

1 AN ACT relating to local government pension plans.

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

3 ➔Section 1. KRS 90.400 is amended to read as follows:

- 4 (1) Any city maintaining a pension fund for employees under civil service hired before
5 August 1, 1988, operating pursuant to this section as of January 1, 2015, shall
6 continue to operate the existing pension fund in accordance with this section. The
7 city may assess monthly such amount or percent of the salary of the employees as
8 may be equitably determined on a fair actuarial basis, the assessment to be deducted
9 from the employees' salaries and paid in cash into the pension fund.
- 10 (2) The city may make current contributions to the fund on an actuarially funded basis,
11 toward the annuities and benefits herein provided. These contributions shall be
12 equal to the sum of the following:
- 13 (a) An annual amount resulting from the application of a rate percent of salaries
14 of active members, representing the present value of the actuarial reserve
15 requirements for membership service, for service retirement annuity, disability
16 retirement annuity, and annuities to surviving spouses and children, and the
17 one-year term premium for the city's liability for death benefits, after applying
18 the contribution by the active members. Such rate percent shall be fixed by the
19 city legislative body at least once every three (3) to five (5) years after
20 completion of the actuarial valuation required by KRS 65.156, and shall be in
21 effect until the next actuarial valuation is completed by the fund.
- 22 (b) An amount resulting from the application of a rate percent of the salaries of
23 active members which will provide each year regular interest on the remaining
24 liability for prior service.
- 25 (3) The city may create or continue to operate a board for the pension fund and
26 designate trustees of that board to serve as the governing body of the fund, and may
27 fix the powers of the trustees, determine the eligibility of employees or their

1 dependents to a pension or other benefit, and may provide a monthly allowance for
2 employees eligible for a pension.

3 (4) Temporary employees appointed without examination shall not be compelled to
4 contribute to any pension fund and shall not be eligible to benefits.

5 (5) In no year shall the contribution by the city to the pension fund, in the manner
6 provided in this section, be less than the total amount assessed upon and deducted
7 from the salary of the employees.

8 (6) The trustees of the pension fund shall, at least once every three months, report in
9 writing to the mayor the receipts, expenditures, and financial status of the pension
10 fund, stating the places of deposit of funds, or the character of investments made,
11 and the mayor shall cause copies of the report to be posted in at least three (3)
12 places where city employees frequent and report.

13 (7) When any city maintaining a pension fund for employees under civil service hired
14 before August 1, 1988, operating pursuant to this section as of January 1, 2015,
15 picks up employee contributions pursuant to KRS 65.155, or accepts from its
16 employees a portion of their wages and contributes city funds therefor, an inviolable
17 contract shall be created between the city as employer and its employees, and the
18 city and its employees shall continue to operate under KRS 90.310 to 90.390 and
19 the adopting ordinance, except that employees, pursuant to subsection (8) of this
20 section, may choose to participate in the County Employees Retirement System. A
21 repeal of that ordinance by the city shall in no wise affect such employees unless by
22 the mutual consent of the city and an employee or employees.

23 (8) After August 1, 1988, no new pension fund shall be created pursuant to this section,
24 and cities which were covered by this section on or prior to August 1, 1988, shall
25 participate in the County Employees Retirement System effective August 1, 1988.
26 Any city which provided a pension plan for its employees on or prior to August 1,
27 1988, shall place employees hired after August 1, 1988, in the County Employees

1 Retirement System. The board shall offer employees hired on or prior to August 1,
2 1988, membership in the County Employees Retirement System under the alternate
3 participation plan as described in KRS 78.530(3), but such employees may elect to
4 retain coverage under this section.

5 (9) *If there are fewer than twelve (12) active and retired members or beneficiaries of*
6 *the pension fund, the governing body of the fund may elect to offer to individuals*
7 *entitled to benefits from the fund a one (1) time irrevocable option to convert*
8 *monthly pension benefits from the fund to monthly annuity benefits from an*
9 *insurance company for the same amount. An insurance company accepting a*
10 *benefit transfer shall honor any features and options available under the existing*
11 *plan. If the governing body of the fund elects to offer the option to convert*
12 *monthly pension benefits to monthly annuity benefits, it shall provide to*
13 *individuals entitled to benefits from the fund sufficiently complete and*
14 *appropriate disclosures to assist in making an informed decision.*

15 (10) If all liabilities to all individuals entitled to benefits have been satisfied for a
16 pension fund covered by this section, any ordinances established for creation or
17 maintenance of the fund may be repealed by the majority vote of the duly elected
18 members of the entire legislative body of the city. If repealed, the governing body of
19 the fund shall, within sixty (60) days of repeal, proceed with the liquidation of any
20 residual assets of the fund. All residual assets liquidated pursuant to this subsection
21 shall be distributed by the fund's governing body to the city government's general
22 fund so long as the return of assets complies with federal and state law governing
23 the distribution of assets. Within thirty (30) days following the distribution of
24 residual assets, the governing body of the fund shall as its last act file a complete
25 report with the legislative body of the city of the actions taken to dissolve the fund
26 and liquidate residual assets of the fund for retention by the city clerk the same as
27 for other city records.

1 ➔Section 2. KRS 90.410 is amended to read as follows:

- 2 (1) Any city maintaining a pension fund for employees under civil service hired before
3 August 1, 1988, operating pursuant to this section as of January 1, 2015, shall
4 continue to operate the existing pension fund in accordance with this section. The
5 city may assess monthly such amount or percent of the salary of employees as may
6 be equitably determined on a fair actuarial basis, not to exceed five percent (5%) of
7 the monthly salary of any employee. The city legislative body shall contribute city
8 revenues to the fund which shall be not less than the contributions of the employees.
- 9 (2) The city may create a board for the pension fund and designate trustees of that board
10 to serve as the governing body of the fund, and may fix the powers of trustees,
11 determine the eligibility of employees or their dependents to a pension or other
12 benefit, and may provide a monthly allowance for employees eligible for a pension,
13 not to exceed one-half (1/2) of the monthly salary of any employee at the time of his
14 retirement.
- 15 (3) In order to adjust retirement benefits to the purchasing power of the dollar, the city
16 may annually provide an increase in benefits paid pursuant to this section. The city
17 may provide an increase of any amount up to the increase in the consumer price
18 index calculated pursuant to KRS 64.527, but in no case shall the annual increase
19 exceed five percent (5%).
- 20 (4) When any city maintaining a pension fund for employees under civil service hired
21 before August 1, 1988, operating pursuant to this section as of January 1, 2015,
22 picks up employee contributions pursuant to KRS 65.155, or accepts from its
23 employees a portion of their wages and contributes city funds therefor, an inviolable
24 contract shall be created between the city as employer and its employees, and the
25 city and its employees shall continue to operate under KRS 90.310 to 90.390 and
26 the adopting ordinance, except that employees, pursuant to subsection (5) of this
27 section, may choose to participate in the County Employees Retirement System. A

1 repeal of that ordinance by the city shall in no wise affect such employees unless by
2 the mutual consent of the city and an employee or employees.

3 (5) After August 1, 1988, no new pension fund shall be created pursuant to this section,
4 and cities which were covered by this section on or prior to August 1, 1988, shall
5 participate in the County Employees Retirement System effective August 1, 1988.
6 Any city which provided a pension plan for its employees on or prior to August 1,
7 1988, shall place employees hired after August 1, 1988, in the County Employees
8 Retirement System. The board shall offer employees hired on or prior to August 1,
9 1988, membership in the County Employees Retirement System under the alternate
10 participation plan as described in KRS 78.530(3), but such employees may elect to
11 retain coverage under this section.

12 (6) If there are fewer than twelve (12) active and retired members or beneficiaries of
13 the pension fund, the governing body of the fund may elect to offer to individuals
14 entitled to benefits from the fund a one (1) time irrevocable option to convert
15 monthly pension benefits from the fund to monthly annuity benefits from an
16 insurance company for the same amount. An insurance company accepting a
17 benefit transfer shall honor any features and options available under the existing
18 plan. If the governing body of the fund elects to offer the option to convert
19 monthly pension benefits to monthly annuity benefits, it shall provide to
20 individuals entitled to benefits from the fund sufficiently complete and
21 appropriate disclosures to assist in making an informed decision.

22 (Z) If all liabilities to all individuals entitled to benefits have been satisfied for a
23 pension fund covered by this section, any ordinances established for creation or
24 maintenance of the fund may be repealed by the majority vote of the duly elected
25 members of the entire legislative body of the city. If repealed, the governing body of
26 the fund shall, within sixty (60) days of repeal, proceed with the liquidation of any
27 residual assets of the fund. All residual assets liquidated pursuant to this subsection

1 shall be distributed by the fund's governing body to the city government's general
2 fund so long as the return of assets complies with federal and state law governing
3 the distribution of assets. Within thirty (30) days following the distribution of
4 residual assets, the governing body of the fund shall as its last act file a complete
5 report with the legislative body of the city of the actions taken to dissolve the fund
6 and liquidate residual assets of the fund for retention by the city clerk the same as
7 for other city records.

8 ➔Section 3. KRS 95.290 is amended to read as follows:

9 (1) The city legislative body in cities of the first class may enact ordinances providing
10 for a system of pensions for retired and disabled members of the police and fire
11 divisions of the department of public safety and their dependents, may appropriate
12 funds for the purpose of paying such pensions, may allot and pay to the policemen's
13 pension fund or the firefighters' pension fund or either or both of them, all fines and
14 forfeitures imposed upon members of the respective divisions, and may provide for,
15 assess, and collect contributions from the members for the benefit of the fund.

16 (2) (a) There shall be a governing body of the policemen's pension fund, and a
17 governing body of the firefighters' pension fund. The governing bodies of the
18 respective funds shall hold title to all assets in their respective funds, and shall
19 have exclusive authority relating to investment of the assets of the funds,
20 including contracting with investment advisors or managers to perform
21 investment services as deemed necessary and prudent by the board. A majority
22 of the governing body of each fund shall be composed of persons receiving
23 pension benefits from the respective pension systems, and no more than one
24 (1) member of the city legislative body may be a member of the governing
25 body of either the policemen's or the firefighters' pension fund, except if there
26 are fewer than six (6) active and retired members of the policemen's or the
27 firefighters' pension fund, the governing body of the pension fund shall be

1 composed of the mayor, city treasurer or chief financial officer, and two (2)
2 employees appointed by the mayor from the city's respective police
3 department or fire department. To be effective, an action of the governing
4 body of a fund shall require only a simple majority of the votes cast at a
5 properly convened meeting of the governing body where a quorum is present,
6 with a quorum being a majority of the members of a governing body.

7 (b) If there are fewer than twelve (12) active and retired members or
8 beneficiaries of the policemen's or the firefighters' pension fund, the
9 governing body of the fund may elect to offer to individuals entitled to
10 benefits from the fund a one (1) time irrevocable option to convert monthly
11 pension benefits from the fund to monthly annuity benefits from an
12 insurance company for the same amount. An insurance company accepting
13 a benefit transfer shall honor any features and options available under the
14 existing plan. If the governing body of the fund elects to offer the option to
15 convert monthly pension benefits to monthly annuity benefits, it shall
16 provide to individuals entitled to benefits from the fund sufficiently
17 complete and appropriate disclosures to assist in making an informed
18 decision.

19 (c) If all liabilities to all individuals entitled to benefits from the policemen's
20 pension fund or firefighters' pension fund have been satisfied, the ordinances
21 establishing the fund may be repealed by the majority vote of the duly elected
22 members of the entire legislative body. If repealed, the governing body of the
23 policemen's or firefighters' pension fund shall, within sixty (60) days of repeal,
24 proceed with the liquidation of any residual assets of the fund. All residual
25 assets liquidated pursuant to this paragraph shall be distributed by the
26 governing body to the city's general fund provided the return of assets
27 complies with federal and state law governing the distribution of assets.

1 Within thirty (30) days following the distribution of residual assets, the
2 governing body of the fund shall as its last act file a complete report with the
3 legislative body of the city, for retention by the city clerk the same as for other
4 city records, of the actions taken to dissolve the fund and liquidate residual
5 assets of the fund.

6 (3) Any policemen's pension fund or any firefighters' pension fund established under
7 the provisions of this section shall be held or distributed for, and only for, any of the
8 following purposes of the respective fund as applicable:

- 9 (a) Paying pensions, and any bonus payments under applicable ordinances;
- 10 (b) Making payments to the city for transfer to the County Employees Retirement
11 System for alternate participation pursuant to KRS 78.530(3)(a) and 78.531(2)
12 or for the distribution of residual assets in the event the fund is dissolved
13 pursuant to subsection (2)(c)~~(b)~~ of this section;
- 14 (c) *Making payments to the city for transfer to an insurance company for*
15 *conversion of monthly pension benefits to monthly annuity benefits as*
16 *provided in subsection (2)(b) of this section;*
- 17 (d) Transferring pension assets through investment contract or other financial
18 instrument for the purpose of amortizing unfunded service liabilities; and
- 19 ~~(e)(d)~~ Payment from the city to the County Employees Retirement System for
20 future pension contributions required pursuant to KRS 61.565.

21 Pursuant to the terms of this section, if policemen of the city of the first class elect
22 entry into the County Employees Retirement System and thereby create excess
23 funds over those required to provide for the purposes set forth in paragraphs (a), (b),
24 ~~and~~ (c), (d), and (e) of this subsection, these excess funds shall be distributed to
25 the city for use by the city for any other purpose it may elect, including, but not
26 limited to, the establishment of a reserve for payment under paragraph ~~(e)(d)~~ of
27 this subsection. The governing board of the fund may annually expend for the

1 necessary expenses connected with the fund, including but not limited to expenses
2 for medical, actuarial, accounting, and legal services, the amount such governing
3 board deems proper.

4 ~~(f)(e)~~ Payment from the city to the County Employees Retirement System for
5 future pension contributions required pursuant to KRS 61.565. Pursuant to the
6 terms of this section, if firefighters of the city of the first class elect entry into
7 the County Employees Retirement System and thereby create excess funds
8 over those required to provide for the purposes set forth in paragraphs (a), (b),
9 ~~and (c)~~, (d), and (e) of this subsection, these excess funds shall be
10 distributed according to the terms of an agreement negotiated between the city
11 and the union organization representing the firefighters. The city may use its
12 share of the distributed excess funds for any purpose it may elect, including,
13 but not limited to, the establishment of a reserve for payment under paragraph
14 (e) of this subsection.

15 (4) (a) The governing body of each pension fund shall insure that all of the assets in
16 the fund are distributed for the purposes in subsection (3) of this section, and
17 only for these purposes. If in any calendar year the assets in either fund exceed
18 those needed for the actuarial liability for payment of pension benefits and any
19 anticipated liabilities under subsection (3)(b) and (d) ~~(e)~~ of this section, the
20 legislative body of the city establishing the pension system shall insure by
21 pension bonus ordinance that a portion of these excess funds be distributed in
22 an equitable manner to all eligible pension recipients. Nothing in this
23 subsection shall be construed to require any change to be made to any pension
24 ordinance as it exists on July 15, 1998.

25 (b) The governing board of either fund may annually expend for the necessary
26 expenses connected with the fund, including but not limited to expenses for
27 medical, actuarial, accounting, and legal or other professional services, the

1 amount such governing board deems proper.

2 (5) Any ordinance establishing a pension fund under this section shall make equitable
3 provision for the rights of persons having an interest in assets transferred to the fund
4 from any fund heretofore established by statute.

5 (6) To assure equal protection for the beneficiaries of either fund, any action taken by
6 the city executive or legislative body in cities of the first class that affects a
7 policemen's pension fund or a firefighters' pension fund established under this
8 section shall, to the maximum extent permitted by law, treat each fund in a uniform
9 manner and shall not cause any change to be made to the structure or operation of
10 either fund, whether through legislation, litigation, compromise, settlement, or
11 otherwise, unless any proposed change is offered to the other fund before it takes
12 effect. Nothing in this subsection shall be construed to require any change to be
13 made to any pension ordinance as it exists on July 15, 1998.

14 (7) The legislative body in a city of the first class shall issue the appropriate order,
15 pursuant to KRS 78.530(1), directing participation for policemen in the County
16 Employees Retirement System. All new employees who would have been granted
17 membership in the local policemen's pension system shall be members of the
18 County Employees Retirement System. All active members of the local policemen's
19 pension system at the time of transition to the County Employees Retirement
20 System may choose membership in the County Employees Retirement System or
21 may retain membership in the local system. The city shall elect the alternate
22 participation plan, pursuant to KRS 78.530(3), for policemen who transfer to the
23 County Employees Retirement System. Notwithstanding the provisions of KRS
24 78.530(3)(b), the city may, at its option, extend the payment period for the cost of
25 alternate participation to a maximum of twenty (20) years with the interest at the
26 rate actuarially assumed by the board. The city shall have the right to use assets in
27 the local pension fund, other than assets necessary to pay benefits to the remaining

1 active members of the local policemen's pension system and to retirees and their
2 survivors as determined by actuarial valuation, to assist in the payment of the
3 annual installment cost of alternate participation. All policemen who become
4 members of the County Employees Retirement System pursuant to this section shall
5 be granted hazardous duty coverage, and the city may, at its option, purchase
6 accumulated sick leave for each policeman upon retirement pursuant to KRS
7 78.616.

8 (8) The legislative body in a city of the first class may issue the appropriate order,
9 pursuant to KRS 78.530(1), directing participation for firefighters in the County
10 Employees Retirement System. In the event that the legislative body in a city of the
11 first class issues such an order, then all new employees who would have been
12 granted membership in the local firefighters' pension system shall be members of
13 the County Employees Retirement System. All active members of the local
14 firefighters' pension system at the time of transition to the County Employees
15 Retirement System may choose membership in the County Employees Retirement
16 System or may retain membership in the local system. The city shall elect the
17 alternate participation plan, pursuant to KRS 78.530(3), for firefighters who transfer
18 to the County Employees Retirement System. Notwithstanding the provisions of
19 KRS 78.530(3)(b), the city may, at its option, extend the payment period for the cost
20 of alternate participation to a maximum of twenty (20) years with the interest at the
21 rate actuarially assumed by the board. The city shall have the right to use assets in
22 the local firefighters' pension fund, other than assets necessary to pay benefits to the
23 remaining active members of the local firefighters' pension system and to retirees
24 and their survivors as determined by actuarial valuation, to assist in the payment of
25 the annual installment cost of alternate participation. After certification by the
26 County Employees Retirement System of eligibility for hazardous duty coverage,
27 each firefighter who becomes a member of the County Employees Retirement

1 System pursuant to this section shall be granted hazardous duty coverage.

2 (9) Notwithstanding the provisions of KRS 61.565, which relate to the contributions
3 required of participating employers, any city of the first class participating in the
4 County Employees Retirement System hazardous duty pension plan which has in
5 effect a collective bargaining agreement with a group of employees who participate
6 in said plan, shall have the right to enter into agreement with its employees or with
7 their respective collective bargaining representatives. This agreement may include,
8 but is not limited to, specifications of what portion of the required employer
9 contribution shall be borne by the participating employer and what portion shall be
10 borne by the participating employee. This provision in no way modifies the
11 employer's obligation to remit the contributions required by the County Employees
12 Retirement System pursuant to KRS 61.565, whether such contributions are borne
13 by the city or by its participating employees.

14 (10) With regard to the employer participation or employer contributions pursuant to
15 KRS 61.565 as it relates to future pension contribution requirements or as it relates
16 to payback period or interest charge for service liability cost under alternate
17 participation, if any statute or any resolution of the appropriate state board of
18 trustees having authority over employer participation or employer contribution
19 grants any terms or conditions to any city of the home rule class, or to any county,
20 or to any urban-county government, which are more favorable in terms of
21 participation than terms or conditions granted to any city of the first class, then said
22 provisions for employer participation or contribution shall be available to the city of
23 the first class, at its option and effective upon adoption by the city of the first class
24 and notification to the County Employees Retirement System.

25 ➔Section 4. KRS 95.530 is amended to read as follows:

26 (1) In cities with a pension fund established under KRS 95.520 where there are fewer
27 than six (6) active members of the pension fund, except as provided by subsection

- 1 (3) of this section, the board of trustees of the policemen's and firefighter's pension
2 fund is composed of the mayor, city treasurer or chief financial officer, and one (1)
3 retired member each from the police and fire departments. The retired members
4 from the police and fire departments shall be elected by the respective retired
5 members of those departments annually by ballot, one (1) from each department,
6 and shall serve for one (1) year and until their respective successors are elected and
7 qualified. The board shall select from their number a president and a secretary.
- 8 (2) If there are six (6) or more active members of the fund, there shall be two (2)
9 additional board members added to the members established by subsection (1) of
10 this section who shall be one (1) active member of the fund from each department
11 elected by the active members of the fund from the respective departments and who
12 shall serve for one (1) year and until their respective successors are elected and
13 qualified. If all of the six (6) or more active members or all of the retired members
14 are from one (1) department, then both of the active member board members or
15 both of the retired board members, as the case may be, shall be elected from that
16 department.
- 17 (3) If there are fewer than six (6) active and retired members of the policemen's and the
18 firefighters' pension fund, the board of trustees shall be composed of the mayor, city
19 treasurer or chief financial officer, and two (2) employees appointed by the mayor,
20 one (1) from the city police department and one (1) from the city fire department,
21 who shall serve for one (1) year and until their respective successors are appointed
22 and qualified. If all of the members of the pension fund are from one (1)
23 department, no appointment shall be made from the other department.
- 24 (4) The board of trustees' membership shall be restructured according to the provisions
25 of this section at the time of the next scheduled election of board members after
26 July 15, 2016.
- 27 (5) **If there are fewer than twelve (12) active and retired members or beneficiaries of**

the policemen's and the firefighters' pension fund, the governing body of the fund may elect to offer to individuals entitled to benefits from the fund a one (1) time irrevocable option to convert monthly pension benefits from the fund to monthly annuity benefits from an insurance company for the same amount. An insurance company accepting a benefit transfer shall honor any features and options available under the existing plan. If the governing body of the fund elects to offer the option to convert monthly pension benefits to monthly annuity benefits, it shall provide to individuals entitled to benefits from the fund sufficiently complete and appropriate disclosures to assist in making an informed decision.

(6) If all liabilities to all individuals entitled to benefits from the policemen's and firefighters' pension fund have been satisfied, the legislative body of the city may by majority vote of the entire legislative body adopt an ordinance dissolving the fund. If adopted, the fund's board of trustees shall, within sixty (60) days of adoption, proceed with the liquidation of any residual assets of the fund. All residual assets liquidated pursuant to this subsection shall be distributed by the board of trustees to the city's general fund so long as the return of assets complies with federal and state law governing the distribution of assets. Within thirty (30) days following the distribution of residual assets, the board of trustees of the fund shall as its last act file a complete report with the legislative body of the city of the actions taken to dissolve the fund and liquidate residual assets of the fund for retention by the city clerk the same as for other city records.

➔Section 5. KRS 95.620 is amended to read as follows:

(1) Except for court or administratively ordered current child support, or owed child support, or to-be-owed child support, and except as provided in KRS 65.156, subsection (6) of Section 4 of this Act~~[KRS 95.530(5)]~~, and subsections (2), (3), and (4) of this section, the policemen's and firefighters' pension fund established

1 under KRS 95.520 shall be held and distributed for the purpose of paying pensions
2 and benefits, and for no other purpose.

3 (2) From July 15, 1982, and thereafter, the board of trustees of the pension fund shall,
4 upon the request of a member, refund a member's contributions, including
5 contributions picked up by the employer pursuant to KRS 65.155, upon that
6 member's withdrawal from service prior to qualifying for pension. The member
7 shall be entitled to receive a refund of the amount of contributions made by the
8 member, including contributions picked up by the employer pursuant to KRS
9 65.155, after the date of establishment, without interest.

10 (3) Any member receiving a refund of contributions shall thereby ipso facto forfeit,
11 waive, and relinquish all accrued rights and benefits in the system, including all
12 credited and creditable service. The board may, in its discretion, regardless of cause,
13 withhold payment of a refund for a period not to exceed six (6) months after receipt
14 of an application from a member.

15 (4) Any member who has received a refund shall be considered a new member upon
16 subsequent reemployment if such person qualifies for membership under the
17 provisions hereof. After the completion of at least five (5) years of continuous
18 membership service following his latest reemployment, such member shall have the
19 right to make a repayment to the system of the amount or amounts previously
20 received as refund, including six percent (6%) interest from the dates of refund to
21 the date of repayment. Such repayments shall not be picked up by the employer
22 pursuant to KRS 65.155. Upon the restoration of such refunds, as herein provided,
23 such member shall have reinstated to his account all credited service represented by
24 the refunds of which repayment has been made. Repayment of refunds by any
25 member shall include all refunds received by a member prior to the date of his last
26 withdrawal from service and shall be made in a single sum.

27 ➔Section 6. KRS 95.622 is amended to read as follows:

- 1 (1) There shall be created in cities that elected to adopt the provisions of KRS 95.621 to
2 95.629 a policemen's and firefighter's pension fund, and a board of trustees for that
3 fund.
- 4 (2) (a) Except as provided by paragraph (c) of this subsection, in cities where there
5 are fewer than six (6) active members of the pension fund, the board of
6 trustees of the policemen's and firefighter's pension fund shall be composed of
7 the mayor, city treasurer or chief financial officer, and one (1) retired member
8 each from the police and fire departments shall be elected by the respective
9 retired members of those departments annually by ballot, one (1) from each
10 department, and shall serve for one (1) year and until their successors are
11 elected and qualified.
- 12 (b) If there are six (6) or more active members of the fund, there shall be two (2)
13 additional board members who shall be one (1) active member of the fund
14 from each department elected by the active members of the fund from the
15 respective departments and who shall serve for one (1) year and until their
16 successors are elected and qualified. If all of the six (6) or more active
17 members or all of the retired members are from one (1) department, then both
18 of the active member board members or both of the retired board members, as
19 the case may be, shall be elected from that department.
- 20 (c) If there are fewer than six (6) active and retired members of the fund, the
21 board of trustees shall be composed of the mayor, city treasurer or chief
22 financial officer, and two (2) employees appointed by the mayor, one (1) from
23 the city police department and one (1) from the city fire department, who shall
24 serve for one (1) year and until their respective successors are appointed and
25 qualified. If all of the members of the pension fund are from one (1)
26 department, no appointment shall be made from the other department.
- 27 (d) The board shall select from their number a president and a secretary. The

1 board of trustees shall be the trustees of the pension fund and of all moneys
2 donated or paid for the relief or pensioning of members of the police and fire
3 departments. It may do all things necessary to protect the fund.

4 (3) The board of trustees may draw the pension fund from the treasury and invest it, in
5 whole or in part, in the name of the board or nominee name as provided by KRS
6 286.3-225, as the board deems most advantageous for the objects of the fund, in a
7 local government pension investment fund created pursuant to KRS 95.895 or in
8 any other securities in which trustees are permitted to invest trust funds under the
9 laws of this state. The securities shall be subject to the order of the board.

10 (4) The board of trustees' membership shall be restructured according to the provisions
11 of this section at the time of the next scheduled election of board members after
12 July 15, 2016.

13 (5) If there are fewer than twelve (12) active and retired members or beneficiaries of
14 the policemen's and firefighters' pension fund, the governing body of the fund
15 may elect to offer to individuals entitled to benefits from the fund a one (1) time
16 irrevocable option to convert monthly pension benefits from the fund to monthly
17 annuity benefits from an insurance company for the same amount. An insurance
18 company accepting a benefit transfer shall honor any features and options
19 available under the existing plan. If the governing body of the fund elects to offer
20 the option to convert monthly pension benefits to monthly annuity benefits, it
21 shall provide to individuals entitled to benefits from the fund sufficiently
22 complete and appropriate disclosures to assist in making an informed decision.

23 (6) If all liabilities to all individuals entitled to benefits from the policemen's and
24 firefighters' pension fund have been satisfied, the ordinances establishing the fund
25 may be repealed by the majority vote of the duly elected members of the entire
26 legislative body in accordance with the provisions established by subsection (6) of
27 Section 4 of this Act[KRS 95.530(5)].

1 ➔Section 7. KRS 95.767 is amended to read as follows:

- 2 (1) (a) There shall be organized in connection with the police and fire departments a
3 board to be known as the board of trustees of the policemen's and firefighter's
4 pension fund.
- 5 (b) If there are six (6) or more active members of the fund, the board shall be
6 composed of the mayor of the city, city treasurer or chief financial officer, one
7 (1) member of the city legislative body appointed by the mayor, one (1) retired
8 member each from the police and fire departments elected by the respective
9 retired members of those departments annually by ballot, and one (1) active
10 member of the fund from each department elected by the active members of
11 the fund from the respective departments annually. If all of the six (6) or more
12 active members or all of the retired members are from one (1) department,
13 then both of the active member board members or both of the retired board
14 members, as the case may be, shall be elected from that department.
- 15 (c) If there are fewer than six (6) active members of the fund, no active members
16 of the departments shall be elected to the board. The trustees shall select from
17 their number a president and secretary. The city treasurer or chief financial
18 officer shall be ex officio treasurer of the board and custodian of its funds.
- 19 (d) If there are fewer than six (6) active and retired members of the policemen's
20 and firefighters' pension fund, the board of trustees shall be composed of the
21 mayor, city treasurer or chief financial officer, one (1) member of the city
22 legislative body appointed by the mayor, and two (2) employees appointed by
23 the mayor, one (1) from the city police department and one (1) from the city
24 fire department, who shall serve for one (1) year and until their respective
25 successors are appointed and qualified. If all of the members of the pension
26 fund are from one (1) department, no appointment shall be made from the
27 other department.

(2) The board of trustees membership shall be restructured according to the provisions of this section at the time of the next scheduled election of board members after July 15, 2016.

(3) If there are fewer than twelve (12) active and retired members or beneficiaries of the policemen's and firefighters' pension fund, the governing body of the fund may elect to offer to individuals entitled to benefits from the fund a one (1) time irrevocable option to convert monthly pension benefits from the fund to monthly annuity benefits from an insurance company for the same amount. An insurance company accepting a benefit transfer shall honor any features and options available under the existing plan. If the governing body of the fund elects to offer the option to convert monthly pension benefits to monthly annuity benefits, it shall provide to individuals entitled to benefits from the fund sufficiently complete and appropriate disclosures to assist in making an informed decision.

➔Section 8. KRS 95.869 is amended to read as follows:

- (1) (a) The responsibility for the proper operation of the fund and the direction of its policies shall be vested in a board of trustees.
- (b) If there are no active members of the fund, the board of trustees shall consist of four (4) members who shall be: (a) the mayor ex officio; (b) the city treasurer or chief financial officer ex officio; and (c) one (1) retired member of each department who shall be elected by ballot by the retired members of the respective departments. The mayor ex officio and the city treasurer ex officio shall serve for terms of one (1) year under rules adopted by the board. The two (2) retired members of the police and fire department shall serve for terms of at least one (1) year with a maximum of two (2) years under rules adopted by the board. If there are active members of the fund, there shall be two (2) additional board members who shall be one (1) active member of the fund from each department elected by ballot by the active members of the fund

1 from the respective departments and who shall serve for terms of at least one
2 (1) year with a maximum of two (2) years under rules adopted by the board. If
3 all of the active members or all of the retired members are from one (1)
4 department, then both of the active-member board members or both of the
5 retired board members shall be elected from that department.

6 (c) If there are fewer than six (6) active and retired members of the fund, the
7 board of trustees shall be composed of the mayor, city treasurer or chief
8 financial officer, and two (2) employees appointed by the mayor, one (1) from
9 the city police department and one (1) from the city fire department, who shall
10 serve for one (1) year and until their respective successors are appointed and
11 qualified. If all of the members of the pension fund are from one (1)
12 department, no appointment shall be made from the other department.

13 (d) If there are fewer than six (6) active and retired members of the fund from
14 one (1) department, the board of trustees shall be composed of the mayor,
15 city treasurer or chief financial officer, one (1) retired member of the
16 department with six (6) or more active or retired members of the fund who
17 shall be elected by ballot by the retired members of the department, and one
18 (1) employee appointed by the mayor from the department with fewer than
19 six (6) active and retired members of the fund who shall serve for one (1)
20 year and until their respective successors are appointed and qualified.

21 (e) In the event of a vacancy of an elected member, the pension board may fill the
22 vacancy by appointment until the next regular election.

23 (2) The board of trustees membership shall be restructured according to the provisions
24 of this section at the time of the next scheduled election of board members after
25 July 15, 2020~~[2016]~~.

26 (3) Any member of the board convicted of an offense relating to mismanagement or
27 embezzlement of the fund created pursuant to KRS 95.852 shall be removed from

1 the board and shall be prohibited from serving on the board. If the board member
2 removed is an ex officio member, the city council shall appoint a replacement until
3 another person shall fill the office entitled to a seat on the board. If the board
4 member removed is an active policeman or firefighter, the board shall fill the
5 vacancy by appointment of another active policeman or firefighter until the next
6 regular election.

7 (4) *If there are fewer than twelve (12) active and retired members or beneficiaries of*
8 *the policemen's and firefighters' pension fund, the governing body of the fund*
9 *may elect to offer to individuals entitled to benefits from the fund a one (1) time*
10 *irrevocable option to convert monthly pension benefits from the fund to monthly*
11 *annuity benefits from an insurance company for the same amount. An insurance*
12 *company accepting a benefit transfer shall honor any features and options*
13 *available under the existing plan. If the governing body of the fund elects to offer*
14 *the option to convert monthly pension benefits to monthly annuity benefits, it*
15 *shall provide to individuals entitled to benefits from the fund sufficiently*
16 *complete and appropriate disclosures to assist in making an informed decision.*

17 (5) If all liabilities to all individuals entitled to benefits from the policemen's and
18 firefighters' pension fund have been satisfied, the ordinances establishing the fund
19 may be repealed by the majority vote of the duly elected members of the entire
20 legislative body. If repealed, the fund's board of trustees shall, within sixty (60) days
21 of repeal, proceed with the liquidation of any residual assets of the fund. All
22 residual assets liquidated pursuant to this subsection shall be distributed by the
23 board of trustees to the city's general fund so long as the return of assets complies
24 with federal and state law governing the distribution of assets. Within thirty (30)
25 days following the distribution of residual assets, the board of trustees of the fund
26 shall as its last act file a complete report with the legislative body of the city of the
27 actions taken to terminate the fund and liquidate residual assets of the fund for

1 retention by the city clerk the same as for other city records.