HOUSE BILL 1
Any Quasi-Governmental employer is eligible to cease ("opt-out" of) participation in the Kentucky Employees Retirement System (KERS) for its **nonhazardous employees** under HB 1 of the 2019 Special Session of the Kentucky General Assembly.

**The effective cessation date is June 30, 2020.**

*Note: Hazardous employees will continue to participate in KERS*
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.
IMPORTANT THINGS TO KNOW:

• Please stay up to date with cessation information by visiting our website at kyret.ky.gov.

• Please review your retirement account information by visiting our Member Self Service page at kyret.ky.gov. A delay in your review could prevent you from meeting important deadlines, including service purchase deadlines.
HOUSE BILL 1

THREE TIERS OF PLANS:

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

**Tier 1**
- Defined Benefit Plan
- Participation date prior to September 1, 2008

**Tier 2**
- Defined Benefit Plan
- Participation date on, or after, September 1, 2008 through December 31, 2013

**Tier 3**
- Hybrid Cash Balance Plan
- Participation date on, or after, January 1, 2014
QUASI-AGENCY OPTIONS UNDER HB 1:

1. Continue participation in KERS for its nonhazardous employees and pay the full contribution rate beginning July 1, 2020.

2. Opt out of KERS with a “SOFT FREEZE”

3. Opt out of KERS with a “HARD 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, 2020 and contribute to the quasi-agency’s alternative retirement plan.

• Employees hired on or after June 30, 2020, 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.
• **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, 2020.

• 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.
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, 2020 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, 2020, to complete the service purchase or initiate a service purchase agreement with KRS.

  • If a service purchase agreement is initiated before June 30, 2020, the employee will have until 8/31/2020 to payoff that agreement.

**IMPORTANT NOTE:** Actuarial factors used to calculate service purchase costs are changing effective **January 1, 2020.** To see how these factor changes may impact your retirement, sign on to Member Self Service by visiting [kyret.ky.gov](http://kyret.ky.gov)
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, 2020. 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.
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, 2020 and August 31, 2020**

- 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.
• Nonhazardous employees will cease participation in KERS on June 30, 2020.

• Beginning July 1, 2020, all nonhazardous employees will participate in the quasi-agency’s alternative retirement program – a defined contribution plan.

• The quasi-agency’s liability is paid in lump sum or through installments not to exceed 30 years.
**Service Purchases:**

- **Tier 1 and Tier 2** employees will have until June 30, 2020 to complete a service purchase or initiate a service purchase agreement with KRS.
  - If a service purchase agreement is initiated before June 30, 2020, the employee will have until 8/31/2020 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, 2020, to complete the service purchase or initiate a service purchase agreement with KRS.
  - If a service purchase agreement is initiated before June 30, 2020, the employee will have until 8/31/2020 to payoff that agreement.
Health Insurance:

• **Tier 1, Tier 2 and Tier 3** nonhazardous employees will stop earning service credit in KERS on June 30, 2020. 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.
Irrevocable Transfer to Alternative Retirement Plan:

- **Tier 1, Tier 2, and Tier 3** employees may choose to transfer their retirement account with KERS to the quasi-agency’s alternative retirement plan.

- 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, 2020 and August 31, 2020**.

- 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.
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.
HOUSE BILL 1

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.

**IMPORTANT NOTE:** Actuarial factors used to calculate retirement benefits are changing effective **January 1, 2020**. To see how these factor changes may impact your retirement, sign on to Member Self Service by visiting [kyret.ky.gov](http://kyret.ky.gov)
When can an employee retire?

Participation date prior to September 1, 2008

### Requirements for an Unreduced Benefit: NONHAZARDOUS

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age 65 or older</strong> (48 months of service credit)</td>
<td>Eligible to receive an unreduced monthly benefit based on the retirement formula</td>
</tr>
<tr>
<td><strong>Age 65 or older</strong> (with at least 1 month of service credit)</td>
<td>Eligible to receive a benefit for life that is the actuarial equivalent to twice the member’s contributions and interest</td>
</tr>
<tr>
<td><strong>27 years of service credit</strong></td>
<td>- regardless of age</td>
</tr>
</tbody>
</table>

### Requirements for a Reduced Benefit: NONHAZARDOUS

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>25 to 27 years of service credit</strong></td>
<td>- regardless of age</td>
</tr>
<tr>
<td><strong>Age 55</strong></td>
<td>(with at least 60 months of service)</td>
</tr>
</tbody>
</table>
When can an employee retire?

* Participation date on, or after, September 1, 2008*

### Requirements for an Unreduced Benefit: NONHAZARDOUS

<table>
<thead>
<tr>
<th>Rule of 87:</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Age + years of service credit must = 87</em></td>
</tr>
<tr>
<td><em>Member must be at least 57 years of age</em></td>
</tr>
</tbody>
</table>

| Age 65                                         |
| (with 5 years of service credit)               |

<table>
<thead>
<tr>
<th>TIER 2 ONLY * - Requirements for a Reduced Benefit: NONHAZARDOUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 60</td>
</tr>
<tr>
<td>(with 10 years of service credit)</td>
</tr>
</tbody>
</table>

* Tier 3 is not eligible for a reduced benefit.
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.
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.
**IMPORTANT DATES TO REMEMBER:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Now – December 30, 2019</td>
<td>Period in which an employer may request an estimate from the Systems regarding the cost of cessation.</td>
</tr>
<tr>
<td>December 30, 2019</td>
<td>Last day an employer may request an estimate from the Systems (the Systems has 60 days from date of request to provide the estimate).</td>
</tr>
<tr>
<td>January 31, 2020</td>
<td>First date that the Systems is required to provide estimates to employers.</td>
</tr>
<tr>
<td>February 28, 2020</td>
<td>Last day the Systems may provide estimates to employers who requested one.</td>
</tr>
<tr>
<td>April 1, 2020</td>
<td>First day an employer may submit a resolution to the Systems voluntarily ceasing participation in KERS.</td>
</tr>
<tr>
<td>April 30, 2020</td>
<td>Last day an employer may submit a resolution to the Systems voluntarily ceasing participation in KERS.</td>
</tr>
<tr>
<td>April 30, 2020</td>
<td>Last day an employer may rescind a previously submitted resolution to the Systems voluntarily ceasing participation in KERS.</td>
</tr>
<tr>
<td>June 30, 2020</td>
<td>Effective date of cessation for any employers who opt-out of KERS.</td>
</tr>
<tr>
<td>July 1, 2020 – August 31, 2020</td>
<td>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.</td>
</tr>
</tbody>
</table>
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?