



Senate Bill 151 Summary

SECTION BY SECTION SUMMARY FOR SENATE BILL 151

Note: KERS = Kentucky Employees Retirement System; CERS = County Employees Retirement System; SPRS = State Police Retirement System; NH = Nonhazardous; H = Hazardous

Sec. #	KRS §	Provisions
KRS specific: SB 151: Sections 12 to 42		
12	New KRS 61.510 to 61.705	<ul style="list-style-type: none"> Effective July 1, 2019, establish optional Tier IV: 401(a) money purchase plan, which is an optional defined contribution plan for: (1) New KERS NH/CERS NH members on or after January 1, 2019 who elect to participate in the plan within 90 days of July 1, 2019; (2) New KERS NH/CERS NH member on or after July 1, 2019 who elect to participate in the plan within 90 days of becoming a member; (3) current Legislators' Retirement Plan (LRP)/Judicial Retirement Plan (JRP) members who elect to participate prospectively as provided by Section 7; (4) KERS NH/CERS NH members who became members prior to January 1, 2019, who have made an election to participate prospectively as provided by Section 38. Benefit based upon account balance of: 5% employee contribution; 4% employer contribution and return on investment. Allows KRS to determine investment vehicle which may include KRS investments, investment program with external vendor, or using Kentucky Public Employees' Deferred Compensation Authority (KDC) options. Member immediately vested for employee contributions/investment return on employee contributions. Member vested for employer contributions/investment return on employer contributions after 5 years. Provide for retirement age of age 65 with 5 years of service or Rule of 87 with minimum age 57 (same as cash balance plan). For those who elect to participate prospectively in the money purchase plan the retirement age is when they become eligible to retire. Provide for annuitization of account balance upon retirement (similar to cash balance plan) or allow member to take a refund of their account balance.
13-15	16.505; 61.510; & 78.510	<ul style="list-style-type: none"> Definitions section for SPRS, KERS, and CERS: <ul style="list-style-type: none"> Creditable Compensation changes: <ol style="list-style-type: none"> Excludes equipment/uniform allowances paid on or after January 1, 2019. No compensatory time payouts upon termination of employment for Tier I members retiring after July 1, 2023 (only for nonhazardous). Under current law, already does not apply to Tier II/III. High 3/High 5 must be complete 3 or 5 years for those retiring on or after January 1, 2019. Defines nonhazardous position and accumulated employer contribution (for optional Tier IV). Conforming/technical amendments/clarification.
16-17	61.546 & 78.616	<ul style="list-style-type: none"> Sick Leave Service Credit: <ul style="list-style-type: none"> Tier I members will still be able to convert unused sick leave to service credit and thereby increase their pension benefit but cannot use sick leave service credit for purposes of retirement eligibility (early or unreduced) or to reduce applicable actuarial penalties for retirements occurring on or after July 1, 2023. Tier II members are already limited to 12 months service credit for accumulated sick leave and cannot use towards retirement eligibility. For retirement dates after July 1, 2018, the sick leave service credit cannot be used to reduce applicable actuarial penalties for early retirement benefits. Tier III members already do not receive service credit for accumulated sick leave.

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Sec. #	KRS §	Provisions
18	61.565	<p>Employer funding provisions for KRS effective July 1, 2020, and thereafter.</p> <ul style="list-style-type: none"> • 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 pay off the unfunded liability over a 30 year closed period. • ARC required to be based upon entry age normal cost method, 30 year closed amortization period, level dollar financing of the unfunded liability (2019 valuation), 5 year smoothed market asset valuation method, and other assumptions set by KRS board. Resets amortization period to new 30 years with 2019 valuation. • Provides that the normal cost shall be paid as a percent of payroll and defines normal cost. Optional Tier IV included in normal cost calculation. • Provides that the actuarially accrued liability contribution on or after July 1, 2020 shall be set as a dollar amount and prorated to each employer based upon share of payroll in FY 15, 16, and 17 (i.e. each employer will have a different employer rate). Exempts and adjusts amounts based upon those employers who have paid full actuarial costs to cease participating. Note: Executive branch agencies in KERS will be one collective rate instead of separate rates for various Cabinets/Departments in state government.
19	61.597	<ul style="list-style-type: none"> • For KERS NH/CERS NH cash balance members, provides that the interest credit will be 85% of the system’s geometric 10 year net investment return if they are participating in the cash balance plan or a state-administered retirement system and 0% for those not participating in the cash balance plan or a state-administered retirement system (currently 4% floor with 75% of 5 year geometric return above 4% for participating members & 4% for non-participating members). In no case shall the interest credit be less than 0%.
20-23	61.575; 78.640; 61.580; 78.650	<ul style="list-style-type: none"> • Makes conforming and technical amendments; sets up account structure and employer contribution crediting for optional Tier IV.
24	16.601	<ul style="list-style-type: none"> • 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 88).
25-27	61.552, 61.555, 61.595	<ul style="list-style-type: none"> • Provide that optional Tier IV members cannot purchase service credit (similar to cash balance plan members). • Provide for crediting of employer contributions if a member is called to active military duty while working. • Conforming and technical amendments.

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Sec. #	KRS §	Provisions
28	61.637	<ul style="list-style-type: none"> • Sets up retired/reemployed provisions for all state-administered retirement systems going forward for any retirees who retire on or after January 1, 2019, and who are reemployed on or after January 1, 2019 so that: <ul style="list-style-type: none"> • KERS/CERS Nonhazardous/Teachers’ Retirement System (TRS)/JRP/LRP: Must have 3 month break before returning to work in any position with a participating employer in any system; if 3 month break is not observed the retirement is voided; if 3 month break is observed then member may: (1) return to FT employment but pension payments will be suspended until 12 months following retirement (if a 12 month break is observed, then no suspension); or (2) return to PT employment with no suspension in pension payments. No second retirement account will be provided to these reemployed retirees. 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 (seasonal, interim, and temporary remain exempt from FT status). Employer required to make normal cost contributions (both pension and retiree health) for any reemployed retiree. • KERS/CERS Hazardous/SPRS/Certified peace officers: 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. No second retirement account will be provided to these reemployed retirees. Employer required to make normal cost contributions (both pension and retiree health) for any reemployed retiree. • TRS/LRP/JRP retirees who retire on or after January 1, 2019, who are reemployed in a KRS eligible position on or after January 1, 2019, shall not be eligible for a second retirement account.
29	61.680	<ul style="list-style-type: none"> • Technical and conforming.
30	61.702	<ul style="list-style-type: none"> • Effective January 1, 2019, provide that Tier I members who began participating on or after July 1, 2003 (but prior to Tier II start date of 9/1/2008) shall contribute an additional employee contribution of 1% of pay. Additional employee contribution will help fund retiree health benefits.
31	61.705	<ul style="list-style-type: none"> • Effective January 1, 2019, provide that the \$5,000 death benefit will not apply to members who began participating in KERS, CERS, or SPRS on or after January 1, 2014 (Tier III or newer employees).
32-34	16.652, 61.692, & 78.852	<ul style="list-style-type: none"> • Modifying KERS/CERS/SPRS inviolable contract to exclude legislative changes occurring on or after July 1, 2018, from inviolable contract provisions – allowing GA the right to amend, reduce, or suspend.
35-37	61.605, 61.640, 61.559	<ul style="list-style-type: none"> • Provides that members who opt into Tier IV money purchase plan who began participating prior to July 1, 2019, shall receive a disability benefit equal to the amount provided to members who began participating on or after July 1, 2019. • Conforming/technical. Ensures Tier IV members remain eligible for disability/death before retirement benefits similar to Tier III NH members.
38	61.5595	<ul style="list-style-type: none"> • Provide that KERS/CERS NH members in defined benefit plan or cash balance plan may on or after July 1, 2019, but prior to January 1, 2021, elect to participate prospectively in optional 401(a) money purchase plan (defined contribution plan) in lieu of participation in KERS/CERS NH (see Section 12). Service in KERS/CERS NH prior to election would remain in KERS/CERS NH.
39	61.655	<ul style="list-style-type: none"> • Amend conflict of interest provisions applicable to KRS to provide that no member of General Assembly, public servant, trustee or employee of KRS board shall have any interest in the business of KRS while employed/serving and for a period of 5 years following employment/service (starting from July 1, 2017).
40-42	16.583, 16.645, 78.545	<ul style="list-style-type: none"> • Conforming/technical.

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Conforming/technical amendments/Other/Non-codified: SB 151: Sections 81-88		
81	7A.250	<ul style="list-style-type: none"> 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. Technical/conforming.
82	New KRS 18A	<ul style="list-style-type: none"> Establish conflict of interest provisions for KDC employees and trustees. Provide that no member of General Assembly, public servant, trustee or employee of KDC board shall have any interest in the business of KDC while employed/serving and for a period of 5 years following employment/service (starting from July 1, 2017).
83	11A.010	<ul style="list-style-type: none"> Makes the KDC board subject to the Executive Branch Code of Ethics.
84	18A.245	<ul style="list-style-type: none"> Require Gov. appointees to KDC to not have conflict of interest as provided by Section 82.
85	61.598	<ul style="list-style-type: none"> Conforming/technical.
86	NC	<ul style="list-style-type: none"> Require the Public Pension Oversight Board (PPOB) to establish an advisory committee to evaluate CERS separation/restructuring of systems administered by KRS and report recommendations no later than December 1, 2019.
87	NC	<ul style="list-style-type: none"> KRS/TRS shall provide update on development of system, including impact of state or federal law, to the PPOB no later than August 1, 2018.
88	NC	<ul style="list-style-type: none"> 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.
89	NC	<ul style="list-style-type: none"> Severability Clause

This summary is written in plain language for use by public employers and employees who are subject to coverage under the Kentucky Retirement Systems. It is not intended as a substitute for federal or state law, namely the Kentucky Revised Statutes, the Kentucky Administrative Regulations, or the Internal Revenue Code, nor will its interpretation prevail should a conflict arise between it and the Kentucky Revised Statutes, Kentucky Administrative Regulations, or Internal Revenue Code. Rules governing the retirement system are subject to change periodically either by statute of the Kentucky General Assembly, regulation of the Kentucky Retirement Systems, or regulation of the Internal Revenue Code. If you have questions about this material, please contact our office or seek legal advice from your attorney. Notwithstanding the foregoing, upon the discovery of any error or omission in system records, the system shall correct all records including but not limited to, membership in the system, service credit, member and employer contributions, and benefits paid and payable. See KRS 61.685.