GENERAL ASSEMBLY
COMMONWEALTH OF KENTUCKY

2016 REGULAR SESSION

SENATE BILL NO. 113

WEDNESDAY, FEBRUARY 17, 2016

The following bill was reported to the House from the Senate and ordered to be printed.

RECEIVED AND FILED
DATE April 1, 2016
1:36pm
ALISON LUNDERGAN GRIMES
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY K. Adler

AN ACT relating to legislative recommendations from the Judicial Form Retirement System.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. KRS 6.521 is amended to read as follows:

(1) As of July 1 of each year, the board of trustees of the Kentucky Judicial Form Retirement System shall recompute the monthly benefits of persons then receiving benefits under the Legislators' Retirement Plan, ***provided the person began participating in the plan prior to January 1, 2014***, by using the following formula: three and one-half percent (3.5%) times fifty-five percent (55%) of the final compensation of the office in which the credit was earned for a person retiring as of the recomputation date, times the number of years of service credit (not to exceed twenty-eight (28) years). In making the recomputation, the same reduction factor, in case of an actuarially reduced benefit or a surviving spouse's benefit, shall be used as was used in determining the benefit then being received. If the benefit as recomputed in accordance with this section is higher than the benefit then being received, the recomputed benefit shall thereafter be paid monthly, commencing as of the date specified for the recomputation, subject to future adjustment at ensuing recomputations in accordance with this section.

(2) Effective August 1, 1998, to July 1, 2008, a recipient of a monthly pension benefit from the Legislators' Retirement Plan ***who began participating in the plan prior to January 1, 2014,*** shall have his or her benefit increased on July 1 of each year by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year as published by the Federal Bureau of Labor Statistics, not to exceed five percent (5%). In determining the state's appropriation to the Legislators' Retirement Fund, only the costs of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on August 1, 1998, to July 1, 2008, shall not be considered

as benefits protected by the inviolable contract provisions of KRS 6.505. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in its judgment the welfare of the Commonwealth so demands.

(3) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a monthly pension benefit from the Legislators' Retirement Plan shall have his or her benefit increased by one and one-half percent (1.5%), if:

1. The funding level of the plan is greater than one hundred percent (100%) and subsequent legislation authorizes the use of any surplus actuarial assets to provide an increase in retirement allowances described by this subsection; or

2. The General Assembly appropriates sufficient funds to fully prefund the increase described by this subsection in the year the increase is provided.

(b) The board of trustees of the Kentucky Judicial Form Retirement System shall, at least thirty (30) days prior to the beginning of regular sessions of the General Assembly held in even-numbered years, advise the General Assembly of the following:

1. Whether the plan has a funding level greater than one hundred percent (100%) and if the plan can support an increase in recipients' retirement allowances as provided by paragraph (a) of this subsection over the next budget biennium without reducing the funding level of the plan below one hundred percent (100%); and

2. If no surplus actuarial assets are available, the level of funds needed to fully prefund an increase for plan recipients over the next budget biennium if a one and one-half percent (1.5%) increase is provided annually over the biennium.

(c) For purposes of this subsection, "funding level" means the actuarial value of assets divided by the actuarially accrued liability expressed as a percentage

that is determined and reported by the plan's actuary in the plan's actuarial valuation.

(d) The full increase described by this subsection shall only be provided if the recipient has been receiving a retirement benefit for at least twelve (12) months prior to the effective date of the increase. If the recipient has been receiving a benefit for less than twelve (12) months prior to the effective date of the increase provided by this subsection, the increase shall be reduced on a pro rata basis for each month the recipient has not been receiving a benefit in the twelve (12) months preceding the effective date of the increase.

(e) In determining the state's appropriation to the Legislators' Retirement Fund, only the costs of increases granted as of the most recent valuation date shall be recognized.

(f) The benefits of this subsection as provided on July 1, 2009, and thereafter shall not be considered as benefits protected by the inviolable contract provisions of KRS 6.505. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in its judgment the welfare of the Commonwealth so demands.

(4) In addition to the increase to a recipient's retirement allowance as provided by subsection (3) of this section, the General Assembly may, by subsequent legislation, provide supplemental increases to a recipient's retirement allowance to help adjust for actual changes in the recipient's cost of living if the General Assembly appropriates sufficient funds to fully prefund the benefit in the year the increase is provided.

➔Section 2. KRS 6.525 is amended to read as follows:

The Legislators' Retirement Plan shall be governed by KRS 21.560 and by provisions identical in terms with those provided in KRS 21.345(1), 21.345(3) to (6), ***21.357,*** 21.360(1), 21.370 to 21.410, 21.420, 21.425, 21.450, 21.460, 21.470, 21.480, 21.525,

21.540, and 61.552 for the Judicial Retirement Plan, except that:

(1) Five (5) years of service as a legislator will be sufficient for vesting; and

(2) (a) A member of the Legislators' Retirement Plan may combine his service credit with his service credit in the Teachers' Retirement System, Kentucky Employees Retirement System, County Employees Retirement System, and State Police Retirement System at the time of his retirement, according to the procedure of KRS 61.680(2)(a), except that the salary used to determine final compensation, if applicable, shall be based on the creditable compensation in KRS 61.510(13) for service while a member of the General Assembly whether or not a member of the Legislators' Retirement Plan.

(b) For members contributing on or after June 20, 2005 but prior to January 1, 2014: Upon retirement, a member's accounts under the Legislators' Retirement Plan, State Police Retirement System, Kentucky Employees Retirement System, County Employees Retirement System, and Teachers' Retirement System shall be consolidated for the purpose of determining eligibility and amount of benefits as provided in KRS 61.680(2)(a) and in the same manner as for the other retirement systems using the highest salary regardless of the system in which it was earned. For purposes of this paragraph, "retirement" means the month in which the member elects to begin receiving benefits or benefits become payable due to the member's death.

(c) A member who has an account in the Legislators' Retirement Plan and the Judicial Retirement Plan may combine his service in both plans for purposes of determining:

1. Eligibility and the amount of benefits; and

2. Final compensation, provided the member began participating in the Legislators' Retirement Plan prior to January 1, 2014.

(d) A member who began participating in the Legislators' Retirement Plan prior to

January 1, 2014, may retire at the completion of twenty-seven (27) or more years of combined service credit, so long as at least fifteen (15) years of such credit were earned after January 1, 1960, and there shall be no reduction in the retirement allowance because of retirement before the age of sixty-five (65).

(e) For the purposes of this section, any reference in the KRS sections listed above to the Judicial Retirement Plan shall also be read as a reference to the Legislators' Retirement Plan, and any reference to the Legislators' Retirement Plan shall also be read as a reference to the Judicial Retirement Plan.

(3) Any other statute to the contrary notwithstanding, a member of any state-administered retirement system who has ceased to qualify for membership but subsequently returns to a qualified status, shall, for the purposes of determining the date of entry into the state-administered retirement system for the subsequent period or periods of service, be deemed to have never left the retirement system.

➔Section 3. KRS 6.577 is amended to read as follows:

(1) The board of trustees of the Judicial Form Retirement System shall arrange by appropriate contract or on a self-insured basis to provide a group hospital and medical insurance plan for present and future recipients of a retirement allowance from the Legislators' Retirement Plan. The board may authorize present and future recipients of a retirement allowance from the Legislators' Retirement Plan who are under age sixty-five (65) to be included in the state employees group for hospital and medical insurance and shall provide benefits for recipients equal to those provided to state employees having the same Medicare hospital and medical insurance eligibility status. For recipients of a retirement allowance who are not eligible for the same level of hospital and medical benefits as recipients living in Kentucky, the board shall provide a medical insurance premium reimbursement plan as described in subsection (5) of this section.

(2) Each employer participating in the Legislators' Retirement Plan shall contribute to

the plan the amount necessary to provide hospital and medical insurance as provided for under this section. The employer contribution rate shall be developed by appropriate actuarial method as a part of the determination of the total employer contribution rate to the Legislators' Retirement Plan.

(3) (a) Depending on the months of service credit on which the retirement allowance was based, provided that there are at least forty-eight (48) months, all or a portion of the premium required to provide hospital and medical benefits under this section shall be paid in full from the insurance fund established by KRS 6.575 for all recipients of a retirement allowance from the Legislators' Retirement Plan as follows:

Months of Service	Percentage Paid
48 to 119, inclusive	25%
120 to 131, inclusive	50%
132 to 143, inclusive	55%
144 to 155, inclusive	60%
156 to 167, inclusive	65%
168 to 179, inclusive	70%
180 to 191, inclusive	75%
192 to 203, inclusive	80%
204 to 215, inclusive	85%
216 to 227, inclusive	90%
228 to 239, inclusive	95%
240 or more	100%

This paragraph shall not apply to members who begin participating in the Legislators' Retirement Plan on or after January 1, 2014.

(b) For members who begin participating in the Legislators' Retirement Plan on or after January 1, 2014:

1. Participation in the health insurance coverage and benefits provided under this section shall not be allowed until the member has earned at least one hundred eighty (180) months of service credited under KRS 6.500 to 6.577 or another state-administered retirement system.

2. A member who meets the minimum service requirements as provided by subparagraph 1. of this paragraph shall be eligible for a monthly insurance benefit upon retirement of ten dollars ($10) for each year of service as a participating member of the Legislators' Retirement Plan.

3. The minimum service required to participate in benefits as provided by subparagraph 1. of this subparagraph shall be waived for a member who is disabled in the line of duty as defined in KRS 61.621, and the member shall be entitled to the health benefits payable under this subsection as though the member has twenty (20) years of service in the Legislators' Retirement Plan.

4. The minimum service required to participate in benefits as provided by subparagraph 1. of this subparagraph shall be waived for a member who is killed in the line of duty as described in KRS 61.621, and the member's spouse and eligible dependents shall be entitled to the health benefits the member would have received if he or she had retired with twenty (20) years of service in the Legislators' Retirement Plan.

5. The monthly insurance ***benefit***~~[contribution]~~ amount provided by this paragraph shall be increased July 1 of each year by one and one-half percent (1.5%). The increase shall be cumulative and shall continue to accrue after the member's retirement for as long as a monthly insurance ***benefit***~~[contribution]~~ is payable to the retired member.

(c) The payments for health insurance provided by this subsection shall be made from the fund only if the recipient agrees to pay the remaining amount, if any,

from his monthly retirement allowance or by any other method equally insuring payment by him. "Months of service" as used in this section shall not include service added to determine disability benefits.

(4) Provided the member began participating in the Legislators' Retirement Plan prior to January 1, 2014, the insurance fund shall pay the same percentage of the premium for the spouse and dependents of a recipient, or the beneficiary of the recipient, as the fund pays or paid for the member. No payment shall be made under this section to a spouse, dependent, or beneficiary of a member who begins participating in the Legislators' Retirement Plan on or after January 1, 2014, except as authorized by subsection (3)(b)4. of this section.

(5) The board shall establish a medical insurance premium reimbursement plan for recipients of a retirement allowance who are not eligible for the same level of hospital and medical benefits as recipients living in Kentucky having the same Medicare hospital and medical insurance eligibility status. An eligible recipient shall file proof of payment for hospital and medical insurance premiums at the retirement office. Reimbursement to eligible recipients shall be made on a quarterly basis. The recipient shall be eligible for reimbursement of substantiated medical insurance premiums for an amount not to exceed the total monthly contribution determined by the board of trustees. The plan shall not be made available if all recipients are eligible for the same level of coverage as recipients living in Kentucky.

(6) Premiums paid for hospital and medical insurance coverage procured under authority of this section shall be exempt from any premium tax which might otherwise be required under KRS Chapter 136. The payment of premiums by the insurance fund shall not constitute taxable income to an insured recipient. No commission shall be paid for hospital and medical insurance procured under authority of this section.

(7) Notwithstanding any other statute to the contrary, any member with the minimum number of months of legislative service required by subsection (3) of this section who is also eligible for benefits, or who is receiving benefits from any retirement plan or system administered by the Commonwealth shall be entitled to hospital and medical benefits as described in subsection (3) of this section, except that the number of months of service credit used in calculating the level of benefits shall be the sum of the service credited to the member in all the state-administered retirement systems or plans.

(a) Upon request of the member, the Legislators' Retirement Plan shall compute the member's combined service in all the state-administered retirement systems or plans, and calculate the portion of the member's premium to be paid by the Legislators' Retirement Plan, according to the criteria established in subsection (3) of this section. For members who begin participating in the Legislators' Retirement Plan prior to January 1, 2014, the state-administered retirement systems or plans shall pay to the Legislators' Retirement Plan the applicable percentage of the plan's costs of the retiree's hospital and medical premium which shall be equal to the percentage of the member's number of months of service in the applicable state-administered retirement system divided by his total combined service. The amounts paid by all the state-administered retirement systems or plans shall not be more than one hundred percent (100%) of the premium amount adopted by the respective boards of trustees.

(b) A member who elects hospital and medical benefits under this section shall lose any claim to insurance benefits under any of the other state-administered retirement systems or plans.

➔Section 4. KRS 21.345 is amended to read as follows:

(1) For the purposes of KRS 21.350 to 21.510, "retirement" means a voluntary

resignation or a failure of reelection, but does not include a removal for cause.

(2) The word "service" as used in KRS 21.370 to 21.480 means service transferred from the Kentucky Retirement Systems pursuant to KRS 21.370(2), service as a city police judge purchased pursuant to KRS 21.370(3), and service as a Justice of the Supreme Court, as a Judge of the Court of Appeals created by Section 111 of the Constitution of Kentucky, as a regular Circuit Judge, or as a regular Judge of the District Court, including service in one (1) and then another of those capacities. It also includes service as a special Circuit Judge under the conditions described in subsection (3) of this section, as a Judge or commissioner of the former Court of Appeals, or as director of the Administrative Office of the Courts, prior to January 1, 1976, and service continuing beyond that date, in any capacity in or for the Court of Justice, by any person who held the office of commissioner of the former Court of Appeals, or director of the Administrative Office of the Courts, on December 31, 1975. The word "service" embraces only service performed while a member of the retirement system established by KRS 21.350 to 21.510, except that service in any of the positions mentioned, before the Judicial Retirement System was made applicable to that category of position, and service transferred from the Kentucky Retirement Systems pursuant to KRS 21.370(2), shall be included.

(3) For the purposes of KRS 21.345 to 21.510, a "year" of service means a total of twelve (12) months of service, which need not be in the same calendar year. Service for any part of the calendar month in which the member's term of service begins or ends shall be deemed to constitute a month of service.

(4) The term "accumulated employer credit" as used in KRS 21.345 to 21.580 means the employer pay credit deposited to the member's account and interest credited on such amounts as provided by KRS 21.402.

(5) The term "accumulated contributions" as used in KRS 21.345 to 21.580, means:

(a) For a member who began participating in the Judicial Retirement Plan prior to

January 1, 2014, the contributions made by the member to the Judicial Retirement Plan; and

(b) For a member who begins participating in the Judicial Retirement Plan on or after January 1, 2014, in the hybrid cash balance plan, the contributions made by the member to the Judicial Retirement Plan and interest credited on such amounts as provided by KRS 21.402.

(6) The term "accumulated account balance" as used in KRS 21.345 to 21.580 means:

(a) For members who began participating in the Judicial Retirement Plan prior to January 1, 2014, the member's accumulated contributions; or

(b) For members who begin participating in the Judicial Retirement Plan on or after January 1, 2014, in the hybrid cash balance plan as provided by KRS 21.402, the combined sum of the member's accumulated contributions and the member's accumulated employer ~~[pay-]~~credit.

(7) The provisions of this section shall not apply to any director of the Administrative Office of the Courts appointed after January 1, 1976, nor shall they apply to any commissioner of the Court of Appeals not appointed prior to January 1, 1976. The administrative director of the courts and commissioners of the Court of Appeals appointed prior to January 1, 1976, shall continue to be members of the system so long as they continue to render service in any capacity in or for the Court of Justice.

➔Section 5. KRS 21.402 is amended to read as follows:

(1) A member of the Legislators' Retirement Plan or the Judicial Retirement Plan, whose participation in the Legislators' Retirement Plan or the Judicial Retirement Plan begins on or after January 1, 2014, shall receive the retirement benefits provided by this section in lieu of the retirement benefits provided under KRS 6.520 and 21.400. The retirement benefit provided by this section shall be known as the hybrid cash balance plan and shall operate as another benefit tier within the Legislators' Retirement Plan and the Judicial Retirement Plan.

(2) The hybrid cash balance plan shall provide a retirement benefit based upon the member's accumulated account balance, which shall include:

(a) Contributions made by the member as provided by KRS 6.500 to 6.577 and 21.345 to 21.580, except for employee contributions prescribed by KRS 6.505(1)(d)2.b. and 21.360(1)(a)3.b.;

(b) An employer pay credit of four percent (4%) of the creditable compensation earned by the employee for each month the employee is contributing to the hybrid cash balance plan provided by this section; and

(c) Interest credits added annually to the member's accumulated account balance as provided by this section.

(3) (a) Member contributions and employer pay credits as provided by subsection (2)(a) and (b) of this section shall be credited to the member's account monthly as contributions are reported and posted to the plan.

(b) Interest credits, as provided by subsection (2)(c) of this section, shall be credited to the member's account annually on June 30 of each fiscal year, as determined by subsection (4) of this section.

(4) (a) On June 30 of each fiscal year, the ***plan***~~[system]~~ shall determine if the member contributed to the hybrid cash balance plan during the fiscal year.

(b) If the member contributed to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by a percentage increase equal to:

1. Four percent (4%); plus

2. Seventy-five percent (75%) of the plan's geometric average net investment return in excess of a four percent (4%) rate of return.

(c) If the member did not contribute to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal

year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by four percent (4%).

(d) For purposes of this subsection, "plan's geometric average net investment return":

1. Means the annual average geometric investment return, net of administrative and investment fees and expenses, over the last five (5) fiscal years as of the date the interest is credited to the member's account; and

2. Shall be expressed as a percentage and based upon the plan in which the member has an account.~~[~~

~~(e) No employer pay credits or interest credits shall be provided to a member who has taken a refund of contributions as provided by KRS 21.460 or who has retired and annuitized his or her accumulated account balance as prescribed by this section.]~~

(5) (a) Upon termination of employment, a member who has less than five (5) years of service credited under the Legislators' Retirement Plan ***or***~~[and]~~ the Judicial Retirement Plan, who elects to take a refund of his or her accumulated account balance as provided by KRS 21.460, shall forfeit the accumulated employer credit, and shall only receive a refund of his or her accumulated contributions.

(b) Upon termination of employment, a member who has five (5) or more years of service credited under the Legislators' Retirement Plan ***or***~~[and]~~ the Judicial Retirement Plan, who elects to take a refund of his or her accumulated account balance as provided by KRS 21.460, shall receive a full refund of his or her accumulated account balance.

(6) A member participating in the hybrid cash balance plan provided by this section may retire:

(a) Upon reaching normal retirement age, provided he or she has earned five (5)

or more years of service credited under the Legislators' Retirement Plan ***or*** ~~[and]~~ the Judicial Retirement Plan, or another state-administered retirement system; or

(b) If the member is at least age fifty-seven (57) and has an age and years of service total of at least eighty-seven (87) years. The years of service used to determine eligibility for retirement under this paragraph shall only include years of service credited under the Legislators' Retirement Plan ***or*** ~~[and]~~ the Judicial Retirement Plan, or another state-administered retirement system.

(7) A member eligible to retire under subsection (6) of this section may elect to:

(a) Receive a monthly retirement allowance payable for life by having his or her accumulated account balance annuitized by the retirement ***plan*** ~~[systems]~~ in accordance with the actuarial assumptions and actuarial methods adopted by the board and in effect on the member's retirement date;

(b) Receive the actuarial equivalent of his or her retirement allowance calculated under paragraph (a) of this subsection payable under one (1) of the options set forth in KRS 21.420(8)(b); or

(c) Take a refund of his or her ***accumulated*** account balance as provided by KRS 21.460.

(8) The board of the Judicial Form Retirement System shall establish individual members' accounts for each member participating in the hybrid cash balance plan as provided by this section. The Judicial Form Retirement System may promulgate administrative regulations in accordance with KRS Chapter 13A to administer the provisions of this section.

(9) The provisions of this section shall not apply to members who began participating in the Legislators' Retirement Plan or the Judicial Retirement Plan prior to January 1, 2014.

➔Section 6. KRS 21.405 is amended to read as follows:

(1) As of July 1, 1982, the board of trustees of the Kentucky Judicial Form Retirement System shall recompute the monthly benefits of persons then receiving benefits under the Judicial Retirement Plan, ***provided the person began participating in the plan prior to January 1, 2014,*** by using the same service credit rate and the same number of years of service that were used in computing the benefits then being received but substituting, in lieu of the "final compensation" that was used in the computation of the benefit then being received an amount equal to fifty-five percent (55%) of the final compensation of the office in which the credit was earned for a person retiring as of June 30, 1982.

(2) As of July 1, 1983, and as of July 1 of each year thereafter, the board of trustees of the Kentucky Judicial Form Retirement System shall recompute the monthly benefits of persons then receiving benefits under the Judicial Retirement Plan, ***provided the person began participating in the plan prior to January 1, 2014,*** by using the following formula: two and three-fourths percent (2.75%) times fifty-five percent (55%) of the final compensation of the office in which the retirement credit was earned for a person retiring as of the recomputation date, times the number of years of service credit (not to exceed thirty-six (36) years).

(3) In making the recomputations provided for in subsections (1) and (2) of this section ***for members who began participating in the plan prior to January 1, 2014***, the same reduction factor, in case of an actuarially reduced benefit or a surviving spouse's benefit, shall be used as was used in determining the benefit then being received. If the benefit as recomputed in accordance with subsection (1) or (2) of this section is higher than the benefit then being received, the recomputed benefit shall thereafter be paid monthly, commencing as of the date specified for the recomputation, subject to future adjustment at ensuing annual recomputations in accordance with subsection (2) of this section. For the purposes of this section, the following office equivalents shall be used: Judge of former Court of Appeals -

Justice of Supreme Court; any position other than judge or justice that was covered by the Judicial Retirement System - Judge of the present Court of Appeals.

(4) Effective August 1, 1998, to July 1, 2008, a recipient of a monthly pension benefit from the Kentucky Judicial Retirement Plan ***who began participating in the plan prior to January 1, 2014,*** shall have his or her benefit increased on July 1 of each year by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year as published by the Federal Bureau of Labor Statistics, not to exceed five percent (5%). In determining the state's appropriation to the Judicial Retirement Fund, only the costs of increases granted as of the most recent valuation date shall be recognized. The benefits of this subsection as provided on August 1, 1998, to July 1, 2008, shall not be considered as benefits protected by the inviolable contract provisions of KRS 21.480. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in its judgment the welfare of the Commonwealth so demands.

(5) (a) Effective July 1, 2009, and on July 1 of each year thereafter, a recipient of a monthly pension benefit from the Kentucky Judicial Retirement Plan shall have his or her benefit increased by one and one-half percent (1.5%), if:

1. The funding level of the plan is greater than one hundred percent (100%) and subsequent legislation authorizes the use of any surplus actuarial assets to provide an increase in retirement allowances described by this subsection; or

2. The General Assembly appropriates sufficient funds to fully prefund the increase described by this subsection in the year the increase is provided.

(b) The board of trustees of the Kentucky Judicial Form Retirement System shall, at least thirty (30) days prior to the beginning of regular sessions of the General Assembly held in even-numbered years, advise the General Assembly of the following:

1. Whether the plan has a funding level greater than one hundred percent (100%) and if the plan can support an increase in recipients' retirement allowances as provided by paragraph (a) of this subsection over the next budget biennium without reducing the funding level of the plan below one hundred percent (100%); and

2. If no surplus actuarial assets are available, the level of funds needed to fully prefund an increase for plan recipients over the next budget biennium if a one and one-half percent (1.5%) increase is provided annually over the biennium.

(c) For purposes of this subsection, "funding level" means the actuarial value of assets divided by the actuarially accrued liability expressed as a percentage that is determined and reported by the plan's actuary in the plan's actuarial valuation.

(d) The full increase described by this subsection shall only be provided if the recipient has been receiving a benefit for at least twelve (12) months prior to the effective date of the increase. If the recipient has been receiving a benefit for less than (12) months prior to the effective date of the increase provided by this subsection, the increase shall be reduced on a pro rata basis for each month the recipient has not been receiving benefits in the twelve (12) months preceding the effective date of the increase.

(e) In determining the state's appropriation to the Judicial Retirement Fund, only the costs of increases granted as of the most recent valuation date shall be recognized.

(f) The benefits of this subsection as provided on July 1, 2009, and thereafter shall not be considered as benefits protected by the inviolable contract provisions of KRS 21.480. The General Assembly reserves the right to suspend or reduce the benefits conferred in this subsection if in its judgment

the welfare of the Commonwealth so demands.

(6) In addition to the increase to a recipient's retirement allowance as provided by subsection (5) of this section, the General Assembly may, by subsequent legislation, provide supplemental increases to a recipient's retirement allowance to help adjust for actual changes in the recipient's cost of living if the General Assembly appropriates sufficient funds to fully prefund the benefit in the year the increase is provided.

➔Section 7. KRS 21.410 is amended to read as follows:

(1) (a) If upon examination of a member under his normal retirement age by one (1) or more qualified physicians employed by the retirement board, it is certified to the satisfaction of the board that such member is so physically or mentally disabled as to be incapacitated for further performance of duty, and that such incapacity is likely to be permanent, the member may retire for disability.

(b) 1. A member who began participating in the Judicial Retirement Plan prior to January 1, 2014, who retires for disability as provided by this subsection shall be entitled to receive commencing immediately a disability retirement allowance, payable monthly during his disability, in an amount equal to one-half (1/2) of the monthly service retirement allowance he would have received commencing at his normal retirement date if he had continued in service until that date and had then retired, computed however on the basis of his final compensation at time of actual retirement.

2. A member who begins participating in the Judicial Retirement Plan on or after January 1, 2014, who retires for disability as provided by this subsection shall be entitled to a disability retirement allowance equal to the higher of twenty percent (20%) of the member's monthly ***official salary***~~[final rate of pay]~~ or the retirement allowance determined in the

same manner as for retirement at his or her normal retirement date under KRS 21.402.

3. A member who begins participating in the Legislators' Retirement Plan on or after January 1, 2014, who retires for disability as provided by this subsection shall be entitled to a disability retirement allowance equal to the higher of twenty percent (20%) of the member's monthly creditable compensation or the retirement allowance determined in the same manner as for retirement at his or her normal retirement date under Section 5 of this Act.

(2) (a) A member who began participating in the Judicial Retirement Plan prior to January 1, 2014, need not have completed eight (8) years of service in order to be eligible for benefits under subsection (1) of this section.

(b) A member who begins participating in the Judicial Retirement Plan on or after January 1, 2014, must have completed at least five (5) years of service in order to apply and be eligible for the disability benefits provided by this section.

(3) The retirement board shall cause a member who has been retired for disability and who is still under his normal retirement age to undergo periodic examination by one (1) or more qualified physicians employed by the board, to determine whether he continues to be incapacitated for service of the character required of a judge or commissioner. If upon any such examination it is certified to the satisfaction of the board that the member is no longer so incapacitated, or if the member refuses to submit to examination, the board shall terminate his disability retirement allowance. He shall then be entitled to such rights, if any, under subsection (2) or (3) of KRS 21.400 or under KRS 21.402 as he would have been entitled to had he voluntarily retired on the date he was retired for disability.

(4) Upon reaching his normal retirement age, a member ***who began participating in the plan prior to January 1, 2014, and*** who has been receiving a disability retirement

allowance may apply for and receive, in lieu thereof, the service retirement allowance he would have been entitled to receive at normal retirement age had he voluntarily retired on the date he was retired for disability.

➔Section 8. KRS 21.420 is amended to read as follows:

(1) After the death of a member who began participating in the Judicial Retirement Plan prior to January 1, 2014, who at the time of his death was receiving a service retirement allowance (other than an actuarially reduced allowance under subsection (3) of KRS 21.400), or was receiving a disability retirement allowance, his surviving spouse is entitled to receive during his lifetime a monthly allowance equal to one-half (1/2) of that he was receiving.

(2) (a) If a member who began participating in the Judicial Retirement Plan prior to January 1, 2014, dies before retirement and before reaching normal retirement age, without regard to length of service, his surviving spouse is entitled to receive during his lifetime a monthly allowance equal to one-half (1/2) of the monthly allowance the member would have received commencing at his normal retirement date if he had continued in service until that date and had then retired, computed however on the basis of his final compensation at time of death.

(b) If a member who began participating in the Judicial Retirement Plan prior to January 1, 2014, dies before retirement and after reaching normal retirement age, his surviving spouse is entitled to receive during his lifetime a monthly allowance equal to one-half (1/2) of the monthly allowance the member would have been entitled to, on the basis of his years of service, had he retired on the date of his death.

(3) If a member who began participating in the Judicial Retirement Plan prior to January 1, 2014, dies after retirement and was at the time of his death receiving an actuarially reduced allowance under subsection (3) of KRS 21.400, or was not at the

time of his death receiving a retirement allowance but had acquired the vested right under subsection (2) of KRS 21.400 to have received an allowance upon reaching normal retirement age, his surviving spouse is entitled to receive during his lifetime a monthly allowance equal to one-half (1/2) of the monthly allowance the member would have received when he reached normal retirement age.

(4) A member, or a retiree who ***began participating in the plan prior to January 1, 2014, who*** has not commenced drawing retirement benefits pursuant to KRS 21.400~~[or 21.402]~~, ***and*** who dies without a spouse or eligible children entitled to survivor's benefits, may designate a beneficiary who shall receive the accumulated contributions ~~[or accumulated account balance]~~of the member. ***A member, or a retiree who began participating in the plan on or after January 1, 2014, who has not commenced drawing retirement benefits pursuant to Section 5 of this Act, who dies without a spouse or eligible children entitled to survivor's benefits, may designate a beneficiary who shall receive the accumulated account balance of the member.*** Absent a designation by the member or retiree, the accumulated contributions or accumulated account balance***, as applicable based upon the member's participation date,*** shall be paid to the member's estate.

(5) A member who ***began participating in the plan prior to January 1, 2014, who*** commences drawing retirement benefits pursuant to KRS 21.400~~[, 21.402,]~~ or 21.410, ***and***~~[or]~~ who dies without a spouse or eligible children entitled to survivor's benefits and before the benefits received by the member equal the accumulated contributions of the member, may designate a beneficiary who shall receive the balance of the accumulated contributions of the member. ***A member who began participating in the plan on or after January 1, 2014, who commences drawing retirement benefits pursuant to Section 5 or 7 of this Act, and who dies without a spouse or eligible children entitled to survivor's benefits and before the benefits received by the member equal the accumulated account balance of the member,***

may designate a beneficiary who shall receive the balance of the accumulated account balance of the member. Any ~~[offset of contributions by reason of]~~benefits received shall be deducted from the accumulated contributions ***or accumulated account balance***~~[first made to the system]~~. Absent a designation by the member, the balance of the accumulated contributions ***or accumulated account balance, as applicable based upon the member's participation date,*** shall be paid to the member's estate.

(6) A member who begins participating in the Judicial Retirement Plan prior to January 1, 2014, may designate a beneficiary who shall receive the balance of the accumulated contributions of the member, in the event survivor's benefits are being paid pursuant to subsection (1), (2), or (3) of this section, and the survivor dies prior to receiving benefits equal to the member's contributions. In this event, the provisions of subsection (5) of this section shall apply as to offset and payment.

(7) A member who begins participating in the Judicial Retirement Plan prior to January 1, 2014, may, prior to the drawing of benefits, elect in writing to the executive secretary of the Judicial Form Retirement System, to take an optional retirement allowance which shall be actuarially equivalent to the amount of retirement allowance otherwise payable to the member and the member's spouse. If the member dies after retirement, the option chosen shall prevail over the provisions of subsections (1) and (3) of this section. If the member dies prior to retirement, the option chosen shall prevail over the provisions of subsection (2) of this section. The options shall include:

(a) Survivorship one hundred percent (100%). The member may elect to receive a decreased retirement allowance during the member's lifetime and have the retirement allowance continued after death to the spouse during the lifetime of the spouse.

(b) Survivorship sixty-six and two-thirds percent (66 2/3%). The member may

elect to receive a decreased retirement allowance during the member's lifetime and have two-thirds (2/3) of the retirement allowance continue after death to the spouse during the lifetime of the spouse.

If a retiree, living or deceased, chose either of the optional retirement benefit allowances specified in paragraphs (a) or (b) of this subsection from July 15, 1994, to July 15, 1998, the optional allowance shall be adjusted accordingly, and the new benefit shall commence August 1, 1998. Each recipient of benefits from the plan, who retired from July 15, 1994, to July 15, 1998, shall have a one-time opportunity to select an optional retirement allowance. The election by the recipient shall be prior to August 1, 1998, at which time the new benefit shall commence. The option chosen shall prevail, subsections (1), (2), and (3) of this section notwithstanding.

(8) For a member who begins participating in the Judicial Retirement Plan on or after January 1, 2014:

(a) If the member dies prior to drawing a retirement allowance, then the surviving spouse may elect to:

1. Take a refund of the member's accumulated account balance or accumulated contributions as provided by KRS 21.402; or

2. If the member had at least five (5) years of service in the plan at the time of his or her death, have the member's accumulated account balance annuitized into a monthly benefit payable for life that is equal to the benefit that would have been paid had the member retired immediately prior to his or her date of death and elected to receive benefits payable under the survivorship one hundred percent (100%) option as provided by paragraph (b)1. of this subsection.

In lieu of the benefits provided by this paragraph to the surviving spouse, the member may elect to have the benefits payable under this paragraph paid to an individual dependent child by completing the forms provided prescribed by

the Judicial Form Retirement System. If no surviving spouse or dependent children are eligible to receive benefits, then the provisions of subsection (4) of this section shall apply to the member.

(b) If a member dies on or after the date the member begins drawing a retirement allowance, the benefits payable to the surviving spouse shall be based upon whether or not the member elects prior to retirement to receive an optional retirement allowance. The election shall be in writing on the forms prescribed by the Judicial Form Retirement System and shall be actuarially equivalent to the amount of retirement allowance otherwise payable to the member. The optional retirement allowances shall include:

1. Survivorship one hundred percent (100%). The member may elect to receive a decreased retirement allowance during the member's lifetime and have the retirement allowance continued after death to the spouse during the lifetime of the spouse;
2. Survivorship sixty-six and two-thirds percent (66-2/3%). The member may elect to receive a decreased retirement allowance during the member's lifetime and have two-thirds (2/3) of the retirement allowance continue after death to the spouse during the lifetime of the spouse; or
3. Survivorship fifty percent (50%). The member may elect to receive a decreased retirement allowance during the member's lifetime and have one-half (1/2) of the retirement allowance continue after death to the spouse during the lifetime of the spouse.

In lieu of the benefits provided by this paragraph to the surviving spouse, the member may elect prior to retirement to have the benefits payable under this paragraph paid to an individual dependent child by completing the forms provided~~[prescribed]~~ by the Judicial Form Retirement System. If no surviving spouse or dependent children are eligible to receive benefits, then the

provisions of subsection (5) of this section shall apply to the member.

(c) For purposes of this section a "dependent child" shall mean a child who is less than twenty-one (21) years of age or a disabled child who is eligible for Social Security disability benefits.

➔Section 9. KRS 21.427 is amended to read as follows:

(1) (a) The board of trustees of the Judicial Form Retirement System shall arrange by appropriate contract or on a self-insured basis for a group hospital and medical insurance plan for recipients of a retirement allowance from the Judicial Retirement Plan, and their dependents. For recipients, or dependents, eligible for Medicare coverage, the board shall provide Medicare supplement hospital and medical insurance coverage. For recipients, or dependents, not eligible for Medicare coverage, the board shall provide hospital and medical insurance coverage comparable to that provided under the major state employees' group insurance, and the board may arrange for the recipients to be included in the major state employees group. For recipients of a retirement allowance who are not eligible for the same level of hospital and medical benefits as recipients living in Kentucky, the board shall provide a medical insurance premium reimbursement plan as described in subsection (3) of this section.

(b) For the purpose of this section, the "dependent" of a recipient means the spouse or minor children, or both, of a recipient who is a living former member of the Judicial Retirement Plan, or the minor children of a deceased former member whose surviving spouse is the recipient.

(2) (a) Depending upon the number of months of service credit upon which the retirement allowance was based, and upon there having been at least forty-eight (48) months of judicial service, all or a portion of the premium required to provide hospital and medical benefits under this section shall be paid from the judicial retirement fund, as follows:

Months of Judicial Service	Percentage of Premium
240 or more	100%
180 to 239, inclusive	75%
120 to 179, inclusive	50%
48 to 119, inclusive	25%

This paragraph shall not apply to members who begin participating in the Judicial Retirement Plan on or after January 1, 2014.

(b) For members who begin participating in the Judicial Retirement Plan on or after January 1, 2014:

1. Participation in the health insurance coverage and benefits provided under this section shall not be allowed until the member has earned at least one hundred eighty (180) months of service credited under KRS 21.345 to 21.580 or another state-administered retirement system.

2. A member who meets the minimum service requirements as provided by subparagraph 1. of this paragraph shall be eligible for a monthly insurance benefit upon retirement of ten dollars ($10) for each year of service as a participating member of the Judicial Retirement Plan.

3. The minimum service required to participate in benefits as provided by subparagraph 1. of this subparagraph shall be waived for a member who is disabled in the line of duty as defined in KRS 61.621, and the member shall be entitled to the health benefits payable under this subsection as though the member has twenty (20) years of service in the Judicial Retirement Plan.

4. The minimum service required to participate in benefits as provided by subparagraph 1. of this subparagraph shall be waived for a member who is killed in the line of duty as described in KRS 61.621, and the member's spouse and eligible dependents shall be entitled to the health

benefits the member would have received if he or she had retired with twenty (20) years of service in the Judicial Retirement Plan.

5. The monthly insurance ***benefit***~~[contribution]~~ amount provided by this paragraph shall be increased July 1 of each year by one and one-half percent (1.5%). The increase shall be cumulative and shall continue to accrue after the member's retirement for as long as a monthly insurance ***benefit***~~[contribution]~~ is payable to the retired member.

6. Under no circumstances shall the cost of coverage be paid for the spouse, dependents, or beneficiaries of a member who began participating in the Judicial Retirement Plan on or after January 1, 2014, except as provided by subparagraph 4. of this paragraph.

(c) The health insurance payments provided by this subsection shall be made by the fund only if the recipient agrees to pay the remaining, if any, amount of the premium by deduction from his retirement allowance or by another method equally insuring the payment by him.

(d) Notwithstanding any other statute to the contrary, any member with the minimum number of months of judicial service required by paragraph (a) or (b) of this subsection who is also eligible for benefits, or who is receiving benefits from any retirement plan or system administered by the Commonwealth shall be entitled to hospital and medical benefits as described in paragraph (a) of this subsection except that the number of months of service credit used in calculating the level of benefits shall be the sum of service credited to the member in all the state-administered retirement systems or plans.

1. Upon request of the member, the Judicial Retirement System shall compute the member's combined service in all the state-administered retirement systems or plans and calculate the portion of the member's

premium to be paid by the Judicial Retirement Plan, according to the criteria established in paragraph (a) of this subsection. For members who begin participating in the ***Judicial***~~[Legislators']~~ Retirement Plan prior to January 1, 2014, the state-administered retirement systems or plans shall pay to the Judicial Retirement Plan the applicable percentage of the plan's cost of the retiree's hospital and medical premium which shall be equal to the percentage of the member's number of months of service in the applicable state-administered retirement systems or plans divided by his total combined service. The amounts paid by all the state-administered retirement systems or plans shall not be more than one hundred percent (100%) of the premium amount adopted by the respective boards of trustees.

2. A member who elects hospital and medical benefits under this subsection shall lose any claim to insurance benefits under any of the other state-administered retirement systems or plans.

(3) The board shall establish a medical insurance premium reimbursement plan for recipients of a retirement allowance who are not eligible for the same level of hospital and medical benefits as recipients living in Kentucky having the same Medicare hospital and medical insurance eligibility status. An eligible recipient shall file proof of payment for hospital and medical insurance premiums at the retirement office. Reimbursement to eligible recipients shall be made on a quarterly basis. The recipient shall be eligible for reimbursement of substantiated medical insurance premiums for an amount not to exceed the total monthly contribution determined by the board of trustees. The plan shall not be made available if all recipients are eligible for the same level of coverage as recipients living in Kentucky.

(4) Premiums paid for hospital and medical insurance procured under this section shall

be exempt from any premium tax which might otherwise be required under KRS Chapter 136. The payment of premiums by the judicial retirement fund shall not constitute income to the recipient. No commission shall be paid for hospital and medical insurance procured under this section.

President of Senate

Speaker-House of Representatives

Attest: Chief Clerk of Senate

Approved Governor

Date 1 APRIL 2016