

## DRAFT BILL: SECTION BY SECTION SUMMARY

Note: KERS = Kentucky Employees Retirement System; CERS = County Employees Retirement System; SPRS = State Police Retirement System; LRP = Legislators' Retirement Plan; JRP = Judicial Retirement Plan; TRS = Teachers' Retirement System; KRS = Kentucky Retirement Systems (currently administers KERS, CERS, & SPRS); JFRS = Judicial Form Retirement System (currently administers LRP & JRP); PERS = Public Employees Retirement System (new defined contribution plan established by bill); KDC = Kentucky Employees Deferred Compensation Authority; NH = Nonhazardous; H = Hazardous

Sec. #	KRS §	Provisions
Preamble: Section 1		
1	New Ch. 61	<ul style="list-style-type: none"> <li>• Preamble section detailing need for the bill.                             <ul style="list-style-type: none"> <li>○ Declares that nothing in the Act impairs the ability of current members of the Commonwealth's public retirement systems from reaching the threshold service requirement to receive an unreduced benefit.</li> <li>○ Declares that reforms in the Act are reasonable and necessary to serve the legitimate and important state purposes.</li> </ul> </li> </ul>
Public Employees Retirement System (PERS): Sections 2 to 11; Conforming/Additional/Transparency 12-24		
2	New Chapter 18B	<p>Definitions section of PERS. Key definitions include:</p> <ul style="list-style-type: none"> <li>• "Employee" includes current and future members who would have otherwise participated in:                             <ul style="list-style-type: none"> <li>○ (a) <i>LRP</i> (Section 25 defines who no longer participates in LRP and will participate in PERS): New legislators, LRP cash balance participants (account balance rolled over to PERS); and all legislators in LRP who have reached an unreduced retirement <u>on</u> July 1, 2018. (see Section 25);</li> <li>○ (b) <i>JRP</i> (Section 26 defines who no longer participates in JRP and will participate in PERS): New judges, JRP cash balance participants (account balance rolled over to PERS); and all judges who have reached an unreduced retirement <u>on or after</u> July 1, 2018 (see Section 26);</li> <li>○ (c) <i>KRS</i> (Section 59 defines who no longer participates in KRS and will participate in PERS): New KERS/CERS nonhazardous members, KERS/CERS nonhazardous Tier III participants (account balance rolled over to PERS); and all KERS/CERS nonhazardous members who have reached an unreduced retirement in Tier I or II <u>on or after</u> July 1, 2018 (see Section 59);</li> <li>○ (c) <i>TRS University</i> (Section 110 defines who no longer participates in TRS and will participate in PERS): New members who elect TRS coverage, people who have less than 5 years of service who elect to participate in PERS and have their account balance rolled over to PERS (accumulated contributions); and all university members who have reached an unreduced retirement <u>on or after</u> July 1, 2018 (see Section 110);</li> <li>○ (c) <i>TRS Nonuniversity</i>: They are members of PERS but only for the autoenrolled 3% voluntary employee contribution (excludes those who have reached an unreduced retirement <u>on</u> July 1, 2018). PERS will manage investment options in TRS 401(a) money purchase plan for these members (the Social Security replacement DC plan in Section 109);</li> <li>○ (d) <i>Opt-in</i>: Those hazardous employees who opt-in to PERS (see section 75).</li> </ul> </li> <li>• "Board" for PERS is the Ky. Deferred Compensation (KDC) board.</li> </ul>
3	New 18B	Sets up statutory fund for PERS assets.

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4	New 18B	Establishes basic PERS defined contribution plan requirements (individual accounts, distribution options, management, plan setup). PERS may, but is not required to, provide annuitization options for members.
5	New 18B	Defines participant as a person who is an "employee" participating in PERS or a former employee who has not taken a refund of their account. Provides that a participant shall not include those individuals who have opted to participate in a defined contribution plan offered by a regional state university (EKU, KSU, etc.) in lieu of participation in TRS.
6	New 18B	<ul style="list-style-type: none"> <li>• Employees, except those participating in the TRS 401(a) money purchase plan, shall have:                             <ul style="list-style-type: none"> <li>• Employee contribution: 3% of pay mandatory + voluntary contributions (autoenrolled at additional 6% of pay for maximum matching employer contributions). Employee can opt out of voluntary contributions or can contribute more and are vested immediately for those contributions.</li> <li>• Employer contribution: 2% of pay mandatory + 50% match on voluntary employee contributions up to 3% employer. Vesting for employer contributions is at 5 years but includes service from prior coverage in LRP, JRP, KRS, and TRS as well as contributing service to PERS.</li> </ul> </li> <li>• Those in the TRS 401(a) money purchase plan (Section 109) would be autoenrolled in 3% voluntary contribution but would not receive an employer contribution through PERS (except those who have reached unreduced retirement <u>on</u> July 1, 2018).</li> <li>• Establishes tax deferral provisions and reporting of contributions by employers.</li> <li>• Provides that a person who retires on or after July 1, 2018, shall not be eligible to receive employer contributions paid from the fund.</li> </ul>
7	New 18B	Allows PERS to select custodian of funds.
8	New 18B	Provide that PERS benefits do not constitute an "inviolable contract".
9	New 18B	Cross references statutes applicable to KDC including: KDC board, inviolability of employee contributions, regulation of investments, limitation of liability on investments, board of trustees conflict of interest provision established by Section 12.
10	New 18B	Provide that all state administered retirement systems, KDE, Personnel Cabinet, and employers shall work with PERS to electronically report data to PERS; provide that KRS and TRS act as the agent of KDC to collect and transmit all PERS contributions and information received from employers to the authority within 15 days; establish reporting requirements, and penalties for delinquent contributions.
11	New 18B	Require Personnel Cabinet to establish optional disability and death benefits for employees participating in PERS, including short-term disability, long-term disability benefits, life insurance, and disability or death in the in the line of duty (LOD).
12	New 18A	<ul style="list-style-type: none"> <li>• Establish conflict of interest provisions for PERS employees and trustees.</li> </ul>

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Sec. #	KRS §	Provisions
		<ul style="list-style-type: none"> <li>Provide that no member of General Assembly, public servant, trustee or employee of KDC/PERS board shall have any interest in the business of KDC/PERS while employed/serving and for a period of 5 years following employment/service (starting from July 1, 2017).</li> </ul>
13	7A.210	<ul style="list-style-type: none"> <li>Puts KDC/PERS under review of the Public Pension Oversight Board.</li> </ul>
14	7A.240	<ul style="list-style-type: none"> <li>Conforming/technical amendments.</li> </ul>
15	7A.250	<p>For the Public Pension Oversight Board (PPOB):</p> <ul style="list-style-type: none"> <li>Takes out review of KRS Tier III plan by PPOB; provides that an actuarial audit shall not apply to PERS.</li> <li>Provides that the hiring of an actuary to perform a biennial review of employer rates by PPOB is voluntary, rather than mandatory, and would apply to bienniums occurring on or after July 1, 2020.</li> </ul>
16	7A.255	<ul style="list-style-type: none"> <li>Exempts PERS from required reporting to PPOB on nondescript member data, investment fee reporting under SB 2 requirements, and investment procurement policy reporting requirements.</li> </ul>
17	11A.010	<ul style="list-style-type: none"> <li>Makes the PERS/KDC board subject to the Executive Branch Code of Ethics.</li> </ul>
18	12.020	<ul style="list-style-type: none"> <li>Enumerates PERS in the agency listing of KRS 12.020.</li> </ul>
19	18A.245	<ul style="list-style-type: none"> <li>Expands KDC/PERS board (from 7 to 11 members): provides that Governor's appointees to board cannot have conflict of interest as provided by Section 12. Provides conforming language to incorporate PERS into board's responsibilities, authority to conform to federal law and plan qualification requirements, and to promulgate administrative regulations; the board increases gubernatorial appointees from 4 to 8, which would include: <ul style="list-style-type: none"> <li>3 at large appointees with investment experience (under enhanced definition);</li> <li>1 from list of 3 submitted by KLC with investment experience;</li> <li>1 from list of 3 submitted by KACO with investment experience;</li> <li>1 person representing retired teachers;</li> <li>1 from list of 4 from General Assembly (2 from Speaker of the House, 2 from President of the Senate); and</li> <li>1 from list of 3 retired judges or justices from Chief Justice of Supreme Court.</li> </ul> </li> <li>Establishes staggered terms for new board members and defines "investment experience".</li> </ul>
20	18A.275	<ul style="list-style-type: none"> <li>Transfers custodial responsibilities from State Treasurer to one selected by KDC/PERS board.</li> </ul>
21	141.010	<ul style="list-style-type: none"> <li>Exempt mandatory employee contribution "picked up" by PERS from state tax (similar to KRS/TRS/JFRS employee contributions).</li> </ul>
22	18A.105	<ul style="list-style-type: none"> <li>Conforming/technical amendments</li> </ul>

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23	18A.225	<ul style="list-style-type: none"> <li>Conforming/technical amendments; change to include new PERS members who will upon retirement potentially be receiving health benefits from KRS/TRS as an eligible participant in state health plan.</li> </ul>
24	42.615	<ul style="list-style-type: none"> <li>Conforming/technical amendments addition to require PERS to report financial data to the LRC annually as of October 1<sup>st</sup> of each year.</li> </ul>
LRP/JRP specific: Sections 25 to 58		
25	New KRS 6.500 to 6.577	<ul style="list-style-type: none"> <li>Relative to LRP:                             <ul style="list-style-type: none"> <li>New Members: Closes LRP, requires participation in PERS and retiree health benefits in KERS NH.</li> <li>Cash Balance members: Closes LRP, requires participation in PERS (cash balance account rolls over) and retiree health benefits transfer and accrue in KERS NH (retiree health funds roll into KERS NH retiree health funds and they receive service credit in KERS NH for retiree health only).</li> <li>Pre-2014 members (already at unreduced benefit on July 1, 2018): No future service/creditable compensation accrued in LRP (service remains in LRP as hard freeze), future retirement benefits accrued in PERS and future retiree health benefits accrued in KERS NH.</li> <li>Pre-2014 members (not at unreduced benefit on July 1, 2018): No future service/creditable compensation accrued in LRP (service remains in LRP as hard freeze); future retirement benefits accrue in KERS NH until reaching unreduced retirement eligibility in KERS NH in which case they participate in PERS (see section 59).</li> <li>Current LRP retirees: Recalculate LRP benefits to LRP retirees effective July 1, 2018 based upon legislative salary only (no salary reciprocity).</li> <li>Future LRP retirees: Provide that future retirees on or after July 1, 2018, shall have LRP benefits calculated based upon legislative salary only (no salary reciprocity).</li> <li>Provide for future potential optional buyouts for LRP members (who have frozen account with LRP).</li> </ul> </li> </ul>
26	New KRS 21.345 to 21.580	<ul style="list-style-type: none"> <li>Relative to JRP:                             <ul style="list-style-type: none"> <li>New Members: Closes JRP, requires participation in PERS and retiree health benefits in KERS NH.</li> <li>Cash Balance members: Closes JRP, requires participation in PERS (cash balance account rolls over) and retiree health benefits transfer and accrue in KERS NH (retiree health funds roll into KERS NH retiree health funds and they receive service credit in KERS NH for retiree health only).</li> <li>Pre-2014 members: Can accrue service in JRP for pension purposes through 27 years or Normal Retirement Age (KRS 21.380(1) provides is age 65 but reduced by 1 year for every 5 years of service/greater than 100% benefit); provide that these members shall still accrue retiree health benefits in JRP until retirement,</li> </ul> </li> </ul>

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		<p>can apply for disability benefits, and may complete installment on service purchases executed prior to July 1, 2018.</p> <ul style="list-style-type: none"> <li>• Provide for future potential optional buyouts for JRP members.</li> </ul>
27, 28	New KRS 6.500 to 6.577; 21.345 to 21.580	<ul style="list-style-type: none"> <li>• Transfers administration of LRP and JRP to KRS.</li> <li>• Provides that KRS board will receive no additional compensation (per diem) for administering LRP/JRP.</li> <li>• Conforming/technical amendments.</li> </ul>
29, 30	New KRS 6.500 to 6.577; 21.345 to 21.580	<ul style="list-style-type: none"> <li>• Cross references certain statutes pertaining to KERS and makes applicable to LRP/JRP including: (1) Membership forms and summary plan descriptions; (2) Determination of employer contribution rates; (3) Direct deposit of retirement checks; (4) Administration by KRS Board of Trustees; (5) KRS Board of Trustees conflict of interest; (6) State Treasurer to serve as custodian of funds; (7) Employer administrative duties; (8) Duties of board relative to actuarial tables/valuation/experience study; (9) Correction of errors; (10) Statements to be made under oath; and (11) Reemployment after retirement for those retired on or after July 1, 2018 to make same as KRS.</li> </ul> <p>Note: (1), (4), (5), (6), and (8) are items are slightly different for LRP/JRP under current administration or duplicative and have been removed or repealed in bill (see Section 57).</p>
31-35	6.500, 6.505, 6.515, 6.518, 6.520	<ul style="list-style-type: none"> <li>• Modifying LRP inviolable contract to exclude legislative changes occurring on or after the effective date of Act from inviolable contract provisions – allowing GA the right to amend, reduce, or suspend.</li> <li>• Conforming/technical amendments</li> </ul>
36	6.521	<ul style="list-style-type: none"> <li>• Conforming amendments and also provides that annual recalculation of LRP retiree benefits in subsection (1) shall not apply on or after July 1, 2018, so that provision will have no unintended effect on frozen benefits or the recalculation of retiree benefits.</li> </ul>
37	6.525	<ul style="list-style-type: none"> <li>• Removes references to statutes that are repealed (Section 57) or additional definitions in KRS 21.345 (Section 39).</li> <li>• Provides additional language about recalculation of LRP retiree pension benefits (from Section 25).</li> <li>• Conforming/technical amendments.</li> </ul>
38	6.577	<ul style="list-style-type: none"> <li>• Relative to LRP retiree health benefits: <ul style="list-style-type: none"> <li>• Provides that the LRP provisions for retiree health won't apply to members in LRP on or after 1/1/2014 (see section 25); and</li> <li>• Provides that members who retire on or after July 1, 2018, who don't retire from a state-administered retirement system (including PERS) within 24</li> </ul> </li> </ul>

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		months of the last month they contributed to one of the systems/plans shall not be eligible for retiree health benefits.
39	21.345	<ul style="list-style-type: none"> <li>Definitions section for LRP (via KRS 6.525) and JRP. Includes two new definitions—“active” and to define the term “board” relative to transfer of admin from JFRS to KRS.</li> </ul>
40, 41	21.347, 21.350	<ul style="list-style-type: none"> <li>Conforming/technical amendments.</li> </ul>
42	21.360	<ul style="list-style-type: none"> <li>Adds 3% additional employee contribution for retiree health for JRP members so that: Members participating in JRP prior to Sept. 1, 2008, contribute 8% (5% pension, 3% retiree health), and those participating in JRP on or after Sept. 1, 2008 (up to 1/1/2014) contribute 9% (6% pension, 3% retiree health).</li> </ul>
43, 44, 45, & 46	21.370, 21.372, 21.385, 21.400	<ul style="list-style-type: none"> <li>Conforming/technical amendments. Clarify that retired reemployed members who retire on or after July 1, 2018, shall be subject to new provisions.</li> </ul>
47	21.402	<ul style="list-style-type: none"> <li>Cash Balance Plan for LRP/JRP, makes conforming changes and clarifies that CB account transfers to PERS.</li> </ul>
48	21.405	<ul style="list-style-type: none"> <li>Conforming amendments and also provides that recalculation of JRP retiree benefits in subsection (1) shall not apply on or after July 1, 2018, so that provision will have no unintended effect on frozen benefits or the recalculation of retiree benefits.</li> </ul>
49, 50, 51	21.410, 21.420, 21.425	<ul style="list-style-type: none"> <li>Conforming/technical amendments.</li> </ul>
52	21.427	<ul style="list-style-type: none"> <li>Provides that the JRP provisions for retiree health will not apply to members in JRP on or after 1/1/2014 (see section 26); and</li> <li>Provides that members who retire on or after July 1, 2018, who don't retire from a state-administered retirement system (including PERS) within 24 months of the last month they contributed to one of the systems/plans shall not be eligible for retiree health benefits.</li> </ul>
53	21.460	<ul style="list-style-type: none"> <li>Conforming/technical amendments but provides for no service purchases for recontribution of refund after date member is required to participate in PERS.</li> </ul>
54	21.470	<ul style="list-style-type: none"> <li>Conforming/technical amendments</li> </ul>
55	21.480	<ul style="list-style-type: none"> <li>Modifying JRP inviolable contract to exclude legislative changes occurring on or after the effective date of Act from inviolable contract provisions – allowing GA the right to amend, reduce, or suspend.</li> </ul>
56	21.540	<ul style="list-style-type: none"> <li>Provides that KRS investment committee shall be in charge of JRP/LRP investments. Removes requirements for transparency for JFRS that are replaced by transparency requirements for systems/plans administered by KRS through transfer. Retains provisions about disclosure of legislative pension benefits passed during 2017 RS.</li> </ul>

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57	Repeal	<ul style="list-style-type: none"> <li>Repeals provisions that were replaced by provisions cross referenced to KRS statutes in Section 29 and 30. Statutes repealed include: KRS 21.357, 21.374, 21.440, 21.510, 21.525, 21.530, 21.550, 21.560, 21.450.</li> </ul>
58	21.565	<ul style="list-style-type: none"> <li>Conforming/technical amendments.</li> </ul>
KRS specific: Sections 59 to 108		
59	New KRS 61.510 to 61.705	<ul style="list-style-type: none"> <li>Specific to KERS NH and CERS NH:                             <ul style="list-style-type: none"> <li>New KERS/CERS NH Members: Closes pension plan, requires participation in PERS and retiree health benefits continue in KERS/CERS NH.</li> <li>Tier III Cash Balance members: Closes KERS/CERS NH cash balance plan, requires participation in PERS (account balance rolls over) and retiree health benefits continue in KERS/CERS NH.</li> <li>Tier I/II members: Can accrue service credit/creditable compensation in KERS/CERS NH for pension purposes until reaching unreduced retirement eligibility (frozen at that date); after that date participate in PERS (Tier I: 27 years or age 65 w/4 years; Tier II: Rule of 87 w/min age 57 or age 65 w/5 years of service); provide that these members shall still accrue retiree health benefits in KERS/CERS NH until retirement, can apply for disability benefits as long as still working in PERS position, and may complete installment on service purchases executed prior to July 1, 2018 but no service purchases after that date; future sick leave service credit provided at retirement also included.</li> <li>Tier I/II legislators who have elected to participate in KERS (instead of LRP) and those transferred over for future accruals under Section 25: Same rules apply as for KERS members based on Tier (Tier I: 27 years or age 65 w/4 years; Tier II: Rule of 87 w/min age of 57 or 65 w/5 years of service)</li> <li>For members retiring before July 1, 2023, lump-sum payments for compensatory time shall be added into their most recent fiscal year of creditable compensation in DB plan (last year prior to freezing).</li> </ul> </li> <li>Provide for future potential optional buyouts for all KRS members.</li> </ul>
60, 61, & 62	16.505; 61.510; & 78.510	<ul style="list-style-type: none"> <li>Definitions section for SPRS, KERS, and CERS:                             <ul style="list-style-type: none"> <li>Creditable Compensation changes:                                     <ol style="list-style-type: none"> <li>For fiscal years on or after July 1, 2018, sets Social Security taxable earnings cap on creditable compensation. Employee contributions refunded for creditable comp. above cap but employer contributions stay in fund to help pay down unfunded liability.</li> <li>Excludes equipment/uniform allowances paid on or after July 1, 2018.</li> <li>No compensatory time payouts for those nonhazardous Tier I members retiring after July 1, 2023 (only in Section 61/62). Under current law, already does not apply to Tier II/III.</li> </ol> </li> <li>High 3/High 5 must be complete 3 or 5 years for those retiring on or after July 1, 2018</li> </ul> </li> </ul>

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		<ul style="list-style-type: none"> <li>• Defines nonhazardous position.</li> <li>• Conforming/technical amendments/clarification.</li> <li>• For future legislator benefits accrued in KERS NH, “final compensation” is the creditable compensation of the member during all fiscal years of service accrued as a member of the General Assembly on or after July 1, 2018, divided by the number of years of service as a member of the General Assembly on or after July 1, 2018 (i.e. career average).</li> <li>• For legislators, “membership date” is date upon which the member began participating in any of the state-administered retirement systems.</li> </ul>
63, 64	16.645 & 78.545	<ul style="list-style-type: none"> <li>• Amend to cross reference Section 59 to CERS/SPRS.</li> </ul>
65, 66 & 67	16.520, 61.525, 78.540	<ul style="list-style-type: none"> <li>• Conforming/technical amendments.</li> </ul>
68	61.522	<ul style="list-style-type: none"> <li>• Cessation of participation KRS: Allows state supported universities &amp; community colleges to voluntarily opt out of KERS (must do so before July 1, 2020); allows all CERS agencies with exception of circuit clerks or school boards, to voluntarily opt out of CERS before July 1, 2020 (must pay full actuarial costs to do so).</li> <li>• Provides that any agency voluntarily (after July 1, 2018) or involuntarily opting out cannot establish a defined benefit plan.</li> </ul>
69	61.520	<ul style="list-style-type: none"> <li>• KERS Agency Participation: Amended to provide no approval for new agency/department participation in the Kentucky Employees Retirement System.</li> </ul>
70, 71	78.530, 61.535	<ul style="list-style-type: none"> <li>• CERS Agency Participation: Amended to provide no approval for new agency participation in the County Employees Retirement System.</li> <li>• Conforming/technical amendments regarding participation.</li> </ul>
72	61.546	<ul style="list-style-type: none"> <li>• Amends sick leave program for KERS/SPRS that provides service credit for accumulated sick leave. Service credited at retirement cannot exceed amount credited for balance as of June 30, 2018, and cannot use sick leave service credit for retirement eligibility for retirements occurring on or after July 1, 2018. Tier II limitation of 12 months still applies as well.</li> </ul>
73	78.616	<ul style="list-style-type: none"> <li>• Amends sick leave program for CERS. Limited to balance as of June 30, 2018, and cannot use sick leave service credit for retirement eligibility for retirements occurring on or after July 1, 2018. Tier II limitation of 12 months still applies as well.</li> </ul>
74	61.565	<p>Employer funding provisions for KRS and for LRP/JRP effective with the 2017 actuarial valuation and thereafter.</p> <ul style="list-style-type: none"> <li>• Sets actuarially required contribution (ARC) as sum of: “normal cost”, which is the ongoing employer cost of future service accruals after employee contributions are taken into account, and “actuarially accrued liability contribution”, which is the amortized payment to payoff the unfunded liability over a 30 year closed period.</li> </ul>



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		<ul style="list-style-type: none"> <li>• ARC required to be based upon entry age normal cost method, 30 year closed amortization period, level dollar financing of the unfunded liability, 5 year smoothed market asset valuation method, and other assumptions set by KRS board.</li> <li>• Resets the amortization period to a new 30 year period with 2017 actuarial valuation.</li> <li>• Provides that the normal cost shall be paid as a percent of payroll and defines normal cost.</li> <li>• Provides that the actuarially accrued liability contribution shall be set as a dollar amount and prorated to each employer based upon share of payroll in FY 15, 16, and 17. Exempts and adjusts amounts based upon those employers who have paid full actuarial costs to cease participating as provided by Section 68 of this Act.</li> <li>• Sets up CERS employer phase-in (4 years) so that same employer rate is paid in FY 19 as paid in FY 18 and then phases in additional amount needed over 3 year period so that by FY 2022 the full ARC is paid.</li> </ul>
75	61.5595	<ul style="list-style-type: none"> <li>• Changes voluntary opt out from DB into Tier III applicable to all KRS employees (SB 104 from 2017 RS) to voluntary opt out for Tier III hazardous (only) into PERS.</li> </ul>
76 to 81	61.597, 16.583, 16.543, 16.545, 61.543, & 61.560	<ul style="list-style-type: none"> <li>• Conforming/technical amendments.</li> </ul>
82	61.592	<ul style="list-style-type: none"> <li>• Close off hazardous duty coverage for new KERS/CERS agencies effective July 1, 2018.</li> <li>• For KERS/CERS agencies with hazardous duty coverage before July 1, 2018, may continue to petition KRS board for additional hazardous positions.</li> </ul>
83 to 92	78.615, 78.610, 16.560, 61.575, 78.640, 16.578, 16.582, 16.601, 61.552, & 61.555	<ul style="list-style-type: none"> <li>• Conforming/technical amendments.</li> <li>• Amends KRS 16.601 to provide that the surviving spouse shall supersede all previously designated beneficiaries regarding retirement line of duty (LOD) death benefits provided to the spouse of a hazardous duty employee (see also Section 153).</li> <li>• Provide that disability/death benefits don't apply to Tier III hazardous members who opt into PERS and have their account balances rolled over (see Section 75).</li> <li>• Limits service time purchase once in PERS.</li> </ul>
93 to 97	61.595, 61.600, 61.605,	<ul style="list-style-type: none"> <li>• Conforming/technical amendments</li> <li>• Amend 61.595 to reference Section 59, establishing max amount of service credit that may be used to compute benefits.</li> </ul>

## DRAFT BILL: SECTION BY SECTION SUMMARY

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Sec. #	KRS §	Provisions
	61.607, & 61.621	<ul style="list-style-type: none"> <li>Provide that disability/death benefits don't apply to Tier III nonhazardous members who have their account balances rolled over (see Section 59) or to new nonhazardous members required to participate in PERS.</li> </ul>
98	61.637	<ul style="list-style-type: none"> <li>Sets up retired/reemployed qualification and suspension provisions for all state-administered retirement systems going forward for any retirees who retire on or after July 1, 2018, and who are reemployed on or after July 1, 2018 so that:                             <ul style="list-style-type: none"> <li>KERS/CERS Nonhazardous/TRS/JRP/LRP: Must have 6 month break before returning to work in any position with a participating employer in any system; if 6 month break is not observed the retirement is voided; if 6 month break is observed then member may: (1) return to FT employment but pension payments will be suspended for the duration of reemployment (except for Gubernatorial appointees and elected officials); or (2) return to PT employment with no suspension in pension payments. No employee/employer payments due for period of reemployment after 6 month period. FT is defined for this new provision as any position that average 100 hours or more per month over a calendar or fiscal year basis, except for certified and classified school board employees full-time is more than 100 days per fiscal year.</li> <li>KERS/CERS Hazardous/SPRS: Retired Member must have 1 month break before returning to work in any position with a participating employer in any system; if 1 month break is not observed the retirement is voided; if 1 month break is observed then member may return to FT/PT employment with any employer participating in the systems/plans with no suspension of benefits but employee and employer will be required to make payments to retirement system from which the member retired (most recent system or employment). Employer cost limited to normal cost (no unfunded liability payment) and both employee/employer costs go away when unfunded liability is paid off.</li> </ul> </li> </ul>
99	61.645	<ul style="list-style-type: none"> <li>Expands KRS board from 17 to 19 members. 2 new trustees include: (1) one appointed by Governor's from list of 4 submitted by Speaker/President (2 each); (2) one appointed by Governor's from list of 3 submitted by Chief Justice of Supreme Court.</li> </ul>
100	61.650	<ul style="list-style-type: none"> <li>Conforms investment committee to add more members so it constitutes majority of expanded board.</li> </ul>
101	61.680	<ul style="list-style-type: none"> <li>Conforming/technical amendments.</li> </ul>
102	61.702	<ul style="list-style-type: none"> <li>Adds additional 3% employee contribution for retiree health for all KRS members. Based upon this provision: (1) nonhazardous members/hazardous members participating prior to September 1, 2008, will contribute a total of 8% of pay (5% pension, 3% retiree health) for nonhazardous and 11% of pay (8% pension, 3% retiree health) for hazardous; and (2) nonhazardous members/hazardous members participating on or after September 1, 2008, will contribute a total of 9% of pay (5%</li> </ul>

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Sec. #	KRS §	Provisions
		<p>pension, 4% retiree health) for nonhazardous and 12% of pay (8% pension, 4% retiree health) for hazardous.</p> <ul style="list-style-type: none"> <li>Provides that members who retire on or after July 1, 2018, who do not retire from a state-administered retirement system (including PERS) within 24 months of the last month they contributed to one of the systems/plans shall not be eligible for retiree health benefits.</li> <li>Sets PERS new member eligibility for retiree health benefits at minimum age 59 ½ and requires member to be receiving a monthly distribution from PERS/annuity offered by PERS.</li> </ul>
103	61.705	<ul style="list-style-type: none"> <li>No \$5,000 death benefit for new nonhazardous PERS participants or Tier III who are rolled over to PERS.</li> </ul>
104	78.625	<ul style="list-style-type: none"> <li>Require that CERS benefit suspension payment go from “may” to “shall” for failure of employer to pay contributions for period of 12 months or more.</li> </ul>
105	61.545	<ul style="list-style-type: none"> <li>Limits service time purchase once in PERS.</li> </ul>
106 to 108	16.652, 61.692, & 78.852	<ul style="list-style-type: none"> <li>Modifying KERS/CERS/SPRS inviolable contract to exclude legislative changes occurring on or after the effective date of Act from inviolable contract provisions – allowing GA the right to amend, reduce, or suspend.</li> </ul>
TRS specific: Sections 109 to 143		
109	New KRS 161.220 to 161.716	<p>Specific to TRS 401(a) Money Purchase Plan:</p> <ul style="list-style-type: none"> <li>TRS board to est. new DC, 401(a) money purchase plan for TRS members not eligible for Social Security (i.e. teachers).</li> <li>Establishes basic DC/PERS plan requirements (individual accounts, mandatory employee/employer contributions, distribution options, administration by KDC/PERS, plan setup).</li> <li>Mandatory employee contribution of (see Section 120, paragraph (1)(e)1.):               <ol style="list-style-type: none"> <li>9% of pay for all members required to participate in 401(a) money purchase plan (also required to be autoenrolled in PERS plan in Section 6 for 3% voluntary employee contribution), except for those covered by 2.</li> <li>Those members who are at the unreduced benefit level on July 1, 2018, and participate in the 401(a) money purchase plan the mandatory employee contribution is 10% of pay.</li> </ol> </li> <li>Mandatory employer contribution of:               <ol style="list-style-type: none"> <li>6% for all members required to participate, except for 2. School districts are required to fund an additional 2% of pay (see Section 126), leaving the state/existing employer contribution costs at 4%.</li> <li>Those members who are at the unreduced benefit level on July 1, 2018, the mandatory contribution is 8% of pay paid all by existing employer contributions.</li> </ol> </li> </ul>

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Sec. #	KRS §	Provisions
		<p>Note: Employer costs for this plan are funded from existing match/overmatch still required to be paid on all future hires. State pays for all costs of match/overmatch for non-federally funded employees in budget bill.</p> <ul style="list-style-type: none"> <li>• Includes no annuitization by TRS.</li> <li>• Requires TRS to pay reasonable expenses to PERS for administration and cannot amend 401(a) money purchase plan without consent of PERS board.</li> </ul>
110	New KRS 161.220 to 161.716	<ul style="list-style-type: none"> <li>• New TRS Members: Closes DB pension plan, requires participation in 401(a) money purchase plan for nonuniversity members and PERS for university members (unless the university member made an election for the optional retirement plan (ORP) at university when he or she began employment). Retiree health benefits continue in TRS.</li> <li>• Current TRS Members: Can accrue service in TRS for pension purposes until reaching unreduced retirement eligibility (27 years or age 60 w/5 years of service) and then after that date in PERS; provide that current TRS members still accrue retiree health benefits in TRS until retirement, remain eligible for disability benefits; provide 3 year period (until June 30, 2021) for those nonuniversity members who have already reached unreduced retirement eligibility as of July 1, 2018 to elect to continue participating in TRS defined benefit in lieu of the 401(a) money purchase plan.</li> <li>• For members retiring on or before July 1, 2023, lump-sum sick leave payments added in most recent FY used to calculate final average salary.</li> <li>• For purchase service agreement executed before July 1, 2018, the member able to complete the remaining installment payments and earn service for any service purchase being made through an installments.</li> <li>• Provide for voluntary opt-out from TRS defined benefit plan to 401(a) money purchase plan/PERS for members with less than 5 years of service (subject to IRS approval).</li> </ul>
111	New KRS 161.220 to 161.716	<ul style="list-style-type: none"> <li>• Agency cessation of participation for following TRS employers (similar to KRS provisions): <ul style="list-style-type: none"> <li>• Voluntary: 2 year period (must do so by July 1, 2020) for regional state universities, quasi-governmental agencies, Council on Postsecondary Education, Kentucky Educational Collaborative for State Agency Children, and KCTCS.</li> <li>• Mandatory: For agency who is no longer eligible to participate or if the agency fails to fulfill obligations of retirement statutes (i.e. failure to pay employer contribution rates).</li> </ul> </li> </ul>
112	161.155	<ul style="list-style-type: none"> <li>• For school districts, delete mandatory minimum sick leave policy provisions including requirement for at least 10 days of sick leave each year and leave all decisions up to school board policy.</li> <li>• Conforming/technical amendments.</li> </ul>

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Sec. #	KRS §	Provisions
		<ul style="list-style-type: none"> <li>• Provide that payments for accumulated sick leave shall not be used to: (1) calculate retirement benefit payments for those TRS members retiring on or after July 1, 2023; and (2) Determine the eligibility for benefit payments for classified employees in CERS who retire on or after July 1, 2018.</li> </ul>
113	161.220	<ul style="list-style-type: none"> <li>• Amend definitions section for TRS to:                             <ul style="list-style-type: none"> <li>○ For new members (eff. July 1, 2018) or reemployed retirees who retire on or after July 1, 2018, clarify that for PT/substitute provisions for TRS coverage do not apply (see also Section 135).</li> <li>○ For fiscal years on or after July 1, 2018, sets Social Security maximum taxable earnings cap on annual compensation. Employee contributions refunded for annual comp. above cap but employer contributions stay in fund to help pay down unfunded liability.</li> <li>○ Retains high-3 final compensation for qualifying TRS members who retire on or before July 1, 2023 (high-5 thereafter and for all non-qualifying members).</li> <li>○ Clarifies that sick leave payments do not apply towards retirement compensation for members who retire after July 1, 2023.</li> <li>○ Adding definitions for “university member” and “nonuniversity member”.</li> </ul> </li> </ul>
114	161.400	<ul style="list-style-type: none"> <li>• Conforming/technical amendments.</li> </ul>
115	161.420	<ul style="list-style-type: none"> <li>• Adds funds for 401(a) money purchase plan TRS. Cleans up section.</li> </ul>
116	161.500	<ul style="list-style-type: none"> <li>• Conforming/technical amendments.</li> </ul>
117 118	161.507 161.515	<ul style="list-style-type: none"> <li>• Conforming/technical amendments relating to suspending service purchases after July 1, 2018 for new members and members who have reached max. benefit accrual.</li> </ul>
119	161.520	<ul style="list-style-type: none"> <li>• Provide that minimum death before retirement benefits do not apply to new members or members with less than 5 years who opt into defined contribution plans.</li> </ul>
120	161.540	<ul style="list-style-type: none"> <li>• Increases member contribution by 3% of pay for all members to help fund retiree health benefits.</li> <li>• Establish mandatory nonuniversity member contributions for continuing defined benefit participants of 15.855% towards pension benefit (9.105%) and retiree health (6.75%) and for mandatory 401(a) money purchase plan component (9% or 10%) and retiree health (6.75%).</li> <li>• Establish mandatory university employee contributions for continuing DB participants of 13.4% towards pension benefit (7.625%) and retiree health (5.775%), except no contribution toward pension benefit for university member who is required or elects to participate in PERS. Note: Universities have opted to pay 2.215% of the employee contribution amount via KRS 161.565.</li> <li>• Provide that payments for accumulated annual leave shall not apply to those retiring after July 1, 2023.</li> </ul>

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Sec. #	KRS §	Provisions
121 122 123 124 125	16.545 161.5465 161.547 161.548 161.549	<ul style="list-style-type: none"> <li>• Conforming/technical amendments relating to suspending service purchases after July 1, 2018 for new members and members who have reached max. benefit accrual..</li> </ul>
126	161.550	<p>Funding provisions for TRS for 2017 valuation and after:</p> <ol style="list-style-type: none"> <li>1. Retains base minimum funding requirement for nonuniversity employers of 13.105% (12.355% pension, 0.75% retiree health) and 13.65% for university employers (12.9% pension, 0.75% retiree health).</li> <li>2. Requires employers to fund additional amount required above 1. to pay ARC for pension and life insurance funds. Amount shall be prorated to each employer based upon FY 15, 16, and 17 payrolls to TRS. Amount shall be adjusted by any employer who ceases participation and payments for school board shall be paid by state appropriation (other employers required to pay additional share).</li> <li>3. Provide that the sum of contributions 1 and 2 shall equal ARC (normal cost plus amortized payment for unfunded liability). Amortized state appropriation payments for prior sick leave payments, past ad hoc COLAs not included in additional employer contribution required (funded separately).</li> <li>4. Require ARC required to be based upon entry age normal cost method, 30 year closed amortization period, level dollar financing of the unfunded liability, 5 year smoothed market asset valuation method, and other assumptions set by TRS board.</li> <li>5. Resets the amortization period to a new 30 year period with 2017 actuarial valuation.</li> <li>6. Retains state costs of shared solution for retiree health but requires school district/university/other employer costs previously dedicated to funding retiree health to be used to fund pension costs and offset state costs (replaced by increased employee contribution for retiree health).</li> <li>7. Provides that school districts shall pay an additional 2% of pay for new members enrolled in the 401(a) money purchase plan and for teachers who enter the 401(a) plan due to reaching an unreduced retirement eligibility after July 1, 2018.</li> </ol>
127	161.595	<ul style="list-style-type: none"> <li>• Conforming/technical amendments relating to suspending service purchases after July 1, 2018 for new members and members who have reached max. benefit accrual.</li> </ul>
128	161.600	<ul style="list-style-type: none"> <li>• Conforming/technical amendments.</li> </ul>
129	161.615	<ul style="list-style-type: none"> <li>• Closes opportunity by TRS to establish alternative DC plan after July 1, 2018.</li> </ul>
130	161.620	<ul style="list-style-type: none"> <li>• Eliminates 3% benefit factor for service credit in excess of 30 years for any service earned on or after July 1, 2018, except for those members who on July 1, 2018, have reached an unreduced benefit and elect to participate in the DB plan for 3 more years (see Section 110).</li> </ul>

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Sec. #	KRS §	Provisions
		<ul style="list-style-type: none"> <li>• For current retirees suspends COLAs for next 5 fiscal years (2018-2022).</li> <li>• For new retirees, suspends COLA for first 5 years of retirement.</li> </ul> <p style="margin-left: 20px;">Conforming/technical amendments.</p>
131	161.623	<ul style="list-style-type: none"> <li>• For member who receive service credit for sick leave, caps sick leave conversion to service credit at the amount of sick leave accumulated on June 30, 2018. Prohibits any new agency from electing to purchase service credit for accumulated sick leave.</li> </ul>
132	161.675	<ul style="list-style-type: none"> <li>• Health insurance coverage extension to PERS members.</li> <li>• Provides that members who retire on or after July 1, 2018, who do not retire from a state-administered retirement system (including PERS) within 24 months of the last month they contributed to one of the systems/plans shall not be eligible for retiree health benefits.</li> <li>• Sets new member eligibility for retiree health benefits at minimum age 59 ½ and requires member to be receiving a monthly distribution from PERS/401(a) money purchase plan or annuity offered by PERS.</li> </ul>
133	161.430	<ul style="list-style-type: none"> <li>• Conforming/technical amendments.</li> </ul>
134	161.605	<ul style="list-style-type: none"> <li>• Extends retired/reemployed provisions of Section 98 to TRS.</li> </ul>
135	161.612	<ul style="list-style-type: none"> <li>• Eliminates accrual of service time in DB for part-time and substitute positions for any new member of TRS on or after July 1, 2018, and for individuals who retire on or after July 1, 2018, and are reemployed on or after July 1, 2018.</li> </ul>
136	161.568	<ul style="list-style-type: none"> <li>• Closes opportunity for university member election to TRS DB plan by those members who previously elected to participate in the optional retirement plan (DC plan administered by university).</li> </ul>
137	161.655	<ul style="list-style-type: none"> <li>• No \$2,000/\$5,000 life benefit for new members required to participate in the 401(a) money purchase plan/PERS on or after July 1, 2018.</li> </ul>
138	161.661	<ul style="list-style-type: none"> <li>• No disability benefits for new members required to participate in the 401(a) money purchase plan/PERS on or after July 1, 2018.</li> </ul>
139	161.470	<ul style="list-style-type: none"> <li>• Conforming/technical amendment.</li> </ul>
140	161.525	<ul style="list-style-type: none"> <li>• Conforming/technical amendment to confirm no required annuities for 401(a) money purchase plan/PERS.</li> </ul>
141	161.630	<ul style="list-style-type: none"> <li>• Conforming/technical amendment to confirm no required annuities for 401(a) money purchase plan/PERS.</li> </ul>
142	161.650	<ul style="list-style-type: none"> <li>• Conforming/technical amendment.</li> </ul>
143	161.714	<ul style="list-style-type: none"> <li>• Modifying TRS inviolable contract to exclude: (1) new members from inviolable contract provisions except for account balance in 401(a) money purchase plan; and (2) legislative changes occurring on or after the effective date of Act from inviolable contract provisions – allowing GA the right to amend, reduce, or suspend.</li> </ul>

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Sec. #	KRS §	Provisions
• Conforming/technical amendments: Sections 144 to 150		
144	48.315	<ul style="list-style-type: none"> <li>• Conforming/technical amendments</li> </ul>
145	67A.655	
146	79.080	
147	90.400	
148	90.410	
149	95.290	
150	212.792	
• Noncodified (NC) provisions: Sections 151 to 155		
151	NC	<ul style="list-style-type: none"> <li>• PERS, KRS, and TRS shall provide update on development of system, including impact of state or federal law, to the PPOB no later than February 28, 2018.</li> </ul>
152	NC	<ul style="list-style-type: none"> <li>• Require KRS, TRS, and JFRS to recompute 2017 actuarial valuations and provide an updated ARC or ADEC before January 1, 2018. Require JFRS to use Section 74 as basis of calculation.</li> </ul>
153	NC	<ul style="list-style-type: none"> <li>• Close loophole regarding retirement LOD death benefits for surviving spouse of hazardous employees who died in the line of duty on or after January 1, 2017.</li> </ul>
154	NC	<ul style="list-style-type: none"> <li>• Severability Clause</li> </ul>
155	NC	<ul style="list-style-type: none"> <li>• Eff. date July 1, 2018, for Sections 1 to 150.</li> </ul>