

TABLE 1: KERS/CERS NONHAZARDOUS NEW MEMBERS

Provisions for New Members Effective July 1, 2018

| Provision | Current Tier III Benefits (Members in system on or after January 1, 2014) | New Member Proposed (New Members on or after July 1, 2018) |
|---|--|--|
| Plan Type | Cash Balance (DB)/Retiree Health Benefits | Defined Contribution Plan/Retiree Health Benefits |
| Plan Administration | Kentucky Retirement Systems/Kentucky Retirement Systems | Public Employees Retirement System (managed by Deferred Comp.)/Kentucky Retirement Systems |
| Investment Responsibility | Kentucky Retirement Systems/Kentucky Retirement Systems | Member via Ky. Deferred Comp. investment options/ Kentucky Retirement Systems |
| Employee Contribution | 5% to cash balance plan (KRS) 1% to retiree health (KRS) 6% total | 3% Mandatory + voluntary (defined contribution) 4% to retiree health (KERS/CERS) 7% or more <i>Note: New Employee auto-enrolled at 6% voluntary contribution to get max. employer match but employee may change.</i> |
| Employer Contribution (to fund future accruals) | Normal cost | <u>Defined Contribution</u> 2% Mandatory + 50% match on employee voluntary contributions up to 3% <u>Retiree Health</u> Normal Cost |
| Pension/Retirement Benefit | Benefit based upon an accumulated account balance which includes: <ul style="list-style-type: none"> • 5% employee contribution (see above) • 4% employer credit • Interest credit based on prior year account balance. For employees: 4% credit + 75% of 5-yr avg. return above 4%. Inactives (not employed): 4%. • Retiring employee may choose to annuitize accumulated account balance based upon assumptions set by board. • No sick leave service credit/limited service purchases | <ul style="list-style-type: none"> • Benefit Based upon account balance which includes employee/employer contributions and return on investment. • PERS board has option of offering annuitization through private companies. • No sick leave service credit/no service purchases |
| Retirement Age/Service | <ul style="list-style-type: none"> • Rule of 87: Age + service must equal 87 years at retirement w/ min. age 57; or • Age 65 w/5 years of service. | Not applicable to defined contribution plans |
| Automatic COLA | Not applicable | Not applicable |
| Disability/Death Benefits | <u>Disability Benefits</u> <ul style="list-style-type: none"> • Minimum 5 years service to apply • Benefit Calculation-Higher of benefit calculated using account balance or 20% of member's final pay. <u>Death Benefits (Before Retirement)</u> Based upon account balance. Beneficiary may receive annuitized monthly benefit if the deceased employee: <ul style="list-style-type: none"> • Was eligible to retire; or • Had 5 year service and was working; or • Had 12 years of service and was not working. <u>Death Benefits (After Retirement)</u> <ul style="list-style-type: none"> • Benefit payable to beneficiary based upon payment option selected at retirement. • \$5,000 Death benefit if retired w/ 4 or more yrs. service. <i>Special line of duty disability/death benefits also provided.</i> | <ul style="list-style-type: none"> • Account balance in defined contribution plan. • 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). Cost paid by employee. |
| Contribution Vesting | <ul style="list-style-type: none"> • Employee Contributions & investment credit: Immediate • Employer & Investment Credit: 5 years. | <ul style="list-style-type: none"> • Employee Contribution & Investment: Immediate • Employer & Investments: 5 years. |
| Retiree Health Benefits | <ul style="list-style-type: none"> • Eligibility: Must have 15 yrs earned service at retirement & must be drawing a monthly annuitized benefit. • Subsidy: Benefit of \$10 per month for each year of earned service without regard to maximum dollar amount; adjusted by 1.5% annually. | Same except new members: (1) must be at least age 59 ½ to receive subsidy; (2) must be receiving a mo. distribution or annuitized pmt. from PERS; and (3) must have participated in a state-ret. system within 24 mos. before applying for health benefits. |

TABLE 2: KERS/CERS NONHAZARDOUS EXISTING MEMBERS

| Provisions for Current Members Effective July 1, 2018 | | | | | | | | |
|---|--|---------------|----------------|-----------------|---|---------------|----------------|-------------|
| PROVISION | CURRENT | | | | PROPOSED | | | |
| Tier III | Participate in Tier III benefits noted in Table 1. | | | | Will participate in New Hire Plan (PERS) noted in Table 1; Tier III account balance will rollover into PERS plan. | | | |
| Tier I/II Max. Accrual in KERS/CERS | No maximum defined benefit | | | | <p>For Tier I/II members, maximum KERS/CERS pension benefit accrual is amount at unreduced retirement eligibility (service credit & retirement compensation frozen at that date):</p> <ul style="list-style-type: none"> • 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. <p>Members exceeding this threshold on July 1, 2018, shall on July 1, 2018 participate in PERS and pay employee contribution rates applicable to PERS. For all others, PERS participation begins in the month following the date in which the member exceeds the max accrual. Retiree health contribution continue based on Tier. No service purchases after 7/1/18.</p> <p>Max accrual does not apply to: (1) service purchases being made on installments on July 1, 2018; (2) sick leave service credit at retirement; and (3) Comp. time paid to tier I members who retire on or before July 1, 2023 (payout already does not apply to Tier II). Comp. payouts would go into last year. Members would still be able to apply for disability benefits from KRS.</p> | | | |
| Tier I/II/III/PERS Employee Contribution Rate | <u>Item</u> | <u>Tier I</u> | <u>Tier II</u> | <u>Tier III</u> | <u>Item</u> | <u>Tier I</u> | <u>Tier II</u> | <u>PERS</u> |
| | Pension | 5% | 5% | 5% | Pension/PERS (see Table 1) | 5% | 5% | 3%+ |
| | Retiree Health | <u>0%</u> | <u>1%</u> | <u>1%</u> | Retiree Health | <u>3%</u> | <u>4%</u> | <u>4%</u> |
| | Total | 5% | 6% | 6% | Total | 8% | 9% | 7%+ |
| Final Compensation Calculation | <ul style="list-style-type: none"> • Tier I: Highest 5 years; may be partial years; must contain at least 48 months • Tier II: Last five complete fiscal years. | | | | <ul style="list-style-type: none"> • Tier I: For retirements on or after July 1, 2018, highest 5 must be complete fiscal years; must contain at least 60 months. • Tier II: No change | | | |
| Pension Spiking Provisions | <ul style="list-style-type: none"> • Tier I Comp. Time Pmts: Included in creditable compensation (Tier II already excluded by prior leg. change) • Max. Creditable Compensation: None • Equipment/Uniform Allowances: Included | | | | <ul style="list-style-type: none"> • Tier I Comp. Time Pmts: For Tier I retiring after July 1, 2023, comp. time paid upon termination of employment not part of creditable compensation. • Max. Creditable Compensation: For creditable compensation earned on or after July 1, 2018, limited to max. taxable earnings under Social Security (currently \$127,200 in 2017). Employee contributions refunded on excess creditable comp. above max. but employer contributions remain in fund to help pay down unfunded liability. • Equipment/Uniform Allowances: Excluded on creditable compensation earned on or after July 1, 2018. | | | |
| Sick Leave | <p><u>Tier I</u></p> <ul style="list-style-type: none"> • KERS-All sick leave converted to additional service credit; can be used for retirement eligibility. • CERS-sick leave generally converted to additional service credit based on program adopted by employer; can be used for retirement eligibility. <p><u>Tier II</u></p> <ul style="list-style-type: none"> • KERS/CERS: Limited to max. of 12 months; cannot be used for retirement eligibility. | | | | <ul style="list-style-type: none"> • Tier I/Tier II: Sick leave service converted cannot exceed amount for accumulated sick leave as of June 30, 2018; Tier I sick leave service credit does not count towards retirement eligibility for those retiring on or after July 1, 2018. | | | |
| Retiree Health Accessibility | Provided to anyone if they are eligible for retiree health benefits and are receiving a monthly pension benefit. | | | | Effective for retirements on or after July 1, 2018, must have contributed to a state-adm. retirement systems within last 24 months prior to accessing benefits. | | | |

TABLE 3: SPRS & KERS/CERS HAZARDOUS EXISTING MEMBERS/RETIRED MEMBERS

| Provisions for Current/New Members Effective July 1, 2018 | | | | | | | | |
|---|---|---------------|----------------|-----------------|---|---------------|----------------|-----------------|
| PROVISION | CURRENT | | | | PROPOSED | | | |
| Tier III Members | Provided hybrid cash balance plan applicable to hazardous duty members. | | | | No change, except hazardous members may elect to participate in the PERS plan applicable to Tier III nonhazardous members and have their account balance rolled into PERS plan. | | | |
| Tier I/II Max. Accrual in KERS/CERS | No maximum defined benefit | | | | No change | | | |
| Tier I/II/III Employee Contribution Rate | <u>Item</u> | <u>Tier I</u> | <u>Tier II</u> | <u>Tier III</u> | <u>Item</u> | <u>Tier I</u> | <u>Tier II</u> | <u>Tier III</u> |
| | Pension | 8% | 8% | 8% | Pension | 8% | 8% | 8% |
| | Retiree Health | <u>0%</u> | <u>1%</u> | <u>1%</u> | Retiree Health | <u>3%</u> | <u>4%</u> | <u>4%</u> |
| | Total | 8% | 9% | 9% | Total | 11% | 12% | 12% |
| Final Compensation Calculation | <ul style="list-style-type: none"> • Tier I: Highest 3 years; may be partial years; must contain at least 24 months • Tier II: Highest 3 complete fiscal years | | | | <ul style="list-style-type: none"> • Tier I: For retirements on or after July 1, 2018, highest 3 must be complete fiscal years; must contain at least 36 months • Tier II: No change | | | |
| Pension Spiking Provisions | <ul style="list-style-type: none"> • Tier I Comp. Pmts: Included (Tier II already excluded by prior leg. change) • Max. Creditable Compensation: None • Equipment/Uniform Allowances: Included | | | | <ul style="list-style-type: none"> • Tier I Comp. Pmts: No change • Max. Creditable Compensation: For creditable compensation earned on or after July 1, 2018, limited to max. taxable earnings under Social Security (currently \$127,200 in 2017). Employee contributions refunded on excess creditable comp. above max. but employer contributions remain in fund to help pay down unfunded liability. • Equipment/Uniform Allowances: Excluded on creditable compensation earned on or after July 1, 2018. | | | |
| Sick Leave | <p><u>Tier I</u></p> <ul style="list-style-type: none"> • KERS/SPRS-All sick leave converted to additional service credit; can be used toward retirement eligibility. • CERS-sick leave converted to additional service credit based upon program adopted by employer; can be used toward retirement eligibility. <p><u>Tier II</u></p> <ul style="list-style-type: none"> • KERS/SPRS/CERS: Limited to max. of 12 months; cannot be used toward retirement eligibility. | | | | <ul style="list-style-type: none"> • Tier I/Tier II: Sick leave service converted cannot exceed amount for accumulated sick leave as of June 30, 2018; Tier I sick leave service credit does not count towards retirement eligibility for those retiring on or after July 1, 2018. | | | |
| Retiree Health Accessibility | Provided to anyone if they are eligible for retiree health benefits and are receiving a monthly pension benefit. | | | | Effective for retirements on or after July 1, 2018, must have contributed to a state-adm. retirement systems within last 24 months prior to accessing benefits. | | | |
| Line of Duty Death | Current statute provides that the surviving spouse shall receive line of duty death benefits if the surviving spouse is named as sole principal beneficiary. | | | | Provides that if the hazardous member dies in the line of duty and has a surviving spouse, the surviving spouse shall supersede all previous beneficiary designations. Non-codified section makes changes applicable to any hazardous duty member who died in the line of duty after January 1, 2017. | | | |

TABLE 4: KERS/CERS/SPRS NONHAZARDOUS/HAZARDOUS REEMPLOYMENT AFTER RETIREMENT

| Provisions for Current/New Retirees Effective July 1, 2018 | | |
|--|---|--|
| PROVISION | CURRENT | PROPOSED |
| Reemployment After Retirement: Nonhazardous | <p>For retirees reemployed on or after September 1, 2008 with a KERS or CERS employer:</p> <ol style="list-style-type: none"> Must have 3 mo. break in employment & no prearranged agreement, otherwise retirement is voided. Provided break is observed, member can return to work in part-time or full-time position, continue drawing a monthly pension benefit, but cannot earn second retirement account. No employee contribution required but employer must contribute and pay reimbursements for retiree health on full-time employees, except: <ol style="list-style-type: none"> Employer contributions and retiree health reimbursements are not payable for qualifying employees of sheriff's offices and city police departments. Retiree health reimbursements are not payable for classified employees of local school boards who work less than 80 days per year. | <p>For nonhazardous retirees who retire on or after July 1, 2018, who are reemployed by a KERS, CERS, SPRS, or TRS employer on or after July 1, 2018:</p> <ol style="list-style-type: none"> Must have 6 mo. break in employment & no prearranged agreement, otherwise retirement is voided. Provided break is observed, member can return to work in part-time or full-time position, but their monthly pension benefit will be suspended for the duration of reemployment if the position is full-time, except for individuals who are elected to a public office or who are appointed by the Governor to a position*. Member cannot earn second retirement account for reemployment. No employee or employer contributions required on period of reemployment. <p>*Full-time for reemployment is defined as average of 100 or more hours per month over a fiscal or calendar year basis, except for classified/certified school board full-time is more than 100 days.</p> |
| Reemployment After Retirement: Hazardous | <p>For hazardous retirees reemployed on or after September 1, 2008 in a full-time hazardous position with a KERS, CERS, or SPRS employer:</p> <ol style="list-style-type: none"> Must have 1 mo. break in employment & no prearranged agreement, otherwise retirement is voided. Provided break is observed, member can return to work in part-time or full-time position, continue drawing a monthly pension benefit, but cannot earn second retirement account. No employee contribution required but employer must contribute and pay reimbursements for retiree health on FT employees, except employer contributions and retiree health reimbursements are not payable for qualifying employees of sheriff's offices and city police departments. | <p>For hazardous retirees who retire on or after July 1, 2018, who are reemployed KERS, CERS, SPRS, or TRS employer on or after July 1, 2018 (regardless of position):</p> <ol style="list-style-type: none"> Must have 1 mo. break in employment & no prearranged agreement, otherwise retirement is voided. Provided break is observed, member can return to work in part-time or full-time position, can continue drawing a monthly pension benefit during reemployment, but cannot earn second retirement account. Employee contributions and employer normal contributions required on period of reemployment and paid to system in which the employee last participated prior to retirement. |

TABLE 5: KERS/CERS/SPRS EMPLOYER FUNDING/PARTICIPATION REQUIREMENTS

| Current and Proposed Funding/Participation Provisions | | |
|---|--|--|
| PROVISION | CURRENT | PROPOSED |
| ARC calculation (pension & retiree health) | <p>The actuarially required contribution (ARC) is based on:</p> <ul style="list-style-type: none"> Normal cost + pmt. on unfunded liability Normal cost determined using Entry Age Normal Cost Method; paid as a % of payroll Unfunded liability payment determined: <ul style="list-style-type: none"> Using closed 30 year closed amortization period (starting in 2013 valuation); Level percent of payroll amortization method (with KRS board determining assumed % growth in payroll). | <p>The actuarially required contribution (ARC), for the 2017 valuation and after, is based on:</p> <ul style="list-style-type: none"> Normal cost + pmt. on unfunded liability Normal cost determined using Entry Age Normal Cost Method; paid as a % of payroll Unfunded liability payment determined: <ul style="list-style-type: none"> Using closed 30 year closed amortization period (reset and starting in 2017 valuation); Level dollar amortization method. |

| | | |
|---|--|---|
| | <ul style="list-style-type: none"> ○ Paid as a % of payroll ● 5 year market smoothing of assets (policy) ● KERS/SPRS rates change every two years; CERS every year | <ul style="list-style-type: none"> ○ Cost paid as a dollar value, prorated to each employer based upon employer's share of total payroll in FY 15, 16, and 17, adjusted for any employer who ceases participation. ● 5 year market smoothing of assets (statute). ● KERS/CERS/SPRS rates change every year. |
| CERS Phase-In | No phase-in to full ARC for CERS | <p>4-year phase-in with same ARC paid in FY 19 as was paid in FY 18 and then using as a base, increase the amount so that:</p> <ul style="list-style-type: none"> ● 1/3 of the additional amount above this paid in FY 20; ● 2/3 of the additional amount above this paid in FY 21; ● The full amount is paid in FY 22 and beyond. |
| Agency Voluntary Cessation of Participation | <ul style="list-style-type: none"> ● Statute currently allows certain non-stock/non-profit or quasi-governmental agencies in KERS/CERS to voluntarily cease participation provided they pay the full actuarial costs of ceasing participation. ● Agencies voluntarily/involuntarily ceasing participation must establish an alternative retirement plan. | <ul style="list-style-type: none"> ● Same except the following additional agencies have a 2-year window to voluntarily cease participating in the systems by paying full actuarial costs to do so (by July 1, 2020): <ul style="list-style-type: none"> ○ Universities & community colleges in KERS; and ○ Any agency in CERS with the exception of circuit clerks and school boards. ● Agencies voluntarily/involuntarily ceasing participation in the future may only establish a defined contribution plan. |

TABLE 6: LEGISLATORS' RETIREMENT PLAN

| Current and Proposed Provisions | | |
|----------------------------------|---|---|
| PROVISION | CURRENT | PROPOSED |
| Administration | LRP adm. by Judicial Form Retirement System (JFRS) board. | Effective July 1, 2018, administration of LRP will be transferred to the Kentucky Retirement Systems (KRS) board who currently administers KERS, CERS, & SPRS. |
| Participation in LRP/Max Accrual | Plan open to current and new members who have or will elect to participate in LRP; Benefit cannot exceed 100% of final compensation. | <p>Effective July 1, 2018, the LRP plan is:</p> <ul style="list-style-type: none"> ● Closed to new members. ● For those members who began participating in LRP on or after January 1, 2014, and are participating in the hybrid cash balance plan in LRP: <ul style="list-style-type: none"> ○ Shall have their account balance rolled into PERS and participate in PERS for future service to GA (same as KERS NH Tier III); and ○ Will participate in the KERS NH retiree health benefits (any service credit/funds accumulated for retiree health in LRP will be transferred to KERS NH). ● For those members who began participating in LRP prior to January 1, 2014, and who are participating in the defined benefit plan in LRP on June 30, 2018: <ul style="list-style-type: none"> ○ Shall not accrue any additional service/benefits in LRP on or after July 1, 2018. ○ If the member <u>has</u> accrued an unreduced benefit in LRP as of June 30, 2018 (27 years of service or normal retirement age with at least 5 years of service), the member shall on or after July 1, 2018, participate in PERS for retirement benefits and will participate in the KERS NH for any future retiree health benefit accruals. ○ If the member <u>has not</u> accrued an unreduced benefit in LRP as of June 30, 2018 (27 years of service or normal retirement age with at least 5 years of service), the member shall participate in the KERS NH defined benefit plan on or after July 1, 2018 (until reaching the max. accrual in KERS NH) and will participate in the KERS NH for any future retiree health benefit accruals. ● Eff. July 1, 2018, LRP members shall pay same employee contributions as KERS NH members (due to future participation in KERS NH/PERS). |
| ARC calculation | Based upon methods prescribed by KRS 21.525. | ● Provisions applicable to KERS/SPRS apply to LRP for the 2017 valuation and after (see Table 5). |
| Pension Spiking | Members contributing to LRP on or after 6/20/05 but prior to 1/1/14, can use salary earned in another state-adm. retirement system or plan to calculate their LRP benefits. | <ul style="list-style-type: none"> ● Members who retired prior to July 1, 2018, who had their LRP benefits calculated based upon salary earned in another state-administered retirement system or plan shall on July 1, 2018, have their benefits recalculated so that benefits payable from LRP on or after July 1, 2018, are based solely upon legislative salary. ● Future LRP retirees shall have their benefits calculated based solely upon legislative salary. |

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|-------------------------------|--|---|
| Reemployment After Retirement | No specific provisions prohibiting reemployment after retirement. | <ul style="list-style-type: none"> Members retiring from the Legislators' Retirement Plan on or after July 1, 2018, who are reemployed on or after July 1, 2018, shall be subject to the retired reemployed provisions applicable to KERS NH retirees under Table 4. |
| Retiree Health Accessibility | Provided to anyone if they are eligible for retiree health benefits and are receiving a monthly pension benefit. | Effective for retirements on or after July 1, 2018, must have contributed to a state-adm. retirement systems within last 24 months prior to accessing benefits. |

TABLE 7: JUDICIAL RETIREMENT PLAN

| Current and Proposed Provisions | | | | | | |
|---|--|-----------------------|--------------------------|---|-----------------------|--------------------------|
| PROVISION | CURRENT | | | PROPOSED | | |
| Administration | JRP administered by the Judicial Form Retirement System (JFRS) board. | | | Effective July 1, 2018, administration of JRP will be transferred to the Kentucky Retirement Systems (KRS) board who currently administers KERS, CERS, & SPRS. | | |
| Participation in JRP | Plan open to current and new members who have or will elect to participate in JRP. | | | Effective July 1, 2018, the JRP plan is: <ul style="list-style-type: none"> Closed to new members. For those members who began participating in JRP on or after January 1, 2014, and are participating in the hybrid cash balance plan in JRP: <ul style="list-style-type: none"> Shall have their account balance rolled into PERS and participate in PERS for future service to GA (same as KERS NH Tier III); and Will participate in the KERS NH retiree health benefits (any service credit/funds accumulated for retiree health in JRP will be transferred to KERS NH). | | |
| Max Accrual | Benefit cannot exceed 100% of final compensation. | | | <ul style="list-style-type: none"> Same but max benefit accrual is benefit accrued at unreduced retirement eligibility of 27 years or Normal Retirement Age w/5 years (service credit & retirement compensation frozen at that date). Members who have exceeded this threshold as of July 1, 2018, shall on July 1, 2018 participate in PERS and pay employee contribution rates applicable to PERS (see Table 1). For all others, PERS participation begins in the month following the date in which the member exceeds the max accrual. Retiree health benefits and contribution rates in JRP continue after threshold has been met. Max accrual does not apply to service purchases being made on installments on July 1, 2018. Members would still be able to apply for disability benefits from JRP. No service purchases after 7/1/18. | | |
| Pre-2014 Member: Employee Contribution Rate | Item | Part. Prior to 9/1/08 | Part. On or after 9/1/08 | Item | Part. Prior to 9/1/08 | Part. On or after 9/1/08 |
| | Pension | 5% | 6% | Pension* | 5% | 6% |
| | Retiree Health | 0% | 0% | Retiree Health | 3% | 3% |
| | Total | 5% | 6% | Total | 8% | 9% |
| | *Pension rates no longer apply once member is at max accrual rates and begins participating in PERS. | | | | | |
| ARC calculation | Based upon methods prescribed by KRS 21.525. | | | <ul style="list-style-type: none"> Provisions applicable to KERS/SPRS apply to JRP for the 2017 valuation and after (see Table 5). | | |
| Reemployment After Retirement | No specific provisions prohibiting reemployment after retirement. | | | <ul style="list-style-type: none"> Members retiring from the Judicial Retirement Plan on or after July 1, 2018, who are reemployed on or after July 1, 2018, shall be subject to the retired reemployed provisions applicable to KERS NH retirees under Table 4. | | |
| Retiree Health Accessibility | Provided to anyone if they are eligible for retiree health benefits and are receiving a monthly pension benefit. | | | Effective for retirements on or after July 1, 2018, must have contributed to a state-adm. retirement systems within last 24 months prior to accessing benefits. | | |

TABLE 8: TRS NEW MEMBERS

Provisions for New Members Effective July 1, 2018

| Provision | Current New Member Benefits (Members in system on or after July 1, 2008) | New Member Proposed (New Members on or after July 1, 2018) | | | | | | | | | | | | | | | | | | | | | | |
|---|--|---|------------------------|--------------------------------|------------------------------|--------------------------------------|--------|--|-------|--------------------------------------|-------|---------------------------|-------|---|--------|------------|-------|--------------------------------------|-------|--------------------------------------|-------|------------|-------|--|
| Plan Type | Defined Benefit Pension/Retiree Health Benefits | Defined Contribution Plan/Retiree Health Benefits | | | | | | | | | | | | | | | | | | | | | | |
| Plan Administration | Teachers' Retirement System/Teachers' Retirement System | Teachers' Retirement System & PERS (managed by Deferred Comp.)/ Teachers' Retirement System | | | | | | | | | | | | | | | | | | | | | | |
| Investment Responsibility | Teachers' Retirement System/Teachers' Retirement System | Member via Ky. Deferred Comp. investment options/ Teachers' Retirement System. | | | | | | | | | | | | | | | | | | | | | | |
| Employee Contribution | <table border="1"> <thead> <tr> <th data-bbox="298 422 574 457">Item</th> <th data-bbox="574 422 813 457">Nonuniversity</th> <th data-bbox="813 422 979 457">University</th> </tr> </thead> <tbody> <tr> <td data-bbox="298 457 574 493">Pension</td> <td data-bbox="574 457 813 493">9.105%</td> <td data-bbox="813 457 979 493">7.625%</td> </tr> <tr> <td data-bbox="298 493 574 529">Retiree Health</td> <td data-bbox="574 493 813 529">3.75%</td> <td data-bbox="813 493 979 529">2.775%</td> </tr> <tr> <td data-bbox="298 529 574 564">Total</td> <td data-bbox="574 529 813 564">12.855%</td> <td data-bbox="813 529 979 564">10.4%</td> </tr> </tbody> </table> <p data-bbox="298 564 979 625"><i>Note: University employers have opted to pay 2.215% of the employee contribution via KRS 161.565 which results in an employee rate at 8.185%.</i></p> | Item | Nonuniversity | University | Pension | 9.105% | 7.625% | Retiree Health | 3.75% | 2.775% | Total | 12.855% | 10.4% | <p data-bbox="979 422 1541 457"><u>Nonuniversity TRS 401(a) plan mandatory + PERS</u></p> <p data-bbox="979 457 1541 493"><u>Voluntary + TRS Retiree Health</u></p> <p data-bbox="979 493 1541 529">+9% Mandatory TRS 401(a) plan</p> <p data-bbox="979 529 1541 564">+Voluntary PERS contributions</p> <p data-bbox="979 564 1541 600"><u>+6.75% to retiree health</u></p> <p data-bbox="979 600 1541 636">15.75% or more</p> <p data-bbox="979 636 1541 672"><i>Note: New Nonuniversity employees auto-enrolled at 3% voluntary PERS contribution but no employer match.</i></p> <p data-bbox="979 672 1541 707"><u>University (PERS +TRS Retiree Health)</u></p> <p data-bbox="979 707 1541 743">+3% Mandatory + voluntary (defined contribution)</p> <p data-bbox="979 743 1541 779"><u>+5.775% to retiree health</u></p> <p data-bbox="979 779 1541 814">8.775% or more</p> <p data-bbox="979 814 1541 932"><i>Note: New university employees auto-enrolled at 6% voluntary PERS contribution to get max. employer match but employee may change. New university employees can still opt into university optional retirement plan (ORP), which is a defined contribution plan.</i></p> | | | | | | | | | | |
| Item | Nonuniversity | University | | | | | | | | | | | | | | | | | | | | | | |
| Pension | 9.105% | 7.625% | | | | | | | | | | | | | | | | | | | | | | |
| Retiree Health | 3.75% | 2.775% | | | | | | | | | | | | | | | | | | | | | | |
| Total | 12.855% | 10.4% | | | | | | | | | | | | | | | | | | | | | | |
| Employer Contribution (to fund future accruals) | Normal cost | <p data-bbox="979 932 1541 968"><u>Nonuniversity Defined Contribution (401(a) plan)</u></p> <p data-bbox="979 968 1541 1003">6% mandatory (401(a) plan)</p> <p data-bbox="979 1003 1541 1039"><u>University Defined Contribution (PERS)</u></p> <p data-bbox="979 1039 1541 1100">2% Mandatory + 50% match on employee voluntary contributions up to 3%</p> <p data-bbox="979 1100 1541 1136"><u>Retiree Health</u></p> <p data-bbox="979 1136 1541 1167">Normal Cost</p> | | | | | | | | | | | | | | | | | | | | | | |
| Pension/ Retirement Benefit | <p data-bbox="298 1167 979 1241">Pension Benefit Based On FAS X Benefit Factors X Yrs Service <u>Final Average Salary (FAS)</u></p> <ul data-bbox="298 1241 979 1346" style="list-style-type: none"> <li data-bbox="298 1241 979 1276">• Avg. of highest 5 years of salary; or <li data-bbox="298 1276 979 1346">• Avg. of the highest 3 years of salary if the member is age 55 or more with at least 27 years of Kentucky service credit. <p data-bbox="298 1346 979 1402">Upon retirement, school employees are compensated for up to 30% of their sick leave balance which is included in their last year of salary.</p> <p data-bbox="298 1402 979 1438"><u>Nonuniversity Benefit Factor</u></p> <table border="1" data-bbox="298 1438 979 1640"> <thead> <tr> <th data-bbox="298 1438 813 1474">Years of Service</th> <th data-bbox="813 1438 979 1474">Factor</th> </tr> </thead> <tbody> <tr> <td data-bbox="298 1474 813 1509">10 or less</td> <td data-bbox="813 1474 979 1509">1.70%</td> </tr> <tr> <td data-bbox="298 1509 813 1545">Greater than 10, but no more than 20</td> <td data-bbox="813 1509 979 1545">2.00%</td> </tr> <tr> <td data-bbox="298 1545 813 1581">Greater than 20, but no more than 26</td> <td data-bbox="813 1545 979 1581">2.30%</td> </tr> <tr> <td data-bbox="298 1581 813 1617">Greater than 26, but no more than 30</td> <td data-bbox="813 1581 979 1617">2.50%</td> </tr> <tr> <td data-bbox="298 1617 813 1652">Additional years above 30</td> <td data-bbox="813 1617 979 1652">3.00%</td> </tr> </tbody> </table> <p data-bbox="298 1640 979 1675"><u>University Benefit Factor</u></p> <table border="1" data-bbox="298 1675 979 1850"> <thead> <tr> <th data-bbox="298 1675 813 1711">Years of Service</th> <th data-bbox="813 1675 979 1711">Factor</th> </tr> </thead> <tbody> <tr> <td data-bbox="298 1711 813 1747">10 or less</td> <td data-bbox="813 1711 979 1747">1.50%</td> </tr> <tr> <td data-bbox="298 1747 813 1782">Greater than 10, but no more than 20</td> <td data-bbox="813 1747 979 1782">1.70%</td> </tr> <tr> <td data-bbox="298 1782 813 1818">Greater than 20, but no more than 27</td> <td data-bbox="813 1782 979 1818">1.85%</td> </tr> <tr> <td data-bbox="298 1818 813 1850">27 or more</td> <td data-bbox="813 1818 979 1850">2.00%</td> </tr> </tbody> </table> | Years of Service | Factor | 10 or less | 1.70% | Greater than 10, but no more than 20 | 2.00% | Greater than 20, but no more than 26 | 2.30% | Greater than 26, but no more than 30 | 2.50% | Additional years above 30 | 3.00% | Years of Service | Factor | 10 or less | 1.50% | Greater than 10, but no more than 20 | 1.70% | Greater than 20, but no more than 27 | 1.85% | 27 or more | 2.00% | <ul data-bbox="979 1167 1541 1367" style="list-style-type: none"> <li data-bbox="979 1167 1541 1272">• Benefit Based upon account balance which includes employee/employer contributions and return on investment. <li data-bbox="979 1272 1541 1367">• PERS board has option of offering annuitization through private companies for both 401(a) and PERS account balances. |
| Years of Service | Factor | | | | | | | | | | | | | | | | | | | | | | | |
| 10 or less | 1.70% | | | | | | | | | | | | | | | | | | | | | | | |
| Greater than 10, but no more than 20 | 2.00% | | | | | | | | | | | | | | | | | | | | | | | |
| Greater than 20, but no more than 26 | 2.30% | | | | | | | | | | | | | | | | | | | | | | | |
| Greater than 26, but no more than 30 | 2.50% | | | | | | | | | | | | | | | | | | | | | | | |
| Additional years above 30 | 3.00% | | | | | | | | | | | | | | | | | | | | | | | |
| Years of Service | Factor | | | | | | | | | | | | | | | | | | | | | | | |
| 10 or less | 1.50% | | | | | | | | | | | | | | | | | | | | | | | |
| Greater than 10, but no more than 20 | 1.70% | | | | | | | | | | | | | | | | | | | | | | | |
| Greater than 20, but no more than 27 | 1.85% | | | | | | | | | | | | | | | | | | | | | | | |
| 27 or more | 2.00% | | | | | | | | | | | | | | | | | | | | | | | |
| Retirement Age/Service | <table border="1"> <thead> <tr> <th data-bbox="298 1850 623 1885"><u>Unreduced Benefit</u></th> <th data-bbox="623 1850 979 1885"><u>Reduced Benefit</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="298 1885 623 1921">• Age 60/5 years of service or</td> <td data-bbox="623 1885 979 1921">• Age 55/10 years of service</td> </tr> <tr> <td data-bbox="298 1921 623 1980">• Any age/ 27 years of service</td> <td data-bbox="623 1921 979 1980"></td> </tr> </tbody> </table> | <u>Unreduced Benefit</u> | <u>Reduced Benefit</u> | • Age 60/5 years of service or | • Age 55/10 years of service | • Any age/ 27 years of service | | Not applicable to defined contribution plans | | | | | | | | | | | | | | | | |
| <u>Unreduced Benefit</u> | <u>Reduced Benefit</u> | | | | | | | | | | | | | | | | | | | | | | | |
| • Age 60/5 years of service or | • Age 55/10 years of service | | | | | | | | | | | | | | | | | | | | | | | |
| • Any age/ 27 years of service | | | | | | | | | | | | | | | | | | | | | | | | |

| | | |
|-----------------------------|---|--|
| Automatic COLA | 1.5% annually | Not applicable |
| Disability/Death Benefits | <p><u>Disability Benefits</u></p> <ul style="list-style-type: none"> • Minimum 5 years service to apply for benefits • Benefit Calculation <ul style="list-style-type: none"> ○ Entitlement Period: For 5 years, benefit is higher of 60% of final compensation or actual benefit based upon service. ○ Post-Entitlement Period: During the entitlement period, the member earns service credit (not to exceed 5 years or 27 when combined with earned years of service). If they remain disabled at the end of the 5 year period, then the service is added to the service they earned while working and their benefit is recomputed using the formula. • Minimum of \$500/month benefit. <p><u>Death Benefits (Before Retirement)</u></p> <ul style="list-style-type: none"> • Surviving spouse receives the higher of: <ul style="list-style-type: none"> ○ \$180 or 240 per month depending upon spouse income (regardless of actual service and paid until remarried) or ○ Monthly benefit for life calculated based upon service at the time of death if the deceased employee was eligible to retire or had at least 10 years of service. • Dependent children also eligible for minimum benefit ranging from \$200 (1 child) to \$440 (4+ children) per month (payable until age 19 if in school or 23 if in college). • Payments also available to dependent parents/siblings/disabled children over age 19/23 • \$2,000 life insurance policy for each active employee in TRS position. <p><u>Death Benefits (After Retirement)</u></p> <ul style="list-style-type: none"> • Benefit payable to beneficiary based upon payment option selected at retirement. • \$5,000 Life insurance benefit if retired w/ 4 or more yrs. service. <p><i>Special line of duty disability/death benefits also provided.</i></p> | <ul style="list-style-type: none"> • Account balance in defined contribution plan. • Personnel Cabinet to establish optional disability and death benefits for employees participating in PERS/TRS 401(a) plan, including short-term disability, long-term disability benefits, life insurance, and disability or death in the in the line of duty (LOD). Cost paid by employee. |
| Contribution Vesting | <ul style="list-style-type: none"> • Employee Contribution Account: Immediate | <ul style="list-style-type: none"> • Employee Contribution & Investment: Immediate • Employer & Investments: 5 years. |
| Retiree Health Benefits | <ul style="list-style-type: none"> • Eligibility: Must have 15 yrs earned service at retirement & must be drawing a monthly annuitized benefit. • Subsidy: Benefit based upon subsidy established by TRS board. | Same except new members: (1) must be at least age 59 ½ to receive subsidy; (2) must be receiving a monthly distribution or annuitized pmt. from 401(a) money purchase plan or PERS; and (3) must have participated in a state-ret. system within 24 mos. before applying for health benefits. |
| Sick Leave/Service Purchase | <ul style="list-style-type: none"> • Sick Leave: See Table 9 for description. | Sick leave payment do not impact retirement benefits/no service credit for sick leave/no service purchases. |

TABLE 9: TRS EXISTING MEMBERS/RETIRED MEMBERS

Provisions for Current Members/Annuitants Effective July 1, 2018

| PROVISION | CURRENT | | | PROPOSED | | |
|---|---|----------------------|-------------------|--|----------------------|-------------------|
| Contributing members with less than 5 years service | Provided benefits in the defined benefit plan at TRS. | | | May elect to participate in the benefits applicable to new members which includes the 401(a) money purchase plan for nonuniversity employees or the PERS plan for university employees. The members accumulated contributions would be transferred to the new plans. | | |
| Max Accrual | No maximum defined benefit. | | | <p>For existing members, maximum TRS pension benefit accrual is benefit at unreduced retirement eligibility, which is 27 years of service or age 60 with 5 years service (service credit & retirement compensation frozen at that date), except that nonuniversity members who have exceeded this threshold as of July 1, 2018, may elect to contribute 3 additional years in the pension plan.</p> <p>Members who have met or exceeded this threshold as of July 1, 2018, shall on July 1, 2018 participate in TRS 401(a) if they are nonuniversity employees and PERS if they are university employees and pay employee contribution rates applicable to the TRS 401(a)/PERS plans. For all others, TRS 401(a)/PERS participation begins in the month following the date in which the member exceeds the max accrual. Retiree health contribution to TRS continue. No service purchases after 7/1/18.</p> <p>Max accrual does not apply to: (1) service purchases being made on installments on July 1, 2018; (2) sick leave service credit at retirement; and (3) Sick leave paid to teachers who retire on or before July 1, 2023 Sick payouts would go into last year. Members would still be able to apply for disability benefits from TRS.</p> | | |
| Employee Contribution Rate | <u>Item</u> | <u>Nonuniversity</u> | <u>University</u> | <u>Item</u> | <u>Nonuniversity</u> | <u>University</u> |
| | Pension | 9.105% | 7.625% | Pension | 9.105% | 7.625% |
| | Retiree Health | <u>3.75%</u> | <u>2.775%</u> | Retiree Health | <u>6.75%</u> | <u>5.775%</u> |
| | Total | 12.855% | 10.4% | Total | 15.855% | 13.4% |
| | <i>Note: University employers have opted to pay 2.215% of the employee contribution via KRS 161.565 which results in an employee rate at 8.185% .</i> | | | <ul style="list-style-type: none"> • Nonuniversity members who have exceeded max accrual threshold on July 1, 2018, shall discontinue contributing to the TRS pension fund and shall pay a mandatory employee contribute 10% of pay to the TRS 401(a) money purchase plan and will receive a mandatory employer contribution to the 401(a) plan of 8%. Those who exceed the threshold after that date will pay a mandatory/voluntary employee contributions and receive employer contributions provided to new TRS members. • University members who have exceeded max accrual threshold on or after July 1, 2018, shall discontinue contributing to the TRS pension fund and contribute to the PERS at the same level as a KERS/CERS Nonhazardous new hire (see Table 1). • Retiree health contributions continue until retirement. | | |

| | | |
|--------------------------------------|--|---|
| Final Average Salary (FAS) | <p>Final Average Salary (FAS)</p> <ul style="list-style-type: none"> • Avg. of highest 5 years of salary; or • Avg. of the highest 3 years of salary if the member is age 55 or more with at least 27 years of Kentucky service credit. | <p>Final Average Salary (FAS)</p> <ul style="list-style-type: none"> • Avg. of highest 5 years of salary; or • Avg. of the highest 3 years of salary if the member is age 55 or more with at least 27 years of Kentucky service credit, and provided the member retires on or before July 1, 2023. |
| Sick Leave | <ul style="list-style-type: none"> • Teachers: Statute specifies minimum requirements for sick leave policies at local school districts and allows school districts to pay up to 30% of a retiring member's sick leave which for retirement purposes is included in the final year of salary and is used to calculate the Final Average Salary (FAS). • Others: Employer may pay costs to convert accumulated sick leave to additional service credit (school districts have the option as well but have chosen to pay for sick leave at retirement as noted above). | <ul style="list-style-type: none"> • Teachers: Effective July 1, 2018, statutory minimum requirements for school board sick leave policies removed from statute. School districts can still pay up to 30% of sick leave per statute but will only be included in retirement calculations for those retiring on or before July 1, 2023. • Others: Same but level of sick leave frozen at level accrued as of June 30, 2018. No additional agencies may elect to provide service credit for accumulated sick leave. |
| Pension Spiking Provisions | <ul style="list-style-type: none"> • Max. Retirement Compensation: None • Annual leave payments for those in system prior to July 1, 2008, may be included for FAS calculation. | <ul style="list-style-type: none"> • Max. Retirement Compensation: For retirement compensation earned on or after July 1, 2018, limited to max. taxable earnings under Social Security (currently \$127,400 in 2017). Employee contributions refunded on excess creditable comp. above max. but employer contributions remain in fund to help pay down unfunded liability. • Annual leave payments for those in system prior to July 1, 2008, may be included for FAS calculation, but only if they retire on or before July 1, 2023. |
| COLA | 1.5% annually | <ul style="list-style-type: none"> • For current retirees, suspends COLA for next 5 years (FY 18 to FY 22), then returns to 1.5% annually. • For future retirees, suspends COLA for first 5 years of retirement, the 1.5% annually. |
| 3% Benefit Factor for years above 30 | Provides a 3% benefit factor for nonuniversity employees for years of service in excess of 30. | Eliminates provision for future service accruals, except for those nonuniversity employees who elect to participate in DB plan through FY 2021. |
| Part-time/Substitute Program | Provides service credit/benefits for part-time/substitute members. | Same but not applicable to new members on or after July 1, 2018, or to retirees who retire on or after July 1, 2018, and are reemployed on or after July 1, 2018. |
| Retiree Health Accessibility | Provided to anyone if they are eligible for retiree health benefits and are receiving a monthly pension benefit. | Must have contributed to a state-adm. retirement systems within last 24 months prior to accessing benefits. |

TABLE 10: TRS EMPLOYER FUNDING/PARTICIPATION REQUIREMENTS

Current and Proposed Funding/Participation Provisions

| PROVISION | CURRENT | PROPOSED |
|---|---|---|
| <p>ARC calculation (pension & retiree health)</p> | <ul style="list-style-type: none"> • Employers pay a fixed base statutory contribution rate of 13.105% of pay (nonuniversity) and 13.65% of pay (university) to fund pension and retiree health benefits. <small>Note: University have also agreed to pay 2.215% that of the employee contribution rate (not included). State pays for all non-federally funded employees of school districts in biennial budget (nonuniversity).</small> • Nonuniversity (i.e. school districts) employers also pay a 3% employer contribution to help fund retiree health benefits. • State makes direct contributions to TRS for amortized pmts. for past benefit improvements such as ad hoc COLAs awarded in past years and the cost for including teacher’s sick leave payments in pension calculations; and portion of “shared solution” retiree health funding. • TRS has also requested additional funding from state appropriations to meet ARC from valuation (ARC not specified in statute). • Methods, amortization periods, and asset smoothing used to determine ARC set by board policy with normal cost, pmt. unfunded liability, level % of pay amortization method, etc. • TRS rates change every year but have a 3 year lag (i.e. 2016 valuation determines FY 2019 employer costs). | <ul style="list-style-type: none"> • Retains the fixed based statutory rates. • School district/other employer contribution will effective July 1, 2018, help fund pension benefits instead of retiree health benefits. School districts will also pay an additional 2% of pay for new members and members who exceed the max threshold after July 1, 2018 to help fund 401(a) money purchase plan benefits. • State continues to make direct contributions to TRS for amortized pmts. for past benefit improvements such as ad hoc COLAs awarded in past years and the cost for including teacher’s sick leave payments in pension calculations; and portion of “shared solution” retiree health funding. • ARC payment to be specified in statute. • For pension and life insurance funds, sets the ARC for 2017 valuation and after: <ul style="list-style-type: none"> ○ Normal cost + pmt. on unfunded liability ○ Normal cost determined using Entry Age Normal Cost Method; paid as a % of payroll ○ Unfunded liability payment determined: <ul style="list-style-type: none"> -Using closed 30 year closed amortization period (starting in 2017 valuation); -Level dollar amortization method. -Pmt. for unfunded liability above fixed base employer rate is set dollar value, prorated to each employer based upon employer’s share of total payroll in FY 15, 16, and 17, adjusted for any employer who ceases participation. The state will pay the costs for local school districts. ○ 5 year market smoothing of assets • Rate changes annually based upon most recent actuarial valuation. |
| <p>Agency Voluntary Cessation of Participation</p> | <ul style="list-style-type: none"> • No voluntary/involuntary cessation of participation for TRS agencies. | <ul style="list-style-type: none"> • Provides a 2-year window for non-school/non-state agency employers (i.e. universities/associations) to voluntarily cease participating in the systems by paying full actuarial costs to do so (by July 1, 2020): • Allows TRS to require an agency to involuntarily cease participating in TRS and pays costs of ceasing participation if the agency fails to pay contributions or is not eligible to participate in a governmental plan. • Provides provisions whereby Agencies voluntarily/involuntarily ceasing participation in the future may only establish a defined contribution plan. |

TABLE 11: KENTUCKY EMPLOYEES DEFERRED COMPENSATION AUTHORITY (KDC)/PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) ADMINISTRATION

| Current and Proposed Provisions | | |
|---|---|--|
| PROVISION | CURRENT | PROPOSED |
| KDC Board (also PERS board in bill) | <ul style="list-style-type: none"> • 7 member board consisting of: <ul style="list-style-type: none"> ○ Sec. of Finance; Sec. of Personnel; State Controller; and ○ 4 Gov. appointees, 1 of which shall have 5 years of banking/investment experience. • Not under jurisdiction of Public Pension Oversight Board (PPOB). • KDC board members not subject to Executive Branch Code of Ethics. • No specific conflict of interest provisions in statute for employees/trustees of KDC board. • State Treasurer serves as custodian of KDC funds. | <ul style="list-style-type: none"> • 11 member board consisting of: <ul style="list-style-type: none"> ○ Sec. of Finance; Sec. of Personnel; State Controller; and ○ 8 Gov. appointees, who cannot have a conflict of interest, of which: five shall have 5 years of investment experience (two of which are appointed from lists submitted by KLC, KACO); one shall represents retired teachers; one who is a retired judge or justice appointed from lists submitted by Chief Justice; and one appointed from a list submitted jointly by the President & Speaker. • Under jurisdiction of Public Pension Oversight Board (PPOB). • KDC/PERS board members subject to Executive Branch Code of Ethics. • Establishes specific conflict of interest provisions in statute for employees/trustees. Provides 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). • KDC/PERS selects custodian of funds. |
| Collection of funds for PERS/401(a) money purchase plan | <ul style="list-style-type: none"> • KDC responsible for collection of employee/employer contributions of funds | <ul style="list-style-type: none"> • KRS/TRS responsible for collections of employee/employer contributions for PERS/401(a) money purchase plan until such time that KDC/PERS determines they will collect contributions. |

TABLE 12: "INVIOABLE CONTRACT" PROVISIONS

| Current and Proposed Provisions | | |
|---------------------------------|--|---|
| PROVISION | CURRENT | PROPOSED |
| Current retirement systems. | <ul style="list-style-type: none"> • KERS/CERS/SPRS/LRP/JRP, specifically limited by 2013 legislation for new members on or after 1/1/14, except for account balance the member has accrued in the hybrid cash balance. • TRS: no changes from 2013 legislation. | <ul style="list-style-type: none"> • For TRS, specifically limited for new members on or after July 1, 2018, except for account balance in 401(a) money purchase plan or PERS. • For KERS/CERS/SPRS/LRP/JRP/TRS, exempts any changes made to statutory provisions on or after July 1, 2018. |
| PERS | <ul style="list-style-type: none"> • Not applicable | <ul style="list-style-type: none"> • Benefits in PERS not considered an "inviolable contract". |