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## ERCE Newsletter

Kentucky Public Pensions Authority sent this bulletin at 04/24/2023 12:00 PM EDT



### KPPA Policy Addressing Rounding of Hours Worked for Service Credit

The KPPA hereby memorializes its policy for the methods used in determining the number of hours worked by an employee of a participating agency for purposes of calculating service credit. Using the plain language of the applicable statutes, service credit shall only be allowed for each month in which an employee qualifies as a full-time regular employee by receiving creditable compensation for an average of at least one hundred (100) hours of work, or an average of at least eighty (80) hours of work in the case of noncertified school board employees.

KPPA is not permitted to use any form of mathematical rounding to credit an employee with service for a month in which the employee's hours worked are a number less than one hundred (100) hours of work, or eighty (80) hours of work for noncertified school board employees. As of July 1, 2023, all members will no longer be subject to any rounding for calculations of service credit. This policy will not be applied retroactively to any previous instances of rounding that may have been performed by the KPPA.

### Update on Member Pension Spiking Exemptions Due to House Bill 49 (2022 Regular Session)

KRS 61.598 provided specific exemptions of reportable salary that are excludable when calculating creditable compensation as identified below:

- \*Bona fide promotion or career advancement
- \*Lump-sum payment for compensatory time at the time of termination
- \*Lump sum payment pursuant to alternate sick leave
- \*Increases due to leave without pay in preceding year
- \*Increases in creditable compensation directly attributable to overtime hours worked due to a state or federal grant
- \*Increases in creditable compensation directly attributable to overtime hours worked due a state of emergency

HB 49 amended KRS 61.598 to include additional pension spiking exemptions. The following exemptions were added:

1. The first one hundred (100) hours of **mandatory overtime** required by the employer during a fiscal year. This exemption is based only on the first 100 hours of overtime that was **mandated** by the employer, not voluntary overtime hours.
2. Overtime performed as a result of a local government issued state of emergency in which the Governor authorizes mobilization of the Kentucky National Guard. This provision is retroactive to May 28, 2020 and will apply toward any overtime worked as a result of the emergency through May 11, 2021 regardless of whether the National Guard was mobilized for the entire period. Retired members who had a spike for this reason will have their benefit recalculated based upon correctly completed verification from the employer.

Please click this link [Quick Guide to Completing Form 6487](#) to see instructions to assist with completion of the Form 6487. If you have additional questions, please contact your ERCE representative.

### Invoices Reminder

Invoices are KPPA's method of billing and/or refunding via electronic transactions. KRS 61.675 and KRS 78.625 require participating employers to submit employee information and contributions, employer contributions, and health insurance contributions (when applicable) through the Monthly Reporting process to KPPA. Invoices from this process have a 30-day due date from issuance and are considered current.

KPPA has an invoice reconciliation process for agencies that become delinquent. The timeline of the invoice reconciliation is to be rectified within 120 days. If invoices are still delinquent after 120 days, KPPA's Legal Department will provide a formal letter discussing next steps in the collection process.

Please click this link [Chapter 4 - Monthly Reporting](#) to review the KPPA Employer Reporting Manual for additional information on how to pay your invoices or contact your ERCE representative.

### Termination Dates Impact on Retirement and Refund Eligibility

Federal and state law both require a bona fide separation from service with all employers participating in the Kentucky Retirement Systems (KRS) and the County Employees Retirement Systems (CERS) and, in some cases, entities affiliated with participating employers in order for KPPA to pay a retirement benefit or to pay a refund of a retirement account.

In order to receive a retirement or refund payment from KPPA, an individual must certify that they have had or will have a separation from service with agencies participating in KPPA or entities affiliated with participating agencies. The term "separation from service" means a complete severance of any kind of employment relationship with agencies participating in Kentucky Public Pension Authority, or entities affiliated with participating agencies.

Individuals receiving refund payments who fail to comply with federal and state law regarding bona fide separation from service will be required to repay all refunded contributions paid in error.

Retirement benefits paid to individuals who fail to comply with federal and state law regarding bona fide separation from service shall be voided, resulting in repayment of all retirement allowances, dependent child payments, and health plan premiums paid by KPPA.

Kentucky Revised Statutes 61.637 and 78.5540 provide exceptions for individuals employed in some specific positions. Any current or future **part-time adjunct instructor for the Kentucky fire Commission** who has not participated in the Kentucky Employees Retirement System prior to retirement, but who is otherwise eligible to retire from the County Employees Retirement System is not required to resign from his or her position as a part-time adjunct instructor for the Kentucky Fire Commission in order to begin drawing benefits from the County Employees Retirement System. Additionally, an individual holding the position of **Mayor or Member of a City Legislative Body who is at least 62 years of age** and eligible to retire from the County Employees Retirement System (CERS) is not required to resign from his or her position as Mayor or Member of a City Legislative Body in order to begin drawing benefits. The member cannot accumulate any additional benefits after the member's effective retirement date, or he or she may forfeit his or her initial retirement benefits. The member does not have to resign as Mayor or as a Member of a City Legislative Body if the member has not participated in CERS prior to retirement, regardless of age.

**Employers should be aware of the impact of properly reporting termination dates to KPPA.** If you have questions regarding the reporting of an employee's termination date, please contact your ERCE representative.

## Notification of Retirement (Form 6000)

The Notification of Retirement application was recently revised to include the revised Form W-4P, Withholding Certificate for Pension or Annuity Payments. Please dispose of any outdated versions of the Form 6000. Please click this link [Form 6000](#) for the revised version of the Form 6000.

## Beneficiary Designation (Form 2035)

While actively employed, a member may name both principal and contingent beneficiaries for their retirement account by completing and filing a [Form 2035, Beneficiary Designation](#) with KPPA. The principal beneficiary will receive benefits in the event of the member's death prior to retirement. The contingent beneficiary will receive benefits in the event of the member's death only if all of the member's named principal beneficiaries are either deceased or voided. A beneficiary may be one individual, multiple individuals, an estate, or a trust. The beneficiary designation can be updated or changed at any time prior to retirement. If there is not a valid Form 2035 in the member's file, the member's estate becomes the defaulted beneficiary. Please notify employees to contact KPPA to ensure they have a valid Form 2035 on file.

## Hazardous Duty Certification H.P.-2

A Form 2011, Hazardous Duty Certification, is required each time an employee changes to a different hazardous position. Please click this link [Form 2011, Hazardous Duty Certification](#) to access the Form 2011. If you have additional questions or concerns, please contact your ERCE Representative.

## Document Upload via Employer Self Service (ESS)

A newer feature that we offer is the ability to upload electronic documents through ESS. From your Services tab, there is a dropdown selection for "Documents".

As an alternative to faxing and emailing items, employers can now upload documents electronically to KPPA via the Documents module in ESS. This module provides the employer the ability to submit documentation related to the employer account or for specific employees within the agency.

To read more about this feature, please click this link [Chapter 5 - Other ESS Functionality](#) to refer to Chapter 5 of the KPPA Employer Reporting Manual.

## Reporting Official Credentials

KPPA's Employer Self Service (ESS) website provides access to an employer's online account and monthly reporting modules. Please do not share Passwords or PINs within your agency. New Reporting Officials should always request and obtain their own credentials when working within ESS. Your Agency's Administrator can provide you with a new Password and PIN, when needed.

Please click this link [Chapter 3 - ESS Setup and Maintenance](#) to review Chapter 3 in the KPPA Employer Reporting Manual for additional information on how to create new Reporting Official Credentials or contact your ERCE Representative with questions.



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[Please contact KPPA if you have questions.](#)

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