the member's service credit if the member or employer pays to the retirement system the value of the additional service credit based on the formula adopted by the board, subject to the restrictions provided by paragraph (d) of this subsection.

(b) The employer may elect to pay fifty percent (50%) of the cost of the sick leave in excess of six (6) months on behalf of its employees. The employee shall pay the remaining fifty percent (50%). The payment by the employer shall not be deposited to the member's account. Service credit shall not be credited to the member's account until both the employer's and employee's payments are received by the retirement system.

(c) Once the employer elects to pay all or fifty percent (50%) of the cost on behalf of its employees, it shall continue to pay the same portion of the cost.

(d) For a member who begins participating in the retirement system on or after September 1, 2008, but prior to January 1, 2014, or who begins participating in a hazardous position on or after January 1, 2023, or who is presumed under Section 1 of this Act to begin participating in a hazardous position immediately prior to January 1, 2014, whose employer has established a sick-leave program under subsections (1) to (4) and (6) of this section:

1. The member shall receive no more than twelve (12) months of service credit upon retirement for accumulated unused sick leave accrued while contributing to the retirement system from which the retirement benefit is to be paid;

2. The service added to the member's service credit shall be used for purposes of determining the member's annual retirement allowance
1 under KRS 78.510 to 78.852;
2
3. The service added to the member's service credit shall not be used to
determine whether a member is eligible to receive a retirement
allowance under KRS 78.510 to 78.852; and

4. The cost of the service provided by this paragraph shall be paid by the
employer.

(4) The system shall compute the cost of the sick-leave credit of each retiring employee
and bill each employer with whom the employee accrued sick leave accordingly.
The employer shall remit payment within thirty (30) days from receipt of the bill.

(5) (a) As an alternative to subsections (1), (3), (4), and (6) of this section, any
agency participating in the County Employees Retirement System which has
formally adopted a sick-leave program that is universally administered to its
employees, or administered to a majority of eligible employees in accordance
with subsection (6) of this section, shall, at the time of termination, or as
provided in KRS 161.155 in the case of school boards, compensate the
employee for unused sick-leave days the employee has accumulated which it
is the uniform policy of the agency to allow.

(b) The rate of compensation for each unused sick-leave day shall be based on the
daily salary rate calculated from the employee's current rate of pay. Payment
for unused sick-leave days shall be incorporated into the employee's final
compensation if the employee and employer make the regular employee and
employer contributions, respectively, on the sick-leave payment.

(c) The number of sick-leave days for which the employee is compensated shall
be divided by the average number of working days per month in county
service and rounded to the nearest number of whole months. This number of
months shall be added to the employee's total service credit and to the number
of months used to determine creditable compensation, pursuant to KRS
78.510, but no more than sixty (60) months shall be used to determine final
compensation. For an employee who begins participating on or after
September 1, 2008, but prior to January 1, 2014, or who begins participating
in a hazardous position on or after January 1, 2023, or who is presumed
under Section 1 of this Act to begin participating in a hazardous position
immediately prior to January 1, 2014, the number of months added to the
employee's total service credit under this paragraph shall not exceed twelve
(12) months, and the additional service shall not be used to determine whether
a member is eligible to receive a retirement allowance under KRS 78.510 to
78.852.

(6) Any city of the first class that has two (2) or more sick-leave programs for its
employees may purchase service credit with the retirement system for up to six (6)
months of unused sick leave for each retiring employee who participates in the sick-
leave program administered to a majority of the eligible employees of the city. An
employee participating in a sick-leave program administered to a minority of the
eligible employees shall become eligible for the purchase of service credit under
this subsection when the employee commences participating in the sick-leave
program that is administered to a majority of the eligible employees of the city.

(7) The provisions of this section shall not apply to:

(a) Employees in a nonhazardous position who begin participating in the system
on or after January 1, 2014; [or]

(b) Employees making an election under subsection (3) of Section 1 of this Act
or Section 7 of this Act;

and no service credit shall be provided for accumulated sick leave balances of those
employees described in paragraphs (a) and (b) of this subsection who begin
participating in the system on or after January 1, 2014.

⇒ Section 25. KRS 78.640 is amended to read as follows:
1 (1) The members' account shall be the account to which:

2 (a) All members' contributions, or contributions picked up by the employer after

3 August 1, 1982, and interest allowances as provided in KRS 78.510 to 78.852

4 shall be credited, except as provided by KRS 78.5536(3)(b); and

5 (b) For members who begin participating in a nonhazardous position in the

6 system on or after January 1, 2014, and for those members making an

7 election under subsection (3) of Section 1 of this Act or Section 7 of this

8 Act, the employer pay credit and interest credited on such amounts as

9 provided by KRS 78.5512 and 78.5516 shall be credited.

10 Only funds from this account shall be used to return the accumulated contributions

11 or accumulated account balances of a member when required to be returned to him

12 or her by reason of any provision of KRS 78.510 to 78.852. Prior to the member's

13 retirement, death, or refund in accordance with KRS 61.625, no funds shall be made

14 available from the member account.

15 (2) Each member's contribution or contribution picked up by the employer shall be

16 credited to the individual account of the contributing member, except as provided

17 by KRS 78.5536(3)(b).

18 (3) (a) Each member shall have his or her individual account credited with interest on

19 June 30 of each year.

20 (b) For a member who begins participating before September 1, 2008, interest

21 shall be credited to his or her individual account at a rate determined by the

22 board but not less than two percent (2%) per annum on the accumulated

23 account balance of the member on June 30 of the preceding fiscal year.

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

25 prior to January 1, 2014, or who begins participating in a hazardous position

26 on or after January 1, 2023, for his or her service in a hazardous position,

27 or who is presumed under Section 1 of this Act to begin participating in a
hazardous position immediately prior to January 1, 2014, interest shall be credited to his or her individual account at a rate of two and one-half percent (2.5%) per annum on the accumulated contributions of the member on June 30 of the preceding fiscal year.

(d) For a member who begins participating in a nonhazardous position on or after January 1, 2014, in the hybrid cash balance plan, and for those members making an election under subsection (3) of Section 1 of this Act or Section 7 of this Act, interest shall be credited in accordance with KRS 16.583 and 61.597.

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

(4) (a) Upon the retirement of a member who began participating in the system prior to January 1, 2014, or who began participating in a hazardous position on or after January 1, 2023, or who is presumed under Section 1 of this Act to have begun participating in a hazardous position immediately prior to January 1, 2014, his or her accumulated account balance shall be transferred from the members' account to the retirement allowance account.

(b) Upon the retirement of a member who began participating in a nonhazardous position in the system on or after January 1, 2014, or a member making an election under subsection (3) of Section 1 of this Act or Section 7 of this Act, who elects to annuitize his or her accumulated account balance as prescribed by KRS 78.5512(8)(7)(a) or (b) or 78.5516(7)(a) or (b), the member's accumulated account balance shall be transferred to the retirement allowance account.