

1           AN ACT relating to sick leave for school district personnel.

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

3           ➔Section 1. KRS 161.155 is amended to read as follows:

4    (1) As used in this section:

5           (a) "Assault" shall mean an act that intentionally causes injury so significant that  
6           the victim is determined to be, by certification of a physician or surgeon duly  
7           qualified under KRS Chapter 342, incapable of performing the duties of his or  
8           her job;

9           (b) "Employee" shall mean any person, other than a teacher, employed in the  
10           public schools, whether on a full or part-time basis;

11           (c) "Immediate family" shall mean the teacher's or employee's spouse, children  
12           including stepchildren and foster children, grandchildren, daughters-in-law  
13           and sons-in law, brothers and sisters, parents and spouse's parents, and  
14           grandparents and spouse's grandparents, without reference to the location or  
15           residence of said relative, and any other blood relative who resides in the  
16           teacher's or employee's home;

17           (d) "Sick leave bank" shall mean an aggregation of sick leave days contributed by  
18           teachers or employees for use by teachers or employees who have exhausted  
19           all sick leave and other available paid leave days; and

20           (e) "Teacher" shall mean any person for whom certification is required as a basis  
21           of employment in the common schools of the state.

22    (2) Each district board of education shall allow to each teacher and full-time employee  
23           in its common school system not less than ten (10) days of sick leave during each  
24           school year, without deduction of salary. Sick leave shall be granted to a teacher or  
25           employee if he or she presents a personal statement or a certificate of a physician  
26           stating that the teacher or employee was ill, that the teacher or employee was absent  
27           for the purpose of attending to a member of his or her immediate family who was

1       ill, or for the purpose of mourning a member of his or her immediate family.  
2       Teachers and employees of the school district may also use accumulated sick  
3       leave for the observance of religious holidays not otherwise included in the  
4       school calendar if the teacher or employee submits a personal statement  
5       verifying the observance of the religious holiday and provides sufficient advance  
6       notice as determined by the school district. The ten (10) days of sick leave granted  
7       in this subsection may be taken by a teacher or employee on any ten (10) days of  
8       the school year and shall be granted in addition to accumulated sick leave days that  
9       have been credited to the teacher or employee under the provisions of subsection  
10      (4) of this section.

11      (3) A school district shall coordinate among the income and benefits from workers'  
12       compensation, temporary disability retirement, and district payroll and benefits so  
13       that there is no loss of income or benefits to a teacher or employee for work time  
14       lost because of an assault while performing the teacher's or employee's assigned  
15       duties for a period of up to one (1) year after the assault. In the event a teacher or  
16       employee suffers an assault while performing his or her assigned duties that results  
17       in injuries that qualify the teacher or employee for workers' compensation benefits,  
18       the district shall provide leave to the teacher or employee for up to one (1) year  
19       after the assault with no loss of income or benefits under the following conditions:  
20       (a) The district shall pay the salary of the teacher or employee between the time  
21       of the assault and the time the teacher's or employee's workers' compensation  
22       income benefits take effect, or the time the teacher or employee is certified to  
23       return to work by a physician or surgeon duly qualified under KRS Chapter  
24       342, whichever is sooner;  
25       (b) The district shall pay, for up to one (1) year from the time of the assault, the  
26       difference between the salary of the teacher or employee and any workers'  
27       compensation income benefits received by the teacher or employee resulting

1 from the assault. Payments by the district shall include payments for  
2 intermittent work time missed as a result of the assault during the one (1) year  
3 period. If the teacher's or employee's workers' compensation income benefits  
4 cease during the one (1) year period after the assault, the district shall also  
5 cease to make payments under this paragraph;

6 (c) The Commonwealth, through the Kentucky Department of Education, shall  
7 make the employer's health insurance contribution during the period that the  
8 district makes payments under paragraphs (a) and (b) of this subsection;  
9 (d) The Commonwealth, through the Kentucky Department of Education, shall  
10 make the employer's contribution to the retirement system in which the  
11 teacher or employee is a member during the period that the district makes  
12 payments under paragraphs (a) and (b) of this subsection; and  
13 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this  
14 subsection shall be coordinated with workers' compensation benefits under  
15 KRS Chapter 342, disability retirement benefits for teachers under KRS  
16 161.661 to 161.663, and disability retirement benefits for employees under  
17 KRS 61.600 to 61.621 and 78.5522, 78.5524, 78.5526, 78.5528, and 78.5530  
18 so that the teacher or employee receives income equivalent to his or her full  
19 contracted salary, but in no event shall the combined payments exceed one  
20 hundred percent (100%) of the teacher's or employee's full contracted salary.

21 (4) (a) 1. Except as otherwise provided in paragraph (b) of this subsection, days  
22 of sick leave not taken by an employee or a teacher during any school  
23 year shall accumulate without limitation and be credited to that  
24 employee or teacher. Accumulated sick leave may be taken in any  
25 school year.

26           2. Any district board of education may, in its discretion, allow employees  
27            or teachers in its common school system sick leave in excess of the

number of days prescribed in this section and may allow school district employees and teachers to use up to three (3) days' sick leave per school year for emergency leave pursuant to KRS 161.152(3).

3. Any accumulated sick leave days credited to an employee or a teacher shall remain so credited in the event he or she transfers his or her place of employment from one (1) school district to another within the state or to the Kentucky Department of Education or transfers from the Department of Education to a school district.

**(b) 1. A school district may establish a program to annually compensate an employee or a teacher prior to retirement for each unused sick leave day the teacher or employee has accrued in excess of fifteen (15) days, provided the employee or teacher has elected to receive compensation for the excess unused sick leave. The rate of compensation for each unused sick leave day shall be based on a percentage of the daily salary rate calculated from the employee's or teacher's last annual salary, not to exceed thirty percent (30%). Upon payment for compensation of unused sick days, the employee's or teacher's sick leave balance shall be reduced by the number of days compensated by the school district.**

2. The compensation for unused sick days established by this paragraph shall not be considered compensation or creditable compensation for purposes of any contributions payable to or for computation of benefits payable by the Teachers' Retirement System under KRS 161.220 to 161.716 or the County Employees Retirement System under KRS 78.510 to 78.852.

**3. Payments for compensation made by a district board of education**

*under this paragraph are presumed to be for services rendered and for*

**the benefit of the common schools, and the payments do not affect the  
eligibility of any school district to participate in any public school  
funding program established in KRS Chapter 157.**

4 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to  
5 the opening day of the school year, a statement or a certificate of a physician is  
6 presented to the district board of education, stating that the teacher or employee is  
7 unable to commence his or her duties on the opening day of the school year, but  
8 will be able to assume his or her duties within a period of time that the board  
9 determines to be reasonable.

10 (6) Any school teacher or employee may repurchase previously used sick leave days  
11 with the concurrence of the local school board by paying to the district an amount  
12 equal to the total of all costs associated with the used sick leave. **The provisions of**  
13 **this subsection shall not apply to sick leave days compensated pursuant to**  
14 **subsection (4)(b) of this section.**

15 (7) A district board of education may adopt a plan for a sick leave bank. The plan may  
16 include limitations upon the number of days a teacher or employee may annually  
17 contribute to the bank and limitations upon the number of days a teacher or  
18 employee may annually draw from the bank. Only those teachers or employees who  
19 contribute to the bank may draw upon the bank. Days contributed will be deducted  
20 from the days available to the contributing teacher or employee. The sick leave  
21 bank shall be administered in accordance with a policy adopted by the board of  
22 education.

23 (8) (a) A district board of education shall establish a sick leave donation program to  
24 permit teachers or employees to voluntarily contribute sick leave to teachers  
25 or employees in the same school district who are in need of an extended  
26 absence from school. A teacher or employee who has accrued more than  
27 fifteen (15) days' sick leave may request the board of education to transfer a

1 designated amount of sick leave to another teacher or employee who is  
2 authorized to receive the sick leave donated. A teacher or employee may not  
3 request an amount of sick leave be donated that reduces his or her sick leave  
4 balance to less than fifteen (15) days.

5 (b) A teacher or employee may receive donations of sick leave if:

6     1. a. The teacher or employee or a member of his or her immediate

7         family suffers from a medically certified illness, injury,

8         impairment, or physical or mental condition that has caused or is

9         likely to cause the teacher or employee to be absent for at least ten

10        (10) days; or

11     b. The teacher or employee suffers from a catastrophic loss to his or

12        her personal or real property, due to either a natural disaster or fire,

13        that either has caused or will likely cause the employee to be

14        absent for at least ten (10) consecutive working days;

15     2. The teacher's or employee's need for the absence and use of leave are

16        certified by a licensed physician for leave requested under subparagraph

17        1.a. of this paragraph[subsection];

18     3. The teacher or employee has exhausted his or her accumulated sick

19        leave, personal leave, and any other leave granted by the school district;

20        and

21     4. The teacher or employee has complied with the school district's policies

22        governing the use of sick leave.

23 (c) While a teacher or employee is on sick leave provided by this section, he or

24        she shall be considered a school district employee, and his or her salary,

25        wages, and other employee benefits shall not be affected.

26 (d) Any sick leave that remains unused, is not needed by a teacher or employee,

27        and will not be needed in the future shall be returned to the teacher or

1 employee donating the sick leave.

2 (e) The board of education shall adopt policies and procedures necessary to  
3 implement the sick leave donation program.

4 (9) (a) A teacher or employee may use up to thirty (30) days of sick leave following  
5 the birth or adoption of a child or children. Additional days may be used when  
6 the need is verified by a physician's statement.

7 (b) On or before July 1, 2030, each school district shall establish a policy to  
8 provide up to thirty (30) paid maternity leave days for a teacher or employee  
9 who gives birth to a child. The maternity leave days shall be used without  
10 deduction of salary and shall be used prior to the teacher or employee using  
11 any other leave. Any maternity leave days unused by the teacher or employee  
12 shall not transfer into sick leave or be converted to any other leave type and  
13 shall expire upon return to work. This paragraph shall not limit a school  
14 district's authority to establish additional paid maternity benefits or to provide  
15 paid parental leave benefits.

16 (10) (a) A district board of education may compensate, at the time of retirement or  
17 upon the death of a member in active contributing status at the time of death  
18 who was eligible to retire by reason of service, an employee or a teacher, or  
19 the estate of an employee or teacher, for each unused sick leave day. The rate  
20 of compensation for each unused sick leave day shall be based on a  
21 percentage of the daily salary rate calculated from the employee's or teacher's  
22 last annual salary, not to exceed thirty percent (30%).

23 (b) Except as provided in paragraph (c) of this subsection, payment for unused  
24 sick leave days under this subsection shall be incorporated into the annual  
25 salary of the final year of service for inclusion in the calculation of the  
26 employee's or teacher's retirement allowance only at the time of his or her  
27 initial retirement, provided that the member makes the regular retirement

1 contribution for members on the sick leave payment. The accumulation of  
2 these days includes unused sick leave days held by the employee or teacher at  
3 the time of implementation of the program.

4 (c) For a teacher or employee who becomes a nonuniversity member of the  
5 Teachers' Retirement System on or after January 1, 2022, as provided by KRS  
6 161.220, payment for unused sick leave days under this subsection shall not  
7 be incorporated into the annual compensation used to calculate the teacher's or  
8 employee's retirement allowance in the foundational benefit component as  
9 described by KRS 161.633 but may be deposited into the nonuniversity  
10 member's supplemental benefit component as provided by KRS 161.635.

11 (d) For a teacher or employee who begins employment with a local school district  
12 on or after July 1, 2008, the maximum amount of unused sick leave days a  
13 district board of education may recognize in calculating the payment of  
14 compensation to the teacher or employee under this subsection shall not  
15 exceed three hundred (300) days.

16 (e) 1. Actuarial costs to the Teachers' Retirement System for the inclusion of  
17 payment for unused sick leave days that are eligible for compensation  
18 under paragraph (b) of this subsection shall be funded in accordance  
19 with this paragraph.

20 2. The state shall pay the actuarial costs for the compensation attributable  
21 to the actual unused sick leave accrued as of June 30, 2025, plus annual  
22 adjustments to the sick leave balance each fiscal year thereafter, based  
23 upon the sick leave accrued or used by the teacher or employee, not to  
24 exceed thirteen (13) additional days per year. Unused sick leave payable  
25 by the state shall not include any annual leave described by KRS  
26 161.540(1)(f) or the cost of unused sick days for employees retiring  
27 from agencies listed in KRS 161.220(4)(d) and (f).

- 1       3. The last employer who is compensating the unused sick day as provided  
2                in paragraph (a) of this subsection shall pay the actuarial costs of  
3                compensation for unused sick leave days not paid by the state under  
4                subparagraph 2. of this paragraph. Upon the teacher's or employee's  
5                retirement, the Teachers' Retirement System shall bill the last employer  
6                for the cost of the unused sick days, and the employer shall pay the costs  
7                within fifteen (15) days after receiving notification of the cost from the  
8                system.
- 9        4. The actuarial costs of the unused sick days shall be the amount payable  
10               for unused sick days after the fixed statutory employee and employer  
11               contributions have been paid as provided in KRS 161.540 and  
12               161.550(1) and that is necessary to fund the benefit.
- 13       (f) For the fiscal year ending June 30, 2025, and each fiscal year thereafter, each  
14               school district shall annually report to the Teachers' Retirement System the  
15               sick leave balances for each teacher and employee who is a member of the  
16               Teachers' Retirement System. The report shall include for each teacher or  
17               employee:
  - 18               1. The sick leave days accrued at the beginning of the fiscal year;
  - 19               2. The sick leave days accrued during the fiscal year;
  - 20               3. Any other days of leave added to the sick leave balance during the fiscal  
21               year by rollover, conversion, or any other method;
  - 22               4. The sick leave days used during the fiscal year or compensated  
23               pursuant to subsection (4)(b) of this section; and
  - 24               5. The sick leave balance at the end of the fiscal year.
- 25       (g) Each school district shall file with the Teachers' Retirement System  
26               information regarding their sick leave policies and provisions that are  
27               applicable to members of the system, including:

9                   The reporting required by this paragraph shall include a description of  
10                   whether the policies or contracts governing sick leave policies apply to all  
11                   employees, a class of employees, or a specific employee of the district.

12 (11) Any statute to the contrary notwithstanding, employees and teachers who  
13 transferred from the Department of Education to a school district, from a school  
14 district to the Department of Education, or from one (1) school district to another  
15 school district after July 15, 1981, shall receive credit for any unused sick leave to  
16 which the employee or teacher was entitled on the date of transfer. This credit shall  
17 be for the purposes set forth in subsection (10) of this section.

18 (12) The death benefit provided in subsection (10) of this section may be cited as the  
19 Baughn Benefit.

20 ➔Section 2. KRS 78.616 is amended to read as follows:

21 (1) Any employer participating in the County Employees Retirement System which has  
22 formally adopted a sick-leave program that is universally administered to its  
23 employees may purchase service credit with the retirement system for up to six (6)  
24 months of unused sick leave for each retiring employee.

25 (2) Participation under this section shall be at the option of each participating  
26 employer. The election to participate shall be made by the governing authority of  
27 the participating employer and shall be certified in writing to the system on forms

1       prescribed by the board. The certification shall provide for equal treatment of all  
2       employees participating under this section.

3       (3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590,  
4       the employer shall certify the retiring employee's unused, accumulated sick-  
5       leave balance to the system. The member's sick-leave balance, expressed in  
6       days, shall be divided by the average number of working days per month in  
7       county service and rounded to the nearest number of whole months. A  
8       maximum of six (6) months of the member's sick-leave balance, expressed in  
9       months, shall be added to his service credit for the purpose of determining his  
10      annual retirement allowance under KRS 78.510 to 78.852 and for the purpose  
11      of determining whether the member is eligible to receive a retirement  
12      allowance under KRS 78.510 to 78.852, except as provided by paragraph (d)  
13      of this subsection. Accumulated sick-leave in excess of six (6) months shall  
14      be added to the member's service credit if the member or employer pays to the  
15      retirement system the value of the additional service credit based on the  
16      formula adopted by the board, subject to the restrictions provided by  
17      paragraph (d) of this subsection.

18       (b) The employer may elect to pay fifty percent (50%) of the cost of the sick  
19       leave in excess of six (6) months on behalf of its employees. The employee  
20       shall pay the remaining fifty percent (50%). The payment by the employer  
21       shall not be deposited to the member's account. Service credit shall not be  
22       credited to the member's account until both the employer's and employee's  
23       payments are received by the retirement system.

24       (c) Once the employer elects to pay all or fifty percent (50%) of the cost on  
25       behalf of its employees, it shall continue to pay the same portion of the cost.

26       (d) For a member who begins participating in the retirement system on or after  
27       September 1, 2008, but prior to January 1, 2014, whose employer has

1 established a sick-leave program under subsections (1) to (4) and (6) of this  
2 section:

1                    daily salary rate calculated from the employee's current rate of pay. Payment  
2                    for unused sick-leave days shall be incorporated into the employee's final  
3                    compensation if the employee and employer make the regular employee and  
4                    employer contributions, respectively, on the sick-leave payment.

5                    (c) The number of sick-leave days for which the employee is compensated shall  
6                    be divided by the average number of working days per month in county  
7                    service and rounded to the nearest number of whole months. This number of  
8                    months shall be added to the employee's total service credit and to the number  
9                    of months used to determine creditable compensation, pursuant to KRS  
10                   78.510, but no more than sixty (60) months shall be used to determine final  
11                   compensation. For an employee who begins participating on or after  
12                   September 1, 2008, but prior to January 1, 2014, the number of months added  
13                   to the employee's total service credit under this paragraph shall not exceed  
14                   twelve (12) months, and the additional service shall not be used to determine  
15                   whether a member is eligible to receive a retirement allowance under KRS  
16                   78.510 to 78.852.

17                   (6) Any city of the first class that has two (2) or more sick-leave programs for its  
18                   employees may purchase service credit with the retirement system for up to six (6)  
19                   months of unused sick leave for each retiring employee who participates in the sick-  
20                   leave program administered to a majority of the eligible employees of the city. An  
21                   employee participating in a sick-leave program administered to a minority of the  
22                   eligible employees shall become eligible for the purchase of service credit under  
23                   this subsection when the employee commences participating in the sick-leave  
24                   program that is administered to a majority of the eligible employees of the city.

25                   (7) The provisions of this section shall not apply to employees who begin participating  
26                   in the system on or after January 1, 2014, and no service credit shall be provided for  
27                   accumulated sick leave balances of those employees who begin participating in the

1 system on or after January 1, 2014.

2 ➔Section 3. KRS 161.220 is amended to read as follows:

3 As used in KRS 161.220 to 161.716 and 161.990:

4 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to  
5 161.716 and 161.990 for payment of allowances to members;

6 (2) "Retirement allowance" means the amount annually payable during the course of  
7 his or her natural life to a member who has been retired by reason of service;

8 (3) "Disability allowance" means the amount annually payable to a member retired by  
9 reason of disability;

10 (4) "Member" means the commissioner of education, deputy commissioners, associate  
11 commissioners, and all division directors in the State Department of Education,  
12 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any  
13 full-time teacher or professional occupying a position requiring certification or  
14 graduation from a four (4) year college or university, as a condition of employment,  
15 and who is employed by public boards, institutions, or agencies as follows:

16 (a) Local boards of education and public charter schools if the public charter  
17 school satisfies the criteria set by the Internal Revenue Service to participate  
18 in a governmental retirement plan;

19 (b) Eastern Kentucky University, Kentucky State University, Morehead State  
20 University, Murray State University, Western Kentucky University, and any  
21 community colleges established under the control of these universities;

22 (c) State-operated secondary area vocational education or area technology  
23 centers, Kentucky School for the Blind, and Kentucky School for the Deaf;

24 (d) Other public education agencies as created by the General Assembly and  
25 those members of the administrative staff of the Teachers' Retirement System  
26 of the State of Kentucky whom the board of trustees may designate by  
27 administrative regulation;

- (e) Regional cooperative organizations formed by local boards of education or other public educational institutions listed in this subsection, for the purpose of providing educational services to the participating organizations;
- (f) All full-time members of the staffs of the Kentucky Association of School Administrators, Kentucky Education Association, Kentucky Vocational Association, Kentucky High School Athletic Association, Kentucky Academic Association, and the Kentucky School Boards Association who were members of the Kentucky Teachers' Retirement System or were qualified for a position covered by the system at the time of employment by the association in the event that the board of directors of the respective association petitions to be included. The board of trustees of the Kentucky Teachers' Retirement System may designate by resolution whether part-time employees of the petitioning association are to be included. The state shall make no contributions on account of these employees, either full-time or part-time. The association shall make the employer's contributions, including any contribution that is specified under KRS 161.550. The provisions of this paragraph shall be applicable to persons in the employ of the associations on or subsequent to July 1, 1972;
- (g) Employees of the Council on Postsecondary Education who were employees of the Department for Adult Education and Literacy and who were members of the Kentucky Teachers' Retirement System at the time the department was transferred to the council pursuant to Executive Order 2003-600;
- (h) The Office of Career and Technical Education;
- (i) The Office of Vocational Rehabilitation;
- (j) The Kentucky Educational Collaborative for State Agency Children;
- (k) The Governor's Scholars Program;
- (l) Any person who is retired for service from the retirement system and is

1           reemployed by an employer identified in this subsection in a position that the  
2           board of trustees deems to be a member, except that any person who becomes  
3           a member on or after January 1, 2022, and subsequently draws a monthly  
4           lifetime retirement allowance, shall upon reemployment after retirement not  
5           earn a second retirement account;

6           (m) Employees of the former Cabinet for Workforce Development who are  
7           transferred to the Kentucky Community and Technical College System and  
8           who occupy positions covered by the Kentucky Teachers' Retirement System  
9           shall remain in the Teachers' Retirement System. New employees occupying  
10           these positions, as well as newly created positions qualifying for Teachers'  
11           Retirement System coverage that would have previously been included in the  
12           former Cabinet for Workforce Development, shall be members of the  
13           Teachers' Retirement System;

14           (n) Effective January 1, 1998, employees of state community colleges who are  
15           transferred to the Kentucky Community and Technical College System shall  
16           continue to participate in federal old age, survivors, disability, and hospital  
17           insurance, and a retirement plan other than the Kentucky Teachers' Retirement  
18           System offered by Kentucky Community and Technical College System. New  
19           employees occupying positions in the Kentucky Community and Technical  
20           College System as referenced in KRS 164.5807(5) that would not have  
21           previously been included in the former Cabinet for Workforce Development,  
22           shall participate in federal old age, survivors, disability, and hospital  
23           insurance and have a choice at the time of employment of participating in a  
24           retirement plan provided by the Kentucky Community and Technical College  
25           System, including participation in the Kentucky Teachers' Retirement System,  
26           on the same basis as faculty of the state universities as provided in KRS  
27           161.540 and 161.620;

1 (o) Employees of the Office of General Counsel, the Office of Budget and  
2 Administrative Services, and the Office of Quality and Human Resources  
3 within the Office of the Secretary of the former Cabinet for Workforce  
4 Development and the commissioners of the former Department for Adult  
5 Education and Literacy and the former Department for Technical Education  
6 who were contributing to the Kentucky Teachers' Retirement System as of  
7 July 15, 2000;

8 (p) Employees of the Kentucky Department of Education only who are graduates  
9 of a four (4) year college or university, notwithstanding a substitution clause  
10 within a job classification, and who are serving in a professional job  
11 classification as defined by the department;

12 (q) The Governor's School for Entrepreneurs Program;

13 (r) Employees of the Office of Adult Education within the Department of  
14 Workforce Development in the Education and Labor Cabinet who were  
15 employees of the Council on Postsecondary Education, Kentucky Adult  
16 Education Program and who were members of the Kentucky Teachers'  
17 Retirement System at the time the Program was transferred to the cabinet  
18 pursuant to Executive Orders 2019-0026 and 2019-0027;

19 (s) Employees of the Education Professional Standards Board who were  
20 members of the Kentucky Teachers' Retirement System at the time the  
21 employees were transferred to the Kentucky Department of Education  
22 pursuant to Executive Order 2020-590; and

23 (t) WeLeadCS, the virtual computer science career academy established in KRS  
24 158.809;

25 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,  
26 and became a member of the retirement system created by 1938 (1st Extra. Sess.)  
27 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year

1 after that date, and any teacher who was a member of a local teacher retirement  
2 system in the public elementary or secondary schools of the state on or before July  
3 1, 1940, and continued to be a member of the system until he or she, with the  
4 membership of the local retirement system, became a member of the state Teachers'  
5 Retirement System or who becomes a member under the provisions of KRS  
6 161.470(4);

7 (6) "New teacher" means any member not a present teacher;

8 (7) "Prior service" means the number of years during which the member was a teacher  
9 in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior  
10 service shall be allowed or credited to any teacher;

11 (8) "Subsequent service" means the number of years during which the teacher is a  
12 member of the Teachers' Retirement System after July 1, 1941;

13 (9) "Final average salary" means the average of the five (5) highest annual salaries  
14 which the member has received for service in a covered position and on which the  
15 member has made contributions, or on which the public board, institution, or  
16 agency has picked-up member contributions pursuant to KRS 161.540(2), or the  
17 average of the five (5) years of highest salaries as defined in KRS 61.680(2)(a),  
18 which shall include picked-up member contributions. Additionally, the board of  
19 trustees may approve a final average salary based upon the average of the three (3)  
20 highest salaries for individuals who become members prior to January 1, 2022, who  
21 are at least fifty-five (55) years of age and have a minimum of twenty-seven (27)  
22 years of Kentucky service credit. However, if any of the five (5) or three (3) highest  
23 annual salaries used to calculate the final average salary was paid within the three  
24 (3) years immediately prior to the date of the member's retirement for individuals  
25 who become members prior to January 1, 2022, or within the five (5) years  
26 immediately prior to the date of the member's retirement for individuals who  
27 become members on or after January 1, 2022, the amount of salary to be included

1 for each of those three (3) years or five (5) years, as applicable, for the purpose of  
2 calculating the final average salary shall be limited to the lesser of:  
3 (a) The member's actual salary; or  
4 (b) The member's annual salary that was used for retirement purposes during each  
5 of the prior three (3) years or five (5) years, as applicable, plus a percentage  
6 increase equal to the percentage increase received by all other members  
7 employed by the public board, institution, or agency, or for members of  
8 school districts, the highest percentage increase received by members on any  
9 one (1) rank and step of the salary schedule of the school district. The increase  
10 shall be computed on the salary that was used for retirement purposes. The  
11 board of trustees may promulgate an administrative regulation in accordance  
12 with KRS Chapter 13A to establish a methodology for measuring the  
13 limitation so that the combined increases in salary for each of the last three (3)  
14 full years of salary prior to retirement shall not exceed the total permissible  
15 percentage increase received by other members of the employer for the same  
16 three (3) year period.

17 For individuals who became members of the retirement system prior to July 1,  
18 2021, this limitation shall not apply if the member receives an increase in salary in a  
19 percentage exceeding that received by the other members, and this increase was  
20 accompanied by a corresponding change in position or in length of employment.  
21 The board of trustees may promulgate an administrative regulation in accordance  
22 with KRS Chapter 13A to provide definitions for a corresponding change in  
23 position or in length of employment. This limitation shall also not apply to the  
24 payment to a member for accrued annual leave if the individual becomes a member  
25 before July 1, 2008, or accrued sick leave which is authorized by statute and which  
26 shall, for individuals subject to KRS 161.155(10) who became nonuniversity  
27 members of the system prior to January 1, 2022, be included as part of a retiring

1 member's annual compensation for the member's last year of active service;

2 (10) "Annual compensation" means the total salary received by a member as  
3 compensation for all services performed in employment covered by the retirement  
4 system during a fiscal year. Annual compensation shall not include payment for any  
5 benefit or salary adjustments made by the public board, institution, or agency to the  
6 member or on behalf of the member which is not available as a benefit or salary  
7 adjustment to other members employed by that public board, institution, or agency.  
8 Annual compensation shall not include the salary supplement received by a member  
9 under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996, or  
10 compensation paid pursuant to subsection (4)(b) of Section 1 of this Act. Under  
11 no circumstances shall annual compensation include compensation that is earned by  
12 a member while on assignment to an organization or agency that is not a public  
13 board, institution, or agency listed in subsection (4) of this section. In the event that  
14 federal law requires that a member continue membership in the retirement system  
15 even though the member is on assignment to an organization or agency that is not a  
16 public board, institution, or agency listed in subsection (4) of this section, the  
17 member's annual compensation for retirement purposes shall be deemed to be the  
18 annual compensation, as limited by subsection (9) of this section, last earned by the  
19 member while still employed solely by and providing services directly to a public  
20 board, institution, or agency listed in subsection (4) of this section. The board of  
21 trustees shall determine if any benefit or salary adjustment qualifies as annual  
22 compensation. For an individual who becomes a member on or after July 1, 2008,  
23 annual compensation shall not include lump-sum payments upon termination of  
24 employment for accumulated annual or compensatory leave;

25 (11) "Age of member" means the age attained on the first day of the month immediately  
26 following the birthdate of the member. This definition is limited to retirement  
27 eligibility and does not apply to tenure of members;

- 1        (12) "Employ," and derivatives thereof, means relationships under which an individual  
2        provides services to an employer as an employee, as an independent contractor, as  
3        an employee of a third party, or under any other arrangement as long as the services  
4        provided to the employer are provided in a position that would otherwise be  
5        covered by the Kentucky Teachers' Retirement System and as long as the services  
6        are being provided to a public board, institution, or agency listed in subsection (4)  
7        of this section;
- 8        (13) "Regular interest" means:
  - 9            (a) For an individual who becomes a member prior to July 1, 2008, interest at  
10            three percent (3%) per annum;
  - 11            (b) For an individual who becomes a member on or after July 1, 2008, but prior to  
12            January 1, 2022, interest at two and one-half percent (2.5%) per annum for  
13            purposes of crediting interest to the teacher savings account or any other  
14            contributions made by the employee that are refundable to the employee upon  
15            termination of employment; and
  - 16            (c) For an individual who becomes a member on or after January 1, 2022, the  
17            rolling five (5) year yield on a thirty (30) year United States Treasury bond as  
18            of the end of May prior to the most recently completed fiscal year, except  
19            that:
    - 20              1. Once the member has at least sixty (60) months of service in the system  
21              it shall mean interest at two and one-half percent (2.5%) per annum for  
22              purposes of crediting interest to employee contributions in the  
23              foundational benefit component or any other contributions made by the  
24              employee to the foundational benefit component that are refundable to  
25              the employee upon termination of employment; and
    - 26              2. The board shall have the authority to adjust the regular interest rate for  
27              individuals who become members on or after January 1, 2022, in

1 accordance with KRS 161.633 and 161.634;

- (14) "Accumulated contributions" means the contributions of a member to the teachers' savings fund, including picked-up member contributions as described in KRS 161.540(2), plus accrued regular interest;
- (15) "Annuitant" means a person who receives a retirement allowance or a disability allowance;
- (16) "Local retirement system" means any teacher retirement or annuity system created in any public school district in Kentucky in accordance with the laws of Kentucky;
- (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The retirement plan year is concurrent with this fiscal year. A contract for a member employed by a local board of education may not exceed two hundred sixty-one (261) days in the fiscal year;
- (18) "Public schools" means the schools and other institutions mentioned in subsection (4) of this section;
- (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was receiving, at the time of death of the member, at least one-half (1/2) of the support from the member for maintenance, including board, lodging, medical care, and related costs;
- (20) "Active contributing member" means a member currently making contributions to the Teachers' Retirement System, who made contributions in the immediate preceding fiscal year, for whom picked-up member contributions are currently being made, or for whom these contributions were made in the immediate preceding fiscal year;
- (21) "Full-time" means employment in a position that requires services on a continuing basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year basis;
- (22) "Full actuarial cost," when used to determine the payment or payments that a

1 member must pay for service credit means the actuarial value of all costs associated  
2 with the enhancement of a member's benefits or eligibility for benefit  
3 enhancements, including health insurance supplement payments made by the  
4 retirement system. The board may promulgate administrative regulations in  
5 accordance with KRS Chapter 13A to provide the methodology for the assessment  
6 of and procedures for the payment and collection of the full actuarial cost of the  
7 purchased service. The actuary for the retirement system shall determine the full  
8 actuarial value costs and actuarial cost factor tables as provided in KRS 161.400;

9 (23) "Last annual compensation" means the annual compensation, as defined by  
10 subsection (10) of this section and as limited by subsection (9) of this section,  
11 earned by the member during the most recent period of contributing service, either  
12 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)  
13 full year of service credit in the Kentucky Teachers' Retirement System, and which  
14 compensation is used in calculating the member's initial retirement allowance,  
15 excluding bonuses, retirement incentives, payments for accumulated sick leave,  
16 annual, personal, and compensatory leave, and any other lump-sum payment. For  
17 an individual who becomes a member on or after July 1, 2008, payments for annual  
18 or compensatory leave shall not be included in determining the member's last  
19 annual compensation;

20 (24) "Participant" means a member, as defined by subsection (4) of this section, or an  
21 annuitant, as defined by subsection (15) of this section;

22 (25) "Qualified domestic relations order" means any judgment, decree, or order,  
23 including approval of a property settlement agreement, that:  
24 (a) Is issued by a court or administrative agency; and  
25 (b) Relates to the provision of child support, alimony payments, or marital  
26 property rights to an alternate payee;

27 (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a

1            participant, who is designated to be paid retirement benefits in a qualified domestic  
2            relations order;

3        (27) "University member" means an individual who becomes a member through  
4            employment with an employer specified in subsection (4)(b) and (n) of this section;

5        (28) "Nonuniversity member" means an individual who becomes a member through  
6            employment with an employer specified under subsection (4) of this section, except  
7            for those members employed by an employer specified in subsection (4)(b) and (n)  
8            of this section;

9        (29) "Accumulated employer contribution" means the employer contribution deposited  
10            to a member's account through the supplemental benefit component and regular  
11            interest credited on such amounts as provided by KRS 161.635 for nonuniversity  
12            members and KRS 161.636 for university members;

13        (30) "Accumulated account balance" means:  
14            (a) For members who began participating in the system prior to January 1, 2022,  
15                    the member's accumulated contributions; or  
16            (b) For members who began participating in the system on or after January 1,  
17                    2022, the combined sum of the member's accumulated contributions and the  
18                    member's accumulated employer contributions;

19        (31) "Foundational benefit component" means the benefits provided by KRS 161.220 to  
20                    161.716 to individuals who become members on or after January 1, 2022, except  
21                    for the supplemental benefit component and retiree health benefits set forth in KRS  
22                    161.675; and

23        (32) "Supplemental benefit component" means:  
24            (a) The benefit established pursuant to KRS 161.635 for individuals who become  
25                    nonuniversity members on or after January 1, 2022; or  
26            (b) The benefit established pursuant to KRS 161.636 for individuals who become  
27                    university members on or after January 1, 2022.