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## Employer Newsletter

Kentucky Public Pensions Authority sent this bulletin at 07/12/2022 12:15 PM EDT



### 2022 Legislative Summary

#### **Change in Reporting – Volunteers**

HB 297 (2022 regular session) made changes to the requirements for reporting Volunteers. Please click [here](#) to read more. If you have questions about how to report individuals in Volunteer positions, please contact your ERCE Representative.

#### **Member Pension Spiking Exemptions**

House Bill 49 (2022 regular session) amends Kentucky Revised Statute 61.598 to say if the local government leader, such as a mayor, declares a state of emergency and the governor calls in the National Guard, the pension spiking restrictions would not apply for any overtime worked as a result of the local state of emergency, retroactive to May 30, 2020.

Additionally, a new exemption was created which allows the first 100 hours of mandatory overtime in a fiscal year to be exempted from the pension spiking determination. KPPA is currently in the process of updating the Form 6487, Request for Member Pension Spiking Exemption Amounts, and the instructional guide on completing the form. Employers will be notified once the updated form and instructions are complete.

#### **Part-time Adjunct Instructors for the Kentucky Fire Commission**

Senate Bill 27 allows a part-time adjunct instructor for the Kentucky Fire Commission who has not participated in KERS prior to retirement, but is eligible to retire from the County Employees Retirement System (CERS), to retire and draw benefits without being required to resign from his or her position as part-time adjunct instructor for the Kentucky Fire Commission.

To access a summary of these and other 2022 legislative changes impacting KPPA, please click [this link](#).

### Verification of Payment Outside of Regular Wages

An employer who is going to pay a bonus, severance pay, or another other type of payment outside of regular wages must submitted a completed Form 7250 Verification of Payments Outside Regular Wages.

For KPPA reporting purposes, a bonus is a sum of money granted or given to an employee in addition to regular pay, usually in appreciation for work done, length of service, etc. Severance pay is additional pay given to an employee when his or her employment ends. Lump sum bonuses, severance payments, and employer-provided payments for service credit purchases are considered creditable compensation. These types of payments must be reported separately from regular wages on the monthly detail report. If these types of payments exceed \$1,000 for the fiscal year, then the combined payments will be averaged over the employee's total service with the system in which they are reported. These types of payments **should not** be reported as regular pay or regular pay with additional creditable compensation.

Upon review of the completed documentation, KPPA will contact the employer regarding the correct reporting of any payments outside of regular wages. Once a payment has been approved to be reported to KPPA, you do not need to submit another 7250 for that same type of payment. For example, if a Board of Education is approved to report an Incentive Bonus in 2022, they will not need to submit a Form 7250 for that same type of bonus in 2023. However, special payments must be reviewed separately; so if that Board of Education pays a different type of payment outside of regular wages, another Form 7250 would need to be submitted.

### Monthly Reporting Reminder – Estimated Additional Compensation

The **Estimated Additional Compensation** field is required for reporting any incentive, special duty, longevity, educational incentive, etc. that an employee earns that is not calculated in the base rate of pay. This should be reported as a cumulative sum for the fiscal year. A zero value may be reported in this field. It is important to include this information when reporting, as failure to report can result in incorrect averaging, benefit estimate, and service purchase cost calculations.

### 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 or concerns regarding the reporting of an employee's termination date, please contact your ERCE Representative.

### **KRS 61.525 Elect and Reject Participation**

In order to comply with federal law, Kentucky Public Pensions Authority (KPPA) is notifying employers of a change in the interpretation of KRS 61.525 and KRS 78.540, the laws which set forth the requirements for membership in the systems operated by KPPA. KRS 61.525(2)(b) and KRS 78.540(2)(b) permits persons, who are employees that originally rejected participation in the system(s) upon the employer's participation, to subsequently elect participation while employed with the same employer they rejected participation with. The provisions set forth in these subsections are not in compliance with federal law which does not allow for multiple election opportunities and, therefore, cannot be permitted by KPPA.

Impacted employees, which are those who work in a regular full-time position with the same employer with whom they originally rejected participation, will be provided a one-time 30-day window to elect participation in the system. This election will be binding and cannot be changed at a later date. The decision will follow the employee throughout their employment with the employer. If an employee decides to elect participation during the 30-day window, the employee will be in the Tier 3 hybrid cash balance plan unless the employee has service with another state-administered retirement system. If the employee elects participation, the employee will not be eligible to purchase the prior service they had with the employer.

Prospectively, if the employee rejects participation then terminates with the employer and goes back to work for that employer at a later date, the employee will be required to participate in the Systems but will not be eligible to purchase the prior period of employment.

KPPA will require your assistance in identifying the impacted employees of your agency. In addition, KPPA will require employers to submit the names of any employees whom originally rejected participation and then elected to participate since July 1, 2021. Additional information will be forthcoming including the date for the 30 day window and a FAQ to help assist in answering any questions you may have concerning this process.

**If you have preliminary questions please submit them to your employer representative.**

### **Security Culture**

We encourage you to create a security culture, both in your workspace and in your home. Here are a few tips for how to do that:

**Use Strong Passwords** Protect your personal accounts by using strong passwords. As a reminder, a strong password is long (a minimum of 12 characters), never used twice, and hard to guess but easy to remember.

**Keep Devices Updated** Ideally, enable automatic updating on your devices wherever it is available.

**Get the Right Tools** \*Password manager: creates, stores, and syncs login credentials across multiple devices. \*Antivirus/anti-malware: defends your devices against viruses and malware.

**Limit What You Share** Scammers use social media and other public forums to collect personal information. Never share anything confidential and consider setting accounts to private. Only accept friend requests or connect with people after you have verified their legitimacy.

**Stay Alert** You are responsible for the security of your personal information. Be cautious before opening email attachments, clicking on attachments, or giving out personal information over the phone.

### **Employee Spotlight**

ERCE would like to recognize the following staff members for their dedication, [click here](#) to learn more about them.



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