



KPPA

Kentucky Public Pensions Authority

QUASI-GOVERNMENTAL CESSATION



During the 2020 Legislative Session, HB 484 was passed establishing a new governance structure for KRS. KPPA administers retirement benefits for over 394,000 state and local government employees

Please keep in mind that Kentucky Revised Statute 61.661 requires KPPA to administer accounts in a confidential manner.

During our webinar today, please do not submit questions specific to your account and do not post sensitive information, such as your KPPA Member ID, Social Security Number, or PIN, in the chat.

If you have specific questions about your individual account, please contact KPPA at 1-800-928-4646.





- The **Q&A** function is used to ask general retirement questions for a KPPA representative to respond. We will answer each question in the order they are received before the conclusion of the webinar today
- The **CHAT** and **RAISE HAND** function will not be used during this webinar

QUASI-GOVERNMENTAL CESSATION

HB 1 (2019) established a one-time voluntary cessation window for Quasi-Governmental employer's **nonhazardous employees**. Thus, allowing the agency to cease (“opt-out” of) participation in the Kentucky Employees Retirement Systems (KERS).

SB 249 (2020) extended the timeframe for employers to select an option under this cessation window.

The effective cessation date is June 30, 2021

Note: Hazardous employees will continue to participate in KERS

Please keep in mind that these laws are subject to change depending on future actions of the General Assembly.

QUASI-GOVERNMENTAL CESSATION

IMPORTANT THINGS TO KNOW:

- The decision to cease participation in KERS and election of soft or hard freeze is made by the **employer**.
- The decision to transfer the accumulated account balance from KERS to the employer's alternative retirement plan is made by the **employee**.
- If the quasi-agency decides to cease participation, KPPA will provide written correspondence to all current and former employees.

QUASI-GOVERNMENTAL CESSATION

IMPORTANT THINGS TO KNOW:

- Stay up to date with cessation information by visiting the KPPA website at kyret.ky.gov.
- KPPA encourages members to view their retirement account information by visiting the Member Self Service page at myretirement.ky.gov.

QUASI-GOVERNMENTAL CESSATION

THREE TIERS OF PLANS:

KPPA designates members in three distinct tiers, based on initial participation date.



**DEFINED
BENEFIT PLAN**

*Participation date
prior to
September 1, 2008*



**DEFINED
BENEFIT PLAN**

*Participation date
September 1, 2008
through Dec 31, 2013*



**HYBRID CASH
BALANCE PLAN**

*Participation
date on, or after,
January 1, 2014*

QUASI-GOVERNMENTAL CESSATION

QUASI-AGENCY OPTIONS UNDER HB 1 (2019):

1. Continue participation in KERS for its nonhazardous employees and pay the full contribution rate beginning July 1, 2021.
2. Opt out of KERS with a **“SOFT FREEZE.”**
3. Opt out of KERS with a **“HARD FREEZE.”**

HARD FREEZE

- ALL nonhazardous employees will cease participation in KERS on **June 30, 2021**.
- Beginning **July 1, 2021**, all nonhazardous employees will participate in the quasi-agency's alternative retirement program – a defined contribution plan.
- The quasi-agency's liability is paid in lump sum or through installments not to exceed 30 years.

HARD FREEZE

Service Purchases:

- **Tier 1, Tier 2, and Tier 3** employees will have until June 30, 2021 to complete a service purchase or initiate a payoff of an existing Installment of Service Purchase (IPS) agreement with KPPA.
 - If an Installment of Service Purchase agreement is initiated before June 30, 2021, the employee will have until 8/30/2021 to pay off the IPS agreement.

HARD FREEZE

Health Insurance:

- **Tier 1, Tier 2, and Tier 3** nonhazardous employees will stop earning service credit in KERS on **June 30, 2021**. The member's service credit as of the cessation date will be used to determine member's eligibility for insurance and KPPA's contribution toward the member's health insurance premium.



HARD FREEZE

Irrevocable Transfer to Alternative Retirement Plan:

- **Tier 1, Tier 2, and Tier 3** employees may choose to transfer their retirement account with KERS to the quasi-agency's alternative retirement plan.
- **Form 1500, KRS 61.522 60-Day Transfer Request** may be filed between **July 1, 2021 and August 30, 2021.**

HARD FREEZE

REFUNDS AND RETIREMENT

Refund:

- **Tier 1, Tier 2, or Tier 3** employees who terminate employment with a bona fide separation from service and are not otherwise eligible to retire, are eligible to take a refund of their accumulated account balance.
 - **Form 4525, Application for Refund of Member Contributions and Direct Rollover/Direct Payment Selection** is required

Federal and state law both require a bona fide separation from service (a complete severance of any kind of employment relationship) with employers participating in any system operated by KPPA or entities affiliated with participating agencies in order for KPPA to pay a retirement benefit or to pay a refund of a retirement account.

HARD FREEZE

REFUNDS AND RETIREMENT

Retirement:

- An employee who is eligible to retire may file a, **Form 6000, Notification of Retirement**, and retire once he/she has decided to terminate employment with a bona fide separation from service.

Federal and state law both require a bona fide separation from service (a complete severance of any kind of employment relationship) with employers participating in any of the systems operated by KPPA or entities affiliated with participating agencies in order for KPPA to pay a retirement benefit or to pay a refund of a retirement account.

QUASI-GOVERNMENTAL CESSATION



When can an employee retire?

Participation date on, or after, September 1, 2008

Requirements for an Unreduced Benefit: NONHAZARDOUS

Rule of 87:

**Age + years of service credit must = 87*

**Member must be at least 57 years of age*

Age 65

(with 5 years of service credit)

TIER 2 ONLY * - Requirements for a Reduced Benefit: NONHAZARDOUS

Age 60

(with 10 years of service credit)

** Tier 3 is not eligible for a reduced benefit.*

QUASI-GOVERNMENTAL CESSATION

REEMPLOYMENT AFTER RETIREMENT

Kentucky law prohibits a member from having a prearranged agreement, prior to their effective retirement date, to return to employment in any position with any employer participating in Kentucky Employees Retirement Systems.

- In almost all reemployment situations, the retired member is required to observe a 3 calendar month break in service from their effective retirement date before returning to work for a participating employer of KERS.
- If a retired member seeks employment or begins serving as a volunteer with a participating employer with any of the systems operated by KPPA **within 12 months** of their effective retirement date, both the member and participating employer of KERS must notify KPPA by submitting the necessary forms.
- **After 12 months of retirement**, neither a retired member nor a participating employer of any system operated by KPPA is required to notify, seek a final determination, or submit forms to KPPA related to any employment accepted 12 months after the member's effective retirement date.

QUASI-GOVERNMENTAL CESSATION

REEMPLOYMENT AFTER RETIREMENT

IMPORTANT NOTE: *Failure to submit the required forms may result in the member's retirement benefits being voided. The member will be required to repay all retirement allowances, dependent child payments, and health plan premiums paid by KPPA.*

Please visit our Member Self Service page at kyret.ky.gov for further information related to reemployment after retirement.

QUASI-GOVERNMENTAL CESSATION

IMPORTANT DATES TO REMEMBER:

December 30, 2019 and Before	Period in which an employer may request an estimate from the Systems regarding the cost of cessation.
December 30, 2019	Last day an employer may request an estimate from the Systems (the Systems has 60 days from date of request to provide the estimate).
January 31, 2020	First date that the Systems is required to provide estimates to employers.
February 28, 2020	Last day the Systems may provide estimates to employers who requested one.
April 1, 2020	First day an employer may submit a resolution to the Systems voluntarily ceasing participation in KERS.
December 31, 2020	Last day a community college or university may submit a resolution to the Systems voluntarily ceasing participation in KERS.
April 30, 2021	Last day an employer may submit a resolution to the Systems voluntarily ceasing participation in KERS.
April 30, 2021	Last day an employer may rescind a previously submitted resolution to the Systems voluntarily ceasing participation in KERS.
June 30, 2021	Effective date of cessation for any employers who opt-out of KERS.
July 1, 2021 – August 30, 2021	Period within which any Tier 3 employee of an employer who opted-out of KERS, and those Tier 1 and Tier 2 employees of an employer who elected the HARD FREEZE option, may request a trustee-to-trustee transfer of his or her accumulated account balance.

LEGAL NOTICE

If you have any questions about the material in this presentation please contact KPPA at 1-800-928-4646.

This presentation is intended merely as a general information reference for members of any system operated by KPPA.

This presentation is not intended as a substitute for applicable Federal or state law, nor will its interpretation prevail should a conflict arise between its contents and applicable Federal or state law.

Before making decisions about your retirement, you should contact Kentucky Public Pensions Authority.



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Questions?

Members can email their Cessation questions to:

EmployerWithdrawal@kyret.ky.gov