

SECTION BY SECTION SUMMARY FOR SB 151/PHS2

Note: KERS = Kentucky Employees Retirement System; CERS = County Employees Retirement System; SPRS = State Police Retirement System; LRP = Legislators' Retirement Plan; JRP = Judicial Retirement Plan; TRS = Teachers' Retirement System; KRS = Kentucky Retirement Systems (administers KERS, CERS, & SPRS); JFRS = Judicial Form Retirement System (administers LRP & JRP); KDC = Kentucky Employees Deferred Compensation Authority; NH = Nonhazardous; H = Hazardous

Sec. #	KRS §	Provisions
LRP/JRP specific: SB 151/PHS2: Sections 1 to 11		
1-2	6.505, 6.518	<ul style="list-style-type: none"> • Modifying LRP inviolable contract to exclude legislative changes occurring on or after July 1, 2018, from inviolable contract provisions - allowing GA the right to amend, reduce, or suspend. • Conforming/technical amendments.
3	6.520	<ul style="list-style-type: none"> • Effective January 1, 2019, reduces LRP benefit factor from 2.75% to 1.97% for future accruals for those members in the plan prior to January 1, 2014 (those not in cash balance plan).
4	6.525	<ul style="list-style-type: none"> • Non-legislative compensation earned in another state system on or after January 1, 2019, cannot be used to calculate LRP retirement benefits.
5, 6	21.360, 21.372	<ul style="list-style-type: none"> • Modifying JRP inviolable contract to exclude legislative changes occurring on or after July 1, 2018, from inviolable contract provisions - allowing GA the right to amend, reduce, or suspend. • Conforming/technical amendments.
7	21.374	<ul style="list-style-type: none"> • Provide that JRP/LRP members in defined benefit plan or cash balance plan may on or after July 1, 2019, but prior to January 1, 2021, elect to participate prospectively in KERS optional 401(a) money purchase plan (defined contribution plan) in lieu of participation in JRP (see Section 12). Service in JRP/LRP prior to election would remain in JRP/LRP.
8	21.385	<ul style="list-style-type: none"> • For LRP/JRP, provides that no second retirement accounts will be provided to any retiree of state system or plan who retires on or after January 1, 2019 and becomes a legislator or judge.
9	21.402	<ul style="list-style-type: none"> • Cash Balance Plan for LRP/JRP: Makes changes to prospective interest credits so that for those participating in a state-administered retirement system or plan the interest credit is 85% of the plan's geometric 5 year net investment return and 0% for those not participating in a state-administered retirement system or plan (currently 4% floor with 75% of 5 year geometric return above 4% for participating members & 4% for non-participating members).
10	21.460	<ul style="list-style-type: none"> • Conforming/technical amendments but provides for no service purchases for recontribution of refund for those members in LRP/JRP who elect to participate in KERS 401(a) money purchase plan.
11	21.480	<ul style="list-style-type: none"> • Modifying JRP inviolable contract to exclude legislative changes occurring on or after July 1, 2018, from inviolable contract provisions - allowing GA the right to amend, reduce, or suspend.
KRS specific: SB 151/PHS2: Sections 12 to 42		

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Sec. #	KRS §	Provisions
12	New KRS 61.510 to 61.705	<ul style="list-style-type: none"> • Establish optional Tier IV: 401(a) money purchase plan, which is an optional defined contribution plan for: (1) New KERS NH/CERS NH members on or after July 1, 2019 who elect to participate in the plan within 90 days of becoming a member and new KERS/CERS NH members on or after January 1, 2019, but prior to July 1, 2019, who make an election within 90 days of July 1, 2019; (2) current LRP/JRP members who elect to participate prospectively as provided by Section 7; (3) KERS NH/CERS NH members who became members prior to July 1, 2019, who have made an election to participate prospectively as provided by Section 38. • Benefit based upon account balance of: 5% employee contribution; 4% employer contribution, and return on investment (net of adm. & investment expenses). Allow KRS to determine investment vehicle which may include KRS investments, investment program with external vendor, or using KDC options. • Member immediately vested for employee contributions/investment return on employee contributions. Member vested for employer contributions/investment return on employer contributions after 5 years. • Provide for retirement age of age 65 w/5 years service or Rule of 87 w/min. age 57 (same as cash balance plan). For those who elect to participate prospectively in the money purchase plan the retirement age is when they become eligible to retire. • Provide for annuitization of account balance upon retirement (similar to cash balance plan) or allow member to take a refund of their account balance.
13-15	16.505; 61.510; & 78.510	<ul style="list-style-type: none"> • Definitions section for SPRS, KERS, and CERS: <ul style="list-style-type: none"> • Creditable Compensation changes: <ol style="list-style-type: none"> 1. Excludes equipment/uniform allowances or any other expense allowance paid on or after January 1, 2019. 2. No compensatory time payouts upon termination of employment for those nonhazardous Tier I members retiring after July 1, 2023 (only for nonhazardous). Under current law, already does not apply to Tier II/III. • High 3/High 5 must be complete 3 or 5 years for those retiring on or after January 1, 2019. • Defines nonhazardous position and accumulated employer contribution (for optional Tier IV). • Conforming/technical amendments/clarification.
16	61.546	Amends sick leave program for KERS/SPRS that provides service credit for accumulated sick leave. No limitations on accrual but service credit for Tier I and II employees who retire on or after July 1, 2023, cannot be used to determine eligibility for retirement or to reduce applicable actuarial penalties. Note: Tier III/Tier IV have no sick leave service credit under current law and in bill.
17	78.616	Amends sick leave program for CERS that provides service credit for accumulated sick leave. No limitations on accrual but service credit for Tier I and II employees who retire on or after July 1, 2023, cannot be used to determine eligibility for retirement or to reduce applicable actuarial penalties. Note: Tier III/Tier IV have no sick leave service credit under current law and in bill.

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Sec. #	KRS §	Provisions
18	61.565	<p>Employer funding provisions for KRS effective July 1, 2020, and thereafter.</p> <ul style="list-style-type: none"> • Sets actuarially required contribution (ARC) as sum of: “normal cost”, which is the ongoing employer cost of future service accruals after employee contributions are taken into account, and “actuarially accrued liability contribution”, which is the amortized payment to pay off the unfunded liability over a 30 year closed period. • ARC required to be based upon entry age normal cost method, 30 year closed amortization period, level dollar financing of the unfunded liability (2019 valuation), 5 year smoothed market asset valuation method, and other assumptions set by KRS board. Reset amortization period to new 30 years with 2019 valuation. • Provides that the normal cost shall be paid as a percent of payroll and defines normal cost. Optional Tier IV included in normal cost calculation. • Provides that the actuarially accrued liability contribution on or after July 1, 2020 shall be set as a dollar amount and prorated to each employer based upon share of payroll in FY 15, 16, and 17. The Executive branch shall be considered one employer for prorating. Exempts and adjusts amounts based upon those employers who have paid full actuarial costs to cease participating.
19	61.597	<ul style="list-style-type: none"> • For KERS NH/CERS NH cash balance members, provides that the interest credit will be 85% of the system’s geometric 10 year net investment return if they are participating in the cash balance plan or a state-administered retirement system and 0% for those not participating in the cash balance plan or a state-administered retirement system (currently 4% floor with 75% of 5 year geometric return above 4% for participating members & 4% for non-participating members).
20-23	61.575; 78.640; 61.580; 78.650	<ul style="list-style-type: none"> • Makes conforming and technical amendments; sets up account structure and employer contribution crediting for optional Tier IV.
24	16.601	<ul style="list-style-type: none"> • Amends KRS 16.601 to provide that the surviving spouse shall supersede all previously designated beneficiaries regarding retirement line of duty (LOD) death benefits provided to the spouse of a hazardous duty employee (see also Section 87).
25-27	61.552, 61.555, 61.595	<ul style="list-style-type: none"> • Provide that optional Tier IV members cannot purchase service credit (similar to cash balance plan members). • Provide for crediting of employer contributions if a member is called to active military duty while working. • Conforming and technical amendments.

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Sec. #	KRS §	Provisions
28	61.637	<ul style="list-style-type: none"> • Sets up new retired/reemployed provisions for KRS going forward for any retirees who retire on or after January 1, 2019, and who are reemployed on or after January 1, 2019 so that: <ul style="list-style-type: none"> • KERS/CERS Nonhazardous: Must have 3 month break before returning to work in any position with a participating employer in any system; if 3 month break is not observed the retirement is voided; if 3 month break is observed then member may: (1) return to FT employment but pension payments will be suspended until 12 months following retirement (if a 12 month break is observed, then no suspension); or (2) return to PT employment with no suspension in pension payments. No second retirement account will be provided to these reemployed retirees. FT is defined for this new provision as any position that average 100 hours or more per month over a calendar or fiscal year basis, except for classified school board employees full-time is more than 100 days per fiscal year (seasonal, interim, and temporary remain exempt from FT status). Employer required to make normal cost contributions (both pension and retiree health) for any reemployed retiree. • KERS/CERS Hazardous/SPRS/Certified peace officers: Retired Member must have 1 month break before returning to work in any position with a participating employer in any system; if 1 month break is not observed the retirement is voided; if 1 month break is observed then member may return to FT/PT employment with any employer participating in the systems/plans with no suspension of benefits. No second retirement account will be provided to these reemployed retirees. Employer required to make normal cost contributions (both pension and retiree health) for any reemployed retiree. • TRS/LRP/JRP retirees who retire on or after January 1, 2019, who are reemployed in a KRS eligible position on or after January 1, 2019, shall not be eligible for a second retirement account.
29	61.680	<ul style="list-style-type: none"> • Technical and conforming.
30	61.702	<ul style="list-style-type: none"> • Effective January 1, 2019, provide that Tier I members who began participating on or after July 1, 2003, but prior to Tier II start date of 9/1/2008, shall contribute an additional employee contribution of 1% of pay (same as Tier II/III/IV).
31	61.705	<ul style="list-style-type: none"> • Provide that the \$5,000 death benefit will not apply to members who began participating in KERS, CERS, or SPRS on or after January 1, 2014 (Tier III or newer employees).
32-34	16.652, 61.692, & 78.852	<ul style="list-style-type: none"> • Modifying KERS/CERS/SPRS inviolable contract to exclude legislative changes occurring on or after July 1, 2018, from inviolable contract provisions - allowing GA the right to amend, reduce, or suspend.
35-37	61.605, 61.640, 61.559	<ul style="list-style-type: none"> • Provides that members who opt into Tier IV money purchase plan who began participating prior to January 1, 2019, shall receive a disability benefit equal to the amount provided to members who began participating on or after January 1, 2019. • Conforming/technical. Ensures Tier IV members remain eligible for disability/death before retirement benefits similar to Tier III NH members.
38	61.5595	<p>Provide that KERS/CERS NH members in defined benefit plan or cash balance plan may on or after July 1, 2019, but prior to January 1, 2021, elect to participate prospectively in optional 401(a) money purchase plan (defined contribution plan) in lieu of participation in KERS/CERS NH (see Section 12). Service in KERS/CERS NH prior to election would remain in KERS/CERS NH.</p>

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Sec. #	KRS §	Provisions
39	61.655	<ul style="list-style-type: none"> Amend conflict of interest provisions applicable to KRS to provide that no member of General Assembly, public servant, trustee or employee of KRS board shall have any interest in the business of KRS while employed/serving and for a period of 5 years following employment/service (starting from July 1, 2017).
40-42	16.583, 16.645, 78.545	<ul style="list-style-type: none"> Conforming/technical.
TRS specific: SB 151/PHS2: Sections 43 to 80		
43	New KRS 161.220 to 161.716	<ul style="list-style-type: none"> Establish hybrid cash balance plan for new TRS members. Participants include: (1) new TRS members on or after January 1, 2019; and (2) members who have less than 5 years of service who elect to roll over their accumulated contributions into the hybrid cash balance plan. Members who make an election shall be considered as an individual who began participating on or after January 1, 2019 for purposes of benefit calculations/accruals. Hybrid cash balance plan will have benefit based upon account balance of: <ol style="list-style-type: none"> Nonuniversity: 9.105% employee contribution; 8% employer credit, and an interest credit. University: 7.625% employee (5.410% paid by employee due to offset); 4% employer credit, and interest credit. Interest credit: If a member is participating in the cash balance plan or a state-administered retirement system the interest credit will be 85% of the system's geometric 10 year net investment return and 0% for those not participating in the cash balance plan or a state-administered retirement system. Investments managed within TRS defined benefit funds. Member immediately vested for employee contributions/interest credits on employee contributions. Member vested for employer credits/interest credits on employer credits after 5 years service. Provide for retirement age of age 65 w/5 years service or Rule of 87 w/min. age 57 (same as KERS NH cash balance plan). Provide for annuitization of account balance upon retirement or allow member to take a refund of their account balance.
44	161.155	<ul style="list-style-type: none"> Limits the amount of sick leave payments that can be applied to retirement benefit calculations for teachers in TRS to amount of unused sick leave days accumulated as of December 31, 2018.
45	161.220	<ul style="list-style-type: none"> Amend definitions section for TRS to: <ul style="list-style-type: none"> For reemployed retirees who retire on or after January 1, 2019, clarify that for PT/substitute provisions for TRS coverage do not apply. Adds definitions for "university member", "nonuniversity member", "accumulated account balance", "accumulated employer credit".
46	161.400	<ul style="list-style-type: none"> Conforming/technical amendments.
47	161.420	<ul style="list-style-type: none"> Conforms funds for hybrid cash balance plan for TRS. Cleans up section.
48	161.460	<ul style="list-style-type: none"> Amend conflict of interest provisions applicable to TRS to provide that no member of General Assembly, public servant, trustee or employee of TRS board shall have any interest in the business of TRS while employed/serving and for a period of 5 years following employment/service (starting from July 1, 2017).

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Sec. #	KRS §	Provisions
49	161.470	<ul style="list-style-type: none"> Technical/conforming. Prohibit recontribution of refunds from determining date of entry into TRS (same provision was done to KRS when cash balance plan was created in KRS).
50-51	161.480; 161.500	<ul style="list-style-type: none"> Technical/conforming. Remove service purchase for new members effective January 1, 2019.
52-53	161.507 161.515	<ul style="list-style-type: none"> For new members on or after January 1, 2019: Prohibits purchase of service credit under these sections except for situations where the member is called to active duty military deployment while working.
54	161.520	<ul style="list-style-type: none"> Conforming to ensure death before retirement benefits remain for new members; technical changes.
55, 56	161.522, 161.525	<ul style="list-style-type: none"> KRS 161.522: Provide that provisions of this section shall not apply to new members effective January 1, 2019. KRS 161.525: Conforming/technical amendments.
57	161.540	<ul style="list-style-type: none"> Cleans up provisions.
58-62	161.545 161.5465 161.547 161.548 161.549	<ul style="list-style-type: none"> Eliminate service purchases for new members effective January 1, 2019. Technical/conforming.
63	161.550	<p>Funding provisions for TRS for 2018 valuation and after (rates payable on or after July 1, 2020):</p> <ol style="list-style-type: none"> Retains base minimum funding requirement for nonuniversity employers of 13.105% (12.355% pension, 0.75% retiree health) and 13.65% for university employers (10.875% pension, 2.775% retiree health). Requires employers to fund additional amount required above 1. to pay ARC for pension and life insurance funds. Amount shall be prorated to each employer based upon FY 15, 16, and 17 payrolls to TRS. Amount shall be adjusted by any employer who ceases participation and payments for school board shall be paid by state appropriation (other employers required to pay additional share). Provide that the sum of contributions 1 and 2 shall equal ARC (normal cost plus amortized payment for unfunded liability) for pension and life insurance funds. Amortized state appropriation payments for prior sick leave payments, past ad hoc COLAs not included in additional employer contribution required (funded separately). Require pension and life insurance fund ARCs to be based upon entry age normal cost method, 30 year closed amortization period, level dollar financing of the unfunded liability by 2021 valuation (payroll growth used to determine ARC will be slowly reduced in equal shares so that by 2021 valuation level dollar amortization method is used), 5 year smoothed market asset valuation method, and other assumptions set by TRS board. Retains provisions for state costs of shared solution for retiree health. Provides that school districts shall pay an additional 2% of pay for new members enrolled in the hybrid cash balance plan. Sets to new 30 year amortization period with 2018 actuarial valuation.
64	161.568	<ul style="list-style-type: none"> Prohibits new members effective January 1, 2019, who have elected to participate in the optional retirement plan (ORP), which is a defined contribution plan, at a regional university from transferring from ORP into TRS plan.

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65-67	161.580, 161.585, 161.590	<ul style="list-style-type: none"> Conforming/Technical.
68	161.595	<ul style="list-style-type: none"> Technical/conforming. Eliminate service purchases for new members effective January 1, 2019.
69	161.600	<ul style="list-style-type: none"> Conforming/technical amendments.
70	161.605	<ul style="list-style-type: none"> No second retirement accounts in TRS for any retiree of state system or plan who retires on or after January 1, 2019 (including TRS). Required breaks in employment, salary limitations for reemployed retirees of TRS remain but only for TRS retirees returning to work in a TRS position.
71	161.612	<ul style="list-style-type: none"> Eliminates accrual of service time in for part-time and substitute positions for those individuals who retire on or after January 1, 2019, and are reemployed on or after January 1, 2019. Conforming and technical amendments.
72	161.615	<ul style="list-style-type: none"> Closes opportunity by TRS to establish alternative 403(b) plan after January 1, 2019.
73	161.620	<ul style="list-style-type: none"> Conforming/technical amendments. Provide that COLA provisions do not apply to new members in the hybrid cash balance plan effective January 1, 2019.
74	161.623	<ul style="list-style-type: none"> For TRS members who receive service credit for sick leave, caps sick leave conversion to service credit at the amount of sick leave accumulated on December 31, 2018. Prohibits any new agency from electing to purchase service credit for accumulated sick leave.
75	161.630	<ul style="list-style-type: none"> Conforming/technical.
76	161.655	<ul style="list-style-type: none"> For new members effective January 1, 2019: Eliminates \$2,000 pre-retirement life insurance benefit/\$5,000 post-retirement life insurance benefit from TRS.
77	161.661	<ul style="list-style-type: none"> Conforms disability provisions to provide disability benefits for new members effective January 1, 2019, who participate in the TRS hybrid cash balance plan.
78-79	161.650, 161.700,	<ul style="list-style-type: none"> Conforming/technical.
80	161.714	<ul style="list-style-type: none"> Modifying TRS inviolable contract to exclude: (1) new members from inviolable contract provisions except for account balance in hybrid cash balance plan; and (2) legislative changes occurring on or after July 1, 2018, from inviolable contract provisions - allowing GA the right to amend, reduce, or suspend.
Conforming/technical amendments/Other/Non-codified: SB 151/PHS2: Sections 81-89		
81	7A.250	<ul style="list-style-type: none"> Provides that the hiring of an actuary to perform a biennial review of employer rates by PPOB is voluntary, rather than mandatory, and would apply to bienniums occurring on or after July 1, 2020. Technical/conforming.
82	New KRS 18A	<ul style="list-style-type: none"> Establish conflict of interest provisions for KDC employees and trustees. Provide that no member of General Assembly, public servant, trustee or employee of KDC board shall have any interest in the business of KDC while employed/serving and for a period of 5 years following employment/service (starting from July 1, 2017).

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Sec. #	KRS §	Provisions
83	11A.010	<ul style="list-style-type: none"> Makes the KDC board subject to the Executive Branch Code of Ethics.
84	18A.245	<ul style="list-style-type: none"> Require Gov. appointees to KDC to not have conflict of interest as provided by Section 82.
85	KRS 61.598	<ul style="list-style-type: none"> Technical/Conforming change
86	NC	<ul style="list-style-type: none"> Require the Public Pension Oversight Board (PPOB) to establish an advisory committee to evaluate CERS separation/restructuring of systems administered by KRS and report recommendations no later than December 1, 2019.
87	NC	<ul style="list-style-type: none"> KRS/TRS shall provide update on development of system, including impact of state or federal law, to the PPOB no later than August 1, 2018.
88	NC	<ul style="list-style-type: none"> Close loophole regarding retirement LOD death benefits for surviving spouse of hazardous employees who died in the line of duty on or after January 1, 2017.
89	NC	<ul style="list-style-type: none"> Severability Clause