



KPPA

Kentucky Public Pensions Authority

SUMMARY PLAN DESCRIPTION



Participation Date
Prior to 9/1/2008



Participation Date
9/1/2008 - 12/31/2013



Participation Date
1/1/2014 and after



SUMMARY PLAN DESCRIPTION

Dear Member:

The Summary Plan Description provides comprehensive information about retirement and insurance benefits but does not contain detailed information for all benefits. We recommend using this document as an overview of what may be available to you, and then contacting the retirement office for specific information applicable to your situation before making any decision that may affect your retirement benefits.

KPPA offers extensive online resources through our website at kyret.ky.gov and Self Service at myretirement.ky.gov. All members are encouraged to take advantage of Self Service which provides 24/7 access to your retirement account.

We hope that you will find this information helpful in your retirement planning. Thank you for your service to the Commonwealth of Kentucky.

Sincerely,

Office of Benefits

Kentucky Public Pensions Authority

1260 Louisville Road
Frankfort, Kentucky 40601

1-800-928-4646
Monday - Friday
8:00 AM - 4:30 PM (ET)

Log in to Self Service from our website at KYRET.KY.GOV



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[@KYretirement](https://www.facebook.com/KYretirement)

Revised December 2022: KPPA works to ensure that the information contained in the Summary Plan Description remains current and accurate. However, changes in the law or processes since the last revision date may not be reflected in this version. Please [contact KPPA](#) if you have any questions about a particular topic mentioned in this document.

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Chapter 1

Plan Administration


Retirement benefits for most state and local government employees are provided through the Kentucky Public Pensions Authority (KPPA).

KPPA operates three separate retirement systems:

-  **CERS**
County Employees Retirement System
-  **KERS**
Kentucky Employees Retirement System
-  **SPRS**
State Police Retirement System

- County Employees Retirement System (CERS) established July 1, 1958 for local government employees and classified school board employees.
- Kentucky Employees Retirement System (KERS) established July 1, 1956 for state employees.
- State Police Retirement System (SPRS) established July 1, 1958 for uniformed Kentucky State Police officers.


CERS, KERS and SPRS are qualified governmental defined benefit plans established under Section 401(a) of the Internal Revenue Code (IRC).

 **Meet the Administration**
Biographies for the Executive Director and management team can be found on the KPPA website at kyret.ky.gov

House Bill 484 (2020 Regular Session) and House Bill 9 (2021 Regular Session) made significant changes to the governance and administrative structure of the agency formerly known as the Kentucky Retirement Systems. The bills mandated and outlined the separation of CERS from KERS and SPRS. In addition, the administrative entity comprising the office of counselors and professional staff is now known as KPPA. These changes were effective April 1, 2021.

 **Meet the Chief Executive Officers**
Biographies for the [CERS CEO](#) and [KRS CEO](#) can be found on the KPPA website.

CERS is governed by the CERS Board of Trustees established pursuant to [Kentucky Revised Statute 78.782](#). KERS and SPRS are governed by the Kentucky Retirement Systems (KRS) Board of Trustees established pursuant to [Kentucky Revised Statute 61.645](#). The KPPA Board consists of four CERS and four KRS board representatives. KPPA is led by an Executive Director who works with the Chief Executive Officers of the CERS and KRS Boards to carry out the statutory provisions of the systems.

 **Meet the Boards of Trustees**
Biographies, terms of office, and committee membership for the CERS and KRS trustees can be found on the KPPA website at kyret.ky.gov

CERS BOARD	KPPA BOARD	KRS BOARD
 <ul style="list-style-type: none"> • 3 trustees elected by members • 6 trustees appointed by the Governor selected from lists of candidates provided by KACo, KLC and KSBA 	<ul style="list-style-type: none"> • CERS Board Chair • KRS Board Chair • CERS Investment Committee Chair • CERS Trustee, Elected by Members* • CERS Trustee, Governor Appointee* • KRS Investment Committee Chair • KRS Trustee, Elected by Members** • KRS Trustee, Governor Appointee** <p><small>*Selected by the CERS Board Chair **Selected by the KRS Board Chair</small></p>	 <ul style="list-style-type: none"> • 3 trustees elected by members • 6 trustees appointed by the Governor

 **Learn More**
Access the legislative calendar and meeting materials on the Legislative Research Commission's website at legislature.ky.gov

During the 2015 Regular Session of the General Assembly, the Public Pension Oversight Board was established. This board is a legislative oversight board attached administratively to the Kentucky Legislative Research Commission.

REVIEW PROCESSES

All funds are invested in accordance with the Kentucky Revised Statutes and the policies adopted by the Boards governing the systems operated by KPPA.

As a fiduciary of plan assets for more than 410,000 members, KPPA is held to a very high standard and actively promotes transparency and accountability in all aspects of our operations. The following reports provide an overview of the review processes in place for the systems KPPA operates:

- An annual [Audit](#) is conducted to ensure proper accounting procedures.
- An [Actuarial Valuation](#) is performed each year to examine the funding status of each plan and to ensure that contribution rates are sufficient to fund benefits.
- [Actuarial Experience Studies](#) are conducted every two to five years to determine if actuarial assumptions reasonably reflect the actual experience of the plans.
- An [Annual Comprehensive Financial Report \(ACFR\)](#) is issued to report the financial and actuarial status of all funds, and a [Summary Annual Financial Report \(SAFR\)](#) is also published, highlighting key points from the ACFR.



Learn More

Access annual reports and other publications on the KPPA website at kyret.ky.gov

LAWS & REGULATIONS

The three systems operated by KPPA are governed by the following state statutes:

- CERS: [Kentucky Revised Statutes 78.510 through 78.852](#)
- KERS: [Kentucky Revised Statutes 61.510 through 61.705](#)
- SPRS: [Kentucky Revised Statutes 16.505 through 16.652](#)

The administrative regulations necessary to carry out the statutes, policies and procedures covering the systems operated by KPPA are found in [Title 105 of the Kentucky Administrative Regulations](#).



Find Statutes and Regulations

Unofficial copies can be found on the Legislative Research Commission's website at legislature.ky.gov



Contact KPPA

Contact information is available on the KPPA website at kyret.ky.gov

Service of Process The [KPPA Executive Director](#) is the agent for service of legal process. In the event that a member's benefits or rights are substantially impaired, the member will be given the opportunity to request an administrative hearing.

PROTECTED BENEFITS



Note: State law defines benefits covered under the inviolable contract for each system:

CERS: [Kentucky Revised Statute 78.852](#)

KERS: [Kentucky Revised Statute 61.692](#)

SPRS: [Kentucky Revised Statute 16.652](#)

Inviolable Contract The laws governing each retirement system establish an inviolable contract with the Commonwealth of Kentucky, which means that in some cases, retirement benefits provided by law at the time the member begins participation cannot be changed.



Note: House Bill 290 (2004 Regular Session) removed retiree health insurance benefits from the inviolable contract for members who began participating July 1, 2003 and after.

In 2004, the law changed generally, removing retiree health insurance benefits from the inviolable contract for members who began participating July 1, 2003 and after. This means that the General Assembly could change retiree health insurance benefits for members participating on or after July 1, 2003 if fiscal circumstances call for it.



Note: Senate Bill 2 (2013 Regular Session) established Tier 3.

In 2013, Tier 3 was established. Laws governing Tier 3 benefits allow the General Assembly to change pension benefits and health insurance benefits for members participating on or after January 1, 2014 if fiscal circumstances call for it. If this occurs, the member's accumulated account balance as of the effective date of the law change is not affected.

Benefits are funded through three sources: employee contributions deducted from an employee’s creditable compensation, employer contributions paid by each participating employer, and return on investments.

Employee Contributions Employees contribute a percent of their creditable compensation as set by state law based on their benefit tier:

★ **Note:** House Bill 1 (2008 Special Session) established Tier 2 for members with participation dates 9/1/08 - 12/31/13.

Senate Bill 2 (2013 Regular Session) established Tier 3 for members with a participation date on or after 1/1/14.

Member Contribution Rates	TIER 1	TIER 2	TIER 3
	Prior to 9/1/08	9/1/08 - 12/31/13	1/1/14 and after
Nonhazardous	5%	5%+1% Insurance*	5%+1% Insurance*
Hazardous	8%	8%+1% Insurance*	8%+1% Insurance*

**One percent (1%) is deposited to the Insurance Fund.*

★ **Note:** Since August 1, 1982, member contributions are made on a before-tax basis and are automatically deducted. This means contributions are withheld from members’ gross pay before state and federal taxes or FICA are withheld.

All employee contributions, except for the one percent health insurance contribution, are deposited to individual member accounts. The one percent health insurance contribution paid by Tier 2 and Tier 3 members is deposited in a non-refundable trust to fund insurance benefits. When a member retires, their account balance is transferred to the Retirement Allowance Account.

☞ **Employer Rates**
Employer contribution rates are published on the KPPA website at kyret.ky.gov

Employer Contributions Recommended employer contribution rates are determined by KPPA's independent actuary based on data in the annual actuarial valuation. The Boards of Trustees adopt employer contribution rates necessary for the actuarial soundness of the systems governed by the respective boards as required by Kentucky Revised Statutes [61.565](#), [61.702](#), [78.5536](#) and [78.635](#). KERS and SPRS employer rates are subject to approval by the Kentucky General Assembly through the adoption of the biennial Executive Branch Budget. The CERS Board sets CERS employer contribution rates, unless altered by legislation enacted by the Kentucky General Assembly. Employer contributions are deposited to the Retirement Allowance Account and the Insurance Fund, with the exception of the Employer Pay Credit for Tier 3 members. The Employer Pay Credit portion is deposited to the member's account each month.

Employer contributions are used to fund benefits and to fund KPPA expenses.

☞ **Investments Library**
Comprehensive information about investments is published on the KPPA website at kyret.ky.gov

Return on Investments The CERS and KRS Boards are charged with the responsibility of investing assets to provide for member benefits. To achieve that goal, the Boards follow a policy of thoughtfully growing the asset base while protecting against undue risk and losses in any particular investment area.

★ The Boards are governed by the “Prudent Person” rule and must invest solely in the interests of members and their beneficiaries, impartially and with good faith interpretation of the law.

The Boards recognize their fiduciary duty to not only invest the funds in compliance with the Prudent Person Rule, but also to manage the funds in continued recognition of the basic long-term nature of the plans. In carrying out their fiduciary duties, the Trustees have set forth clearly defined investment policies, objectives, and strategies. KPPA maintains all plan assets for CERS, KERS, and SPRS through separate financial accounts. Plan assets are reported individually in audited financial statements.

CREDITABLE COMPENSATION

Creditable compensation is used to calculate retirement benefits and includes all salary, wages, tips and fees, plus payments for compensatory time paid as a result of services performed for the employer, including time when the member is on paid leave.

★ **Note:** If a member is paying into a before-tax compensation plan, such as a 401(k) or 457 plan, the amount contributed does not reduce creditable compensation for retirement purposes. Compensation is determined prior to any before-tax deductions.

Creditable compensation is compensation that must be reported to KPPA. Lump sum bonuses, severance pay or employer-provided payments for purchase of service credit are included in creditable compensation; however, if these types of payments exceed \$1,000 for the fiscal year, the combined payments will be averaged over the member's total service in the system in which the bonus was paid. Lump sum payments for sick leave when an employee terminates may be included in creditable compensation if the employer participates in the CERS Alternate Sick Leave Program. Lump sum payments for sick leave at any time other than termination are not included in creditable compensation.

★ **Note:** Member pension spiking may affect creditable compensation for retirement purposes. Read more about pension spiking in [Chapter 4](#).

The following are not included in creditable compensation:

- Living allowances,
- Expense reimbursements,
- Lump-sum payments for unused vacation time,
- Lump-sum payments for unused sick leave (unless the employer participates in the CERS Alternate Sick Leave Program),
- Lump-sum payments for compensatory time for employees who began participating on or after September 1, 2008, and
- Nominal fees for volunteers with a participation date on or after August 1, 2016.

ANNUAL COMPENSATION LIMITS



IRC
Internal Revenue Code



Learn More
The current annual creditable compensation limit is published on the KPPA website at kyret.ky.gov

Since 1996, Section 401(a)(17) of the IRC has limited the amount of creditable compensation upon which employee and employer contributions are paid. Under these guidelines, employee and employer contributions are paid on all creditable compensation an employee earns up to the maximum annual limit. Once an employee meets the annual creditable compensation limit, no contributions are to be reported for the remainder of the fiscal year.

TAX TREATMENT OF CONTRIBUTIONS

Mandatory employee contributions have been exempted from Federal and State Income Tax withholdings since August 1, 1982. These contributions are tax deferred, which means the contributions are withheld from employees' gross pay before Federal and State Income Tax.

From January 1, 1987 through December 31, 2016, Federal Social Security withholdings were also exempt. This changed January 1, 2017 under a [Memorandum of Agreement](#) between the Commonwealth of Kentucky and the Internal Revenue Service (IRS). As of January 1, 2017, employee contributions are deducted after Federal Social Security is withheld.



IRS
Internal Revenue Service

All non-mandatory member contributions for recontributions of refunds, omitted contributions and grandfathered service purchases may be made on an after-tax basis subject to federal limits or with before-tax dollars under an installment purchase of service agreement, a rollover, or a trustee-to-trustee transfer. For more on service purchases with after tax monies see [Chapter 3](#).

Payments made with after-tax dollars will not be subject to federal income tax when the benefit is issued, whether through a refund or monthly benefits. In the case of monthly benefits, current IRS regulations provide that the amount of after-tax dollars in the account be recovered by making a portion of each monthly benefit non-taxable. Before-tax contributions do not eliminate taxes on the contributions made, but rather defer tax liability until the benefits are received.



IRS
Internal Revenue Service

Chapter 2

Participation & Account Information

Employees working in a regular, full-time position with a participating employer are members of CERS, KERS and SPRS.

MEMBERSHIP



CERS
County Employees Retirement System

KERS
Kentucky Employees Retirement System

SPRS
State Police Retirement System



Note: A regular full-time position averages 100 or more hours per month over a calendar or fiscal year. For *local school boards*, a regular full-time position is a permanent full-time, permanent part-time or substitute non-certified position where the job duties require the employee to average 80 or more hours of work per month over actual days worked.


How You Become a Member When an employer first participates with CERS, KERS or SPRS, each employee working in a regular full-time position has the option to elect or reject retirement coverage. If an employee rejects retirement coverage at the time the employer first participates, they will not have the option to elect participation at a later date. In addition, certain elected or appointed officials, who are considered full-time, may decline membership in CERS upon taking office prior to their participation in CERS. These positions are identified in [Kentucky Revised Statute 78.540\(1\)](#). Any employee who rejected retirement coverage and terminates employment will be required to participate if reemployed by the same employer, or another participating employer, but will not be eligible to purchase the prior period of employment.

After initial employer participation, most new employees who work in a regular full-time position will participate in CERS, KERS, or SPRS. Some employees may not be eligible to immediately participate but may become eligible later on.

Non-Participating Positions There are several classifications that are non-participating positions. Employees with the following classifications do not contribute to the retirement system:

- **Seasonal:** Positions which are temporary in duration, coincide with a particular season or seasons of the year, may recur regularly from year to year and are limited to nine months, with the exception of classified school board employees which are limited to six months.
- **Temporary:** Non-renewable positions in KERS that do not exceed nine months or in CERS that do not exceed 12 months.
- **Part-time:** Positions in CERS and KERS which may be permanent but require less than a calendar or fiscal year average of 100 hours* of work per month. **Exception: For school board employees, these are positions that require an average of less than 80 hours per month over actual days worked in a school year.*
- **Interim:** Positions in KERS established for a one-time or recurring need, not to exceed nine months.
- **Emergency:** Positions in CERS, KERS and SPRS limited to 30 working days and not renewable, unless the emergency position was created or filled during, or as a result of, a state of emergency declared by the President of the United States or the Governor of Kentucky.
- **Probationary:** Positions in CERS not to exceed 12 months. These positions are not renewable for the same employee, unless the employee has not been employed with the participating employer for a period of at least 12 months.

★ **Note:** Nominal fees are defined in [KRS 61.510\(43\)](#) and [78.510\(40\)](#) as compensation earned for volunteer services that do not exceed \$500 per month with each participating employer.

 **IRS**
Internal Revenue Service

★ **Note:** Contracts must be submitted to our Office of Legal Services for review before the employee can be classified as an independent contractor.

- **Volunteer:** Position with a participating employer receiving no compensation for services rendered, except for reimbursement of actual expenses and/or payments of a nominal fee for the cost of performing the voluntary services.
- **Independent Contractor:** Individuals working as independent contractors do not participate in the systems operated by KPPA, however, effective Fiscal Year 2022, KERS quasi-governmental employers are required to supply information to KPPA regarding their contract employees on a fiscal year basis. The IRS sets specific guidelines which must be met before an individual can be classified as an independent contractor for tax purposes. If the individual is not classified as an independent contractor for reporting income to the IRS, the individual cannot be exempt from retirement coverage.

MEMBER ACCOUNTS

Account Administration Prior to retirement, an account is maintained for individual employee contributions. The balance in the account cannot be garnished or used for collateral on a loan. Members actively contributing cannot withdraw funds except upon termination of employment.

Member ID KPPA uses a unique account number for all members known as a Member ID. The KPPA Member ID is only valid when members are doing business with our office.

We use the Member ID to maintain member accounts and file information submitted to our office. The Member ID is the identifying number on KPPA forms and letters. Members will need to provide their Member ID and Personal Identification Number (PIN) when calling to discuss their account.


When logging in to our Self Service site, the Member ID can be found on the Account Summary page under Membership Information.

Personal Identification Number (PIN) The four-digit PIN provides an added layer of security when members interact with KPPA, whether online or over the phone. We will ask for the PIN before discussing account information over the phone. Members will need their PIN to fully utilize Self Service and authorize changes to their account online. Members can call our office or request a new PIN in Self Service. New PINs are mailed to the address on file with KPPA. Members who have a valid email address on file with KPPA have the option to receive their new PIN via a secure, encrypted email.

Confidentiality of Accounts Member account information is confidential. Requests for account information must be made in writing or in person and should contain the Member ID, home mailing address, and signature.

How KPPA Protects Member Information KPPA is committed to protecting the confidentiality and security of member data. Efforts to safeguard member information include:

- Developing policies and procedures that protect personal information as well as the resources that support and retain that information.
- Ensuring the availability and integrity of member data by developing business continuity and disaster recovery plans that will allow us to quickly resume operations in the event of a disaster or other significant event at KPPA.

 **Access your account online**
Log in to Self Service at myretirement.ky.gov

★ **Note:** KPPA must release account information in response to a lawful subpoena or court order.

- Investing in mainstream, highly regarded technology solutions that better protect all aspects of member information.
- Employing secure solutions when transmitting data anywhere, such as encrypted email, secure file transfer and encrypted Internet transactions.
- In compliance with record retention requirements, KPPA securely disposes of information, whether in paper or electronic form, so that member information is protected throughout its useful lifecycle.
- Systems and security processes are implemented, monitored, and audited to ensure that member data is protected.
- Providing our employees with constant security awareness tips and training to make sure they understand the importance of protecting member information.
- Limiting unnecessary access to member data. Our management team has worked to limit the access to member information to only those KPPA employees that regularly require access in order to provide high quality services.
- Requiring the use of KPPA Member IDs in place of Social Security numbers on internal KPPA Forms and other documentation.

KPPA has taken a very proactive stand on data disclosures by adopting a specific policy to address such issues. Our disclosure policy guides us in protecting member information and revealing potential exposures. Our policy dictates that we notify members in a timely manner if their information may have been exposed. This includes making sure our business partners and vendors adhere to the same, strong policies for disclosing potential exposures of member information. KPPA also complies with state and federal law governing security breaches of personal information and personal identifying information.



Fiscal Year

KPPA operates on a fiscal year (July 1 - June 30).



Access your account online

Log in to Self Service at myretirement.ky.gov



Note: Tier 3 members received their first Annual Statement in 2019.

Annual Statement of Account

Prior to retirement, an Annual Statement is made available to members each year through Self Service. The Annual Statement provides a snapshot of the retirement benefits, contributions, interest, and service accrued through the end of the fiscal year. Members should always review their Annual Statement carefully to ensure all information is correct and contact our office with any questions.

Members may access our Self Service website to view their Annual Statement (Fiscal Year 2012 - present).

Interest on Accounts

The interest credited to a member's account and reported on the Annual Statement is calculated based upon the member's benefit tier and account balance as of June 30 (the previous fiscal year). For Tier 1 members, the interest paid is set by the Boards of Trustees and will not be less than 2.0% (currently 2.5%). For Tier 2 members, interest will be credited at a rate of 2.5%. Tier 3 members earn 4% interest annually on both the member contributions and the Employer Pay Credit balance. Tier 3 members may also receive upside sharing interest.

Benefits for Tier 1 and Tier 2 members are based on a formula using the member's service and salary. Interest is typically not related to the benefit amount at retirement.

For Tier 3 members, interest is part of the accumulated account balance used to determine the benefit amount at retirement. Read more in [Chapter 4](#).



Participation Date before September 1, 2008



Participation Date between September 1, 2008 - January 1, 2014



Participation Date on or after January 1, 2014

REFUND OF ACCOUNT BALANCE



By taking a refund, members forfeit eligibility for future benefits including health insurance and the \$5,000 death benefit.



Depending on the member's benefit tier, the member may not be eligible to receive a refund for all member and employer contributions and interest.



IRA
Individual Retirement Account



Find forms at kyret.ky.gov

Upon termination of employment, a member has three options in regard to their retirement account: (1) retire if eligible, (2) leave the contributions in their account until eligible to retire, or (3) take a refund of their account balance.

Refund Payments If a member chooses to take a refund of their account balance, they will receive their individual retirement contributions plus any accumulated interest. Please note that the one percent health insurance contribution paid by Tier 2 and Tier 3 members is deposited in a **non-refundable** trust to fund insurance benefits.

Tier 1 members will not receive a refund of any employer contributions. Tier 2 members will not receive a refund of any employer contributions or employee contributions made to the Insurance Fund. Tier 3 members with at least 60 months of service credit are vested and will receive employer pay credits and any associated upside sharing interest. Tier 3 members with less than 60 months of service credit are eligible for a refund of the member portion of the account balance. In this situation, the member is not vested, which means the refund will not include employer pay credits, interest on the pay credit balance, or upside sharing interest. Regardless of service credit, Tier 3 members will not be refunded employee contributions made to the Insurance Fund.

Refunds can be paid directly to the member or the funds can be rolled into another qualified retirement plan or Individual Retirement Account (IRA). If a member elects to receive a direct payment, KPPA is required to withhold 20% for federal income taxes. The amount withheld is not a penalty tax and will apply towards federal tax liability for the year in which the refund was issued. Additional taxes due to age or other factors may also apply if a member chooses to receive a direct payment.

Requirements In order to process a refund of their accumulated account balance, members must complete a [Form 4525, Application for Refund of Member Contributions and Direct Rollover/Direct Payment Selection](#). The member's employer is also required to report the termination date on the monthly report to KPPA. A refund cannot be issued until all information is received. A refund cannot be processed until at least 45 days following the termination date provided all required information has been submitted by the member and their employer. Members interested in taking a refund of their account balance may obtain Form 4525 from the KPPA website or call our office to request a copy.

Subsequent Employment If a member returns to employment with the same employer in any capacity, or a different employer that participates in the same retirement system from which the member has applied for the refund, within 45 days of terminating the employment, the member will become ineligible to receive the refund and will be required to pay back the refund if payment has been issued.

If a member goes to work for a participating employer at a later date, the member may be eligible to purchase their refunded service. The purchase will not reestablish the member's original participation date which determines the benefit tier they are in. Tier 1 and Tier 2 members will only receive credit for the months of service they purchase. Tier 3 members will receive credit for the months of service they purchase and the additional contributions for the purchased service will increase their accumulated account balance.

MEMBER RESPONSIBILITIES



Find forms at kyret.ky.gov

New Employee When a member is hired, their employer will submit information regarding employment to our office. Once a member is eligible to participate, their account will be created. Upon participation members should complete a [Form 2035, Beneficiary Designation](#). KPPA will mail this form to new members once their account is established.

Valid forms must be on file at the retirement office in Frankfort to be effective. If a valid Form 2035 is not on file with our office, the beneficiary of the active member retirement account will be the member's estate.

Change of Contact Information It is important for members to keep their email and mailing address current with KPPA. Doing so will ensure retirement payments, newsletters and other materials are delivered on time. Members may change their contact information through Self Service (see following section) or by submitting [Form 2040, Change of Contact Information](#) to our office; however, mailing address must also be changed with the employer as soon as possible. Employers will notify KPPA as part of their monthly reporting and member mailing addresses will automatically be updated with KPPA.

ACCESSING BENEFITS INFO



Access the Members section of the KPPA website at kyret.ky.gov

KPPA Website Most educational materials and forms are available online. Visit the Members section of our website to learn more about retirement benefits.

Self Service Members are encouraged to use our Self Service website to access their retirement account online. Register in three simple steps:



[Watch our Self Service registration video](#)

1 Go to MyRetirement.ky.gov This is the direct link to the log in page for online accounts. Members can also visit the KPPA website and click LOGIN.



PIN
Personal Identification Number

2 Register the account To register, a member must enter their name, Social Security number and date of birth. Members will then enter their PIN, or answer a few questions, to verify their identity. Members will only be asked for their Social Security number during this initial registration process.

3 Create login information Members will create a User ID and Password, which they will use each time they log in to their account. For additional security, the member will answer a secret question. This answer will be required to reset the User ID or Password.

When the setup steps are complete, members may manage their retirement account online. The features of Self Service include:

- Apply for Retirement - After completing the online retirement application, additional paperwork will be provided and must be completed and returned to KPPA. Once a member has completed the online application, their employer will be notified to complete Section H of the application in Employer Self Service. Section H allows the employer to verify wages, sick leave balances, and/or accumulated compensatory time.
- Upload Documents - Securely upload birth certificates, driver's licenses, marriage certificates, and other retirement documents.



Note: Section H is not required for those members who have been separated from an employer at least three months.



Detailed instructions for calculating benefit estimates and service purchase estimates are available on the KPPA website at kyret.ky.gov:

[Tier 1 and Tier 2 instructions](#)

[Tier 3 instructions](#)



Note: Call KPPA or make written requests for specific information about account information or benefits.

- **Benefit Estimates** - Use current information to calculate a retirement estimate.
- **Service Purchase Estimate** - Estimate the cost to purchase eligible service using current data and see an estimate of monthly payments under an installment plan.
- **Contact Information** - Change contact information such as mailing address, phone numbers and email address.
- **Account Balance Letter** - Request an account balance letter showing total service, contributions and interest.
- **Account Summary** - View service credit, contributions and beneficiary information.
- **Account History** - See an overview of contributions and salary through the end of the previous fiscal year.
- **Annual Statements** - View or print an Annual Statement, beginning with Fiscal Year 2012.

Counseling Services Members have three options for counseling appointments: virtual, phone and in-person. Virtual and phone appointments are the most efficient options for counseling services; however, members may also request in-person appointments. Members who meet [specific criteria](#) are given priority for in-person appointments.

KPPA continues to add new features to Self Service and members are encouraged to take advantage of this option for secure, easy access to account information, benefit estimates, filing for retirement and submitting documents to our office.

Phone Phone inquiries are handled by the KPPA Call Center. The Call Center is staffed with qualified retirement counselors who are there to help members obtain services and answer questions. Counselors may provide specific information about a member's account over the phone if they provide their PIN and Member ID. Members should contact the Call Center to schedule an appointment to meet with a retirement counselor.

Phone Numbers 1-502-696-8800 — or — 1-800-928-4646

Email Members may email KPPA at kppa.mail@kyret.ky.gov. Email is not secure. Therefore, it is recommended that email be used for general inquiries only and that the sender not include information of a confidential or personal nature. Examples of information which should not be transmitted by email include Social Security number, Member ID, PIN, date of birth, home address, telephone number, bank account and credit card information, mother's maiden name, medical information, and any information that you would not want a third party to discover.

By Mail All written inquiries should include the member's name, Member ID, home mailing address, and signature. If requesting an estimate of retirement benefits, please include the retirement dates you are considering. If requesting a service purchase calculation, please include the type of purchase and the [necessary verification](#). All written inquiries should be sent to the following address:

Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, KY 40601

Chapter 3

Service Credit



Participation Date before
September 1, 2008



Participation Date between
September 1, 2008 - January 1, 2014




Participation Date on or after
January 1, 2014


A member's service credit is used to determine eligibility for retirement. For Tier 1 and Tier 2 members, service credit is also used to calculate the benefit amount paid at retirement.

Depending on the member's benefit tier, the amount of service credit used to determine retirement eligibility and/or benefits may include current service, prior service, purchased service and sick leave service. Below is a list of the types of service credit and the effects each type has on retirement eligibility and the benefit calculation.

TYPES OF SERVICE CREDIT

★ **Note:** A regular full-time position averages 100 or more hours per month over a calendar or fiscal year. For school boards, a regular full-time position is a permanent full-time, permanent part-time or substitute non-certified position where the job duties require the employee to average 80 or more hours of work per month over actual days worked.

 Log in to Self Service at myretirement.ky.gov to generate a service purchase cost.

 **USERRA**
Uniformed Services Employment and Reemployment Rights Act

★ **Note:** Members should include their Member ID on any documentation submitted to our office.

Current Service Current service is earned as a contributing member. For each month in which wages and contributions are reported for regular full-time employment, a member earns one month of service credit.

Prior Service Prior service is all service rendered before July 1, 1956 in KERS and July 1, 1958 in CERS and SPRS. There is no cost for this service. A member must have a minimum of 12 months of current service in the same system in which they have the prior service in order to use the prior service toward a retirement benefit. Prior service is only credited for months in which the member worked at least 100 hours in performing their job duties.

Purchased Service For Tier 1 and Tier 2 members, there are more than 30 types of service a participating member may purchase in order to increase service credit. Tier 3 members are limited to six purchase types:

1. Recontribution of Refunded Service
2. Omitted Service
3. Omitted with Interest
4. Military Omitted
5. Uniformed Services Employment and Reemployment Rights Act (USERRA)
6. Decompression


The requirements for each [purchase type](#) are regulated by state statute. Members may utilize our Self Service website to generate an estimated cost to purchase service. After generating the estimated cost, members interested in proceeding with a service purchase should contact KPPA to request an official service purchase cost calculation. Please note that the required [verification](#) for the service purchase type must be filed with KPPA before the purchase cost can be calculated.

Sick Leave Service Members may receive service credit for unused accumulated sick leave depending on their benefit tier and their employer's sick leave program. At retirement, an eligible member's unused sick leave hours and hours worked per day determine the sick leave service credit that may be awarded. Refer to the [Sick Leave section](#) of this chapter for more information.


LIMITATIONS AND EXCEPTIONS

★ **Note:** Participation date is when a member began paying contributions and earning service credit with a state-administered retirement system. This date may be different from the hire date. A member's participation date can change the level of benefits to which they are entitled, health insurance eligibility, and their eligibility to purchase service.

★ **Note:** Refer to the [Sick Leave section](#) of this chapter for more information about how sick leave service credit may be applied toward benefit and insurance eligibility.

 **USERRA**
Uniformed Services Employment and Reemployment Rights Act

★ **Note:** Members who have taken the steps to convert their nonhazardous service to hazardous service may count that hazardous service toward retirement and insurance eligibility. Refer to the [Hazardous Conversion definition](#) for more information about this process.

 Members considering this change may find it helpful to review our [Benefit Tier Comparison](#)

Participation Date Recontribution of Refunded Service purchased on or after January 1, 2014 will not alter the member's participation date; however, the purchase of Omitted Service will reinstate the original participation date for that service.

Benefit Eligibility Members who began participating on or after August 1, 2004 cannot use most service purchase types for determining eligibility for retirement and death benefits. This applies to all service purchases made by the member or employer with the exception of:

- Omitted Service
- Recontribution of Refunded Service
- Service credit for Free Military
- Military Omitted
- USERRA
- Decompression

Insurance Eligibility Most service purchases made on or after August 1, 2004 will not be used to determine insurance benefits at retirement. This provision applies to all service purchases made by the member or employer with the exception of:

- Omitted Service
- Recontribution of Refunded Service
- Service credit for Free Military
- Military Omitted
- USERRA
- Decompression

Tier 3 Opt-In Tier 2 members are eligible to opt-in to the [Tier 3 Hybrid Cash Balance Plan](#). Tier 2 members must make the Tier 3 election through their Self Service account. Tier 2 members that choose this option will have their accumulated contributions, less any interest earned, deposited into a hybrid cash balance account. Employer pay credits will be added to the accumulated account balance for each month the member contributed prior to their election date. Interest credits will only be applied for periods on or after the effective date of election.

The decision to [opt-in to Tier 3](#) is an irrevocable choice. Members who do so will be subject to the same statutes and regulations governing Tier 3 membership as those whose participation date is January 1, 2014 and later.

Service purchases made as a Tier 2 member that are not available under Tier 3 will be refunded and service reduced accordingly if the member opts-in to Tier 3. Refer to the previous page for details on Tier 3 service purchases. Read more about how changing to Tier 3 may impact retirement eligibility in [Chapter 4](#).



Note: Refer to the list of [required verification](#) for each purchase type.

Basic Requirements Most types of service must meet the following minimum requirements in order to be purchased:

- The service must be in a full-time position in accordance with Kentucky Revised Statutes [61.510](#) and [78.510](#).
- The service cannot be credited to another defined benefit retirement plan.
- The member or the employer must provide verification of employment as required by KPPA.
- The member must not already have service credit for the same calendar month.

Most purchase types require the member to be participating and vested in CERS, KERS, or SPRS at the time the purchase is made. In order to be vested, a member under the age of 65 must have at least 60 months of service credit in the systems operated by KPPA while a member over the age of 65 must have at least 48 months of service credit in the systems operated by KPPA.

Retirees or members who are not contributing to one of the state-administered retirement systems cannot purchase service credit unless the type is omitted. Retirees who have returned to work since August 1, 1998 and are contributing to a new retirement account cannot purchase service they were eligible to purchase prior to their initial retirement.



Log in to Self Service at myretirement.ky.gov to view a cost calculation online.

Calculating service purchases For almost all purchase types, the cost is determined by multiplying the higher of the member's current rate of pay, final rate of pay, or Final Compensation by the actuarial factor by the number of years of service being purchased.

The actuarial factor used to calculate the cost varies based upon the member's age, years of accrued service credit, applicable benefit factor, and final compensation. The factor assumes the earliest retirement date the member may retire with no reduction in benefits. Purchases not calculated under this method include Recontribution of Refunded Service, Hazardous Conversion, and Omitted Service.

PURCHASE TYPES

The following is a listing of most service purchase types and the information required to verify the period of service.

Purchase Types without Service Requirements	Verification Required
<p>Recontribution of Refunded Service</p> <p>A member currently participating in one of the state-administered retirement systems who has taken a refund of retirement contributions for previous employment may regain the service lost by paying the amount of contributions withdrawn plus interest calculated from the time of withdrawal. Note: The member must accrue at least six additional months of service credit in a state-administered retirement system to validate the purchase. A recontribution of refund will not alter the member's participation date.</p>	Information should be on file at KPPA.
<p>Summer Months</p> <p>A member currently participating in one of the state-administered retirement systems who was contracted by a local school board, university, community action agency, or school for the deaf or blind to work nine, ten, or eleven months may purchase up to three additional months to complete a full year.</p>	Information should be on file at KPPA.
<p>Military Omitted (Tier 3 only)</p> <p>If a member was called to active duty military, the member can purchase the missing months of service. The cost is based on the contributions the member would have paid had they been participating during that time. The member's employer also must pay the missing employer contributions.</p>	A copy of your DD-Form 214 for each period of active duty — and — Personnel Forms
<p>Omitted Service</p> <p>If a member was entitled to service credit but was not reported to KPPA, the member may obtain service by paying the employee contributions on the period of omitted service. If employee contributions are not received within six months of notification by KPPA, a participating employee may obtain the service by paying the employee contributions plus any accumulated interest. Service credit will not be awarded to the member's account until KPPA has also received the employer contributions.</p>	Form 4225 — or — Personnel Forms
<p>Uniformed Services Employment and Reemployment Rights Act (USERRA)</p> <p>Allows a member to purchase military service in excess of six years if certain conditions are met.</p>	A copy of your DD-Form 214 for each period of active duty.
<p>Decompression</p> <p>If a member returns from military leave and does not immediately return to work, the member can purchase up to 90 days between the date of discharge and return to employment. The employer also must pay the employer portion for this period of time.</p>	A copy of your DD-Form 214 for each period of active duty.
<p>Hazardous Conversion</p> <p>Members participating in hazardous positions may pay the cost to convert eligible nonhazardous service to hazardous service. The service credit must be in a position that was reported to KPPA under nonhazardous coverage, but has since been approved for hazardous duty coverage by the CERS or KRS Boards of Trustees. The agency where the nonhazardous service was earned must complete a Form 4150, Certification of Employment in a Hazardous Position, in order for the member to convert the service.</p>	Form 4150
<p>Vested Purchase Types</p> <p><i>In order to be vested to make a service purchase, a member under the age of 65 must have at least 60 months of service credit while a member over the age of 65 must have at least 48 months of service in the systems operated by KPPA.</i></p>	Verification Required
<p>Non-Qualified Service</p> <p>Members currently participating and who participated prior to August 1, 2002, may purchase up to five years of service once they have 15 years of total service in a state-administered retirement system. At least five of the 15 years required for this purchase type must be in CERS, KERS, or SPRS. The Non-Qualified service may not be used for benefit purposes until the member has accrued 20 years of service, excluding the Non-Qualified service.</p>	Information should be on file at KPPA.
<p>Delayed Service</p> <p>A member may purchase service with an employer that did not participate in CERS or KERS but has since joined. Delayed Service (also referred to as past service) is service worked prior to the date the employer began participating.</p>	Form 4225
<p>Active Duty Military</p> <p>A member may purchase all periods of active duty service with a branch of the Armed Forces. This purchase may require an honorable or general discharge from service.</p>	A copy of your DD-Form 214 for each period of active duty.

Historical note: Prior to August 1, 2000, a member could purchase up to four years of active duty military service. Effective August 1, 2000, the statute provides that all periods of active duty service may be purchased.

Vested Purchase Types Continued	Verification Required
National Guard/Reserves	
A member may purchase one month of credit for every six months served.	Most recent Annual Statement of Points.
Maternity/Authorized Sick Leave Without Pay/FMLA Leave	
A member may purchase service credit for official maternity leave without pay, approved sick leave without pay, or approved leave without pay under the Family Medical Leave Act (FMLA) that occurred while working for a participating employer.	Form 4225 — or — Personnel Forms or a letter from the employer verifying period of leave
Seasonal, Temporary, Emergency, Interim or Part-time	
A member may purchase service for time served in a seasonal, temporary, interim, emergency, or part-time position (at least 100 hours per month) that occurred with a participating employer.	Form 4225 — or — Personnel Forms
State University Service	
A member may purchase service for certain types of employment with Kentucky's state sponsored universities provided they did not participate in a defined benefit plan during employment, and the position held would have qualified as a regular full-time position had the university been a participating employer. This purchase is limited to the University of Kentucky and the University of Louisville since other state-sponsored universities participate in KERS.	Form 4120
<i>Historical note: From April 1, 2003 until June 20, 2005, Kentucky Revised Statute 61.552(8) provided that university service may be purchased if the member did not participate in either a defined benefit plan or a defined contribution plan. Effective June 20, 2005, the statute was amended to allow the purchase if the university service was covered under a defined contribution plan.</i>	
Approved Educational Leave	
A member may purchase service credit for approved educational leave.	Copy of the education contract and Personnel Forms — or — Letter from employer verifying period of leave.
Federal Service	
A member may purchase service worked as a full-time federal employee provided the member withdrew all funds or did not participate in the Federal Retirement System.	Form 4115
Out of State Service (Nonhazardous)	
A member may purchase up to 10 years of service credit for full-time out-of-state public service. To qualify, the out-of-state service must have been credited in a state or locally administered defined benefit retirement plan, other than one for teachers. The member must provide verification that they received a refund or are not eligible for a retirement benefit from the period of out-of-state service.	Form 4140
Out of State Service (Hazardous)	
A member may purchase up to 10 years of service credit for full-time out-of-state public service if the position would be determined as hazardous duty. To qualify, the out-of-state service must have been credited in a state or locally administered defined benefit retirement plan, other than one for teachers. The member must show that they received a refund or are not eligible for a retirement benefit from the period of out of state service. The member must also submit a copy of the job description for the out-of-state public service.	Form 4140 and a copy of the former job description.
Vocational/Technical School Service	
A member may purchase service worked in a non-teaching position with a Vocational/Technical School in the state of Kentucky that averages at least 80 hours per month on a calendar or fiscal year basis.	Form 4225 — or — Personnel Forms
Community Action Agency	
A member may purchase service for regular full-time employment with a Community Action Agency created under Kentucky Revised Statutes 273.405 to 273.453 if that service was not covered by a state-administered retirement system.	Form 4225 — or — Letter from employer verifying period of service.

Vested Purchase Types Continued

Verification Required

<p>Mental-Health/Mental Retardation Service</p> <p>A member may purchase service for employment in a regional community mental health and mental retardation services program, organized and operated under the provisions of Kentucky Revised Statutes 210.370 and 210.480 that does not participate in a state-administered retirement system.</p>	<p>Form 4225 — or — Letter from employer verifying period of service.</p>
<p>Approved Leave to Work for Work-Related Labor Organization</p> <p>A member may purchase service credit for periods of approved leave to work for a work-related labor organization provided that the employer approving the leave subsequently participated in CERS.</p>	<p>Letter from the IRS or U.S. Department of Labor stating that the purchase is allowable under federal restrictions.</p>
<p>Area Development District/Business Development Corporation</p> <p>A member may purchase service for employment with an Area Development District (ADD) created pursuant to Kentucky Revised Statute 147A.050 or a business development corporation created pursuant to Kentucky Revised Statutes 155.001 to 155.230 which does not participate in CERS or KERS.</p>	<p>Letter from the IRS or U.S. Department of Labor stating that the purchase is allowable under federal restrictions.</p>
<p>Urban–County Government Service</p> <p>A hazardous member may purchase service credit with an urban-county government. To qualify, the employment must have been considered regular full-time and qualify for hazardous duty coverage under Kentucky Revised Statute 61.592. The member must show that they received a refund or are not eligible for a retirement benefit for the period of urban-county government service.</p>	<p>Form 4131</p>

PAYING FOR A SERVICE PURCHASE



IRC
Internal Revenue Code

Eligible service credit may be purchased by the following methods provided it falls within the limitations set forth in Section 415 of the IRC:

- Lump Sum Payment: Service may be purchased by making a lump sum payment to KPPA. **Federal law limits the use of after-tax money to purchase service with a lump-sum payment** (see [provisions affecting service purchases](#)).



IPS
Installment Purchase of Service Agreement

- Installment Purchase of Service Agreement (IPS): Members participating in CERS, KERS, or SPRS may elect to have the cost of service deducted from their paycheck on a before-tax or after-tax basis provided the employer has arranged to make installment deductions with KPPA. To be eligible for payroll deduction, the cost must be at least \$1,000. One year of installment payments is allowed for each \$1,000 in cost with a maximum of five years to pay off the cost. Interest is compounded annually at the rate set by the CERS and KRS Boards of Trustees. More information on the before-tax IPS and provisions affecting service purchases is outlined below.



Note: To be eligible for payroll deduction, the purchase cost must be at least \$1,000.



Note: Members should check with the administrator of their qualified plans to determine the eligibility of funds for rollover or transfer. Certain funds may not be able to be used for certain purchases.

- Rollover or Transfer from a Qualified Plan: The IRC allows CERS, KERS, and SPRS, which are qualified plans under Section 401(a), to accept rollovers or, in some cases, trustee-to-trustee transfers from other qualified plans like: Section 401(a), Section 401(k), Section 403(b), Section 457, “Rollover” IRA, Traditional IRA.

In order to complete a direct rollover or transfer of funds from another qualified plan to purchase service, the member and the financial institution making the direct rollover or transfer of funds must complete a [Form 4170, Direct Transfer/Rollover Acknowledgement Form](#).



Download Form 4170 at kyret.ky.gov

A combination of these methods may or may not be used to pay for some service purchases. Members who wish to combine payment methods, or transfer/rollover funds from more than one plan, are advised to [contact KPPA](#) in advance.



IPS
Installment Purchase of Service Agreement

More about the before-tax IPS KPPA began accepting before-tax IPS agreements in February 2003. This payment option allows members to purchase service credit with before-tax contributions, which reduces their taxable income in the year the contributions are made. This option does not eliminate taxes but rather defers tax liability until retirement. Often at retirement, a person will be in a lower tax bracket, which can reduce the amount of taxes paid.



Note: A member cannot stop payment or pay off a **before-tax** IPS agreement while actively employed with a participating employer.

The before-tax IPS resembles the after-tax IPS with one major exception. All payroll deductions under the before-tax IPS program are irrevocable once a member has completed the necessary forms. This means a member cannot stop payment on the contract or pay off the remaining balance except upon death or termination of employment. Please see below for additional information.

Stop payment/pay off an IPS contract

While working, members who are purchasing service credit through an after-tax IPS can stop payment or pay off the remaining balance or a portion of the remaining principal of the contract at any time by notifying KPPA and may request a recalculation if payment is stopped. If the member stops payment and does not pay off the IPS contract in full or in part, the account will only be credited with the service purchased through the last installment payment.

Upon termination of employment or death, a member or beneficiary will be given 60 days from termination or death to pay off the remaining balance of a before-tax or after-tax IPS. If the member or beneficiary chooses not to pay off the remaining balance, the account will only be credited with the amount of service purchased through the last installment payment.



Note: If a member intends to pay off their IPS by rollover or transfer of funds, a [Form 4170](#) must be on file with KPPA prior to the date the member terminates employment.

Members planning to retire will also be given 60 days from termination of employment to pay off a before-tax or after-tax IPS; however, payments for the remaining balance of the contract must be received prior to the member's effective retirement date.

For example: John Doe has an installment purchase agreement and is planning to terminate employment on January 31st. He chooses to pay off the remaining balance on February 10th. Therefore, his effective retirement date will be March 1st.

In this example, John's health insurance coverage through KPPA cannot begin until John's effective date of retirement.

**USERRA**

Uniformed Services Employment and Reemployment Rights Act



Note: Members purchasing Non-Qualified Service must use before-tax funds.

**IRC**

Internal Revenue Code

**IRS**

Internal Revenue Service

Provisions affecting service purchases

Beginning in 2008, after-tax monies are only accepted for Recontribution of Refunded Service, Omitted Service, USERRA, Military Omitted and grandfathered service purchases. In order to be considered a grandfathered service purchase:

- The member must have participated prior to July 1, 1999,
- The purchase type must have been available for purchase on August 5, 1997, and
- The member must participate in the system in which the purchase is being made.

This approach assures compliance with IRC 415(c) limits and avoids any impact on other retirement funds held by the member.

Members are encouraged to use before-tax service purchase installment payments, rollovers, transfers from other plans, transfers from 457(b) plans such as Kentucky Deferred Compensation and from 403(b) plans (for example, a tax sheltered annuity at a school district) to fund service purchases.

Under this approach, members are using before-tax contributions to buy service, just as before-tax payroll contributions are used for retirement benefits. The 415(c) limits do not apply to in-service transfers from 457(b) plans or 403(b) plans for service purchases. KPPA has obtained IRS approval for this program.

KPPA includes information on the use of before-tax and after-tax monies when a cost calculation is provided to the member for a service purchase.

MILITARY SERVICE

Participation Date before September 1, 2008



Participation Date between September 1, 2008 - January 1, 2014

**U.S.C.**

United States Code



Participation Date on or after January 1, 2014

Tier 1 and Tier 2

A member is entitled to receive free military service if the member was on leave of absence from employment with a participating employer, and within three months of the last day of paid employment entered the Armed Forces of the United States, and subsequently returned to employment with a participating employer within two years of receiving an honorable discharge. If the member's employment preceding the military service was in a non-participating status, such as seasonal or temporary, the non-participating service must be purchased in order for the member to be eligible to receive free military service credit. If the member contributed, but subsequently took a refund for the period immediately prior to the military service, the refund of contributions must be repaid in order for the member to qualify for free military service credit. Service credit and creditable compensation, as provided in 38 U.S.C. 4318, will be given for a period not to exceed six years.

Tier 3

If a member was called to active duty military, the member can purchase the missing months of service as Military Omitted. The cost is based on the contributions the member would have paid had they been participating during that time. The member's employer must also pay the missing employer contributions.

SICK LEAVE SERVICE



Refer to the [sick leave chart](#) to determine the number of months of service that may be credited upon retirement.



Participation Date before
September 1, 2008



Participation Date between
September 1, 2008 - January 1, 2014



Participation Date on or after
January 1, 2014

Members may receive service credit for unused accumulated sick leave depending on their benefit tier and their employer's sick leave program. At retirement, an eligible member's unused sick leave hours and hours worked per day determine the sick leave service credit that may be awarded.

Tier 1 Sick leave service credit for Tier 1 members counts toward retirement eligibility and health insurance benefits.

Tier 2 Tier 2 members may receive a maximum of 12 months of service credit for unused sick time. Sick leave service credit counts toward health insurance benefits but cannot be used to determine retirement eligibility.

Tier 3 Sick leave is not used to calculate benefits for members in the Hybrid Cash Balance Plan.

Sick Leave Programs KPPA recognizes two sick leave programs relevant to retirement: Standard Sick Leave and Alternate Sick Leave. The Standard Sick Leave Program allows members to convert their hours of unused sick leave to additional months of service credit at the time of retirement. The Alternate Sick Leave Program allows a CERS employer to compensate an employee for as many unused sick leave days as the employer's personnel policy provides.

KERS and SPRS members Most KERS and SPRS employers are required to participate in the Standard Sick Leave Program. Only KERS quasi-governmental agencies have the option to elect participation in the Standard Sick Leave Program.

CERS members CERS employers can choose to participate in the Alternate Sick Leave Program, the Standard Sick Leave Program, or neither. Tier 1 and Tier 2 members of CERS may receive service credit for sick leave at the time of retirement if their employer has adopted a sick leave program with KPPA.

Under the Standard CERS program, the member receives service credit for up to six months of unused sick leave. A CERS employer may also elect to split the cost of sick leave in excess of six months with the member or pay the entire cost in excess of six months. In accordance with the sick leave program adopted by the employer, under the Standard program, any sick leave for which the employee is paid upon termination is not reported to KPPA and is not eligible to be used as service credit.

Under the Alternate CERS Program, members are paid for unused sick leave and receive sick leave service credit at the time of termination or retirement. The money paid to the member for their unused sick leave is used in determining the member's final compensation and the service is also used to increase the member's service credit.



Note: The computation of alternate sick leave is complex. If a member's employer participates in this program, it is advisable that the member consult with a retirement counselor to determine the effect of alternate sick leave credit on their specific benefits.

SERVICE WITH OTHER PLANS

Members with more than one retirement plan administered by the Commonwealth of Kentucky may be allowed to combine service to determine eligibility for benefits, total service credit and final compensation. Each system will pay a benefit based on the amount of service in that system.



Learn more about service with other retirement systems on the KPPA website at kyret.ky.gov

The six state-administered retirement systems are:

- County Employees Retirement System (CERS)
- Kentucky Employees Retirement System (KERS)
- State Police Retirement System (SPRS)
- [Teachers' Retirement System \(TRS\)](#)
- [Judicial Retirement Plan \(JRP\)](#)
- [Legislators Retirement Plan \(LRP\)](#)



Note: In this example, John would need to apply to each retirement system separately for retirement benefits.

For example, John is a Tier 1 member previously employed with a board of education in a classified position and accumulated 10 years of service in CERS. He is now employed with the same board of education as a teacher and has accumulated 17 years of service in TRS. John would be eligible to retire at any age with no reductions in his retirement benefits because he has accumulated a combined total of 27 years of service. John would receive a retirement check from CERS based upon his 10 years of service and a separate retirement check from TRS based on his 17 years of service.



Log in to Self Service at myretirement.ky.gov to view a benefit estimate online.

If a member has an account in more than one of these retirement systems, the member should contact KPPA to determine the benefits they may be entitled to receive upon retirement. In order to receive benefits from all systems, the member must submit the required retirement forms to each system at the time of retirement. No system will pay a benefit until all required forms have been submitted to all applicable retirement systems, pursuant to [Kentucky Revised Statute 61.680\(8\)](#).

Also, vested service in a retirement system other than the Teachers' Retirement System sponsored by the Kentucky Higher Education Assistance Authority, Council on Postsecondary Education, or a state-sponsored university in Kentucky, may apply toward attaining 25 years of service credit for reduced retirement benefits or 27 years of service credit for unreduced retirement benefits. The member must have 15 years of current service in KERS. This service is not used in determining the monthly benefit the member will receive at retirement. In addition, the service does not apply toward vesting for medical insurance benefits except for employees of the Council on Postsecondary Education who meet certain criteria specified by statute.

Chapter 4

Retirement Eligibility

Retirement eligibility is dependent upon the member's age, service credit, participation date and type of service (nonhazardous or hazardous).

★ **Note:** House Bill 1 (2008 Special Session) established Tier 2. Senate Bill 2 (2013 Regular Session) established Tier 3. These bills changed criteria for retirement eligibility and the benefit formula based on participation date.

Senate Bill 104 (2017 Regular Session) allows Tier 2 members to opt into Tier 3. Members who do so will be subject to the same laws governing Tier 3 membership as those whose participation date is 1/1/14 and after. [Read more](#)

Participation date is the official date when a member began paying contributions and earning service credit with a state-administered retirement system. This may be different from the member's hire date. A member's participation date can change the level of benefits to which they are entitled. There are three different benefit tiers based on participation date:



Participation Date Prior to 9/1/2008



Participation Date 9/1/2008 - 12/31/2013



Participation Date 1/1/2014 and after

The first three sections of this chapter explain eligibility requirements and the benefit calculation for each tier:

- Tier 1: Page 25-28
 - Tier 2: Page 29-31
 - Tier 3: Page 33-35
- ★ Tier 1 and Tier 2: Page 32 (Pension Spiking)

Beginning on page 36, the topics covered apply to all members.



PARTICIPATION DATE PRIOR TO 9/1/08

★ **Note:** If the member's participation date is 8/1/04 or after, only Recontribution of Refunded and Omitted service purchases count toward service credit when determining retirement eligibility.

House Bill 76 (2022 Regular Session) created an exception for any member bound by an educational contract with the state prior to December 31, 2003 allowing service purchases to be counted toward retirement and insurance eligibility.

★ **Note:** If a nonhazardous member who is of normal retirement age has less than four years of service credit, the benefit is calculated based on a different formula.

Nonhazardous Members

The requirements for an Unreduced Benefit are:

- A nonhazardous member, age 65 or older, with 1 - 47 months of service credit may elect to receive a benefit for life that is the actuarial equivalent to twice the member's contributions and interest.
- A nonhazardous member, age 65 or older, with at least 48 months of service credit is eligible to receive an unreduced monthly benefit for life based on the member's salary and service credit.
- A nonhazardous member with 27 or more years of service credit can retire at any time with no reduction in benefits.

The requirements for a Reduced Benefit are:

- A nonhazardous member with at least 25, but less than 27 years of service credit, may retire at any time, prior to age 65, with a reduction in benefits.
- A nonhazardous member, age 55, with at least five years of service credit may retire with a reduction in benefits.

If a member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement:

Reduced Benefit Chart: Years from an Unreduced Retirement

Year	Early Retirement Factor	Year	Early Retirement Factor
1 Year	93.5%	6 Years	63%
2 Years	87%	7 Years	58.5%
3 Years	80.5%	8 Years	54%
4 Years	74%	9 Years	49.5%
5 Years	67.5%	10 Years	45%

★ **For Example:** A nonhazardous member has 25 years of service and is age 55. If the member chooses to retire, their benefit will be reduced to 87% (6.5% for each year away from 27 years of service).



PARTICIPATION DATE PRIOR TO 9/1/08

★ **Note:** If a hazardous member who is of normal retirement age has less than four years of service credit, the benefit is calculated based on a different formula.

★ **For Example:** A hazardous member has 18 years of service and is age 52. If the member chooses to retire, their benefit will be reduced to 87% (6.5% for each year away from 20 years of service).

Hazardous Members

The requirements for an Unreduced Benefit are:

are:

- A hazardous member with 20 or more years of service credit may retire with no reduction in benefits.
- A hazardous member, age 55 or older, with 1 - 59 months of hazardous service credit may elect to receive a benefit for life that is the actuarial equivalent to twice the member's contributions and interest.
- A hazardous member, age 55 or older, with at least 60 months hazardous service credit is eligible to receive an unreduced benefit based on the member's salary and service.

The requirements for a Reduced Benefit are:

- A hazardous member, age 50 with at least 15 years of service credit may retire with a reduction in benefits.

If a hazardous member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement:

Reduced Benefit Chart: Years from an Unreduced Retirement			
Year	Early Retirement Factor	Year	Early Retirement Factor
1 Year	93.5%	6 Years	63%
2 Years	87%	7 Years	58.5%
3 Years	80.5%	8 Years	54%
4 Years	74%	9 Years	49.5%
5 Years	67.5%	10 Years	45%



DETERMINING RETIREMENT BENEFITS

The three systems operated by KPPA are qualified defined benefit plans. A defined benefit plan pays benefits based on a formula:



CERS
County Employees Retirement System



KERS
Kentucky Employees Retirement System



SPRS
State Police Retirement System


Benefit Formula

Final Compensation	X	Benefit Factor	X	Years of Service
Fiscal year earnings used when calculating the retirement benefit		Benefit factors are set by statute and vary depending upon the type of service (nonhazardous or hazardous), amount of service and participation date.		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).



★ **Note:** Payments for compensatory time are included in this calculation.

★ **Note:** A member's final compensation will be adjusted if [pension spiking](#) is detected. A pension spike is when a member who is nearing retirement has their salary increase by more than 10% over the previous year's salary.

 Log in to Self Service at myretirement.ky.gov to generate a benefit estimate.

★ **Note:** Refer to the [benefit formula example](#) to see John's annual benefit amount.

For Tier 1 members, final compensation is the 5-High or 3-High fiscal years with the highest average monthly rate. Final compensation is determined by dividing the total salary earned (5-High or 3-High) by the total months worked, then multiplying by twelve to annualize.

If the years with the highest monthly average (5-High or 3-High) do not contain the minimum number of months required (48 months or 24 months), additional years must be added into the Final Compensation until the minimum number of months required has been obtained. The fiscal years do not have to be consecutive, although for most members, the last years are generally the years of highest earnings.

Members approaching retirement may want to plan termination of employment so that the last day of employment is the last working day of the month. Otherwise, the member's Final Compensation might be reduced as a result of an individual's final month representing only a partial month's wages.

Nonhazardous Members Retirement benefits are based upon 5-High Final Compensation. When Final Compensation is based on the 5-High, it must include at least 48 months and a minimum of five fiscal years. The example below walks you through the final compensation calculation.

Nonhazardous Example John Doe is a nonhazardous employee and is planning to retire August 1st. John's 5-High salary total comes to \$119,805 which is then divided by 49 months, averaging to \$2,445. This average is multiplied by 12 months (to annualize), yielding a Final Compensation of \$29,340.

Nonhazardous Example		
Fiscal Year	5-High	Months
2020-2021	\$31,295	12
2019-2020	\$29,795	12
2018-2019	\$28,295	12
2017-2018	\$27,795	12
2021-2022	\$2,625	1
Total	\$119,805	49
\$119,805 / 49 mos. X 12 = \$29,340.00		

Hazardous Members Retirement benefits are based upon 3-High Final Compensation. When Final Compensation is based on the 3-High, it must include at least 24 months and a minimum of three fiscal years. The example below walks you through the final compensation calculation.

Hazardous Example Jane Smith is a hazardous employee and is planning to retire August 1st. Jane's 3-High salary total comes to \$82,125 which is then divided by 25 months, averaging to \$3,285. Finally, multiply this average by 12 months (to annualize), yielding a Final Compensation of \$39,420.

Hazardous Example		
Fiscal Year	3-High	Months
2020-2021	\$40,000	12
2019-2020	\$38,500	12
2021-2022	\$3,625	1
Total	\$82,125	25
\$82,125 / 25 mos. X 12 = \$39,420.00		



FINAL COMPENSATION



U.S.C.

United States Code



Learn More

The current annual creditable compensation limit is published on the KPPA website at kyret.ky.gov



Note: A member who has hazardous and nonhazardous service in the same system will receive one monthly payment. A member who has the same type of service in different systems will receive two monthly payments.



Fiscal Year

KPPA operates on a fiscal year (July 1 - June 30).

For fiscal years beginning with 1996-97, Final Compensation will be limited to the annual compensation limits in 26 U.S.C. 401(a)(17). Members who may be subject to this limitation should contact the retirement office to determine the most advantageous time to retire.

A member who has hazardous and nonhazardous service in different systems (CERS, KERS, SPRS) will receive two monthly payments upon retirement: one for the hazardous service and one for the nonhazardous service. In this situation, a member will have 5-High Final Compensation for the nonhazardous service and 3-High Final Compensation for the hazardous service.

Usually, a member's Final Compensation can be increased if termination of employment is timed so that it occurs in the early part of a new fiscal year (as opposed to terminating employment at the end of a fiscal year). A retirement date of August 1 or September 1 may be an appropriate time to retire because of the effect on Final Compensation.



BENEFIT FACTORS

Benefit factors are set by statute and vary depending upon the type of service, amount of service and participation date.

Nonhazardous Benefit Factors	
KERS 1.97% if:	Member does not have 13 months credit for 1/1/1998-1/1/1999.
KERS 2.00% if:	Member has 13 months credit from 1/1/1998-1/1/1999.
CERS 2.20% if:	Member begins participating prior to 8/1/2004.
CERS 2.00% if:	Member begins participating on or after 8/1/2004 and before 9/1/2008.
Hazardous Benefit Factors	
KERS 2.49%	
CERS 2.50%	Only CERS and KERS members in an approved hazardous position are eligible.
SPRS 2.50%	



YEARS OF SERVICE CREDIT



Note: See [Chapter 3](#) for more information on service credit.

The years of service used to calculate retirement benefits include current service, prior service, purchased service, and sick leave service if the member's employer participates in an approved sick leave program.



BENEFIT FORMULA EXAMPLE



Final Compensation

Fiscal year earnings used to calculate the retirement benefit.



Benefit Factor

Set by statute and varies depending upon the type of service, amount of service and participation date.



Years of Service

Includes earned service, purchased service, prior service and sick leave service (if the member's employer participates in an approved sick leave program).

For example, John Doe works in a nonhazardous position for an agency participating in CERS. He is retiring August 1st with a Final Compensation of \$29,340 and 27 years of service credit. The benefit formula is:

Final Compensation	X	Benefit Factor	X	Years of Service	=	Annual Benefit
\$29,340		2.2%		27		\$17,427.96

In John's case, his retirement benefit totals \$17,427.96 per year. The value produced by the benefit formula is divided by twelve to get a monthly payment under the Basic Option:

$$\$17,427.96 / 12 \text{ months} = \$1,452.33$$

In this example, John's monthly payment would be \$1,452.33 under the Basic payment option.



★ **Note:** The following pages apply to Tier 2 members. Members with a participation date prior to 9/1/08 or after 12/31/13 should refer to the sections for Tier 1 and Tier 3.

Nonhazardous Members

The requirements for an Unreduced Benefit are:

- A nonhazardous member, age 57 or older, may retire with no reduction in benefits if the member's age and years of service equal 87 (Rule of 87).
- A nonhazardous member, age 65, with at least 60 months of service credit may retire at any time with no reduction in benefits.

The requirements for a Reduced Benefit are:

- A nonhazardous member, age 60 or older, with at least 120 months of service credit may retire with a reduction in benefits.

If a member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement:

Reduced Benefit Chart: Years from an Unreduced Retirement			
Year	Early Retirement Factor	Year	Early Retirement Factor
1 Year	93.5%	6 Years	63%
2 Years	87%	7 Years	58.5%
3 Years	80.5%	8 Years	54%
4 Years	74%	9 Years	49.5%
5 Years	67.5%	10 Years	45%

★ **For Example:** A nonhazardous member has 10 years of service and is age 60. If the member chooses to retire, their benefit will be reduced to 67.5% (6.5% for each year away from age 65).

Hazardous Members

The requirements for an Unreduced Benefit are:

- A hazardous member with 25 or more years of service may retire at any time with no reduction in benefits.
- A hazardous member, age 60 or older, with at least 60 months of service credit may retire at any time with no reduction in benefits.

The requirements for a Reduced Benefit are:

- A hazardous member, age 50 or older, with at least 180 months of service credit may retire with a reduction in benefits.

If a member is eligible for a reduced benefit, the amount of reduction will depend upon the member's age or years of service at retirement:

Reduced Benefit Chart: Years from an Unreduced Retirement			
Year	Early Retirement Factor	Year	Early Retirement Factor
1 Year	93.5%	6 Years	63%
2 Years	87%	7 Years	58.5%
3 Years	80.5%	8 Years	54%
4 Years	74%	9 Years	49.5%
5 Years	67.5%	10 Years	45%

★ **For Example:** A hazardous member has 15 years of service and is age 58. If the member chooses to retire, their benefit will be reduced to 87% (6.5% for each year away from age 60).



DETERMINING RETIREMENT BENEFITS



CERS
County Employees Retirement System



KERS
Kentucky Employees Retirement System



SPRS
State Police Retirement System

The three systems operated by KPPA are qualified defined benefit plans. A defined benefit plan pays benefits based on a formula:

Benefit Formula

Final Compensation	X	Benefit Factor	X	Years of Service
Fiscal year earnings used when calculating the retirement benefit.		Benefit factors are set by statute and vary depending upon the type of service (nonhazardous or hazardous), amount of service and participation date.		Years of service represents total service credit at the time of retirement.



FINAL COMPENSATION

★ **Note:** A member's final compensation will be adjusted if [pension spiking](#) is detected. A pension spike is when a member who is nearing retirement has their salary increase by more than 10% over the previous year's salary.

★ **Note:** Payments for compensatory time are not included in the final compensation calculation.

Nonhazardous Members

Final Compensation is calculated by taking the average of the last (not highest) five full fiscal years of salary. If the member does not have five full fiscal years, partial years will be added to reach the 60 month minimum.

Nonhazardous Example		
Fiscal Year	Last 5	Months
2021-2022	\$38,500	12
2020-2021	\$40,000	12
2019-2020	\$42,000	12
2018-2019	\$44,000	12
2017-2018	\$46,000	12
Total	\$210,500	60
$\$210,500 / 60 \text{ mos.} \times 12 = \$42,100$		

Hazardous Members

Final Compensation is calculated by taking the average of the highest three full fiscal years of salary. If the member does not have three full fiscal years, partial years will be added to reach the 36 month minimum.

Hazardous Example		
Fiscal Year	3-High	Months
2019-2020	\$46,000	12
2020-2021	\$44,000	12
2021-2022	\$42,000	12
Total	\$132,000	36
$\$132,000 / 36 \text{ mos.} \times 12 = \$44,000$		



BENEFIT FACTORS

Benefit factors are set by statute and vary depending upon the type of service (nonhazardous or hazardous), amount of service and participation date. Benefit factors are applied based on a tiered structure. Higher factors are attained as Tier 2 members reach specified levels of service.

Nonhazardous Member Benefit Factors		Hazardous Member Benefit Factors	
Service Credit	Benefit Factor	Service Credit	Benefit Factor
< 120 months	1.10%	< 120 months	1.30%
121 - 240 months	1.30%	121 - 240 months	1.50%
241 - 312 months	1.50%	241 - 300 months	2.25%
313 - 360 months	1.75%	> 300 months	2.50%
> 360 months*	2.00%		

**The 2.0% benefit factor only applies to service credit in excess of 30 years.*



YEARS OF SERVICE CREDIT

★ **Note:** See [Chapter 3](#) for more information on service credit.

The years of service used to calculate retirement benefits include current service, prior service, purchased service, and sick leave service if the member's employer participates in an approved sick leave program. Tier 2 members may receive a maximum of 12 months of service credit for unused sick time. Sick leave service credit cannot be used to determine retirement eligibility; however, it does count toward health insurance benefits. Please note that most service purchases do not apply when determining retirement eligibility.



BENEFIT FORMULA EXAMPLE



Final Compensation

Fiscal year earnings used to calculate the retirement benefit.



Benefit Factor

Benefit factors are set by statute and vary depending upon the type of service, amount of service and participation date.



Years of Service

Includes earned service, purchased service, prior service and sick leave service (if the member's employer participates in an approved sick leave program).

For example, Jerry Doe is retiring with 30 years of nonhazardous service at age 57 with a \$29,340 Final Compensation. The benefit formula is:

Final Compensation	X	Benefit Factor	X	Years of Service	=	Annual Benefit
\$29,340		1.75%		30		\$15,403.50

In Jerry's case, his retirement benefit totals \$15,403.50 per year. The value produced by the benefit formula is divided by twelve to get a monthly payment under the Basic Option:

$$\$15,403.50 / 12 \text{ months} = \$1,283.63$$

In this case, his monthly payment would be \$1,283.63 under the Basic payment option.

★ **Note:** Senate Bill 2 (2013 Regular Session) created Kentucky Revised Statute 61.598 establishing parameters for pension spiking for Tier 1 and Tier 2 members.

Pension spiking does not apply to Tier 3 members.

Senate Bill 104 (2017 Regular Session) created new pension spiking rules for members retiring 1/1/18 - 6/1/21.

House Bill 87 (2021 Regular Session) added a \$25 threshold to the pension spiking calculation for members retiring 7/1/21 and after.

House Bill 49 (2022 Regular Session) added two exemptions related to mandatory overtime and local government declared emergency.

Kentucky Revised Statutes [61.598](#) and [78.545\(22\)](#) require KPPA to evaluate each member's last five fiscal years of employment to determine whether there was an increase in creditable compensation by more than 10% between each fiscal year and the prior fiscal year. If there were any such increases, KPPA must evaluate whether the increase(s) meet certain statutory requirements. A member's final compensation will be adjusted unless the increase in creditable compensation is due to one of the following exemptions:

1. Bona Fide promotion or career advancement;
2. Lump sum payout from compensatory time at termination only;
3. Lump sum payout for alternate sick leave payments;
4. Increases in years where the member was on leave without pay in the prior fiscal year;
5. An increase due to overtime work and pay as the result of a state or federal grant, grant pass-through or a similar program that requires overtime as a condition or necessity of the employer's receipt of the grant;
6. An increase due to overtime work and pay required by a federal, state, or local government declared emergency; or
7. The first 100 hours of mandatory overtime in a fiscal year.

For retirement dates of July 1, 2021 and after, the 10% cap on creditable compensation growth will not apply when it results in a benefit change of less than \$25 per month. If there is a benefit change of \$25 or more per month due to pension spiking, the member's creditable compensation will be reduced by the appropriate amount to meet the \$25 monthly threshold.

★ **Note:** A Form 6487, Request for Member Pension Spiking Exemption Amounts, is mailed to the employer when a pension spike is identified. This form must be completed by the employer and returned to KPPA within the allotted time period.

When pension spiking occurs, KPPA refunds member contributions and interest attributable to the reduction in creditable compensation. KPPA retains the employer contributions to offset the unfunded pension liability.

Employer Pension Spiking For retirement dates of January 1, 2014 through June 30, 2017, the law required the last participating employer to pay for any additional actuarial costs resulting from pension spiking.

Member Pension Spiking In 2017, the law changed for retirement dates on or after January 1, 2018 applying a reduction to the member's creditable compensation to offset pension spiking rather than requiring the last employer to pay the actuarial cost. In 2021, the law was amended again implementing a \$25 monthly threshold for the pension spiking calculation (see above).

★ **Note:** A member's final compensation will be adjusted unless the 10% increase in creditable compensation is due to an allowable exemption (see above).

In the example below, a spike is detected in the member's creditable compensation from Fiscal Year 3 to Fiscal Year 4 of 14%. Fiscal Year 4 must be adjusted to reflect the 10% limit from one year to the next. The revised creditable compensation of \$17,966.58 for will be used to calculate the member's retirement benefits.

Example Pension Spiking Adjustment

Fiscal Year 3 (prior year with no spike)	\$16,333.25
10% limit for Fiscal Year 4	x 1.10
Fiscal Year 4 revised creditable compensation	\$17,966.58

Last Fiscal Years	Creditable Compensation	Months of Service	Annualized	% Change	Spiking
Fiscal Year 5	\$18,750.00	12	\$18,750.00	0%	NO
Fiscal Year 4	\$18,695.00	12	\$18,695.00	14%	YES
Fiscal Year 3	\$16,333.25	12	\$16,333.25	8%	NO
Fiscal Year 2	\$15,152.33	12	\$15,152.33	-2%	NO
Fiscal Year 1	\$14,138.00	11	\$15,423.27	0%	NO



PARTICIPATION DATE 1/1/14 and after

★ **Note:** The following pages apply to Tier 3 members. Members with a participation date prior to 1/1/14 should refer to the previous sections for Tier 1 and Tier 2.

★ **Note:** Service credit is used to determine retirement eligibility but is not part of the Tier 3 benefit calculation.

Under Tier 3, a member is not eligible to retire unless one of two requirements are met. There are no early or reduced retirement benefits.

Nonhazardous Member Requirements:

- Age 57 or older, if the member's age and years of service equal 87 (Rule of 87).
- Age 65 with at least 60 months of service credit.

Hazardous Member Requirements:

- Any age with 25 or more years of service.
- Age 60 with at least 60 months of service credit.

Members who have both nonhazardous and hazardous service credit are eligible to retire if they meet one of the four requirements listed above.



DETERMINING RETIREMENT BENEFITS



CERS
County Employees Retirement System



KERS
Kentucky Employees Retirement System



SPRS
State Police Retirement System

★ **Note:** Compensatory time is not used to calculate benefits for Tier 3 members.

Find current actuarial factors for hazardous and nonhazardous members on the KPPA website at kyret.ky.gov

The three systems operated by KPPA are qualified defined benefit plans. A defined benefit plan pays benefits based on a formula. A Tier 3 member's accumulated account balance is divided by an actuarial factor to produce the monthly life annuity option:

Benefit Formula

Accumulated Account Balance	÷	Actuarial Factor
Employee Contributions + Base Interest + Employer Pay Credits + Upside Sharing Interest		Age at retirement and type of service (hazardous or nonhazardous) determine the actuarial factor.



ACCUMULATED ACCOUNT BALANCE

The accumulated account balance consists of Employer Pay Credits, Employee Contributions, Base Interest and Upside Sharing Interest.

Employer Pay Credit

When KPPA receives employer contributions, an Employer Pay Credit is deposited to the member's account. Nonhazardous members receive a 4% Employer Pay Credit. Hazardous members receive a 7.5% Employer Pay Credit. The Employer Pay Credit represents a portion of the employer contribution rate.

Employee Contributions

Members contribute a percent of their creditable compensation as set by state law:

★ **Note:** The one percent health insurance contribution is deposited in a non-refundable trust to fund insurance benefits.

Nonhazardous	5% + 1% Insurance*
Hazardous	8% + 1% Insurance*

*One percent (1%) is deposited to the Insurance Fund.

**Fiscal Year**

KPPA operates on a fiscal year (July 1 - June 30).



Find upside sharing interest amounts on the KPPA website at kyret.ky.gov



Find more Upside Sharing examples on the KPPA website at kyret.ky.gov

Base Interest

Tier 3 accounts earn a base of 4% interest annually on both the member contributions and the Employer Pay Credit balance. Interest is credited to a member's account each June 30, based on the account balance from the preceding June 30. New members do not see interest credited in their first year since there is no prior year balance.

Investment of Contributions

Tier 3 members do not make their own investment decisions and do not bear the risk of investment losses. The assets of the plan remain in a single investment pool and the employer assumes all the investment risk. Even if the underlying investments lose value, the employer is still obligated to pay the required contribution so the plan can pay a benefit based on the member's individual account balance.

In other words, a Tier 3 member's retirement account will never be reduced due to investment losses. The CERS and KRS Boards and its investment professionals are responsible for investment decisions that impact Tier 3 accounts. The Boards establish clearly defined investment policies, objectives and strategies for both the pension and insurance portfolios. The investment policies and detailed monthly investment performance reports are published on our website at kyret.ky.gov.

Upside Sharing Interest

Upside Sharing Interest is the additional interest credit that may be applied to a Tier 3 account. Upside Sharing Interest is not guaranteed. The following conditions must be met before Upside Sharing Interest is credited to a member's account:

- The system's geometric average net investment return for the last five years must exceed 4%.
- The member must have been active and contributing in the fiscal year.

If a system's geometric average net investment return for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the return over 4%. The credit will be applied to the account balance as of June 30 of the previous year.

The following example illustrates how Upside Sharing Interest works. Member accounts automatically earn 4% base interest annually. In this example, the additional 2.63% Upside Sharing Interest credit means the total interest paid would be 6.63%.

Geometric average net return	7.5%	
Base interest	- 4%	
	3.5%	
	x 75%	
	2.63%	Upside Sharing Interest Credit
	+ 4%	Base Interest
Total Interest Paid	6.63%	

The geometric average net investment return is calculated for each individual fund: CERS Nonhazardous, CERS Hazardous, KERS Nonhazardous, KERS Hazardous and SPRS. It is possible that the Upside Sharing Interest percentage will differ from fund to fund. It is also possible that one fund may receive Upside Sharing Interest, and another fund would not.



ACTUARIAL FACTOR

The member's age at retirement and type of service (hazardous or nonhazardous) determine the actuarial factor.



Find current actuarial factors on the KPPA website at kyret.ky.gov

Actuarial factors are subject to change:

- Accrued benefits are protected but the General Assembly could change future benefits if fiscal circumstances call for it.
- Experience studies are performed by KPPA's independent actuary at least every two years to compare each plan's actual experience to what had been expected (the assumptions). Actuarial factors may be adjusted as appropriate based on experience study results.



Log in to Self Service at myretirement.ky.gov

Members may utilize Self Service to calculate Tier 3 benefits using the current actuarial factors.



BENEFIT FORMULA EXAMPLES



Accumulated Account Balance:

Employee Contributions
+
Base Interest
+
Employer Pay Credits
+
Upside Sharing Interest

Nonhazardous Example - Rule of 87

Jane Smith is a 57 year old

nonhazardous employee with 30 years of service credit. The benefit formula is:

Accumulated Account Balance		Actuarial Factor		Monthly Annuity Amount
\$176,667.55	÷	175.163644	=	\$1,008.59



Actuarial Factor

Age at retirement and type of service (hazardous or nonhazardous) determine the actuarial factor.

Nonhazardous Example - Age 65

Joe Smith is a 65 year old

nonhazardous employee with 20 years of service credit. The benefit formula is:

Accumulated Account Balance		Actuarial Factor		Monthly Annuity Amount
\$93,800.95	÷	153.762907	=	\$610.04



Note: Service credit is used to determine retirement eligibility but is not part of the Tier 3 benefit calculation.

Hazardous Example - 25 Years of Service

Sam Jones is a 45 year old

hazardous employee with 25 years of service credit. The benefit formula is:

Accumulated Account Balance		Actuarial Factor		Monthly Annuity Amount
\$225,929.05	÷	197.256200	=	\$1,145.36

Hazardous Example - Age 60

Sally Jones is a 60 year old hazardous employee

with 20 years of service credit. The benefit formula is:

Accumulated Account Balance		Actuarial Factor		Monthly Annuity Amount
\$161,546.08	÷	162.899727	=	\$991.69

RETIREMENT PAYMENT OPTIONS



Kentucky Revised Statute 61.542 provides:

- If receiving a monthly payment under the Basic, Annuity, Life with 10 Years, 15 Years, or 20 Years Certain, or the Social Security Adjustment Option without Survivor Rights, the retired member may change their beneficiary at any time.
- Within 120 days of marriage or remarriage, a retired member may change their beneficiary to their new spouse and elect a survivorship payment option.



Members can log in to Self Service at myretirement.ky.gov to generate estimates with different beneficiaries to determine if their available payment options are impacted by the IRS rules.



IRS
Internal Revenue Service

Upon retirement, KPPA provides various payment options so that a retiring member can select a monthly benefit option most suited to their particular retirement needs.

Members should carefully review their payment options. On or after the first day of the month in which a member receives their first retirement payment, a retired member may not change their payment option or account beneficiary designation except in limited circumstances outlined in [Kentucky Revised Statute 61.542](#)

Each member planning to retire should also consider each option by assuming various contingencies and the likelihood of the contingencies occurring (i.e., the beneficiary dies before the member). Members should keep in mind that, for most payment options, an individual must be receiving a monthly retirement payment to enroll in health insurance. This is particularly important if a spouse or any dependent children will need continued health insurance coverage after the member's death. Members should also be aware that if a non-spouse beneficiary is designated for the retirement account, certain payment options may not be available to the member. IRS regulations require that KPPA perform a test to determine eligibility for certain payment options based on the age difference between a member and a non-spouse beneficiary.

PAYMENT OPTION DESCRIPTIONS



Note: Under the Basic/Annuity option, the payment would stop upon the member's death.



Note: If a member selects Life with 10, 15, or 20 Years Certain and a trust or estate is beneficiary, the trustee or estate will receive a lump sum payment totaling the actuarial equivalent of the remaining payments.



Note: If the beneficiary is not receiving a monthly benefit upon the member's death, the beneficiary cannot participate in the insurance program.

Basic/Annuity

This option provides a monthly benefit to the member until death but does not provide a benefit to the beneficiary after the member's death. It provides the highest monthly lifetime benefit. If the member passes away before receiving an amount equal to their accumulated account balance at the time of retirement, the beneficiary will receive a lump-sum payment of any remaining accumulated account balance.

Life with 10 Years Certain

This option is available for members who are age 75 or younger at retirement. This option guarantees payments for a 120 month period, which begins when the member retires. If the member dies before 120 payments have been made, the beneficiary will receive the remaining payments. If the member survives past the 120 payments, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

Life with 15 Years Certain

This option is available for members who are age 67 or younger at retirement. This option guarantees payments for a 180 month period, which begins when the member retires. If the member dies before 180 payments have been made, the beneficiary will receive the remaining payments. If the member survives past the 180 payments, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

Life with 20 Years Certain

This option is available for members who are age 61 or younger at retirement. This option guarantees payments for a 240 month period, which begins when the member retires. If the member passes away before 240 payments have been made, the beneficiary will receive the remaining payments. If the member survives past the 240 payments, the same monthly benefit continues to the member for life, but the beneficiary is no longer eligible for benefits upon the member's death.

If the member passes away before the 120, 180 or 240 month period ends and the beneficiary is receiving the benefit, the beneficiary's estate would be entitled to a lump-sum payment of remaining benefits if the beneficiary dies before all payments have been made.

PAYMENT OPTION DESCRIPTIONS

<p>★ Note: Survivorship payment options require a person be named as beneficiary.</p>	<p>Survivorship 100%</p> <p>This option guarantees a monthly benefit to the member for the member's lifetime. If the member passes away before the beneficiary, the beneficiary is eligible for the same monthly benefit until death.</p>
<p>★ Note: Under the Survivorship 100%, 66 2/3% and 50% options, the payments would stop upon the member's death if the beneficiary preceded the member in death.</p>	<p>Survivorship 66 2/3%</p> <p>This option guarantees a monthly benefit to the member for the member's lifetime. If the member passes away before the beneficiary, the beneficiary is eligible for a monthly benefit equal to 66 2/3% of the member's monthly benefit until death.</p>
<p>★ Note: If a non-spouse beneficiary is selected at time of retirement, certain payment options may not be available depending on the age difference between the member and the beneficiary.</p>	<p>Survivorship 50%</p> <p>This option guarantees a monthly benefit to the member for the member's lifetime. If the member passes away before the beneficiary, the beneficiary is eligible for a monthly benefit equal to 50% of the member's monthly benefit until death.</p>
<p>★ Note: Regardless of whether the member's actual Social Security benefit increases or decreases at age 62, KPPA's calculation of the Social Security Adjustment payment amount will be based on the estimated age 62 benefit the member provided prior to retiring.</p>	<p>Pop-Up</p> <p>This option guarantees a monthly benefit to the member for the member's lifetime. If the member passes away before the beneficiary, the beneficiary is eligible for the same monthly benefit until death; however, if the beneficiary passes away before the member, the member's monthly benefit "Pops-Up," or increases, to the amount under the Basic option. The member's benefit will also Pop-Up if the member's beneficiary is a spouse and they become divorced.</p> <p>Social Security Adjustment (without survivor rights)</p> <p>A member age 62 or younger may elect to take a larger monthly payment until reaching age 62, when they may be eligible for Social Security. The monthly benefit will be reduced the month following the member's 62nd birthday. This option does not affect the amount of Social Security that the member will receive. A beneficiary is not eligible for benefits if the member passes away.</p> <p>Social Security Adjustment (with survivor rights)</p> <p>This option works the same as the Social Security Adjustment option without survivor rights. In addition, it guarantees the same benefit to the beneficiary if the member passes away. If the member dies before age 62, the beneficiary draws the higher payment until the member would have become age 62. After that, the beneficiary will receive the same reduced monthly benefit that the member would have received.</p>
<p><i>KPPA does not receive any funds from the Social Security Administration for these options. The member must provide a statement from the Social Security Administration with their estimated age 62 benefit in order for KPPA to calculate the Social Security Adjustment options.</i></p>	
<p>☞ If electing the Actuarial/Lump Sum Refund, a Form 6025, Direct Rollover/ Direct Payment Election, is required. Find forms on the KPPA website at kyret.ky.gov</p>	<p>Actuarial/Lump Sum Refund</p> <p>This option provides a one-time lump sum payment to the member that is the actuarial equivalent of the amount the member would have received had the benefits been paid over 60 months. It is important to be especially careful when considering this payment option. By selecting this option, the member forfeits all other benefits, including health insurance benefits and the \$5,000 death benefit. Because this is a lump-sum payment, all contributions and leave balances must be certified by the employer before payment can be made. If the member is Tier 1 or Tier 2, the refund amount will be the total of contributions and interest if that amount is higher than the actuarial lump sum. Tier 3 members are not eligible for the Actuarial Refund, only the total of contributions and associated interest.</p> <p>Note: This is a retirement benefit, not a refund of the account. An individual electing this payment option cannot repay the actuarial refund if employed with a participating employer at a later date. If selecting this option, the member may be subject to additional tax penalties.</p> <p><i>If a Tier 3 member is not vested (has less than 60 months of service credit), the member is only entitled to their contributions and interest when electing a lump sum refund.</i></p>
<p>★ Note: Under the Ten Years Certain Option, if the beneficiary is the estate, the estate is only eligible to receive a lump-sum payment.</p>	<p>Ten Years Certain Option (Hazardous Only)</p> <p>This option provides a monthly payment guaranteed for 120 months to the member, or if the member passes away, to the beneficiary for the remainder of the 120 months. After the 120-month period, the member still retains the insurance benefit but is no longer eligible for any other benefits. This benefit pays a higher monthly amount, but only for 10 years. After 10 years, this benefit ceases altogether and neither the member nor the beneficiary will receive further payments. In addition, after the end of the 10 years, there will be no \$5,000 death benefit payment at the time of the member's death. For this option, the member may name a single person, trust, or estate as beneficiary.</p> <p><i>This option is only available for Tier 1 and Tier 2 SPRS members or CERS or KERS members in hazardous positions. It is not offered to members who have hazardous and nonhazardous service in the same system, or Tier 3 members.</i></p>

PAYMENT OPTION EXAMPLE



Members can log in to Self Service at myretirement.ky.gov to generate custom estimates with different beneficiaries to determine available payment options based on their individual account.



Note: For the period certain options, if the member dies before the 10, 15 or 20 year period ends, and the beneficiary is receiving the benefit, the beneficiary's estate would be entitled to any remaining benefits if the beneficiary dies before all payments have been made.



Note: If the beneficiary is not receiving a monthly benefit upon the member's death, the beneficiary cannot participate in the insurance program.

Payment Option	Member Payment	(or) Beneficiary Payment
Basic/Annuity	\$1,452.33	\$0.00
Life with 10 years certain	\$1,426.38	\$1,426.38 (or) \$0.00
Life with 15 years certain	\$1,399.38	\$1,399.38 (or) \$0.00
Life with 20 years certain	\$1,367.05	\$1,367.05 (or) \$0.00
Survivorship 100%	\$1,272.52	\$1,272.52
Survivorship 66 2/3%	\$1,326.95	\$884.68
Survivorship 50%	\$1,356.08	\$678.04
Pop-Up Option	\$1,264.99 or Basic	\$1,264.99
Social Security Option <i>Without Survivor Rights</i>	\$1,727.04 <i>Until Age 62</i>	\$1,227.04 <i>Age 62 & After</i>
Social Security Option <i>With Survivor Rights</i>	\$1,567.30 <i>Until Age 62</i>	\$1,067.30 <i>Age 62 & After</i>
John Doe can also reject all monthly payment options and request an actuarial/lump sum refund of approximately \$72,564.07.		

TAX TREATMENT OF BENEFITS



Note: After August 1, 1982, all employee contributions are pre-tax deductions per Section 414(h) of the Internal Revenue Code.



IRA
Individual Retirement Account



Note: Distributions must be made on April 1 of the calendar year in which the individual reaches age 72.

Federal Income Tax Monthly benefits from CERS, KERS and SPRS are subject to federal income tax. If a member made contributions with after-tax dollars, then a portion of the monthly benefit will not be subject to federal income tax.

State Income Tax All benefits attributable to service earned on or before December 31, 1997, are exempt from Kentucky income tax. The portion of the member's benefits earned January 1, 1998 and after is subject to Kentucky income tax. Retirement credit for unused sick leave is treated as being earned at the time of retirement.

KPPA does not withhold state taxes. Members should consult with a qualified tax advisor to determine if they will owe state taxes on their retirement income.

Retirement income from all sources including CERS, KERS and SPRS benefits earned January 1, 1998 or after, as well as income from other retirement accounts such as IRAs, Deferred Compensation and others may be excludable up to a certain amount (see Schedule P in the Kentucky income tax forms for the exclusion amount and calculation).

Minimum Distribution Requirements Federal tax law requires members who are no longer working for a participating employer to begin drawing benefits or withdraw contributions soon after reaching age 72. If the member is age 65 or older, they should consider planning for withdrawal or retirement in order to avoid any applicable tax penalties. Members age 72 or older who are no longer working for a participating employer should contact KPPA immediately for the appropriate forms to apply for retirement or a refund to avoid substantial and recurring federal tax penalties.

Federal tax law generally requires the beneficiary of an active or retired member to begin receiving benefits or take a refund soon after the member's death. Beneficiaries should contact KPPA soon after the member's death to begin receiving benefits or take a refund in order to avoid any applicable penalties.

DIVORCE AND RETIREMENT BENEFITS



Forms are available on the KPPA website:

[Member QDRO Forms](#)

[Retiree QDRO Forms](#)



Note: The alternate payee of a QDRO is not eligible for health insurance coverage through KPPA.



QDRO
Qualified Domestic Relations Order



Note: The alternate payee is not eligible to receive payments unless the member receives a refund or retirement payment.

A final divorce decree voids the designation of a spouse as beneficiary. If the divorce occurs after the first day of the month in which the member receives their first retirement allowance, the retired member's estate becomes the beneficiary of the account. The member's estate will not be entitled to payments under a survivorship payment option. In the event of remarriage to a former spouse, the former spouse who was the named beneficiary on the member's Form 6000, Notification of Retirement, will be reinstated as the member's beneficiary for the survivorship payment option previously chosen.

KPPA accepts and enforces Qualified Domestic Relations Orders (QDRO) submitted in accordance with [Kentucky Revised Statute 61.690](#) and [105 Kentucky Administrative Regulation 1:190](#). QDROs will only be administered prospectively. KPPA will not be responsible for collecting any payments due to the alternate payee under the divorce decree for the period prior to the QDRO being submitted to KPPA. QDRO documents may have a filing fee.

QDROs that were accepted by KPPA for enforcement prior to July 14, 2000 are not affected by Kentucky Revised Statute 61.690 and no action is necessary for those orders to remain in effect.

FORFEITURE OF BENEFITS

If a member is convicted of certain crimes, the member will not be eligible for a retirement benefit or health insurance benefits. If the member forfeits their retirement benefits, the member will receive a refund of their accumulated employee contributions and interest.

For members with a participation date prior to August 1, 2000, a member will forfeit their retirement benefits if:

- The member's employment is terminated as the result of their conviction in a court of competent jurisdiction of embezzlement of public funds or property, larceny of public funds or property, or malfeasance in office, or
- At the time the member's employment is terminated, the member is forced to make restitution for any funds or property criminally taken by the member.

For members with a participation date on or after August 1, 2000, a member will forfeit their retirement benefit if the member is convicted, in any state or federal court of competent jurisdiction, of a felony related to their employment.

Chapter 5

Health Insurance

KPPA offers group rates on health insurance and other managed care coverage for retired members.



Learn more about available Medicare and Non-Medicare eligible plans on the KPPA website at kyret.ky.gov



Note: Medicare-eligible retirees must present a copy of their Medicare card if applying for Medicare-eligible insurance coverage.

Participation in the insurance program is optional and requires the completion of the proper forms at the time of retirement and each year during open enrollment (if applicable) in order to obtain insurance coverage. Retirees and beneficiaries must be receiving a monthly benefit payment to qualify for insurance coverage.

KPPA provides access to group health insurance coverage through the Kentucky Employees' Health Plan for recipients until they reach age 65 or become Medicare eligible. When a retired member is eligible for Medicare, coverage is available through a Medicare plan offered by KPPA, unless Medicare Secondary Payer (MSP) applies.

HEALTH INSURANCE COVERAGE



Find insurance forms on the KPPA website at kyret.ky.gov



Note: Members should contact KPPA with questions about duty related or in line of duty disability retirement and health insurance.

At Retirement If a member does not return an enrollment form either waiving coverage or selecting a plan, the retired member will be automatically enrolled in a default health insurance single coverage plan and will not be eligible to select a new plan until the next open enrollment period, unless a qualifying event occurs.



MSP
Medicare Secondary Payer

Annual Open Enrollment In September (Non-Medicare and MSP) and October (Medicare eligible), KPPA notifies retirees regarding the annual Open Enrollment period and requirements for obtaining coverage for the next plan year.



Note: House Bill 290 (2004 Regular Session) established dollar contribution and service credit requirements for members with participation dates on or after 7/1/03.

House Bill 1 (2008 Special Session) increased the minimum service credit required for members with participation dates on or after 9/1/08.

Refer to the following page for details.

Contribution Amount KPPA pays a percentage of the monthly contribution rate or a dollar amount toward insurance coverage for eligible retirees and beneficiaries. The contribution amount is based on the retired member's participation date, years of service and type of service. A percentage of the monthly contribution rate is paid for members participating prior to July 1, 2003. A dollar amount is paid toward insurance coverage for members participating on or after July 1, 2003. Any portion paid toward eligible spouse and dependent coverage is based on the member's hazardous service credit.



Note: Medicare eligible retirees may be affected by Medicare Secondary Payer requirements if they return to work after retiring. Please email KPPA at KPPAMedicareSecondaryPayer@kyret.ky.gov with any questions.

Service Purchase Exceptions Most service purchases made on or after August 1, 2004 cannot be used to determine insurance benefits at retirement. This applies to all service purchases made by the member or employer with the exception of Omitted Service, Recontribution of Refunded Service, Hazardous Conversion and service credit for Free Military and Sick Leave. Read more in [Chapter 3](#).

Medicare Eligibility If a member, member's spouse and/or eligible dependent(s) become eligible for Medicare, the member, member's spouse and/or eligible dependent(s) must enroll in a KPPA Medicare eligible plan. If a retired member is not eligible for Medicare, the retired member, retired member's spouse, and/or eligible dependents may be covered on health insurance through KPPA on a Non-Medicare eligible plan.

Retired Reemployed Members Please refer to the [Reemployment section](#) for details on insurance benefits and reemployment with a participating employer.

PERCENTAGE CONTRIBUTION



Find current monthly contribution rates on the KPPA website at kyret.ky.gov

Participation Date Prior to July 1, 2003

Each year prior to the open enrollment period, the CERS and KRS Boards establish the monthly contribution rate for the following plan year. The monthly contribution rate is based on single coverage under the insurance plan approved by the respective boards. KPPA pays a percentage of the monthly contribution rate for insurance coverage based on the retired member’s years of service and type of service (hazardous or nonhazardous):



Note: For hazardous members, the portion paid toward couple, parent plus or family coverage is based solely on the amount of service the member has in an approved hazardous position.

Nonhazardous Service	Member % Paid	Hazardous Service	Member & Dependent % Paid
Less than 4 years	0%	Less than 4 years	0%
4 - 9+ years	25%	4 - 9+ years	25%
10 - 14+ years	50%	10 - 14+ years	50%
15 - 19+ years	75%	15 - 19+ years	75%
20 or more years	100%	20 or more years	100%

DOLLAR CONTRIBUTION



Find current dollar contribution amounts and examples on the KPPA website at kyret.ky.gov



Note: Senate Bill 209 (2022 Regular Session) provides that recipients eligible for dollar contribution who do not elect coverage through KPPA may be eligible to have premiums reimbursed, for insurance coverage not with KPPA, beginning in 2023.

Participation Date July 1, 2003 - August 31, 2008

The member must have a minimum of 120 months of service in the state-administered retirement systems to be eligible for insurance benefits. Members with a participation date between July 1, 2003 and August 31, 2008 who retire with less than 120 months of service credit applicable to insurance eligibility may not participate in the health plans offered through KPPA.

Participation Date on or after September 1, 2008

The member must have a minimum of 180 months of service in the state-administered retirement systems to be eligible for insurance benefits. Members with a participation date of September 1, 2008 or after who retire with less than 180 months of service credit applicable to insurance eligibility may not participate in the health plans offered through KPPA.

Type of Service

For nonhazardous service, retired members with a participation date on or after July 1, 2003 receive a monthly contribution of \$10 for each year of service.

For hazardous service, retired members with a participation date on or after July 1, 2003 receive a monthly contribution of \$15 for each year of service. Upon the retiree’s death, the spouse of a hazardous member will receive a monthly insurance contribution of \$10 dollars for each year of hazardous service, provided the spouse is designated as beneficiary and remains eligible for monthly benefits. Current dollar contribution amounts are available on the KPPA website at kyret.ky.gov.



Note: For hazardous members, the portion paid toward couple, parent plus or family coverage is based solely on the amount of service the member has in an approved hazardous position.

Insurance Cost of Living Adjustment (COLA)

Since July 2004, the monthly dollar contribution has increased annually by 1.5%. The annual increase is cumulative and continues to accrue after the member’s retirement for as long as a monthly insurance contribution is payable to the retired member or beneficiary.

DEPENDENT COVERAGE

★ **Note:** Members are required to provide documentation such as marriage and birth certificates or court orders to verify each dependent's eligibility.

★ **Note:** See [Chapter 7](#) for more information on disability benefits.

👉 Find insurance forms on the KPPA website at kyret.ky.gov

In order to cover a spouse or dependent on a plan the retiree must also be enrolled and covered by a KPPA plan. If a retiree waives coverage, the spouse and/or eligible dependents cannot be enrolled in the KPPA health insurance plans. Nonhazardous members do not receive additional contribution for dependents. Hazardous members may receive additional contribution for eligible dependents if the required forms and documentation are filed with KPPA.

Hazardous Dependent Contribution Each plan year, the spouse, and each dependent child of a retired hazardous member, as well as some disabled members, may be eligible to receive an insurance contribution based upon the retired member's hazardous service. When filing for retirement, the retired member must complete an insurance enrollment form and provide documentation of each dependent's eligibility, such as a marriage certificate for a spouse or a birth certificate for a child. A [Form 6256, Designation of Spouse and/or Dependent Child for Health Insurance Contribution](#), must be submitted to verify spouse and dependent eligibility.

Dependents Ages 18-22 If the hazardous dependent is a child between the ages of 18 and 22, the retiree will also need to complete [Form 6256](#). This Form will be completed each year during the open enrollment period to certify that the dependent continues to meet the eligibility requirements for this age group in order for KPPA to verify eligibility for the health insurance contribution.

Dependents Ages 22-26 Hazardous retirees may continue to cover dependent children between the ages of 22 and 26 as long as they are eligible for coverage. A birth certificate or other supporting documentation will be required. A hazardous retiree's dependent children are not eligible for health insurance contribution after reaching age 22, but they are eligible for coverage. The retiree will pay the cost of the health insurance premium.

Annual Certification Hazardous retirees must submit a [Form 6256](#) every year during open enrollment in order for an eligible spouse and dependents to receive health insurance contribution. If the retiree fails to notify KPPA of changes in spouse and dependent eligibility during the plan year, the retiree will be required to repay any insurance benefits paid on behalf of the ineligible person.

WAIVER OF INSURANCE COVERAGE

👉 Learn more about qualifying events on the KPPA website at kyret.ky.gov

If a retiring member chooses to waive insurance coverage through KPPA, the contribution KPPA would have paid toward insurance is forfeited and coverage through KPPA cannot be obtained until the next annual open enrollment period, unless a qualifying event occurs.

Chapter 6

Retirement & Reemployment



Log in to Self Service at myretirement.ky.gov to generate a benefit estimate.



Note: Members who are ready to discuss retiring with a KPPA counselor should submit their online retirement application at myretirement.ky.gov or [Form 6000](#) in advance.



Note: Social Security benefits and requirements differ from those of KPPA.



Note: Refer to [Chapter 3](#) for more information on purchasing service.

Members considering retirement within the next two years should obtain an estimate of retirement benefits to help determine post-retirement income.

KPPA provides virtual, phone and in-person benefits counseling. Virtual and phone appointments are the most efficient way to access benefits counseling. In-person counseling is available by appointment only in our Frankfort office. In order to assist our retiring members, KPPA may have requirements for in-person appointments occasionally ([refer to our website for current information](#)).

Members should consider the following when planning for retirement:

- If a member will be **eligible for Social Security** at retirement, they may want to contact their local Social Security Administration office at least 90 days before the anticipated retirement date.
- If a member will be **eligible for Medicare** at retirement, it is advisable to contact the Social Security office even earlier. Medicare-eligible retirees must present a copy of their Medicare card if they are applying for Medicare-eligible insurance coverage.
- If a member is **considering a service purchase**, they should allow several months to obtain any documentation on the service. In almost every case, the service must be purchased prior to termination and while a contributing member.

WHEN TO FILE FOR BENEFITS



Note: Members should notify their employer in advance of their intended retirement date. If submitting the retirement application online, the employer will immediately receive notification to complete the employer certification.



Note: The member must provide a statement from the Social Security Administration with their estimated age 62 benefit in order for KPPA to calculate the Social Security Adjustment options.

It is recommended that members complete the [Form 6000, Notification of Retirement](#) (Form 6000) approximately 45 to 60 days before their intended retirement date. Members are strongly encouraged to submit their Form 6000 online through Self Service; however, a printed copy of Form 6000 may be submitted to KPPA. The Form 6000 may be filed up to six months prior to the retirement date. Once a member files for retirement, the beneficiary on the Form 6000 supersedes all previous designations. The estate of the recipient would become the beneficiary if both the member and the beneficiary listed on the Form 6000 should pass away, unless the member is eligible to make a post-retirement beneficiary change.

Exception: If the Form 6000 is withdrawn, invalid, or voided, the prior beneficiary designation on file with KPPA is reinstated until changed by the member.

Members must include a copy of their driver's license or birth certificate with the form if they have not previously provided a copy to KPPA. A copy of a birth certificate or driver's license is also required if a person is named as beneficiary. If the last name on the date of birth verification is different than the name on the Form 6000, documentation of the name change (such as a marriage license) must also be submitted.



Note: Members are urged to work with their employer to ensure Section H is submitted to avoid delays in processing their retirement application.

Employers must complete the employer certification (Section H) of Form 6000 in order for KPPA to include future salary, service, and sick and compensatory leave balances in the estimated retirement allowance.

AFTER YOU FILE FORM 6000

- ★ **Note:** [Form 6010](#) is prepared for each retiring member and includes custom calculations. This form is provided directly to each member during the retirement process and is not available on the KPPA website.
- ★ **Note:** All required forms and documentation must be filed with KPPA by the last day of the month prior to the effective retirement date to avoid a delay in monthly benefits and health insurance.
- ★ **Note:** Refer to [Chapter 5](#) for information on eligibility for health insurance and covering dependents. A member must be receiving a monthly benefit to be eligible for health insurance coverage.

After receiving the Form 6000, KPPA will provide a Form 6010, Estimated Retirement Allowance, and other information including [Form 6200](#) for insurance coverage. The member should complete and return Form 6010. Only one payment option may be selected on the Form 6010. In most cases, the same payment option must be selected if the member is completing more than one Form 6010. The member's signature, spouse or witness signature, and the date are required.

If electing to receive an actuarial or lump sum refund, the member should complete and return Form 6010 and [Form 6025, Direct Rollover/Direct Payment Election](#). KPPA requires additional verification from the employer before a refund can be processed which may delay the refund payment.

All forms and required documentation must be filed with our office by the last day of the month prior to the effective retirement date. In order to cover a spouse or dependent on an insurance plan, the retiree must be enrolled and covered on a KPPA plan. The [Form 6200](#), insurance enrollment form, is not required in order to process the retirement benefit. However, in order to ensure that insurance coverage begins the same month as the first retirement benefit, Form 6200 must also be submitted to KPPA by the last day of the month prior to the effective retirement date. The member is responsible for timely filing of the [Form 6200](#) to enroll in a plan or waive coverage. If the enrollment form is not submitted, the member will be enrolled in the default insurance plan with single coverage (coverage only for the member).

FIRST RETIREMENT PAYMENT

- ⚠ The first retirement payment could be mailed or direct deposit, depending on when the required paperwork is submitted to and processed by KPPA.
- ★ **Note:** If the 14th of the month is a weekend or holiday, retirement payments are mailed or deposited the last business day preceding the 14th.
- 👉 After receiving the initial retirement payment, members can log in to Self Service at myretirement.ky.gov to update direct deposit information.

If all required forms have been completed properly and returned by the end of the month prior to the member's retirement date, the first retirement payment will be deposited or mailed on the 14th of the first month of retirement. After the initial payment, the monthly benefit will be deposited to the retired member's account on the 14th of each month. Members are required to have the monthly retirement benefit deposited directly to their bank accounts unless their bank does not participate in the Automated Clearing House, or the member does not have an account with a financial institution.

If the member elects to receive a retirement refund or actuarial refund, the payment cannot be issued until additional information is obtained from the employer and the post retirement audit has been completed; therefore, the payment may not be issued the first month of retirement. Retirement refunds and actuarial refunds will not be issued prior to 45 days after termination.

Refunds are paid by check and mailed to the member at their address on file with KPPA. Rollovers are also paid by check and mailed to the financial institution designated on the [Form 6025](#). There is no direct deposit option for refunds or rollovers.

IMPORTANT CONSIDERATIONS



Insurance forms and plan information can be found on the KPPA website at kyret.ky.gov

It is very important that all forms be completed and submitted to KPPA prior to the desired retirement date. If insurance forms are not returned by the last business day of the month prior to the month of retirement, insurance coverage may lapse.

If the Form 6010(s) on which the member selected a payment option is not returned within six months, the Form 6000 will be voided. The member will need to file a new Form 6000 and the effective retirement date will be after receipt of the subsequent Form 6000.



Note: Retirement benefits will not be adjusted unless the adjustment results in a difference of at least \$2 in the monthly payment amount.

After retirement, KPPA staff will audit each member's account. Until a post retirement audit is completed, the monthly benefit will be based on the estimate of benefits made prior to final wages being reported by the employer. Once all wages, contributions and sick leave balances have been reported and the date of termination verified, the benefit payment may be adjusted (up or down) to reflect higher or lower actual earnings retroactive to the retirement date.

KPPA is statutorily required to correct all errors in records without exception. If an error regarding a member's account is discovered after the post retirement audit, it will be corrected. If the correction of the error reveals that the member has been overpaid benefits, the member is required to repay the benefits.

COST OF LIVING ADJUSTMENT



COLA
Cost of Living Adjustment



A history of COLAs can be found on the KPPA website at kyret.ky.gov

Effective July 2013, COLAs will only be granted if the CERS and KRS Boards determine that assets of the systems are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA; or the General Assembly fully prefunds the COLA or directs the payment of funds in the year the COLA is provided.



Note: Senate Bill 2 (2013 Regular Session) changed how COLAs are granted.

Although the COLA paid to retirees comes from trust fund dollars and not the General Fund, the Kentucky General Assembly (and not the CERS or KRS Boards, the KPPA, or the Governor) actually holds the authority to grant COLAs under Kentucky Revised Statutes [61.691](#) and [78.5518](#).

REEMPLOYMENT AFTER RETIREMENT



KAR
Kentucky Administrative Regulation

The following is an overview of the requirements of Kentucky Revised Statutes [61.637](#), [78.5540](#) and [105 KAR 1:390](#), the laws covering employment after retirement.



Note: Refer to [Chapter 7](#) for more information on reemployment while receiving disability retirement.

Prior to Retirement Kentucky law prohibits a member from having a prearranged agreement prior to their effective retirement date to reemploy after retirement in any position with any employer participating in CERS, KERS and SPRS. The member must certify on the Form 6000, Notification of Retirement, that the member has ceased employment with all participating employers and that no prearranged agreement exists. Employment includes any of the following:

1. Reemploying directly with a participating employer;
2. Working as an independent contractor with a participating employer;
3. Working for a person or company that contracts with a participating employer; or
4. Working for a participating employer through a staffing company or leasing employer.



Find a list of participating employers on the KPPA website at kyret.ky.gov



Note: The final determination letter will be mailed directly to the member at the address on file with KPPA or securely emailed to the member upon request.

Final Determination KPPA may request additional information from a member and/or a member's employer related to a post-retirement reemployment request. By law, KPPA will issue a final determination regarding the member's certification of the absence of a prearranged agreement and/or reemployment status only upon receipt of the required form(s) and any additional information requested by KPPA, but no later than 30 days from receipt of the required form(s) and information.



If a retiree does not observe the proper break, or reemploys after retirement under a prearranged agreement, retirement is voided and all benefits must be repaid to KPPA.

12 Month Rule If a retired member is considering employment or volunteer opportunities with a participating employer **within 12 months** of their effective retirement date, both the member and participating employer must notify KPPA by submitting the appropriate forms.

Neither a retired member nor a participating employer are required to notify, seek a final determination, or submit forms to KPPA related to any employment or volunteering accepted **12 months after** the member's effective retirement date.

REEMPLOYMENT REQUIREMENTS



There can be serious consequences if a member does not adhere to legal requirements when reemploying after retirement.

If a member fails to observe the proper break in service, or reemploys after retirement under a prearranged agreement, retirement benefits will be voided and the member will be required to repay all retirement allowances, dependent child payments and health plan premiums issued by KPPA. Failure to submit the required forms may result in the member's retirement benefits being voided and the member may be required to repay all retirement allowances, dependent child payments, and health plan premiums issued by KPPA.



If a retiree does not observe the proper break, retirement is voided and all benefits must be repaid to KPPA.

Break in Service

In almost all reemployment situations, the retired member is required to observe a three calendar month break in service from their effective retirement date before returning to work for a participating employer.

The only exception is when a member retires from a hazardous position and returns to employment with a participating employer in a regular, full-time hazardous position. In this specific situation, the member must only observe a one calendar month break before returning to employment in that regular, full-time hazardous position.



Find a list of participating employers on the KPPA website at kyret.ky.gov

When determining the months for the required break in service, it is important to understand that not all positions appearing hazardous are certified hazardous duty by the Boards that govern KPPA. It is also important to be aware that a “regular” and “full-time” position does not simply mean working a 37.5 to 40 hour week. If there is any doubt, please contact KPPA.



Find reemployment examples on the KPPA website at kyret.ky.gov

Required Forms

If a member considers employment with a participating employer within 12 months of their effective retirement date, the member is required to report this arrangement to KPPA by submitting a [Form 6754, Member Reemployment Certification](#). The participating employer must also certify there is no prearranged agreement by submitting a [Form 6751, Employer Certification Regarding Reemployment](#). Failure to submit the required forms may result in the member’s retirement benefits being voided and the member may be required to repay all retirement allowances, dependent child payments, and health plan premiums issued by KPPA.

CONTRACTOR/LEASED EMPLOYEE



Find a list of participating employers on the KPPA website at kyret.ky.gov

If a member accepts work with a participating employer as an independent contractor or leased employee within 12 months of their effective retirement date, the member is required to report this arrangement to KPPA by submitting a [Form 6754](#). The participating employer must also submit the information required or requested by KPPA, including submission of a [Form 6752, Employer Certification of Independent Contractor or Leased Employee](#).

Within three calendar months following the member’s effective retirement date, if KPPA determines that the arrangement does not qualify as an independent contractor or leased employee relationship, the member’s retirement benefits will be voided, and the member will be required to repay all retirement benefits because the member does not have the appropriate break in service.

After three calendar months but within 12 months following the member’s effective retirement date, if KPPA determines the arrangement does not qualify as an independent contractor or leased employee relationship and that a prearranged agreement existed between the member and the employer for the member to return to work with the employer, the member’s retirement benefits will be voided, and the member will be required to repay all retirement benefits.

After 12 months following the member’s effective retirement date, the member may continue to receive their retirement benefit during the period of the contract, and the member will not be required to notify KPPA or submit any documentation.

VOLUNTEERING



Find reemployment examples on the KPPA website at kyret.ky.gov

A volunteer is someone who freely and without pressure or coercion performs hours of service for a participating employer without receipt of compensation for services rendered, except for reimbursement of actual expenses, payment of a nominal fee to offset the costs of performing the voluntary services, or both. Nominal fees cannot exceed \$500 per month with each participating employer.



Find a list of participating employers on the KPPA website at kyret.ky.gov

A member cannot be exempted from the break in service requirement as volunteer for a participating employer if they previously earned creditable compensation from that participating employer and would receive reimbursement of actual expenses or a nominal fee from that employer. A member who serves as a volunteer for a participating employer, particularly during the break in service period normally required after retirement, may not become an employee, leased employee, or independent contractor of that employer for a period of at least 12 months following the retired member's most recent retirement date.

Volunteers are not required to have a break in service and do not have to wait three months from their effective retirement date to begin volunteering. However, if a member providing volunteer services with a participating employer violates any of the volunteer provisions in statute, then the member is deemed an employee of the employer as of the date they began providing volunteer services. If this occurs, the member's retirement will be voided if a prearranged agreement existed or if there was not a proper break in service and the member will be required to repay all retirement allowances, dependent child payments and health plan premiums issued by KPPA.



Failure to submit the required forms may result in the member's retirement benefits being voided and the member may be required to repay all benefits.

Required Forms If a member considers serving as a volunteer within 12 months of their retirement date with a participating employer, or an entity affiliated with a participating employer, the member is required to notify KPPA in writing by submitting a [Form 6754](#). The participating employer shall also submit the information required or requested by KPPA including submission of a [Form 6753, Employer Certification of Volunteer](#).

ELECTED OFFICIALS



Note: Elected officials may submit reemployment questions in writing to the attention of our Office of Legal Services.

Elected to the Same Office within 12 Months If an elected official participating in one of the systems operated by KPPA retires and is elected to the same office within 12 months of their retirement date, the member's retirement will be voided, and the member will be required to repay all retirement benefits.



Find contact information on the KPPA website at kyret.ky.gov

Mayor or Member of a City Legislative Body Different rules may apply for mayors and members of city legislative bodies seeking to continue serving in these roles following retirement. For more information, mayors and members of city legislative bodies should contact KPPA.

ADDITIONAL INFORMATION



If a retiree does not observe the proper break, retirement is voided and all benefits must be repaid to KPPA.



Note: Refer to [Chapter 7](#) for more information on reemployment while receiving disability retirement.



Note: There are three state-administered retirement plans not covered under KPPA:

[Teachers' Retirement System \(TRS\)](#)

[Judicial Retirement Plan \(JRP\)](#)

[Legislators Retirement Plan \(LRP\)](#)

Required Break in Service

State law mandates that months be considered when confirming the required break in service from the time of retirement to the time of reemployment. Days are not considered when determining if the required break in service has been met.

Member's Age

The obligation to report employment or volunteer work for a participating employer within 12 months of the member's effective retirement applies regardless of the age of the retired member. There is no reporting exemption based on age, however, while a member is receiving disability retirement, the member is required to report all employment until they reach normal retirement age.

No Second Retirement Account

Retired members whose initial reemployment with a participating employer is September 1, 2008 or after will not submit employee contributions, earn service credit nor be eligible for a second retirement account.

Service with Other Plans

If a member is retiring with multiple state-administered retirement plans, each plan may have different rules about employment after retirement. Members should contact each state-administered retirement plan from which they are retiring if they intend to engage in employment after retirement.

Reestablishing Retirement After Voiding

If a retirement is voided for violation of retired-reemployed law, the member does not permanently lose those benefits. The member will be required to repay all benefits, including health insurance and dependent child benefit payments, during the time period of violation. However, the member will continue to accrue service credit and creditable compensation if employed with a participating employer in a regular full-time position. Upon subsequent termination and retirement, the member's retirement allowance benefits calculation will now include any additional service credit and creditable compensation earned during this period of continued employment.

Health Insurance

If a retired member with an initial participation date prior to September 1, 2008 has elected receipt of health insurance coverage offered through KPPA but later reemploys with a participating employer in a regular full-time position, the employer is required to reimburse KPPA for the single coverage health insurance contribution provided to the retiree. If a retired member with an initial participation date on or after September 1, 2008 reemploys with a participating employer in a regular full-time position, the retired member will not be eligible for health insurance coverage offered through KPPA during the period of reemployment.

Medicare Secondary Payer

Please be advised that under the Medicare Secondary Payer (MSP) Act, in certain circumstances, a Medicare eligible retiree's reemployment with a participating employer may affect the retiree's health insurance coverage. Members should email KPPA at KPPAMedicareSecondaryPayer@kyret.ky.gov with any questions about health insurance coverage options when MSP applies.



MSP
Medicare Secondary Payer

Chapter 7

Disability Benefits

If you become disabled during the course of employment, you may be eligible to receive disability retirement benefits.


Provided below are the requirements necessary to qualify for disability retirement as well as the steps members must take in order to apply for benefits. Please note that in all cases, members participating prior to August 1, 2004 who are eligible for an unreduced benefit cannot apply for disability benefits.

NONHAZARDOUS MEMBERS

★ **Note:** KPPA contracts with Managed Medical Review Organization (MMRO) for administration of disability retirement claims. MMRO may reach out to members regarding their application for disability retirement.

 **MMRO**
Managed Medical Review Organization



 **Last Day of Paid Employment**
The last date employer and employee contributions must be reported to KPPA. Employee and employer contributions must be reported to KPPA for all months in which the member worked in a participating position for an average of 100 hours, except for classified school board employees, who must average 80 hours of work per month in a participating position in order for employer and employee contributions to be properly reported to KPPA. Please be aware that “last day of paid employment” does not necessarily mean the last day that the member worked and/or the last day of work for which the member received payment from their employer.

In order to qualify for disability retirement, a nonhazardous member must meet the following requirements:

- The member must have a minimum of 60 months of service credit, 12 of which are credited as current service.¹
- The member's [Form 6000](#) must be on file at KPPA no later than 24 months after the last day of paid employment in a regular full-time position as defined in Kentucky Revised Statutes [61.510](#) and [78.510](#).
- The medical examiners employed by Managed Medical Review Organization (MMRO), our third party vendor, determine that the member is functionally incapacitated since the last day of paid employment from performing their job, or a job of similar duties.

An incapacity must not result directly or indirectly from bodily injury, mental illness, disease or condition which pre-existed membership in the systems operated by KPPA or reemployment, whichever is more recent. The prohibition against pre-existing conditions shall not apply if the incapacity is the result of bodily injury, mental illness, disease or condition that has been substantially aggravated by an injury or accident arising out of or in the course of employment, or if the member has at least 16 years of current or prior service with a participating employer.

A member approved for nonhazardous disability may further qualify for duty related benefits, if it is determined that the disability is the result of:

- A single traumatic event that occurs while the employee is performing the duties of their position; or
- A single act of violence committed against the employee that is found to be related to their job duties, whether or not it occurs at the job site.

The person must be totally and permanently disabled from engaging in any occupation for remuneration or profit as a result of a duty related injury.

¹The 60 month service requirement will be waived if the disability is a result of a duty-related injury.

HAZARDOUS MEMBERS

Hazardous members may qualify for one of two types of disability retirement. **Hazardous disability** means a disability which results in an employee's total incapacity to continue as an employee in a hazardous position, but the employee is not necessarily totally and permanently disabled to engage in other occupations for remuneration or profit. **Total and permanent disability** means a disability which results in the member's incapacity to engage in any occupation for remuneration or profit.

**MMRO**

Managed Medical Review Organization

**Last Day of Paid Employment**

The last date employer and employee contributions must be reported to KPPA. Employee and employer contributions must be reported to KPPA for all months in which the member worked in a participating position for an average of 100 hours, except for classified school board employees, who must average 80 hours of work per month in a participating position in order for employer and employee contributions to be properly reported to KPPA. Please be aware that "last day of paid employment" does not necessarily mean the last day that the member worked and/or the last day of work for which the member received payment from their employer.

To qualify for either type of hazardous disability retirement:

- The person must have a minimum 60 months of service credit, 12 of which are credited as current service.²
- The member's application must be on file at KPPA no later than 24 months after the last day of paid employment in a regular full-time position as defined by Kentucky Revised Statutes [61.510](#) and [78.510](#).
- The medical examiners employed by MMRO determine that:
 - The member is eligible for total and permanent disability because they are incapable of engaging in any occupation for remuneration or profit, or
 - The member is eligible for hazardous disability because they are totally incapable of working in a hazardous position, but may still be capable of performing other types of work.

An incapacity must not result directly or indirectly from injury intentionally self-inflicted while sane or insane; or bodily injury, mental illness, disease or condition which pre-existed membership in the systems operated by KPPA or reemployment, whichever is more recent. The prohibition against pre-existing conditions will not apply if the incapacity is the result of bodily injury, mental illness, disease or condition that has been substantially aggravated by an injury or accident arising out of or in the course of employment, or if the member has at least 16 years of current or prior service with a participating employer.

A member approved for hazardous disability or total and permanent disability may further qualify for In the Line of Duty benefits if the medical examiners determine that the disability is a direct result of an act in the line of duty. An act in the line of duty is an act occurring or a thing done which was required in the performance of the specified duties, or a single act of violence committed against the employee that is found to be related to their job duties, whether or not it occurs at their job site.

² The 60 month service requirement will be waived if the disability is a total and permanent disability or a hazardous disability that is a result of an act in the line of duty.

STEPS TO APPLY FOR DISABILITY

Members who wish to apply for disability should follow the steps listed below:

★ **Note:** In some cases, a member must provide an incident report with their disability application.

★ **Note:** KPPA staff will prepare and provide an estimate of disability retirement benefits.

Step 1 The member must accurately complete and file a [Form 6000](#) within 24 months of the last day of paid employment in a regular full-time position. If the member's disabling condition resulted from a duty-related injury (nonhazardous members) or an act in the line of duty (hazardous members), an incident report must accompany the Form 6000. Upon receipt of a valid Form 6000, KPPA will refer the application to MMRO. MMRO will provide the member with a disability packet which includes the forms referenced in the steps below.

Step 2 The member must obtain all medical information pertaining to the disabling condition for which they are applying for disability and file the information with MMRO. MMRO and KPPA are not responsible for copying medical records for the member.

★ **Note:** If the employee requested reasonable accommodations under the Americans with Disabilities Act, the employee should submit evidence of this request.

Step 3 The member must accurately complete a [Form 8035, Employee Job Description](#), listing and describing the duties of the job performed as of the last day of paid employment and file the form with MMRO. If the member requested reasonable accommodations from their employer, the member will be required to provide proof that this request was made.

Step 4 The member must accurately complete a [Form 8040, Prescription and Non-prescription Medications](#), listing all current medications they are taking and file the form with MMRO.



Find disability forms on the KPPA website at kyret.ky.gov

Step 5 Once Steps 2 - 4 have been completed, the member will need to certify that the information is ready for the medical examiners to review by completing a [Form 8001, Certification of Application for Disability Retirement and Supporting Medical Information](#), and file the form with MMRO.

EMPLOYER FORMS

Once the member has filed a valid Form 6000, MMRO will request the following information from the last employer:



Employers may submit Form 8030 using Employer Self Service at myretirement.ky.gov

Form 8030 The employer must complete a [Form 8030, Employer Job Description](#), listing and describing the duties performed by the person as of their last day of paid employment and file the form with MMRO.

Requests for Accommodations If the member requested reasonable accommodations under the Americans with Disabilities Act (as provided for in 42 United States Code sec. 12111(9) and 29 Code of Federal Regulations Part 1630), the member will be required to provide proof that this request was made. If applicable, the employer must also submit evidence of the response to the employee's request for accommodations. If the employee has not made a request as of the date the employer completes the Form 8030, the employer should indicate what accommodations could have been provided to the employee.

If the member or the employer fails to complete and file the required forms and supporting medical information with MMRO within 180 calendar days of the date the member filed the Form 6000, Notification of Retirement, the member's application for disability retirement will be void. This could prevent the member from qualifying for disability retirement benefits in the future or delay the medical examiners' disability decision which may delay retirement benefits and health insurance coverage.



MMRO
Managed Medical Review Organization

DISABILITY APPLICATION REVIEW



Note: The incapacity must be expected to last at least 12 months or result in death to be considered permanent.

Determination of Medical Examiners Upon receipt of the [Form 8001](#) certifying that all objective medical evidence and other required forms are ready to be evaluated by the medical examiners, MMRO will submit all evidence for review. The examiners must determine if the member, since their last day of paid employment, has been mentally or physically incapacitated to perform the job, or job of like duties, from which they received their last paid employment. The incapacity must be expected to last at least 12 months or result in death to be considered permanent. In addition, the incapacity cannot be directly or indirectly related to a condition that pre-existed membership or reemployment for members with less than 16 years of service, unless objective medical evidence demonstrates that an injury or accident arising out of or in the course of employment substantially aggravated the underlying pre-existing condition.

★ **Note:** A member receiving disability is not eligible for health insurance benefits until they receive a monthly benefit.

★ **Note:** Members must notify KPPA if they become Medicare eligible.

★ **Note:** A statement from a medical provider by itself is not sufficient. Members should submit relevant, comprehensive medical records.

★ **Note:** There are additional provisions regarding reemployment that apply to all retirees including those receiving disability benefits. Refer to [Chapter 6](#) for more information.

If disability retirement is approved, the retirement benefit will be effective the first day of the month following the last day of paid employment.

Health insurance coverage will be effective the first day of the month during which disability retirement is finalized for payroll. This may not be the same as the effective date of retirement. In many cases, the effective date of disability retirement is retroactive due to the time needed for approval by the medical examiners.

Health insurance coverage is not retroactive.

Appeal Process If a member is denied disability retirement benefits by the medical examiners, the member will be notified of their right to appeal through an administrative hearing process.

Review Process Prior to the normal retirement date, KPPA is required to perform periodic employment and medical reviews of members receiving disability retirement. KPPA may conduct these reviews annually, or less frequently as determined by the medical examiner, but not less than once every five years. As part of the review, the member will be required to submit updated medical records, employment records, and a KPPA Review Form. Medical records should include all information regarding the bodily injury, mental illness, or disease for which the member is receiving a disability benefit. **Failure to provide medical information as part of this process will result in the loss of benefits.**

The normal retirement date is the first day of the month following the 65th birthday for members participating in a nonhazardous position last. For members employed in a hazardous position last who began participating prior to September 1, 2008, the normal retirement date is the first day of the month following a member's 55th birthday. For members participating in a hazardous position last who began participating on or after September 1, 2008, the normal retirement date is the first day of the month following the member's 60th birthday.

Employment after Retirement A member receiving disability retirement benefits who contemplates any employment after retirement must provide KPPA with a detailed job description of the intended position prior to returning to work. The job description must be provided by the employer. The medical examiner will review the position description to determine if the person may work in the same position and still continue receiving disability benefits.

A member must also disclose any additional employment or job held at the date of retirement. If a person receiving disability retirement benefits fails to disclose to KPPA any employment after retirement, or any nonparticipating employment as of the member's disability retirement date, KPPA may recover benefits paid to or on behalf of the person during the period of reemployment.

RECEIVING DISABILITY BENEFITS

★ **Note:** House Bill 290 (2004 Regular Session) changed the disability formula for members with participation dates 8/1/04 - 12/31/13.

Senate Bill 2 (2013 Regular Session) established disability benefits for Tier 3 members with a participation date on or after 1/1/14.

How Disability Benefits are Calculated The calculation for disability benefits varies depending on the member's participation date. Tier 1 members may have disability benefits calculated using a different formula if they began participating before or after August 1, 2004.

Participation Prior to August 1, 2004 For Tier 1 members participating prior to August 1, 2004, disability benefits are calculated in the same manner as normal retirement benefits except that additional months of service may be added to the member's account to be used in the calculation.

★ **Note:** Refer to Chapter 4 for the benefit formula:

 [Participation Date before 9/1/08](#)

 [Participation Date between 9/1/08 - 12/31/13](#)



Final Rate of Pay

The actual rate upon which earnings of an employee were calculated during the twelve month period immediately preceding the member's effective retirement date.

Participation August 1, 2004 - December 31, 2013

Disability benefits for Tier 1 and Tier 2 members who began participating during the period of August 1, 2004 through December 31, 2013 are calculated using a formula.

For nonhazardous members, the disability benefit is the higher of:

- 20% of the final rate of pay,
- Early/normal benefit based on actual service, actual age at retirement, actual final compensation with reduction, or
- The retirement benefit determined using the same formula as for retirement at the member's normal retirement date with years of service and final compensation being determined as of the date of their disability.

For hazardous members, the disability benefit is the higher of:

- 25% of the final rate of pay,
- Early/normal benefit based on actual service, actual age at retirement, actual final compensation with reduction, or
- The retirement benefit determined using the same formula as for retirement at the member's normal retirement date with years of service and final compensation being determined as of the date of their disability.

Participation on or after January 1, 2014

Disability benefits for Tier 3 members are calculated using a formula.

For nonhazardous members the disability benefit is the higher of:

- 20% of the final rate of pay,
- Annuity based on actual age, if eligible, or
- Annuity determined using the same formula as for retirement at the member's normal retirement date as of the date of their disability.

For hazardous members, the disability benefit is the higher of:

- 25% of the final rate of pay,
- Annuity based on actual age, if eligible, or
- Annuity determined using the same formula as for retirement at the member's normal retirement date as of the date of their disability.

WORK-RELATED DISABILITY

★ **Note:** Refer to [Chapter 8](#) for information about work-related death benefits.

A member who is determined to be disabled due to a work-related incident or accident may be entitled to additional benefits. Qualified members may receive one or more of the following enhancements to their benefits:

- Increased monthly benefit
- Increased insurance contribution
- Dependent child benefits for qualifying dependents

See previous sections for qualifications for [Duty Related benefits](#) (nonhazardous) and [In the Line of Duty benefits](#) (hazardous).

DISABILITY RETIREMENT MAXIMUM

If a person receiving disability retirement benefits through KPPA applies for Social Security disability and/or Workers' Compensation, the disability benefits from KPPA may be reduced if the combined income from the systems operated by KPPA, Social Security, and Workers' Compensation exceeds 100% of the member's final rate of pay or final compensation, whichever is higher. Members who have been awarded Social Security disability or Workers' Compensation are required to notify our office.

Chapter 8

Survivor Benefits

Prior to retirement, members submit Form 2035 to designate a principal and contingent beneficiary for their account. At retirement, members will designate one beneficiary for their account.

DEATH BEFORE RETIREMENT



Find Form 2035 on the KPPA website at kyret.ky.gov



Note: See [Chapter 5](#) for more information on insurance benefits.



To report a death, please call KPPA and provide the following information:

- Member name
- Member ID or Social Security Number (if known)
- Date of death
- Name, relationship, address and phone number of the person notifying KPPA



Note: Refer to [Chapter 4](#) for payment option descriptions.

Naming a Beneficiary

Prior to retirement, a member may name a principal and contingent beneficiary for their retirement account by completing and filing a [Form 2035, Beneficiary Designation](#) with KPPA. A completed beneficiary designation must be on file with KPPA prior to the member's death to be valid. Forms received after the member's death are not acceptable; a copy filed with a participating employer is not valid.

The principal beneficiary will receive benefits in the event of the member's death. The contingent beneficiary will receive benefits in the event of the member's death only if all of the named principal beneficiaries are deceased. A beneficiary may be one individual, multiple individuals, the member's estate, or a trust. If no beneficiary is designated or the principal and contingent beneficiaries predecease the member prior to retirement, then the member's estate will be the beneficiary.

Prior to retirement, a member may change their beneficiary designation at any time by submitting a new Form 2035 to KPPA.

Eligibility Requirements

If a member dies prior to retirement, the beneficiary may be eligible for a monthly benefit if the member was:

- Eligible for normal or early retirement at the time of death; or
- In active employment or on authorized leave of absence with at least 60 months of service credit and died prior to their normal retirement date; or
- No longer working for a participating employer but at the time of death had at least 144 months of service credit.

If the beneficiary is not eligible for a monthly benefit, a lump sum payment of the member's accumulated account balance will be paid.

Beneficiary Options

If the beneficiary is eligible for a monthly benefit, the following payment options are provided:


- If the beneficiary is an individual, the beneficiary may choose a lifetime monthly benefit which is equal to the Survivorship 100% option amount. A single beneficiary may also choose a lump sum actuarial refund, a monthly payment for 5 years, a monthly payment for 10 years, or a monthly benefit payable for the life of the beneficiary under the beneficiary Social Security Adjustment option.
- Multiple beneficiaries may choose a lump sum actuarial refund, a monthly payment for 5 years, or a monthly payment for 10 years.
- An estate or a trust may only take a lump sum actuarial refund.

Benefits paid to the beneficiary are based on the amount that would have been payable to the member had they filed for retirement at the time of death.

Beneficiary Responsibilities The beneficiary is required to submit a death certificate for the deceased member listing the cause of death. Before any payment can be issued, the beneficiary will also be required to complete the appropriate forms to apply for benefits and provide a birth certificate for the member and beneficiary if one is not already on file.

WORK RELATED DEATH BENEFITS

★ **Note:** Nonhazardous members who have at least one month of service credit are eligible for duty-related death benefits.

 **Monthly Average Pay**
The higher of the member's monthly final rate of pay or the average monthly creditable compensation earned during the last twelve months of employment.

★ **Note:** If the member is eligible for work related death benefits and designates a beneficiary other than their spouse after the date of marriage, that beneficiary designation is valid. Only in this situation, the spouse would not become the beneficiary.

Duty-Related Death (Nonhazardous Members) A death qualifies as duty related if it resulted from a single traumatic event that occurred while the employee was performing the duties of their position or if it resulted from an act of violence committed against the employee that was related to their job duties. If the member was married, the spouse becomes the beneficiary regardless of who was designated on file. The spouse will be eligible for the higher of the normal death benefit options or a \$10,000 lump sum payment plus a monthly payment of 75% of the deceased member's monthly average pay. See [beneficiary options](#) above for normal death options. Surviving spouse and dependent child benefits will not exceed 100% of the deceased member's monthly average pay.

Death in the Line of Duty (Hazardous Members) If a hazardous member is married and dies in the line of duty, the member's spouse becomes the beneficiary regardless of who was designated on file. The spouse will be eligible for the higher of the normal death benefit options or a \$10,000 lump sum payment plus a monthly payment of 75% of the deceased member's monthly average pay. See [beneficiary options](#) above for normal death options. Surviving spouse and dependent child benefits will not exceed 100% of the deceased member's monthly average pay.

Dependent Child Benefits (In Line of Duty/Duty Related) Each dependent child will receive a monthly benefit equal to 10%, not to exceed 25%, of the member's monthly average pay. The total benefits paid to the surviving spouse and dependent children will not exceed 100% of the deceased member's monthly average pay. Dependent child benefits may be higher if the member was not survived by a spouse. Dependent child payments are divided equally among all dependent children.

A dependent child is a child in the womb and a natural or legally adopted child of a member who has neither attained age 18 nor married or who is an unmarried full-time student who has not attained age 22. In cases where the member dies as a direct result of an act in line of duty or duty-related injury, a dependent child also means a natural or legally adopted disabled child of the member, regardless of the child's age, if the child has been determined to be eligible for federal Social Security disability benefits or is being claimed as a qualifying child for tax purposes due to the child's total and permanent disability.

★ **Note:** House Bill 87 (2021 Regular Session) established specific conditions for changing a beneficiary designation after retirement. [Read more](#)

★ **Note:** Refer to [Chapter 4](#) for payment option descriptions.

👉 Eligible retired members may change their payment option or account beneficiary through their Self Service account at myretirement.ky.gov

Beneficiary Designation at Retirement

At the time of retirement, the member may name only one person, their estate, or a trust as beneficiary of the monthly retirement allowance. After the first day of the month in which a member receives their first retirement payment, a retired member may not change their payment option or account beneficiary designation except in limited circumstances outlined in [Kentucky Revised Statute 61.542](#):

- If receiving a monthly payment under the Basic, Annuity, Life with 10 Years, 15 Years, or 20 Years Certain, or the Social Security Adjustment Option without Survivor Rights, the retired member may change their beneficiary at any time.
- Within 120 days of marriage or remarriage, a retired member may change their beneficiary to their new spouse and elect a survivorship payment option.

If the beneficiary on file with KPPA dies or divorces the retired member, state law provides that the member's estate becomes the beneficiary. An estate or trust cannot be eligible for a lifetime payment upon the death of a member.

A retiring member designates a beneficiary for their monthly retirement benefit on Section D of the Form 6000, Notification of Retirement.

Benefits Provided

Upon notification of a retired member's death, KPPA will contact the beneficiary. The beneficiary must complete and file the proper forms along with a death certificate listing the cause of the member's death. The retired member's estate is entitled to the retirement payment for the month of the member's death.

★ **Note:** KPPA is statutorily required to correct all errors in records without exception.

An audit of the deceased member's account will be performed once the death is reported to KPPA. If an error regarding a member's account is discovered after the audit, it will be corrected. If the correction of the error reveals that the member has been overpaid benefits, the estate is required to repay the benefits.

If the retired member selected the Basic, Annuity, or Social Security Adjustment without Survivorship payment option and had not recovered all of the member's accumulated account balance in their retirement account, the beneficiary will receive the remaining account balance. If the retired member selected a Survivorship Option at the time of retirement, the beneficiary will begin receiving monthly benefits the month following the member's death. Monthly benefits will not continue if the member's estate has become the beneficiary because the beneficiary has died or divorced the member. If the retired member selected a Period Certain Option at the time of retirement, the beneficiary will only receive payments if the member dies prior to receiving all payments for the period option selected (10 years, 15 years, or 20 years). If this applies, the beneficiary will receive the remaining payments, otherwise, the beneficiary is no longer eligible for benefits upon the member's death.

In most cases, the payment option selected at retirement will determine monthly benefits provided to the beneficiary upon the retired member's death.

\$5,000 DEATH BENEFIT



Note: Members with multiple accounts are entitled to only one death benefit.



Find Form 6030 on the KPPA website at kyret.ky.gov

If the retired member is receiving a monthly benefit based on at least 48 months or more of combined service with CERS, KERS, or SPRS, the member is entitled to name a beneficiary for a \$5,000 death benefit payable to an individual, estate, funeral home or established trust. This benefit is not a form of insurance since there is no policy. The beneficiary of the \$5,000 death benefit can be a beneficiary other than the person named for the monthly benefit. A retired member can change the beneficiary for this benefit at any time by completing and filing a new [Form 6030, Death Benefit Designation](#), with KPPA. If an invalid Form 6030 is submitted, the beneficiary listed on the most recent Form 6030 remains in place.

A completed beneficiary designation must be on file with KPPA prior to the member's death to be valid. A copy received after the member's death is not acceptable.

Beneficiary Responsibilities

KPPA will contact the beneficiary by letter. The beneficiary or administrator of the member's estate must submit proper documentation of the date of death and the qualifications of the administrator (if applicable). The \$5,000 death benefit is subject to federal income tax but may be eligible for a direct rollover to avoid tax withholding.



Note: KPPA is statutorily required to correct all errors in records without exception.

An audit of the deceased member's account will be performed once the death is reported to KPPA. If an error regarding a member's account is discovered after the audit, it will be corrected. If the correction of the error reveals that the member has been overpaid benefits, any amount owed to KPPA may be withheld from the \$5,000 death benefit.

Common Acronyms

ADA	Americans with Disabilities Act
ADW	Actual Days Worked
ACFR	Annual Comprehensive Financial Report
CCD	Cost Calculation Date
CERS	County Employees Retirement System
COB	Coordination of Benefits
COLA	Cost of Living Adjustment
COBC	Coordination of Benefits Contractor
CROP	Current Rate of Pay
ESS	Employer Self Service
FROP	Final Rate of Pay
IEQ	Initial Enrollment Questionnaire
KAR	Kentucky Administrative Regulation
KERS	Kentucky Employees Retirement System
IPS	Installment Purchase of Service Agreement
IRA	Individual Retirement Account
IRC	Internal Revenue Code
IRS	Internal Revenue Service
JRP	Judicial Retirement Plan
LRP	Legislators' Retirement Plan
MMRO	Managed Medical Review Organization
MSP	Medicare Secondary Payer
MSS	Member Self Service
NHAZ	Nonhazardous
HAZ	Hazardous
NQ	Non-qualified service
PIN	Personal Identification Number
QDRO	Qualified Domestic Relations Order
RSS	Retiree Self Service
SAFR	Summary Annual Financial Report
SPRS	State Police Retirement System
TRS	Teachers' Retirement System

Glossary

Accumulated Account Balance: For Tier 1 and Tier 2 members, this means the member's accumulated contributions, except for the one percent health insurance contribution paid by Tier 2 members. For Tier 3 members, this means the sum of the member's accumulated contributions (excluding the one percent health insurance contribution) and accumulated employer pay credits.

Active Member: An eligible employee working for a participating employer who is paying contributions and earning service credit.

Alternate Sick Leave: CERS members whose employer participates in this program are paid for unused sick leave and receive service credit at the time of termination or retirement. The money paid for the unused sick leave is used in determining the member's final compensation and the service is used to increase the member's service credit.

Beneficiary: Recipient of a member's benefits when the member dies. There are three beneficiary categories relevant to a member's retirement account:

- 1. Retirement Account Beneficiary (before retirement)**
A member may name a principal and contingent beneficiary by submitting Form 2035, Beneficiary Designation, to KPPA. A beneficiary may be one individual, multiple individuals, the estate, or a trust. If a valid Form 2035 is not on file with our office, the beneficiary will be the member's estate.
- 2. Retirement Account Beneficiary (after retirement)**
A member may name only one person, their estate, or a trust on their Form 6000, Notification of Retirement. After the first day of the month in which a member receives their first retirement payment, a retired member may not change their account beneficiary designation except in limited circumstances outlined in Kentucky Revised Statute 61.542.
- 3. \$5,000 Death Benefit Beneficiary**
A retired member must be receiving a monthly benefit based on at least 48 months of combined service with CERS, KERS, or SPRS to qualify. If eligible, a member may name an individual, estate, funeral home, or a trust as beneficiary by submitting Form 6030, Death Benefit Designation, to KPPA. If a valid Form 6030 is not on file with our office, the beneficiary will be the member's estate.

Before-Tax IPS: Installment Purchase of Service Agreement. Member can only use money that has been deducted from their paycheck before taxes have been calculated. This is an irrevocable contract that cannot be stopped or paid off early for any reason except termination, retirement or death.

Benefit Estimate: An estimate of a member's monthly benefit payment at retirement.

Benefit Factor: A percentage used to calculate benefits for Tiers 1 and 2. Benefit factors are set by statute and vary depending upon the type of service (nonhazardous and hazardous), amount of service and participation date. Tier 2 benefit factors are applied based on a tiered structure. Higher factors are attained as members reach specified levels of service.

Creditable Compensation: Used to calculate retirement benefits. Includes all salary, wages, tips and fees, plus payments for compensatory time, paid to the member as a result of services performed for the employer, including time when the member is on paid leave. Refer to [Chapter 1](#) for exceptions.

Cost of Living Adjustment (COLA): Retirement benefit raise determined by the General Assembly.

Compensatory Leave: Lump sum compensatory payments before and at the time of retirement are included in final compensation for Tier 1. Does not apply to Tier 2 or Tier 3.

Cost Calculation Date: The last day of the month in which a service purchase is requested. Creditable compensation, service, actuarial factors and interest as of this date are used for calculating the cost to purchase service.

Current Service: Current service is earned as a contributing member after the establishment of the retirement system. For each month an employer reports wages and contributions for regular full-time employment, a member earns one month of service credit.

Defined Benefit Plan: Retirement plan that uses a specific formula to determine benefits and the assets of the plan remain in a single investment pool. Tiers 1, 2 and 3 are Defined Benefit Plans.

Dollar Contribution: The dollar amount KPPA pays toward health insurance coverage as part of the eligible retired member's benefit. This applies to members with a participation date on or after July 1, 2003.

Eligibility: Meeting the stipulated requirements.

Eligible Service Credit: The amount of allowable service used to calculate retirement benefits. Each Tier has different requirements.

Glossary

Employee Contributions: An amount deducted from a member's creditable compensation. The rate is set by state statute.

Employer Pay Credit: The employer pays a set percentage of a Tier 3 member's creditable compensation each month: 4% for nonhazardous and 7.5% for hazardous. Employer pay credits are deposited to the member's individual account and represent a portion of the employer contribution.

Final Compensation: Salary amount used in benefit calculations, differs by Tier. Tier 1 - Member's five fiscal years (nonhazardous) or three fiscal years (hazardous) with the highest monthly average. Tier 2 - Average of member's last five fiscal years (nonhazardous) or three fiscal years with the highest monthly average (hazardous). Does not apply to Tier 3 members.

Final Rate of Pay (FROP): The actual rate upon which earnings of an employee were calculated during the twelve month period immediately preceding the member's effective retirement date.

Form 6000, Notification of Retirement: This form initiates the retirement process. Members have two options for completing this form:

1. Complete and submit the online retirement application through Self Service.
2. Print and submit Form 6000 to KPPA by mail, fax or uploading the completed form in Self Service.

Members may file the Form 6000 up to six months prior to their intended retirement date.

Grandfathered Service: In order to be considered a grandfathered service purchase:

- The member must have participated prior to July 1, 1999,
- The purchase type must have been available for purchase on August 5, 1997, and
- The member must participate in the system in which the purchase is being made.

Hazardous: A classification of employment typically reserved for those in an approved public safety position.

Hybrid Cash Balance Plan: Retirement plan for Tier 3 members that has characteristics of both a defined benefit and defined contribution plan. This plan resembles a defined contribution plan because it determines the value of benefits for each participant based on individual accounts. However, the assets of the plan remain in a single investment pool like a traditional defined benefit plan.

Inactive Member: A member who has terminated employment with a participating employer, is not paying contributions to their retirement account, but has an accumulated account balance.

Installment Purchase of Service Agreement (IPS): If a service purchase exceeds \$1,000 a member may be eligible to purchase the service through payroll deductions. The installment payments are based on a contract, which must be set up for a minimum of one year, but for no more than five years.

Insurance Cost of Living Adjustment (COLA): For members participating on or after July 1, 2003, the monthly insurance dollar contribution is increased annually to include a 1.5% COLA. The annual increase is cumulative and continues to accrue after the member's retirement for as long as a monthly insurance contribution is payable to the retired member or beneficiary.

Last Day of Paid Employment: Refers to the last date employer and employee contributions must be reported to the KPPA. Employee and employer contributions must be reported to the KPPA for all months in which the member worked in a participating position for an average of 100 hours, except for classified school board employees, who must average 80 hours of work per month in a participating position in order for employer and employee contributions to be properly reported to the KPPA. Please be aware that "last day of paid employment" does not necessarily mean the last day that the member worked and/or the last day of work for which the member received payment from their employer.

Member ID: The KPPA unique account number for members.

Member Pension Spiking: An increase in salary earned after July 1, 2017 in excess of 10% from the immediately preceding five fiscal years. For retirement dates of July 1, 2021 and after, the 10% cap does not apply when it results in a benefit change of less than \$25 per month. If there is a benefit change of \$25 or more per month due to pension spiking, the member's creditable compensation is reduced by the appropriate amount to meet the \$25 monthly threshold.

Medicare Secondary Payer (MSP): A term used by Medicare when Medicare does not have primary responsibility for payment of health insurance costs.

Monthly Average Pay: The higher of the member's monthly final rate of pay or the average monthly creditable compensation earned during the last twelve months of employment.

Glossary

Nonhazardous: A classification of employment not approved for hazardous benefits.

Non-Qualified Service: For Tier 1 members who participated prior to August 2022, service that is not earned but is purchased.

Non-vested: Members with less than the required months of service to be [vested](#).

Omitted Service: Eligible service that was not reported to KPPA.

Open Enrollment: In September (Non-Medicare and Medicare Secondary Payer) and October (Medicare eligible) KPPA notifies retirees regarding the annual Open Enrollment period and requirements for obtaining coverage for the next plan year.

Participating Employer: CERS participating employers include local governments (county and city), school boards, and eligible local agencies. KERS participating employers include state departments, boards, state colleges and universities, employers directed by Executive Order of the Governor to participate in KERS, and quasi-governmental agencies. SPRS covers all Kentucky State Police troopers. [View a current list of participating employers](#)

Participation Date: The official date when a member began paying contributions and earning service credit with a state-administered retirement system used to determine benefits. This may be different from the member's hire date.

Percentage Contribution: The percentage of the contribution rate for medical insurance coverage KPPA pays as part of the member's benefit. This applies to members with a participation date prior to July 1, 2003.

Personal Identification Number (PIN): Issued by KPPA. Allows a person to discuss a member's confidential account information as well as use certain features of Self Service.

Prior Service: Service earned before July 1, 1956 in KERS and July 1, 1958 in CERS and SPRS. There is no cost for this service. A member must have at least 12 months and worked at least 100 hours per month of current service in the same retirement system.

Reciprocity: Kentucky Revised Statute 61.680 and Kentucky Administrative Regulation 1:020 provide for a reciprocal agreement between CERS, KERS, SPRS, JRP, LRP and TRS. At the time of retirement or death, a

member's total service in each system will be used to determine eligibility for retirement benefits and insurance coverage, unless the member has separated accounts.

Recontribution of Refund: A member currently participating in one of the state-administered retirement systems who has taken a refund of retirement contributions for previous employment may regain the service lost by paying the amount of contributions withdrawn plus interest calculated from the time of withdrawal. The purchase does not reinstate the original participation date from that service. The member must work for at least six months to validate the purchase.

Reduced Benefit: A retirement that does not meet the eligibility for an unreduced amount which has an early penalty applied that reduces the member's benefit.

Retired Member: A member who has successfully completed the retirement process, is in receipt of benefits, and their accumulated account balance has been transferred to the Retirement Allowance Account.

Retired Reemployed: A retired member that returns to employment with a participating employer.

Rule of 87: Retirement eligibility requirement for Tier 2 and Tier 3 nonhazardous members defined as age 57 or older if the member's age and years of service equal 87.

Standard Sick Leave: Accumulated sick leave which may be converted to additional service credit and used in the calculation of benefits.

Service Purchase: Service a participating member may purchase in order to increase service credit.

Termination Date: The last day a member is employed with any participating employer.

Tier: The level of a member's benefits based on participation date, unless a Tier 2 member has [opted-in to Tier 3](#). There are three different benefit tiers due to legislative changes:

Tier 1: Members with a participation date prior to September 1, 2008.

Tier 2: Members with a participation date of September 1, 2008 through December 1, 2013 who have not [opted in to Tier 3](#)

Tier 3: Members with a participation date on or after January 1, 2014 or Tier 2 members who have [opted into Tier 3](#).

Glossary

Tier 3 Actuarial Factor: A Tier 3 member's accumulated account balance is divided by an actuarial factor to calculate the monthly life annuity option. The member's age at retirement and type of service (hazardous or nonhazardous) determine the actuarial factor that is applied.

Trailing Wages: Wages reported to KPPA after termination of employment but earned prior to termination.

Unreduced Benefit: A retirement that meets the eligibility for an unreduced amount with no early penalty applied.

Upside Sharing Interest: Additional interest credit that may be applied to a Tier 3 account balance as of June 30 of the prior fiscal year. The following conditions must be met before Upside Sharing Interest is credited to an account:

- The system's Geometric Average Net Investment Return (GANIR) for the last five years must exceed 4%
- The member must have been active and participating in the fiscal year in a system operated by KPPA

If the GANIR exceeds 4%, the member's account will be credited with 75% of the amount of return over 4%.

Vested: When a member obtains the required months of service to be eligible for [purchasing service](#), [a refund of their accumulated account balance](#), or [Tier 3 retirement](#).

Years of Service: Combination of current service, prior service, purchased service, and sick leave credit used to determine Tier 1 and Tier 2 benefits. Years of service are not used to calculate a Tier 3 member's retirement benefit, however, years of service is used to determine Tier 3 retirement eligibility.

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