



Kentucky Retirement Systems

QUASI-GOVERNMENTAL CESSATION

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

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

The effective cessation date is June 30, 2021

Note: Hazardous employees will continue to participate in KERS

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

QUASI-GOVERNMENTAL CESSATION

IMPORTANT THINGS TO KNOW:

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

QUASI-GOVERNMENTAL CESSATION

IMPORTANT THINGS TO KNOW:

- Please stay up to date with cessation information by visiting our website at [kyret.ky.gov](https://www.kyret.ky.gov).
- Please review your retirement account information by visiting our Member Self Service page at [kyret.ky.gov](https://www.kyret.ky.gov). A delay in your review could prevent you from meeting important deadlines, including service purchase deadlines.

QUASI-GOVERNMENTAL CESSATION

THREE TIERS OF PLANS:

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



***DEFINED
BENEFIT PLAN***

***Participation date
prior to
September 1,
2008***



***DEFINED
BENEFIT PLAN***

***Participation date
on, or after,
September 1, 2008
through Dec 31, 2013***



***HYBRID CASH
BALANCE PLAN***



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

QUASI-GOVERNMENTAL CESSATION

QUASI-AGENCY OPTIONS UNDER HB 1 (2019):

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

SOFT FREEZE

-  • Nonhazardous **Tier 1** and **Tier 2** employees will continue to contribute and earn service credit for as long as they remain eligible in a regular full-time position that is eligible to participate in KERS.
-  • **Tier 3** employees will cease participation in KERS on June 30, 2021 and contribute to the quasi-agency's alternative retirement plan.
- Employees hired on, or after, June 30, 2021, will contribute to the quasi-agency's alternative retirement plan.
- The quasi-agency's liability is paid in lump sum or through installments not to exceed 30 years.

SOFT FREEZE



- **Tier 1 and Tier 2** nonhazardous employees will continue to earn service credit as long as they remain eligible to participate; however, if the quasi-agency chooses to pay its liability through installments payments and becomes delinquent 90 or more days, no service credit will be awarded until the liability payments are caught up.



- **Tier 3** nonhazardous employees will stop earning service credit in KERS on June 30, 2021.
 - If an employee terminates employment and later returns to employment with a ceased employer, the employee cannot participate in KERS – even if the employer elected the **SOFT FREEZE** option.

SOFT FREEZE

Sick Leave Service:






- **Tier 1** and **Tier 2** nonhazardous will continue to accrue sick leave. The employee's account will be credited with the sick leave balance that the agency reports to Kentucky Retirement Systems as of their termination date.

Important Note: Tier 2 members may accrue unlimited sick leave but a maximum of 12 months will be applied to their retirement benefits. Also, Tier 2 members cannot use sick leave to determine retirement eligibility.

SOFT FREEZE

Service Purchases:

-   • If the quasi-agency elects the **SOFT FREEZE** option, **Tier 1** and **Tier 2** employees will be eligible to purchase service credit after the June 30, 2021 cessation.
-  • **Tier 3** employees are very limited on their service purchase options. If a Tier 3 employee is eligible to purchase service, he/she will have until June 30, 2021, to complete the service purchase or initiate a service purchase agreement with KRS.
 - If a service purchase agreement is initiated before June 30, 2021, the employee will have until 8/31/2021 to payoff that agreement.

SOFT FREEZE

Health Insurance:



- If the quasi-agency elects the **SOFT FREEZE** option, **Tier 1** and **Tier 2** nonhazardous employees will continue to earn service credit as long as they remain eligible to participate. At termination, the member's service will be used to determine KRS' contribution toward the member's health insurance premium.



- **Tier 3** nonhazardous employees will stop earning service credit in KERS on June 30, 2021. Only if the member returns to work in a participating position for an agency within the Systems, will the member earn additional service credit toward their health insurance vesting. Otherwise, the member's service credit as of the cessation date will be used to determine member's eligibility for insurance and KRS' contribution toward the member's health insurance premium.

SOFT FREEZE

Irrevocable Transfer to Alternative Retirement Plan:

- **Tier 1** and **Tier 2** employees are not eligible to transfer their accumulated account balance to the quasi-agency's alternative retirement plan, if a **soft freeze** is elected.
- **Tier 3** employees may choose to transfer their retirement account with KERS to the quasi-agency's alternative retirement plan.
 - If the employee chooses to transfer their retirement account, the employee must file a **Form 1500, KRS 61.522 60-Day Transfer Request**, between **July 1, 2021 and August 31, 2021**
- Employees are **NOT** required to transfer their accumulated account balance with KERS to the quasi-agency's alternative retirement plan. Any employee who does not elect this irrevocable transfer may keep their retirement account at KRS until retirement.

HARD FREEZE

- **Nonhazardous employees will cease participation in KERS on June 30, 2021.**
- **Beginning July 1, 2021, all nonhazardous employees will participate in the quasi-agency's alternative retirement program – a defined contribution plan.**
- **Only if the member returns to work in a participating position for an agency within the Systems, will the member earn additional service credit. Otherwise, the member's service credit as of the cessation date will be used to determine member's eligibility for insurance and retirement.**
- **The quasi-agency's liability is paid in lump sum or through installments not to exceed 30 years.**

HARD FREEZE

Sick Leave Service:





- **Tier 1** and **Tier 2** nonhazardous will continue to accrue sick leave through cessation date. The employee's account will be credited with the sick leave balance that the agency reports to Kentucky Retirement Systems as of **June 30, 2021**.

Important Note: Tier 2 members may accrue unlimited sick leave but a maximum of 12 months will be applied to their retirement benefits. Also, Tier 2 members cannot use sick leave to determine retirement eligibility.

HARD FREEZE

Service Purchases:

-  • **Tier 1** and **Tier 2** employees will have until June 30, 2021 to complete a service purchase or initiate a service purchase agreement with KRS.
 - If a service purchase agreement is initiated before June 30, 2021, the employee will have until 8/31/2021 to payoff that agreement.
-  • **Tier 3** employees are very limited on their service purchase options. If a Tier 3 employee is eligible to purchase service, he/she will have until June 30, 2021, to complete the service purchase or initiate a service purchase agreement with KRS.
 - If a service purchase agreement is initiated before June 30, 2021, the employee will have until 8/31/2021 to payoff that agreement.

HARD FREEZE


Health Insurance:

- **Tier 1, Tier 2, and Tier 3** nonhazardous employees will stop earning service credit in KERS on June 30, 2021. Only if the member returns to work in a participating position for an agency within the Systems, will the member earn additional service credit toward their health insurance vesting. Otherwise, the member's service credit as of the cessation date will be used to determine member's eligibility for insurance and KRS' contribution toward the member's health insurance premium.



HARD FREEZE

Irrevocable Transfer to Alternative Retirement Plan:

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- **Tier 1, Tier 2, and Tier 3** employees may choose to transfer their retirement account with KERS to the quasi-agency's alternative retirement plan.
 - If the employee chooses to transfer their retirement account, the employee must file **a Form 1500, KRS 61.522 60-Day Transfer Request**, between **July 1, 2021 and August 31, 2021**.
 - Employees are **NOT** required to transfer their accumulated account balance with KERS to the quasi-agency's alternative retirement plan. Any employee who does not elect this irrevocable transfer may keep their retirement account at KRS until retirement.

HARD FREEZE

REFUNDS AND RETIREMENT

Refund:

- **Tier 1, Tier 2, or Tier 3** employees who terminate employment with a bona fide separation from service, are eligible to take a refund of their accumulated account balance.
 - A terminated employee may file a **Form 4525, Application for Refund of Member Contributions and Direct Rollover/Direct Payment Selection.**
 - The refund can be paid directly to the member or rolled over/transferred to a qualified plan or IRA.
 - Federal and state law both require a bona fide separation from service (a complete severance of any kind of employment relationship) with employers participating in KRS or entities affiliated with participating agencies in order for KRS to pay a retirement benefit or to pay a refund of a retirement account.

HARD FREEZE

REFUNDS AND RETIREMENT

Retirement:

- An employee who is eligible to retire may file a, **Form 6000, Notification of Retirement**, and retire once he/she has decided to terminate employment with a bona fide separation from service.
- Federal and state law both require a bona fide separation from service (a complete severance of any kind of employment relationship) with employers participating in KRS or entities affiliated with participating agencies in order for KRS to pay a retirement benefit or to pay a refund of a retirement account.

QUASI-GOVERNMENTAL CESSATION



When can an employee retire?

Participation date prior to September 1, 2008

Requirements for an Unreduced Benefit: NONHAZARDOUS

Age 65 or older (*48 months of service credit*)

Eligible to receive an unreduced monthly benefit based on the retirement formula

Age 65 or older (*with at least 1 month of service credit*)

Eligible to receive a benefit for life that is the actuarial equivalent to twice the member's contributions and interest

27 years of service credit

- regardless of age

Requirements for a Reduced Benefit: NONHAZARDOUS

25 to 27 years of service credit

- regardless of age

Age 55

(with at least 60 months of service)

QUASI-GOVERNMENTAL CESSATION



When can an employee retire?

Participation date on, or after, September 1, 2008

Requirements for an Unreduced Benefit: NONHAZARDOUS

Rule of 87:

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

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

Age 65

(with 5 years of service credit)

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

Age 60

(with 10 years of service credit)

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

QUASI-GOVERNMENTAL CESSATION

REEMPLOYMENT AFTER RETIREMENT

Kentucky law prohibits a member from having a prearranged agreement, prior to their effective retirement date, to return to employment in any position with any agency participating in any of the systems administered by KRS.

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

QUASI-GOVERNMENTAL CESSATION

REEMPLOYMENT AFTER RETIREMENT

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

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

QUASI-GOVERNMENTAL CESSATION

IMPORTANT DATES TO REMEMBER:

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

LEGAL NOTICE

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

This presentation is intended merely as a general information reference for members of KRS.

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

Before making decisions about your retirement, you should contact Kentucky Retirement Systems.



Questions?