3.7 Kentucky Community and Technical College System Retirement Plan Policies

3.7.1 Retirement Plans
Participation in a KCTCS retirement plan is mandatory and a condition of employment, with the exception of student workers. All eligible employees not enrolled in a KCTCS sponsored plan as of January 1, 2014, shall be required to enroll in a KCTCS sponsored 403(b) defined contribution plan.

3.7.2 Defined Benefit Plans
KTRS is a defined benefit plan for employees employed in selected education-related organizations working in a position that requires certification or a degree from a four-year college or university. KERS is a defined benefit plan for non-instructional employees working in a position with a state university that does not require a degree or certification. The rates for contributions and multipliers for retirement annuities are defined by state statute. An irrevocable, one-time election is made to enter either plan. The employee must remain in that retirement system as long as they are in a position that is covered under that retirement system.

3.7.3 403(b) Defined Contribution Plan
Employees that enroll in a defined contribution plan make an irrevocable, one-time salary reduction (pre-tax) agreement when entering the plan. The employee may not withdraw from the KCTCS 403(b) defined contribution plan as long as that employee remains eligible for plan participation.

3.7.3.1 Contributions as a Percent of Annual Salary

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<th>By the Participant</th>
<th>By the Institution</th>
<th>Total</th>
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<td>5%</td>
<td>10%</td>
<td>15%</td>
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KCTCS, or its designate, will withhold the contribution of the participant from regular salary payments, add its contribution, and remit the combined sum to the retirement plan carrier selected by the participant for the purchase of retirement benefits. Retirement contributions are made on the participant’s salary. Retirement benefits purchased with the combined participant and KCTCS contributions shall become the property of individual participants immediately upon purchase. There is no vesting period. All benefits are for the sole purpose of providing retirement benefits, or death benefits, or both. Participants cannot access their retirement accounts until they separate from service with KCTCS except to use their retirement account as collateral on a 403(b) loan, if allowed, from their 403(b) carrier.
An employee hired with an effective date on or after July 1, 2009 shall be subject to a vesting schedule for employer contributions. An employee must work a total of five years (60 months) of continuous service to be able to complete the vesting period and be eligible to receive the employee’s accrued benefits derived from employer contributions.

In addition to other applicable limitations stated in the plan, and notwithstanding any other provisions of the KCTCS retirement policies to the contrary, the annual compensation of each employee taken into account under the plan shall not exceed the Omnibus Budget Reconciliation Act of 1993 (OBRA ‘93) annual maximum includable compensation limit.

The OBRA ‘93 annual limit is adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401 (a) (17) (B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, beginning in such calendar year over which compensation is determined. This is the determination period. The determination period may not exceed 12 months. If a determination period consists of fewer than 12 months, the OBRA ‘93 annual limit will be multiplied by a fraction, the numerator of which is the number of months in the determination period, and the denominator, which is 12.

Any reference in this plan to the limitation under section 401 (a) (17) of the Code shall mean the OBRA ‘93 annual maximum includable compensation limit stated in this provision. The KCTCS Retirement Plan Year is deemed to begin July 1 of a calendar year and end June 30 of the next calendar year.

If compensation for any prior determination period is taken into account in determining an employee’s benefits accruing in the current plan year, the compensation for that prior determination period is subject to the OBRA ‘93 annual limit in effect for that prior determination period.

If by applying the above-stated percentages there would be a violation of federal or state laws, as a result of the employee or employer contributions or both, these percentages shall not be applied to the extent of violating applicable laws. In these cases, the amount of the employer contribution that cannot be forwarded to a retirement plan carrier shall be paid to the employee as a temporary salary increase for the balance of the calendar year.

3.7.3.2 Investments

The participant must advise the retirement plan carrier which investment options have been chosen. If two or more options are selected with a retirement carrier, the part of the retirement contribution that is to be allocated to each option shall be specified. A participant may change the investment options by contacting the retirement carrier.
3.7.3.3 Termination of Contributions
Contributions on behalf of a participant in a retirement plan shall terminate upon cessation of employment or retirement.

3.7.3.4 Retirement Date
Retirement is authorized when the combination of the employee’s age and years of regular full-time service (with a minimum of 15 years of continuous service at the time of retirement) equals or exceeds the number 75. Regular part-time service will be counted on a pro rata basis. Employees that are retiring must provide written notification through normal administrative channels to their appropriate Chancellor or Vice President at least three months in advance of the desired retirement date.

3.7.3.5 Sick Leave Conversion
Former UKCCS employees that were employed by the University of Kentucky prior to July 1, 1995, will receive a payment for unused sick leave if the accrued balance is at least 66 days. The first 22 days will be at full pay and the remaining days will be paid at the rate of the KCTCS retirement contribution rate which is currently 10%.

3.7.3.6 Retirement Benefits
Each participant is entitled at retirement to activate any retirement benefits that have been accrued under the KCTCS retirement plan in accordance with the rules established by the retirement plan carriers. In addition to lump sum or partial lump sum provisions, there will be both annuitized and non-annuitized methods of withdrawal. There may be variances in the retirement withdrawal options among the carriers. All retirement plan carriers do not offer the same withdrawal options.

3.7.3.7 Periods of Service
As used in the defined contribution retirement plan, "period of service" means the number of years of full-time employment, plus credit allowed for part-time employment, plus periods in an approved leave of absence status. Employees can earn only one year of service per calendar year, regardless of any extra part-time employment above the normal 37.5-hour work week within KCTCS.

3.7.3.8 Contributions During a Leave
Contributions shall be made only on the actual salary the employee is paid through the KCTCS payroll. Contributions will not be increased for partial salaries. This includes sabbatical leave.
3.7.3.9 Purchase of Service Credit

The 403(b) defined contribution plan does not have a feature that allows the purchase of service from prior service in military, public employment, or higher education positions. This feature is common in defined benefit plans, but is not used in a defined contribution plan.

3.7.4 401(a) Defined Contribution Plan

The KCTCS President, the College President/CEOs, the KCTCS Vice Presidents, and the KCTCS General Counsel are eligible for participation in a 401(a) retirement plan. Participation in this plan is in addition to participation in any other retirement plan for which the employee is eligible.

3.7.5 Conversion of Health Insurance Upon Retirement

3.7.5.1 403(b) Defined Contribution Plan Retirees

Employees that meet the retirement criteria will continue to receive a contribution toward the cost of their health insurance plan. Employees under age 65 will remain on a regular health insurance plan until age 65, while employees that retire and are eligible for Medicare will be placed on a Medicare eligible health insurance plan.

Employees hired with an effective date on or after July 1, 2009, and employees whose participation in the 403(b) defined contribution plan began on or after January 1, 2014, who retire under the provisions of KCTCS Board of Regents Policy 3.7 are not eligible for participation in a KCTCS sponsored retiree health plan.

Employees that retire from the Community Colleges under UK benefits at the time of retirement will receive their health insurance credit per UK policy and participate in the UK health plans. Any Community College employee that has retired under the UK benefits will be ineligible for the health insurance credit available through employment under the KCTCS personnel system.

3.7.5.2 KTRS/KERS

Requirements for health insurance coverage in retirement are established by state statute. Employees should contact the appropriate retirement system office for details.
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