

CHAPTER 138**(SB 9)**

AN ACT relating to teacher benefit provisions and declaring an emergency.

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

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

- (1) As used in this section:
 - (a) "Teacher" shall mean any person for whom certification is required as a basis of employment in the common schools of the state;
 - (b) "Employee" shall mean any person, other than a teacher, employed in the public schools, whether on a full or part-time basis;
 - (c) "Immediate family" shall mean the teacher's or employee's spouse, children including stepchildren and foster children, grandchildren, daughters-in-law and sons-in law, brothers and sisters, parents and spouse's parents, and grandparents and spouse's grandparents, without reference to the location or residence of said relative, and any other blood relative who resides in the teacher's or employee's home;
 - (d) "Sick leave bank" shall mean an aggregation of sick leave days contributed by teachers or employees for use by teachers or employees who have exhausted all sick leave and other available paid leave days; and
 - (e) "Assault" shall mean an act that intentionally causes injury so significant that the victim is determined to be, by certification of a physician or surgeon duly qualified under KRS Chapter 342, incapable of performing the duties of his or her job.
- (2) Each district board of education shall allow to each teacher and full-time employee in its common school system not less than ten (10) days of sick leave during each school year, without deduction of salary. Sick leave shall be granted to a teacher or employee if he or she presents a personal statement or a certificate of a physician stating that the teacher or employee was ill, that the teacher or employee was absent for the purpose of attending to a member of his or her immediate family who was ill, or for the purpose of mourning a member of his or her immediate family. The ten (10) days of sick leave granted in this subsection may be taken by a teacher or employee on any ten (10) days of the school year and shall be granted in addition to accumulated sick leave days that have been credited to the teacher or employee under the provisions of subsection (4) of this section.
- (3) A school district shall coordinate among the income and benefits from workers' compensation, temporary disability retirement, and district payroll and benefits so that there is no loss of income or benefits to a teacher or employee for work time lost because of an assault while performing the teacher's or employee's assigned duties for a period of up to one (1) year after the assault. In the event a teacher or employee suffers an assault while performing his or her assigned duties that results in injuries that qualify the teacher or employee for workers' compensation benefits, the district shall provide leave to the teacher or employee for up to one (1) year after the assault with no loss of income or benefits under the following conditions:
 - (a) The district shall pay the salary of the teacher or employee between the time of the assault and the time the teacher's or employee's workers' compensation income benefits take effect, or the time the teacher or employee is certified to return to work by a physician or surgeon duly qualified under KRS Chapter 342, whichever is sooner;
 - (b) The district shall pay, for up to one (1) year from the time of the assault, the difference between the salary of the teacher or employee and any workers' compensation income benefits received by the teacher or employee resulting from the assault. Payments by the district shall include payments for intermittent work time missed as a result of the assault during the one (1) year period. If the teacher's or employee's workers' compensation income benefits cease during the one (1) year period after the assault, the district shall also cease to make payments under this paragraph;
 - (c) The Commonwealth, through the Kentucky Department of Education, shall make the employer's health insurance contribution during the period that the district makes payments under paragraphs (a) and (b) of this subsection;

- (d) The Commonwealth, through the Kentucky Department of Education, shall make the employer's contribution to the retirement system in which the teacher or employee is a member during the period that the district makes payments under paragraphs (a) and (b) of this subsection; and
 - (e) Payments to a teacher or employee under paragraphs (a) and (b) of this subsection shall be coordinated with workers' compensation benefits under KRS Chapter 342, disability retirement benefits for teachers under KRS 161.661 to 161.663, and disability retirement benefits for employees under KRS 61.600 to 61.621 and 78.5522, 78.5524, 78.5526, 78.5528, and 78.5530 so that the teacher or employee receives income equivalent to his or her full contracted salary, but in no event shall the combined payments exceed one hundred percent (100%) of the teacher's or employee's full contracted salary.
- (4) Days of sick leave not taken by an employee or a teacher during any school year shall accumulate without limitation and be credited to that employee or teacher. Accumulated sick leave may be taken in any school year. Any district board of education may, in its discretion, allow employees 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). 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.
 - (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to the opening day of the school year, a statement or a certificate of a physician is presented to the district board of education, stating that the teacher or employee is unable to commence his or her duties on the opening day of the school year, but will be able to assume his or her duties within a period of time that the board determines to be reasonable.
 - (6) Any school teacher or employee may repurchase previously used sick leave days with the concurrence of the local school board by paying to the district an amount equal to the total of all costs associated with the used sick leave.
 - (7) A district board of education may adopt a plan for a sick leave bank. The plan may include limitations upon the number of days a teacher or employee may annually contribute to the bank and limitations upon the number of days a teacher or employee may annually draw from the bank. Only those teachers or employees who contribute to the bank may draw upon the bank. Days contributed will be deducted from the days available to the contributing teacher or employee. The sick leave bank shall be administered in accordance with a policy adopted by the board of education.
 - (8)
 - (a) A district board of education shall establish a sick leave donation program to permit teachers or employees to voluntarily contribute sick leave to teachers or employees in the same school district who are in need of an extended absence from school. A teacher or employee who has accrued more than fifteen (15) days' sick leave may request the board of education to transfer a designated amount of sick leave to another teacher or employee who is authorized to receive the sick leave donated. A teacher or employee may not request an amount of sick leave be donated that reduces his or her sick leave balance to less than fifteen (15) days.
 - (b) A teacher or employee may receive donations of sick leave if:
 - 1.
 - a. The teacher or employee or a member of his or her immediate family suffers from a medically certified illness, injury, impairment, or physical or mental condition that has caused or is likely to cause the teacher or employee to be absent for at least ten (10) days; or
 - b. The teacher or employee suffers from a catastrophic loss to his or her personal or real property, due to either a natural disaster or fire, that either has caused or will likely cause the employee to be absent for at least ten (10) consecutive working days;
 - 2. The teacher's or employee's need for the absence and use of leave are certified by a licensed physician for leave requested under subparagraph 1.a. of this subsection;
 - 3. The teacher or employee has exhausted his or her accumulated sick leave, personal leave, and any other leave granted by the school district; and
 - 4. The teacher or employee has complied with the school district's policies governing the use of sick leave.

- (c) While a teacher or employee is on sick leave provided by this section, he or she shall be considered a school district employee, and his or her salary, wages, and other employee benefits shall not be affected.
 - (d) Any sick leave that remains unused, is not needed by a teacher or employee, and will not be needed in the future shall be returned to the teacher or employee donating the sick leave.
 - (e) The board of education shall adopt policies and procedures necessary to implement the sick leave donation program.
- (9) (a) A teacher or employee may use up to thirty (30) days of sick leave following the birth or adoption of a child or children. Additional days may be used when the need is verified by a physician's statement.
- (b) ***On or before July 1, 2030, each school district shall establish a policy to provide up to thirty (30) paid maternity leave days for a teacher or employee who gives birth to a child. The maternity leave days shall be used without deduction of salary and shall be used prior to the teacher or employee using any other leave. Any maternity leave days unused by the teacher or employee shall not transfer into sick leave or be converted to any other leave type and shall expire upon return to work. This paragraph shall not limit a school district's authority to establish additional paid maternity benefits or to provide paid parental leave benefits.***
- (10) (a) ~~After July 1, 1982,~~ A district board of education may compensate, at the time of retirement or upon the death of a member in active contributing status at the time of death who was eligible to retire by reason of service, an employee or a teacher, or the estate of an employee or teacher, for each unused sick leave day. 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%).
- (b) Except as provided in paragraph (c) of this subsection, payment for unused sick leave days under this subsection shall be incorporated into the annual salary of the final year of service for inclusion in the calculation of the employee's or teacher's retirement allowance only at the time of his or her initial retirement, provided that the member makes the regular retirement contribution for members on the sick leave payment. The accumulation of these days includes unused sick leave days held by the employee or teacher at the time of implementation of the program.
- (c) For a teacher or employee who becomes a nonuniversity member of the Teachers' Retirement System on or after January 1, 2022, as provided by KRS 161.220, payment for unused sick leave days under this subsection shall not be incorporated into the annual compensation used to calculate the teacher's or employee's retirement allowance in the foundational benefit component as described by KRS 161.633 but may be deposited into the nonuniversity member's supplemental benefit component as provided by KRS 161.635.
- (d) For a teacher or employee who begins employment with a local school district on or after July 1, 2008, the maximum amount of unused sick leave days a district board of education may recognize in calculating the payment of compensation to the teacher or employee under this subsection shall not exceed three hundred (300) days.
- (e) 1. ***Actuarial costs to the Teachers' Retirement System for the inclusion of payment for unused sick leave days that are eligible for compensation under paragraph (b) of this subsection shall be funded in accordance with this paragraph.***
2. ***The state shall pay the actuarial costs for the compensation attributable to the actual unused sick leave accrued as of June 30, 2025, plus annual adjustments to the sick leave balance each fiscal year thereafter, based upon the sick leave accrued or used by the teacher or employee, not to exceed thirteen (13) additional days per year. Unused sick leave payable by the state shall not include any annual leave described by KRS 161.540(1)(f) or the cost of unused sick days for employees retiring from agencies listed in KRS 161.220(4)(d) and (f).***
3. ***The last employer who is compensating the unused sick day as provided in paragraph (a) of this subsection shall pay the actuarial costs of compensation for unused sick leave days not paid by the state under subparagraph 2. of this paragraph. Upon the teacher's or employee's retirement, the Teachers' Retirement System shall bill the last employer for the cost of the***

unused sick days, and the employer shall pay the costs within fifteen (15) days after receiving notification of the cost from the system.

4. *The actuarial costs of the unused sick days shall be the amount payable for unused sick days after the fixed statutory employee and employer contributions have been paid as provided in KRS 161.540 and 161.550(1) and that is necessary to fund the benefit.*
- (f) *For the fiscal year ending June 30, 2025, and each fiscal year thereafter, each school district shall annually report to the Teachers' Retirement System the sick leave balances for each teacher and employee who is a member of the Teachers' Retirement System. The report shall include for each teacher or employee:*
 1. *The sick leave days accrued at the beginning of the fiscal year;*
 2. *The sick leave days accrued during the fiscal year;*
 3. *Any other days of leave added to the sick leave balance during the fiscal year by rollover, conversion, or any other method;*
 4. *The sick leave days used during the fiscal year; and*
 5. *The sick leave balance at the end of the fiscal year.*
- (g) *Each school district shall file with the Teachers' Retirement System information regarding their sick leave policies and provisions that are applicable to members of the system, including:*
 1. *The number of sick leave days accrued annually under the sick leave program established pursuant to subsection (2) of this section;*
 2. *Any other types of leave and the amount of leave by type that may, prior to retirement or at the time of retirement, be included by rollover, conversion, or any other method, in an employee's sick leave balance pursuant to any district policy or any contract entered into by the district; and*
 3. *Any other information required by the system.*

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

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

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

As used in KRS 161.220 to 161.716 and 161.990:

- (1) "Retirement system" means the arrangement provided for in KRS 161.220 to 161.716 and 161.990 for payment of allowances to members;
- (2) "Retirement allowance" means the amount annually payable during the course of his or her natural life to a member who has been retired by reason of service;
- (3) "Disability allowance" means the amount annually payable to a member retired by reason of disability;
- (4) "Member" means the commissioner of education, deputy commissioners, associate commissioners, and all division directors in the State Department of Education, employees participating in the system pursuant to KRS 196.167(3)(b)1., and any full-time teacher or professional occupying a position requiring certification or graduation from a four (4) year college or university, as a condition of employment, and who is employed by public boards, institutions, or agencies as follows:
 - (a) Local boards of education and public charter schools if the public charter school satisfies the criteria set by the Internal Revenue Service to participate in a governmental retirement plan;

- (b) Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, Western Kentucky University, and any community colleges established under the control of these universities;
- (c) State-operated secondary area vocational education or area technology centers, Kentucky School for the Blind, and Kentucky School for the Deaf;
- (d) Other public education agencies as created by the General Assembly and those members of the administrative staff of the Teachers' Retirement System of the State of Kentucky whom the board of trustees may designate by 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 reemployed by an employer identified in this subsection in a position that the board of trustees deems to be a member, except that any person who becomes a member on or after January 1, 2022, and subsequently draws a monthly lifetime retirement allowance, shall upon reemployment after retirement not earn a second retirement account;
- (m) Employees of the former Cabinet for Workforce Development who are transferred to the Kentucky Community and Technical College System and who occupy positions covered by the Kentucky Teachers' Retirement System shall remain in the Teachers' Retirement System. New employees occupying these positions, as well as newly created positions qualifying for Teachers' Retirement System coverage that would have previously been included in the former Cabinet for Workforce Development, shall be members of the Teachers' Retirement System;
- (n) Effective January 1, 1998, employees of state community colleges who are transferred to the Kentucky Community and Technical College System shall continue to participate in federal old age, survivors, disability, and hospital insurance, and a retirement plan other than the Kentucky Teachers' Retirement System offered by Kentucky Community and Technical College System. New employees occupying positions in the Kentucky Community and Technical College System as referenced in KRS 164.5807(5) that would not have previously been included in the former Cabinet for Workforce Development, shall participate in federal old age, survivors, disability, and hospital insurance and have a choice at the time of employment of participating in a retirement plan provided by the Kentucky Community and Technical College System, including participation in the Kentucky Teachers' Retirement System, on the same basis as faculty of the state universities as provided in KRS 161.540 and 161.620;

- (o) Employees of the Office of General Counsel, the Office of Budget and Administrative Services, and the Office of Quality and Human Resources within the Office of the Secretary of the former Cabinet for Workforce Development and the commissioners of the former Department for Adult Education and Literacy and the former Department for Technical Education who were contributing to the Kentucky Teachers' Retirement System as of July 15, 2000;
 - (p) Employees of the Kentucky Department of Education only who are graduates of a four (4) year college or university, notwithstanding a substitution clause within a job classification, and who are serving in a professional job classification as defined by the department;
 - (q) The Governor's School for Entrepreneurs Program;
 - (r) Employees of the Office of Adult Education within the Department of Workforce Development in the Education and Labor Cabinet who were employees of the Council on Postsecondary Education, Kentucky Adult Education Program and who were members of the Kentucky Teachers' Retirement System at the time the Program was transferred to the cabinet pursuant to Executive Orders 2019-0026 and 2019-0027;~~{and}~~
 - (s) Employees of the Education Professional Standards Board who were members of the Kentucky Teachers' Retirement System at the time the employees were transferred to the Kentucky Department of Education pursuant to Executive Order 2020-590; *and*
 - (t) ***WeLeadCS, the virtual computer science career academy established in KRS 158.809;***
- (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940, and became a member of the retirement system created by 1938 (1st Extra. Sess.) Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year after that date, and any teacher who was a member of a local teacher retirement system in the public elementary or secondary schools of the state on or before July 1, 1940, and continued to be a member of the system until he or she, with the membership of the local retirement system, became a member of the state Teachers' Retirement System or who becomes a member under the provisions of KRS 161.470(4);
 - (6) "New teacher" means any member not a present teacher;
 - (7) "Prior service" means the number of years during which the member was a teacher in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior service shall be allowed or credited to any teacher;
 - (8) "Subsequent service" means the number of years during which the teacher is a member of the Teachers' Retirement System after July 1, 1941;
 - (9) "Final average salary" means the average of the five (5) highest annual salaries which the member has received for service in a covered position and on which the member has made contributions, or on which the public board, institution, or agency has picked-up member contributions pursuant to KRS 161.540(2), or the average of the five (5) years of highest salaries as defined in KRS 61.680(2)(a), which shall include picked-up member contributions. Additionally, the board of trustees may approve a final average salary based upon the average of the three (3) highest salaries for individuals who become members prior to January 1, 2022, who are at least fifty-five (55) years of age and have a minimum of twenty-seven (27) years of Kentucky service credit. However, if any of the five (5) or three (3) highest annual salaries used to calculate the final average salary was paid within the three (3) years immediately prior to the date of the member's retirement for individuals who become members prior to January 1, 2022, or within the five (5) years immediately prior to the date of the member's retirement for individuals who become members on or after January 1, 2022, the amount of salary to be included for each of those three (3) years or five (5) years, as applicable, for the purpose of calculating the final average salary shall be limited to the lesser of:
 - (a) The member's actual salary; or
 - (b) The member's annual salary that was used for retirement purposes during each of the prior three (3) years or five (5) years, as applicable, plus a percentage increase equal to the percentage increase received by all other members employed by the public board, institution, or agency, or for members of school districts, the highest percentage increase received by members on any one (1) rank and step of the salary schedule of the school district. The increase shall be computed on the salary that was used for retirement purposes. The board of trustees may promulgate an administrative regulation in accordance with KRS Chapter 13A to establish a methodology for measuring the limitation so that the combined increases in salary for each of the last three (3) full years of salary prior to retirement shall not exceed

the total permissible percentage increase received by other members of the employer for the same three (3) year period.

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

- (10) "Annual compensation" means the total salary received by a member as compensation for all services performed in employment covered by the retirement system during a fiscal year. Annual compensation shall not include payment for any benefit or salary adjustments made by the public board, institution, or agency to the member or on behalf of the member which is not available as a benefit or salary adjustment to other members employed by that public board, institution, or agency. Annual compensation shall not include the salary supplement received by a member under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996. Under no circumstances shall annual compensation include compensation that is earned by a member while on assignment to an organization or agency that is not a public board, institution, or agency listed in subsection (4) of this section. In the event that federal law requires that a member continue membership in the retirement system even though the member is on assignment to an organization or agency that is not a public board, institution, or agency listed in subsection (4) of this section, the member's annual compensation for retirement purposes shall be deemed to be the annual compensation, as limited by subsection (9) of this section, last earned by the member while still employed solely by and providing services directly to a public board, institution, or agency listed in subsection (4) of this section. The board of trustees shall determine if any benefit or salary adjustment qualifies as annual compensation. For an individual who becomes a member on or after July 1, 2008, annual compensation shall not include lump-sum payments upon termination of employment for accumulated annual or compensatory leave;
- (11) "Age of member" means the age attained on the first day of the month immediately following the birthdate of the member. This definition is limited to retirement eligibility and does not apply to tenure of members;
- (12) "Employ," and derivatives thereof, means relationships under which an individual provides services to an employer as an employee, as an independent contractor, as an employee of a third party, or under any other arrangement as long as the services provided to the employer are provided in a position that would otherwise be covered by the Kentucky Teachers' Retirement System and as long as the services are being provided to a public board, institution, or agency listed in subsection (4) of this section;
- (13) "Regular interest" means:
 - (a) For an individual who becomes a member prior to July 1, 2008, interest at three percent (3%) per annum;{--}
 - (b) For an individual who becomes a member on or after July 1, 2008, but prior to January 1, 2022, interest at two and one-half percent (2.5%) per annum for purposes of crediting interest to the teacher savings account or any other contributions made by the employee that are refundable to the employee upon termination of employment; and
 - (c) For an individual who becomes a member on or after January 1, 2022, the rolling five (5) year yield on a thirty (30) year United States Treasury bond as of the end of May prior to the most recently completed fiscal year, except that:
 - 1. Once the member has at least sixty (60) months of service in the system it shall mean interest at two and one-half percent (2.5%) per annum for purposes of crediting interest to employee contributions in the foundational benefit component or any other contributions made by the employee to the foundational benefit component that are refundable to the employee upon termination of employment; and
 - 2. The board shall have the authority to adjust the regular interest rate for individuals who become members on or after January 1, 2022, in 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-next~~ preceding fiscal year, for whom picked-up member contributions are currently being made, or for whom these contributions were made in the ~~immediate-next~~ 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 member must pay for service credit means the actuarial value of all costs associated with the enhancement of a member's benefits or eligibility for benefit enhancements, including health insurance supplement payments made by the retirement system. ***The board may promulgate administrative regulations in accordance with KRS Chapter 13A to provide the methodology for the assessment of and procedures for the payment and collection of the full actuarial cost of the purchased service.*** The actuary for the retirement system shall determine the full actuarial value costs and actuarial cost factor tables as provided in KRS 161.400;
- (23) "Last annual compensation" means the annual compensation, as defined by subsection (10) of this section and as limited by subsection (9) of this section, earned by the member during the most recent period of contributing service, either consecutive or nonconsecutive, that is sufficient to provide the member with one (1) full year of service credit in the Kentucky Teachers' Retirement System, and which compensation is used in calculating the member's initial retirement allowance, excluding bonuses, retirement incentives, payments for accumulated sick leave, annual, personal, and compensatory leave, and any other lump-sum payment. For an individual who becomes a member on or after July 1, 2008, payments for annual or compensatory leave shall not be included in determining the member's last annual compensation;
- (24) "Participant" means a member, as defined by subsection (4) of this section, or an annuitant, as defined by subsection (15) of this section;
- (25) "Qualified domestic relations order" means any judgment, decree, or order, including approval of a property settlement agreement, that:
 - (a) Is issued by a court or administrative agency; and
 - (b) Relates to the provision of child support, alimony payments, or marital property rights to an alternate payee;
- (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a participant, who is designated to be paid retirement benefits in a qualified domestic relations order;
- (27) "University member" means an individual who becomes a member through employment with an employer specified in subsection (4)(b) and (n) of this section;
- (28) "Nonuniversity member" means an individual who becomes a member through employment with an employer specified under subsection (4) of this section, except for those members employed by an employer specified in subsection (4)(b) and (n) of this section;
- (29) "Accumulated employer contribution" means the employer contribution deposited to a member's account through the supplemental benefit component and regular interest credited on such amounts as provided by KRS 161.635 for nonuniversity members and KRS 161.636 for university members;

- (30) "Accumulated account balance" means:
- (a) For members who began participating in the system prior to January 1, 2022, the member's accumulated contributions; or
 - (b) For members who began participating in the system on or after January 1, 2022, the combined sum of the member's accumulated contributions and the member's accumulated employer contributions;
- (31) "Foundational benefit component" means the benefits provided by KRS 161.220 to 161.716 to individuals who become members on or after January 1, 2022, except for the supplemental benefit component and retiree health benefits set forth in KRS 161.675; and
- (32) "Supplemental benefit component" means:
- (a) The benefit established pursuant to KRS 161.635 for individuals who become nonuniversity members on or after January 1, 2022; or
 - (b) The benefit established pursuant to KRS 161.636 for individuals who become university members on or after January 1, 2022.

➔Section 3. KRS 161.230 is amended to read as follows:

The Teachers' Retirement System is established as of July 1, 1940, for the purpose of providing retirement allowances for teachers, their beneficiaries, and survivors under the provisions of KRS 161.155 and 161.220 to 161.714. The Teachers' Retirement System of the State of Kentucky shall be an independent agency and instrumentality of the Commonwealth and this status shall only be amended or changed by the General Assembly. It shall have the powers and the privileges of a corporation and shall be known as the "Teachers' Retirement System of the State of Kentucky." Its business shall be transacted, its funds invested, and its cash and securities held in that name, or in the name of its nominee ***or title holding organization*** provided that its nominee ***or title holding organization*** is authorized by board of trustees' resolution solely for the purpose of facilitating the transfer of securities ***or acquiring and holding title to real property***. The board of trustees may designate a nominee as provided in KRS 286.3-225; or it may name as nominee a partnership composed of selected trustees and employees of the system, and formed for the sole purpose of holding legal or registered title of such securities, and for the transfer of securities in accordance with directions of the board of trustees.

➔Section 4. KRS 161.250 is amended to read as follows:

- (1) (a) The general administration and management of the retirement system, and the responsibility for its proper operation and for making effective provisions of KRS 161.155 and 161.220 to 161.714 are vested in a board of trustees to be known as the "Board of Trustees of the Teachers' Retirement System of the State of Kentucky."
- (b) The board of trustees shall consist of the following:
1. The chief state school officer;
 2. The State Treasurer;
 3. Two (2) trustees, appointed by the Governor of the Commonwealth, subject to Senate confirmation in accordance with KRS 11.160 for each appointment or reappointment. These two (2) trustees shall have investment experience. For purposes of this subparagraph, a trustee with "investment experience" means an individual who does not have a conflict of interest, as provided by KRS 161.460, and who has at least ten (10) years of experience in one (1) of the following areas of expertise:
 - a. A portfolio manager acting in a fiduciary capacity;
 - b. A professional securities analyst or investment consultant;
 - c. A current or retired employee or principal of a trust institution, investment or finance organization, or endowment fund acting in an investment-related capacity;
 - d. A chartered financial analyst in good standing as determined by the CFA Institute; or
 - e. A university professor, teaching investment-related studies; and
 4. Seven (7) other trustees elected as provided in KRS 161.260. Four (4) of the elective trustees shall be members of the retirement system, to be known as teacher trustees, two (2) shall be

persons who are not members of the teaching profession, to be known as the lay trustees, and one (1) shall be an annuitant of the retirement system to be known as the retired teacher trustee. One (1) teacher trustee shall be elected annually for a four-year term. The retired teacher trustee shall be elected every four (4) years. The chief state school officer and the State Treasurer are considered ex officio members of the board of trustees and may designate in writing a person to represent them at board meetings.

- (c) 1. Elective trustees shall not serve more than three (3) consecutive four (4) year terms. An elective trustee who has served three (3) consecutive terms may be elected again after an absence of four (4) years from the board of trustees.
 - 2. The term limits established by subparagraph 1. of this paragraph shall apply to elective trustees serving on or after July 1, 2012, and all terms of office served prior to July 1, 2012, shall be used to determine if the elective trustee has exceeded the term limits provided by subparagraph 1. of this paragraph.
 - (d) 1. Each appointed trustee shall serve a term of four (4) years. An appointed trustee shall not serve more than three (3) consecutive four (4) year terms. An appointed trustee who has served three (3) consecutive terms may be appointed again after an absence of four (4) years from the board of trustees.
 - 2. Any vacancy that occurs in an appointed position shall be filled in the same manner that provides for the selection of the trustee; however, any vacancy shall be filled only for the duration of the unexpired term.
- (2) A member, retired member, or designated beneficiary may appeal the retirement system's decisions that materially affect the amount of service retirement allowance, amount of service credit, eligibility for service retirement, or eligibility for survivorship benefits to which that member, retired member, or designated beneficiary claims to be entitled. All appeals must be in writing and filed with the retirement system within thirty (30) days of the claimant's first notice of the retirement system's decision. For purposes of this section, notice shall be complete and effective upon the date of mailing of the retirement system's decision to the claimant at the claimant's last known address. Failure by the claimant to file a written appeal with the retirement system within the thirty (30) day period shall result in the decision of the retirement system becoming permanent with the effect of a final and unappealable order. ***The deadline to file a written appeal shall not be subject to the jurisdiction of any court or appeal process, nor shall it otherwise be tolled or waived.*** Appeals may include a request for an administrative hearing which shall be conducted in accordance with the provisions of KRS Chapter 13B. The board of trustees may establish an appeals committee whose members shall be appointed by the chairperson and who shall have the authority to act upon the report and recommendation of the hearing officer by issuing a final order on behalf of the full board of trustees. A member, retired member, or designated beneficiary who has filed a timely, written appeal of a decision of the retirement system may, following the administrative hearing and issuance of the final order by the board of trustees, appeal the final order of the board of trustees to the Franklin Circuit Court in accordance with the provisions of KRS Chapter 13B.
- (3) The board of trustees shall establish a formal trustee education program for all trustees of the board. The program shall include but not be limited to the following:
- (a) A required orientation program for all new trustees to the board. The orientation program shall include training on:
 - 1. Benefits and benefits administration;
 - 2. Investment concepts, policies, and current composition and administration of retirement system investments;
 - 3. Laws, bylaws, and administrative regulations pertaining to the retirement system and to fiduciaries; and
 - 4. Actuarial and financial concepts pertaining to the retirement system.

If a trustee fails to complete the orientation program within one (1) year from the beginning of his or her first term on the board, the retirement system shall withhold payment of the per diem and travel expenses due to the board member under KRS 161.290 until the trustee has completed the orientation program;

- (b) Annual required training for trustees on the administration, benefits, financing, and investing of the retirement system. If a trustee fails to complete the annual required training during the calendar or fiscal year, the retirement system shall withhold payment of the per diem and travel expenses due to the board member under KRS 161.290 until the board member has met the annual training requirements; and
 - (c) The retirement system shall incorporate by reference in an administrative regulation, pursuant to KRS 13A.2251, the trustee education program.
- (4) In order to improve public transparency regarding the administration of the system, the board of trustees shall adopt a best practices model by posting the following information to the retirement system's website and shall make available to the public:
- (a) Meeting notices and agendas for all meetings of the board. Notices and agendas shall be posted to the retirement system's website at least seventy-two (72) hours in advance of the board or committee meetings, except in the case of special or emergency meetings as provided by KRS 61.823;
 - (b) The Annual Comprehensive Financial Report with the information as follows:
 - 1. A general overview and update on the retirement system by the executive secretary;
 - 2. A listing of the board of trustees;
 - 3. A listing of key staff;
 - 4. An organizational chart;
 - 5. Financial information, including a statement of plan net assets, a statement of changes in plan net assets, an actuarial value of assets, a schedule of investments, a statement of funded status and funding progress, and other supporting data;
 - 6. Investment information, including a general overview, a list of the retirement system's professional consultants, a total net return on retirement system investments over a historical period, an investment summary, contracted investment management expenses, transaction commissions, and a schedule of investments;
 - 7. The annual actuarial valuation report on the pension benefit and the medical insurance benefit; and
 - 8. A general statistical section, including information on contributions, benefit payouts, and retirement system demographic data;
 - (c) All external audits;
 - (d) All board minutes or other materials that require adoption or ratification by the board of trustees. The items listed in this paragraph shall be posted within seventy-two (72) hours of adoption or ratification of the board;
 - (e) All bylaws, policies, or procedures adopted or ratified by the board of trustees;
 - (f) The retirement system's summary plan description;
 - (g) The retirement system's law book;
 - (h) A listing of the members of the board of trustees and membership on each committee established by the board, including any investment committees;
 - (i) All investment holdings in aggregate, fees, and commissions for each fund administered by the board, which shall be updated on a quarterly basis for fiscal years beginning on or after July 1, 2017. The system shall request from all managers, partnerships, and any other available sources all information regarding fees and commissions and shall, based on the requested information received:
 - 1. Disclose the dollar value of fees or commissions paid to each individual manager or partnership;
 - 2. Disclose the dollar value of any profit sharing, carried interest, or any other partnership incentive arrangements, partnership agreements, or any other partnership expenses received by or paid to each manager or partnership; and
 - 3. As applicable, report each fee or commission by manager or partnership consistent with standards established by the Institutional Limited Partners Association (ILPA).

In addition to the requirements of this paragraph, the system shall also disclose the name and address of all individual underlying managers or partners in any fund of funds in which system assets are invested;

- (j) An update of net of fees investment returns, asset allocations, and the performance of the funds against benchmarks adopted by the board for each fund, for each asset class administered by the board, and for each manager. The update shall be posted on a quarterly basis for fiscal years beginning on or after July 1, 2017;
 - (k) All contracts or offering documents for services, goods, or property purchased or utilized by the system;
 - (l) A searchable database of the system's expenditures and a listing of each individual employed by the system along with the employee's salary or wages. In lieu of posting the information required by this paragraph to the system's website, the system may provide the information through a website established by the executive branch to inform the public about executive branch agency expenditures and public employee salaries and wages; and
 - (m) All proxy vote reports as provided by KRS 161.430(8).
- (5) Notwithstanding the requirements of subsection (4) of this section, the retirement system shall not be required to furnish information that is protected under KRS 161.585, exempt under KRS 61.878, or that, if disclosed, would compromise the retirement system's ability to competitively invest in real estate or other asset classes, except that no provision of this section or KRS 61.878 shall exclude disclosure and review of all contracts, including investment contracts, by the board, the Auditor of Public Accounts, and the Government Contract Review Committee established pursuant to KRS 45A.705 or the disclosure of investment fees and commissions as provided by this section. If any public record contains material which is not excepted under this section, the system shall separate the excepted material by removal, segregation, or redaction, and make the nonexcepted material available for examination.
- (6) For any benefit improvements the General Assembly has authorized the board of trustees to establish under KRS 161.220 to 161.716 and that require formal adoption by the board, the board shall establish the benefits by promulgation of administrative regulations in accordance with KRS Chapter 13A.

➔Section 5. KRS 161.400 is amended to read as follows:

- (1) (a) The board of trustees shall designate as actuary a competent person who shall be a fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries. He or she shall be the technical adviser of the board on matters regarding the operation of the funds of the system and shall perform such other duties as are required in connection therewith.
- (b)
 1. At least once in each two (2) year period, the board shall cause an actuarial investigation to be made of all of the economic experience under the retirement system, including but not limited to the inflation rate, investment return, and payroll growth assumptions, relative to the economic assumptions and funding methods previously adopted by the board.
 2. At least once in each five (5) year period, the actuary shall make an actuarial investigation into all of the demographic actuarial assumptions used, including but not limited to mortality tables, withdrawal rates, and retirement rate assumptions, relative to the demographic actuarial assumptions previously adopted by the board.
 3. Each actuarial investigation shall include at a minimum a summary of the changes in actuarial assumptions and funding methods recommended in the investigation and the projected impact of the recommended changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.
- (c) At least annually the actuary shall make an actuarial valuation of the retirement system. The valuation shall include:
 1. A description of the actuarial assumptions used, and the assumptions shall be reasonably related to the experience of the system and represent the actuary's best estimate of anticipated experience;
 2. A description of any funding methods utilized or required by state law in the development of the actuarial valuation results;
 3. A description of any changes in actuarial assumptions and methods from the previous year's actuarial valuation;

4. The actuarially recommended contribution rate for employers for the upcoming budget periods;
 5. A thirty (30) year projection of the funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers based upon the actuarial assumptions, funding methods, and experience of the system as of the valuation date;~~and~~
 6. A sensitivity analysis that evaluates the impact of changes in system assumptions, including but not limited to the investment return assumption, payroll growth assumption, and medical inflation rates, on employer contribution rates, funding levels, and unfunded liabilities~~;~~;
 7. ***The full actuarial cost of the sick leave program established by subsection (10) of Section 1 of this Act and the full actuarial costs of annual leave program established by KRS 161.540(1)(f), including the total actuarially accrued liabilities of the sick leave program and the annual leave program determined and reported separately, and the total actuarial costs to annually finance each program as a percentage of payroll and in total dollars broken down by each funding source; and***
 8. ***A breakdown of each individual employer's share of the actuarially accrued liability as determined solely by the system's consulting actuary and assigned to each employer based upon the last participating employer of the member or annuitant as of the valuation date. The breakdown shall include a value for each individual employer, including but not limited to each individual school district, each university, each state agency, and every other individual employer who participates in the system.***
- (d) On the basis of the results of the valuations, the board of trustees shall make necessary changes in the retirement system within the provisions of law and shall establish the contributions payable by employers and the state specified in KRS 161.550, including changes prescribed by KRS 161.633, 161.634, 161.635, and 161.636, as applicable.
- (e) For any change in actuarial assumptions, funding methods, retiree health insurance premiums and subsidies, or any other decisions made by the board that impact system liabilities and actuarially recommended contribution rates for employers and that are not made in conjunction with the actuarial investigations required by paragraph (b) of this subsection, an actuarial analysis shall be completed showing the projected impact of the changes on funding levels, unfunded liabilities, and actuarially recommended contribution rates for employers over a thirty (30) year period.
- (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for all purposes shall be determined by the actuary of the retirement system and approved by the board of trustees by resolution and implemented without the necessity of an administrative regulation.
- (3) A copy of each actuarial investigation, actuarial analysis, and valuation required by subsection (1) of this section shall be forwarded electronically to the Legislative Research Commission no later than ten (10) days after receipt by the board, and the Legislative Research Commission shall distribute the information received to the committee staff and co-chairs of any committee that has jurisdiction over the Teachers' Retirement System. The actuarial valuation required by subsection (1)(c) of this section shall be submitted no later than November 15 following the close of the fiscal year.

➔Section 6. KRS 161.430 is amended to read as follows:

- (1) (a) The board of trustees shall be the trustee of the funds of the retirement system and shall have full power and responsibility for the purchase, sale, exchange, transfer, or other disposition of the investments and moneys of the retirement system. The board shall, by administrative regulation, establish investment policies and procedures to carry out their responsibilities.
- (b) 1. The board shall contract with experienced competent investment managers to invest and manage assets of the system. The board may also employ qualified investment staff to advise it on investment matters and to invest and manage assets of the system not to exceed fifty percent (50%) of the system's assets. The board may contract with one (1) or more general investment consultants, as well as specialized investment consultants, to advise it on investment matters.
2. All internal investment staff and investment consultants shall adhere to the Code of Ethics and Standards of Professional Conduct, and all board trustees shall adhere to the Code of Conduct for Members of a Pension Scheme Governing Body, promulgated by the CFA Institute. Investment managers shall comply with the federal Investment Advisers Act of 1940, as amended, and the

rules and regulations promulgated thereunder and shall comply with all other applicable federal securities statutes and related rules and regulations that apply to investment managers.

3. No investment manager shall manage more than forty percent (40%) of the funds of the retirement system.
- (c) The board may appoint an investment committee to act for the board in all matters of investment, subject to the approval of the board of trustees. The board of trustees, in keeping with their responsibilities as trustees and wherever consistent with their fiduciary responsibilities, shall give priority to the investment of funds in obligations calculated to improve the industrial development and enhance the economic welfare of the Commonwealth. Toward this end, the board shall develop procedures for informing the business community of the potential for in-state investments by the retirement fund, accepting and evaluating applications for the in-state investment of funds, and working with members of the business community in executing in-state investments which are consistent with the board's fiduciary responsibilities. The board shall include in the criteria it uses to evaluate in-state investments their potential for creating new employment opportunities and adding to the total job pool in Kentucky. The board may cooperate with the board of trustees of Kentucky Retirement Systems in developing its program and procedures, and shall report to the Legislative Research Commission annually on its progress in placing in-state investments. The first report shall be submitted by October 1, 1991, and subsequent reports shall be submitted by October 1 of each year thereafter. The report shall include the number of applications for in-state investment received, the nature of the investments proposed, the amount requested, the amount invested, and the percentage of applications which resulted in investments.
- (2) (a) For the purposes of this subsection:
 1. "Solely in the interest of the members and beneficiaries" shall be determined using only pecuniary factors and shall not include any purpose to further a nonpecuniary interest;
 2. "Pecuniary factor" means a consideration having a direct and material connection to the financial risk or financial return of an investment;
 3. A "material connection" is established if there is a substantial likelihood that a reasonable investor would consider it important in determining the financial risk or the financial return of an investment;
 4. "Nonpecuniary interest" includes but is not limited to an environmental, social, political, or ideological interest which does not have a direct and material connection to the financial risk or financial return of an investment; and
 5. "Investment manager" and "investment consultant" shall have the same definition attributed to "investment adviser" under the federal Investment Advisers Act of 1940, 15 U.S.C. sec. 80b-2.
- (b) The board members, investment managers, investment consultants, or other fiduciaries, and proxy advisers shall discharge their duties with respect to the assets of the system solely in the interests of the active contributing members and annuitants and:
 1. For the exclusive purpose of providing benefits to members and annuitants and defraying reasonable expenses of administering the system;
 2. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims;
 3. By diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
 4. In accordance with the federal, state, and common laws, administrative regulations, and other instruments governing the system and fiduciaries.
- (c) Evidence that a fiduciary has considered or acted on a nonpecuniary interest shall include but is not limited to:
 1. Statements, explanations, reports, or correspondence;
 2. Communications with portfolio companies;

3. Statements of principles or policies, whether made individually or jointly;
 4. Votes of shares or proxies; or
 5. Coalitions, initiatives, agreements, or commitments to which the fiduciary is a participant, affiliate, or signatory.
- (3) (a) In choosing and contracting for professional investment management and consulting services, the board shall do so prudently and in the interest of the members and annuitants. Any contract that the board makes with an investment manager shall set forth policies and guidelines of the board with reference to standard rating services and specific criteria for determining the quality of investments. Expenses directly related to investment management and consulting services shall be financed from the guarantee fund in amounts approved by the board.
- (b) An investment manager or consultant appointed under this section shall acknowledge in writing his or her fiduciary responsibilities to the fund. To be eligible for appointment, an investment manager, consultant, or an affiliate, shall be:
1. Registered under the Federal Investment Advisers Act of 1940; or
 2. A bank as defined by that Act; or
 3. An insurance company qualified to perform investment services under the laws of more than one (1) state.
- (c) Proxy advisers and proxy voting services shall comply with all applicable provisions of the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder, and shall comply with all other federal statutes and related rules and regulations that apply to proxy advisers and proxy voting services.
- (d) No contract or agreement, whether made in writing or not, shall in any manner waive, restrict, or limit a fiduciary's liability as to any of the duties imposed by this section. Any agreement shall specify that it is made in the Commonwealth and governed by the laws of the Commonwealth, ***unless the agreement is in commingled investments or real property outside the Commonwealth, in which case the agreements may be made in or governed by laws outside of the Commonwealth provided that the other requirements of this section are met.***
- (4) No investment or disbursement of funds shall be made unless authorized by the board of trustees, except that the board, in order to ensure timely market transactions, shall establish investment guidelines and may permit its staff and investment managers who are employed or under contract with the board pursuant to this section to execute purchases and sales of investment instruments within those guidelines without prior board approval.
- (5) In discharging his or her administrative duties under this section, a trustee shall strive to administer the retirement system in an efficient and cost-effective manner for the taxpayers of the Commonwealth of Kentucky.
- (6) Notwithstanding any other provision of KRS 161.220 to 161.716, no funds of the Teachers' Retirement System, including fees and commissions paid to an investment manager, private fund, or company issuing securities, who manages systems assets, shall be used to pay fees and commissions to placement agents. For purposes of this subsection, "placement agent" means a third-party individual, who is not an employee, or firm, wholly or partially owned by the entity being hired, who solicits investments on behalf of an investment manager, private fund, or company issuing securities.
- (7) All contracts for the investment or management of assets of the system shall not be subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct the following process to develop and adopt an investment procurement policy with which all prospective contracts for the investment or management of assets of the system shall comply:
- (a) On or before July 1, 2017, the board shall consult with the secretary of the Finance and Administration Cabinet or his or her designee to develop an investment procurement policy, which shall be written to meet best practices in investment management procurement;
 - (b) Thirty (30) days prior to adoption, the board shall tender the preliminary investment procurement policy to the secretary of the Finance and Administration Cabinet or his or her designee for review and comment;

- (c) Upon receipt of comments from the secretary of the Finance and Administration Cabinet or his or her designee, the board shall choose to adopt or not adopt any recommended changes;
 - (d) Upon adoption, the board shall tender the final investment procurement policy to the secretary of the Finance and Administration Cabinet or his or her designee;
 - (e) No later than thirty (30) days after receipt of the investment procurement policy, the secretary or his or her designee shall certify whether the board's investment procurement policy meets or does not meet best practices for investment management procurement; and
 - (f) Any amendments to the investment procurement policy shall adhere to the requirements set forth by paragraphs (b) to (e) of this subsection.
- (8) (a) The board shall adopt written proxy voting guidelines which are consistent with the fiduciary duties and other requirements of this section.
- (b) The board shall not adopt the recommendations of a proxy adviser or proxy voting service and shall not allow such proxy adviser or proxy voting service to vote on behalf of the system, unless the proxy adviser or proxy voting service acknowledges in writing and accepts under contract its duties under this section and commits to follow the board-adopted proxy voting guidelines when voting the system's shares in order to comply with the board's fiduciary duties and other responsibilities under this section.
- (c) All shares held by or on behalf of the system, and which the system is entitled to vote under state, federal, or common laws, shall be voted according to the proxy voting guidelines adopted by the board and subject to the fiduciary duties and other requirements of this section by:
- 1. The board, the investment committee of the board, or an employee or employees of the system who are fiduciaries under this section and are appointed or otherwise authorized by the board; or
 - 2. A proxy adviser or proxy voting service that acknowledges in writing and accepts under contract its duties under this section and commits to follow the board-adopted proxy voting guidelines when voting the system's shares in order to comply with the board's fiduciary duties and other responsibilities under this section.
- (d) All proxy votes shall be reported at least quarterly to the board. For each vote, the report shall provide:
- 1. The vote caption;
 - 2. The date of the vote;
 - 3. The company's name;
 - 4. The vote cast for the system;
 - 5. The recommendation of the company's management; and
 - 6. If applicable, the recommendation of the proxy adviser or proxy voting service.

➔Section 7. KRS 161.470 is amended to read as follows:

- (1) The membership of the retirement system shall consist of all new members, all present teachers, and all persons participating under the retirement system as of June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29. The board of trustees of the Teachers' Retirement System shall be responsible for final determination of membership eligibility and may direct employers to take whatever action that may be necessary to correct any error relating to membership.
- (2) Service credit shall be forfeited upon withdrawal. If a member again enters service it shall be as a new member, except that any teacher who withdraws by claiming his or her deposits may repay the system the amount withdrawn plus interest and reestablish his or her service credit as provided in subsection (3) of this section.
- (3) Effective July 1, 1988, and thereafter, an active contributing member of the retirement system with contributing service equal to one (1) year may regain service credit by depositing in the teachers' savings fund the amount withdrawn with interest at the rate to be set by the board of trustees, and computed from the first of the month of withdrawal and including the month of redeposit.
- (4) Effective July 1, 1974, any active contributing member with at least two (2) years of contributing service credit who declined membership as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and for any subsequent service prior to date of membership, by depositing in

the teachers' savings fund contributions for each year of subsequent service prior to date of membership, with interest at the rate of eight percent (8%) compounded annually to the date of deposit.

- (5) Membership in the retirement system shall be terminated:
- (a) By retirement for service;
 - (b) By death;
 - (c) By withdrawal of the member's accumulated account balance;
 - (d) When a member, having less than five (5) years of Kentucky service is absent from service for more than three (3) consecutive years; or
 - (e) For persons whose membership begins on or after August 1, 2000, when a member is convicted, in any state or federal court of competent jurisdiction, of a felony related to his or her employment as provided in subparagraphs 1. and 2. of this paragraph.
 - 1. Notwithstanding any provision of law to the contrary, a person whose membership begins on or after August 1, 2000, who is convicted, in any state or federal court of competent jurisdiction, of a felony related to his or her employment shall forfeit rights and benefits earned under the retirement system, except for the return of his or her accumulated contributions and interest credited on those contributions *through the date of conviction*.
 - 2. The payment of retirement benefits ordered forfeited shall be stayed pending any appeal of the conviction. If the conviction is reversed on final judgment, no retirement benefits shall be forfeited.

Except for paragraph (e) of this subsection, upon termination of member accounts under this subsection, funds in the account shall be transferred to the guarantee fund. Inactive members may apply for refunds of these funds at any time. The terminated service shall be reinstated, if not withdrawn by the member, in the event that the member returns to active contributing service.

- (6) In case of withdrawal from service prior to eligibility for retirement, the board of trustees shall on request of the member return all of his or her accumulated account balance, including any payments made by the member to the state accumulation fund, but the member shall have no claim on any contributions made by the state or employer with a view to his or her retirement, except as provided by KRS 161.635 and 161.636, or to contributions made to the medical insurance fund. A member who is withdrawing from service prior to retirement eligibility shall be entitled to a refund following sixty (60) days after his or her last day of employment. If the member is eligible for an immediate service retirement allowance as provided in KRS 161.600, no withdrawal and refund shall be permitted, unless the allowance would prohibit the member from qualifying for Social Security benefits or the member elects to withdraw part or all of his or her service for the purpose of obtaining service credit in another retirement plan. Requests for refund of contributions by the member must be filed on forms prescribed by the Teachers' Retirement System and the employer shall be financially responsible for all information that is certified on the prescribed form. A member may not withdraw any part of his or her accumulated account balance in the retirement system except as provided by this subsection.
- (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to retirement, the board of trustees shall pay to the estate of the deceased member, unless a beneficiary was otherwise applicably designated by the deceased member, then to the beneficiary, all of his or her accumulated account balance, including any payments made by the member to the state accumulation fund, but the estate or beneficiary shall have no claim on any contributions made by the state or employer with a view to the retirement of the member, except as provided by KRS 161.635 and 161.636, or to contributions made to the medical insurance fund.
- (8) Any active contributing member of the Kentucky Employees Retirement System, the County Employees Retirement System, the State Police Retirement System, or the Judicial Retirement System may use service, under that retirement system for the purpose of meeting the service requirement of subsections (3) and (4) of this section.

➔Section 8. KRS 161.585 is amended to read as follows:

- (1) Each member's or annuitant's account shall be administered in a confidential manner, and specific data regarding a member or annuitant shall not be released for publication, except that:

- (a) The member or annuitant may authorize the release of his or her account information;
- (b) The board of trustees may release member or annuitant account information to the employer or to other state and federal agencies as it deems necessary or in response to a lawful subpoena or order issued by a court of law; or
- (c) 1. Upon request by any person, the system shall release the following information from the accounts of any member or annuitant of the Kentucky Teachers' Retirement System, if the member or annuitant is a current or former officeholder in the Kentucky General Assembly:
 - a. The first and last name of the member or annuitant;
 - b. The status of the member or annuitant, including but not limited to whether he or she is a contributing member, a member who is not contributing but has not retired, a retiree receiving a monthly retirement allowance, or a retiree who has returned to work following retirement with an agency participating in the system;
 - c. If the individual is an annuitant, the monthly retirement allowance that he or she was receiving at the end of the most recently completed fiscal year;
 - d. If the individual is a member who has not yet retired, the estimated monthly retirement allowance that he or she is eligible to receive on the first date he or she would be eligible for an unreduced retirement allowance, using his or her service credit, accumulated account balance, and final average salary at the end of the most recently completed fiscal year; and
 - e. The current or last participating employer of the member or annuitant, if applicable.
- 2. No information shall be disclosed under this paragraph from an account that is paying benefits to a beneficiary due to the death of a member or annuitant.
- (2) The release of information under subsection (1)(c) of this section shall not constitute a violation of the Open Records Act, KRS 61.870 to 61.884.
- (3) Medical records which are included in a member's or annuitant's file maintained by the Teachers' Retirement System are confidential and shall not be released unless authorized by the member or annuitant in writing or as otherwise provided by law or in response to a lawful subpoena or order issued by a court of law. ***A member appealing the denial of a disability retirement application and his or her legal counsel shall be entitled to all written recommendations and reports submitted by the medical review committee to the Teachers' Retirement System under subsection (14) of Section 15 of this Act. Such recommendations and reports shall otherwise be maintained in a confidential manner and shall not be subject to release under any conditions, including in response to a subpoena or order issued by a court of law notwithstanding any other statute to the contrary.***
- (4) (a) When a subpoena is served upon any employee of the Kentucky Teachers' Retirement System requiring the production of any data, information, or records, it is sufficient if the employee of the Kentucky Teachers' Retirement System charged with the responsibility of being custodian of the original, or his or her designated staff, delivers ~~within five (5) working days by certified mail or by personal delivery to the person specified in the subpoena~~ either of the following:
 - 1. Legible and durable copies of records certified by the employee or designated staff; or
 - 2. An affidavit stating the information required by the subpoena.
- (b) The production of records or an affidavit shall be in lieu of any personal testimony of any employee of the Kentucky Teachers' Retirement System unless, after the production of records or an affidavit, a separate subpoena is served upon the retirement system specifically directing the testimony of an employee of the retirement system. When a subpoena is served on any employee of the retirement system requiring the employee to give testimony or produce records for any purpose, in the absence of a court order requiring the testimony of or production of records by a specific employee, the system may designate an employee to give testimony or produce records upon the matter referred to in the subpoena. The board of trustees may promulgate an administrative regulation for the recovery of reasonable travel and administrative expenses for those occasions when an employee of the retirement system is required to travel from his or her home or office to provide testimony or records. Recoverable expenses may include the ***travel expenses***, wages, salary, and overtime paid to the employee by the retirement system for the period of time that the employee is away from the office. The cost of these

expenses shall be borne by the party issuing the subpoena compelling the employee's travel. The board of trustees may also promulgate an administrative regulation establishing a reasonable fee for the copying, compiling, and mailing of requested records.

- (c) The certification required by this subsection shall be signed before a notary public by the employee and shall include the full name of the member or annuitant, ***the last four digits of the Social Security number of the member or annuitant*** ~~identification number assigned to the member or annuitant by the retirement system~~, and a legend substantially to the following effect: "The records are true and complete reproductions of the original, microfiche, or electronically stored records which are housed in the retirement system's office. This certification is given in lieu of the undersigned's personal appearance."f
 - ~~(d) When an affidavit or copies of records are personally delivered, a receipt shall be presented to the person receiving the records for his or her signature and shall be immediately signed and returned to the person delivering the records. When an affidavit or copies of records are sent via certified mail, the receipt used by the postal authorities shall be sufficient to prove receipt of the affidavit or copies of records.~~
 - ~~(d)(e)~~ When the affidavit or copies of records are delivered to a ***requesting*** party for use in deposition they shall, after termination of the deposition, be delivered ***by the requesting party*** personally or by certified mail to the clerk of the court or other body before which the action or proceeding is pending.
 - ~~(e)(f)~~ Upon completion of delivery by the retirement system of copies of records by their deposit in the mail or by their personal delivery to the requesting party, the retirement system shall cease to have any responsibility or liability for the records and their continued maintenance in a confidential manner.
 - ~~(f)(g)~~ Records of the Kentucky Teachers' Retirement System that are susceptible to reproduction may be proved as to foundation, identity, and authenticity without preliminary testimony, by use of legible and durable copies, certified in accordance with the provisions of this subsection.
 - ~~(g)(h)~~ The provisions of this subsection shall not be construed to prohibit the Kentucky Teachers' Retirement System from asserting any exemption, exception, or relief provided under the Kentucky Rules of Civil Procedure or other applicable law.
- (5) For purposes of this section, "records" includes retirement estimates, affidavits, and other documents prepared by ***or in the possession of*** the Kentucky Teachers' Retirement System in response to information requested in a lawful subpoena or order issued by a court of law.

➔Section 9. KRS 161.600 is amended to read as follows:

- (1) An individual who becomes a member of the retirement system prior to January 1, 2022, may qualify for service retirement by meeting one (1) of the following requirements:
 - (a) Attainment of age sixty (60) years and completion of five (5) years of Kentucky service;
 - (b)
 1. For an individual who becomes a member before July 1, 2008, attainment of age fifty-five (55) years and completion of a minimum of five (5) years of Kentucky service with an actuarial reduction of the basic allowance of five percent (5%) for each year the member's age is less than sixty (60) years or for each year the member's years of Kentucky service credit is less than twenty-seven (27), whichever is the lesser number; and
 2. For an individual who becomes a member on or after July 1, 2008, attainment of age fifty-five (55) years and completion of a minimum of ten (10) years of Kentucky service with an actuarial reduction of the basic retirement allowance of six percent (6%) for each year the member's age is less than sixty (60) years or for each year the member's years of Kentucky service credit is less than twenty-seven (27), whichever is the lesser number;
 - (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state service earned in accordance with the provisions of KRS 161.515(2) may be used to meet this requirement; or
 - (d) Completion of the necessary years of service under provisions of KRS 61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS 61.680. A member retiring under this paragraph who has not attained age fifty-five (55) shall incur an actuarial reduction of the basic allowance determined by the system's actuary for each year the member's service credit is less than twenty-seven (27).

- (2) An individual who becomes a member of the retirement system on or after January 1, 2022, shall, except as adjusted by the board pursuant to KRS 161.633 or 161.634, as applicable, be eligible to retire upon attainment of:
 - (a) Age sixty-five (65) and completion of a minimum of five (5) years of Kentucky service;
 - (b) Age sixty (60) and completion of a minimum of ten (10) years of Kentucky service;
 - (c) Age fifty-seven (57) and completion of a minimum of thirty (30) years of Kentucky service; or
 - (d) Age fifty-seven (57) and completion of a minimum of ten (10) years of Kentucky service with an actuarial reduction of the basic retirement allowance of six percent (6%) for each year the member's age is less than sixty (60) years or for each year the member's years of Kentucky service credit is less than thirty (30), whichever is the lesser number.
- (3) Any person who has been a member in Kentucky for twenty-seven (27) years or more and who withdraws from covered employment may continue to pay into the fund each year until the end of the fiscal year in which he or she reaches the age of sixty-five (65) years, the current contribution rate based on the annual compensation received during the member's last full year in covered employment, less any payment received for accrued sick leave or accrued leave from an employer. The member shall be entitled to receive a retirement allowance as provided in KRS 161.620 at any time after withdrawing from covered employment and payment of contributions under this subsection. No member shall make contributions as provided for in this subsection if the member is at the same time making contributions to another retirement system in Kentucky supported wholly or in part by public funds.
- (4) Service credit in the Kentucky Employees Retirement System, the State Police Retirement System, the Legislators' Retirement Plan, the County Employees Retirement System, or the Judicial Retirement System may be used in meeting the service requirements of subsections (1)(a) to (c) and (2) of this section, provided the service is subsequent to July 1, 1956.
- (5) Upon death, disability, or service retirement, a member's accounts under all state supported retirement systems shall be consolidated, as provided by this section and by KRS 61.680, for the purpose of determining eligibility and amount of benefits, which shall include medical benefits. Upon determination of benefits, each system shall pay the applicable percentage of total benefits. The effective date of retirement under this subsection shall be determined by each retirement system for the portion of the payments that will be made.
- (6) No retirement annuity shall be effective until written application and option election forms are filed with the retirement office in accordance with administrative regulations of the board of trustees. A member may withdraw his or her retirement application, postpone his or her effective retirement date, or change his or her retirement option if these elections are made no later than the fifteenth day of the month in which the member has made application for retirement. ***The deadline for making these changes shall not be subject to the jurisdiction of any court or appeal process, nor shall it otherwise be tolled or waived.***
- (7) The surviving spouse of an active contributing member, if named as beneficiary of the member's account, may purchase retirement credit that the member was eligible to purchase prior to the member's death.

➔Section 10. KRS 161.624 is amended to read as follows:

The employees of the Teachers' Retirement System shall endeavor to provide full and complete information to all inquiries presented by members or beneficiaries of members. The members or beneficiaries of the members shall assume full responsibility for obtaining adequate and sufficient information concerning their eligibility for retirement benefits, for selection of the type of benefit available to them, ***filing and other deadlines***, and for adherence to the employment restrictions applicable to retired members.

➔Section 11. KRS 161.630 is amended to read as follows:

- (1) (a) A member, upon retirement, shall receive a retirement allowance in the form of a life annuity, with refundable balance, as provided in KRS 161.620, unless an election is made before the effective date of retirement to receive actuarially equivalent benefits under options which the board of trustees approves.
- (b) An individual who is participating in the supplemental benefit component as provided by KRS 161.635 or 161.636 may, before the effective date of retirement, elect to receive his or her accumulated account balance accrued in the supplemental benefit component annuitized into a monthly payment under one (1) of the actuarial equivalent payment options approved by the board of trustees.

- (c) No option shall provide for a benefit with an actuarial value at the age of retirement greater than that provided in KRS 161.620, 161.635(5)(a), or 161.636(5)(a), as applicable. This section does not apply to disability allowances as provided in KRS 161.661(1).
- (2) The retirement option chosen by a retiree at the time of service retirement shall remain in force unless the retiree elects to make a change under the following conditions:
 - (a) A divorce, annulment, or marriage dissolution following retirement shall, at the election of the retiree, cancel any optional plan selected at retirement that provides indefinitely continuing benefits to a spousal beneficiary and return the retiree to a single lifetime benefit equivalent as determined by the board; or
 - (b) Following marriage or remarriage, or the death of the designated beneficiary, a retiree may elect a new optional plan of payment based on the actuarial equivalent of a single lifetime benefit at the time of the election, as determined by the board. The plan shall become effective the first of the month following receipt of an application on a form approved by the board.
- (3) Except as otherwise provided in this section, a beneficiary designation shall not be changed after the effective date of retirement except for retirees who elect the life annuity with refundable balance or the predetermined years certain and life thereafter option. A member may remove a beneficiary at any time, but shall not designate a substitute beneficiary. If a member elects to remove a beneficiary, the member's retirement allowance shall not change regardless of the retirement option selected by the member, even if the removed beneficiary predeceases the member. ***A member who is subject to the beneficiary designation restriction of this subsection shall only be allowed to name a new beneficiary when experiencing a qualifying event under subsection (2) of this section, and shall make this change within the deadline established in subsection (4) of this section.***
- (4) A member who experiences a qualifying event under subsection (2) of this section and who elects a new optional plan of payment shall make that election within sixty (60) days of the qualifying event. ***The deadline for electing a new optional plan of payment or for changing a beneficiary shall not be subject to the jurisdiction of any court or appeal process, nor shall it otherwise be tolled or waived.***

➔Section 12. KRS 161.635 is amended to read as follows:

- (1) An individual who becomes a nonuniversity member of the Teachers' Retirement System on or after January 1, 2022, shall receive the retirement benefits provided by this section in addition to the retirement benefits provided under KRS 161.620. The retirement benefits provided by this section shall be known as the supplemental benefit component.
- (2) The supplemental benefit component shall provide a benefit based upon a member's accumulated account balance which shall include:
 - (a) Mandatory contributions made by the member as provided by KRS 161.540(1)(c)2.;
 - (b) Voluntary contributions made by the member, which may include lump-sum payments;
 - (c) Mandatory contributions made by the employer as provided by KRS 161.550(1)(d)2.;
 - (d) Voluntary employer contributions ***at the option of the employer, which may include but not be limited to a voluntary employer contribution to attract and retain new teachers of one thousand dollars (\$1,000) for each of the first five (5) years of contributing service to the system;*** and
 - (e) Regular interest, which shall be credited to the member's account annually on June 30 of each fiscal year, by multiplying the member's accumulated account balance in the supplemental benefit component on June 30 of the preceding fiscal year by the regular interest rate.
- (3) (a) Member contributions and employer contributions as provided by subsection (2)(a) to (d) of this section shall be credited to the member's account at least monthly as contributions are reported and posted to the system in accordance with KRS 161.560.
- (b) No employer contributions or interest shall be provided to a member who has taken a refund of his or her accumulated account balance as provided by KRS 161.470 or who has retired and annuitized his or her accumulated account balance as authorized by this section.
- (4) (a) Upon termination of employment, a member who has less than five (5) years of service credited under KRS 161.500, who elects to take a refund of his or her accumulated account balance as provided by

KRS 161.470, shall forfeit the accumulated employer contribution, and shall only receive a refund of his or her accumulated contributions.

- (b) Upon termination of employment, a member who has five (5) or more years of service credited under KRS 161.500, who elects to take a refund of his or her accumulated account balance as provided by KRS 161.470, shall receive a full refund of his or her accumulated account balance.
- (5) A nonuniversity member eligible to retire under KRS 161.600(2) may upon retirement, in addition to the other benefits provided by KRS 161.620, elect to:
 - (a) Have *all or a portion of* his or her accumulated account balance in the supplemental benefit component annuitized into a lifetime monthly retirement allowance by the system in accordance with the actuarial assumptions and actuarial methods adopted by the board for the supplemental benefit component and in effect on the member's retirement date;
 - (b) Receive the actuarial equivalent of his or her retirement allowance calculated under paragraph (a) of this subsection payable under one (1) of the options established by the board pursuant to KRS 161.630;
 - (c) Take a distribution of the accumulated account balance in the supplemental benefit component over a period certain as authorized by the board; or
 - (d) Take a full or partial refund of his or her accumulated account balance as provided by KRS 161.470.

A member participating in the supplemental benefit component shall not be required to take a distribution or annuitize his or her accumulated account balance in the supplemental benefit component when he or she begins drawing a retirement allowance from the foundational benefit component and may instead choose to begin drawing a distribution or annuitize his or her accumulated account balance in the supplemental benefit component at any date following his or her retirement date from the foundational benefit component.

- (6) This section only applies to individuals who become nonuniversity members of the Teachers' Retirement System on or after January 1, 2022.
- (7) The board of trustees shall have the authority to utilize or establish any plan or plans authorized under the Internal Revenue Code to provide the benefits set forth in this section.

➔Section 13. KRS 161.636 is amended to read as follows:

- (1) An individual who becomes a university member of the Teachers' Retirement System on or after January 1, 2022, shall receive the retirement benefits provided by this section in addition to the retirement benefits provided under KRS 161.620. The retirement benefits provided by this section shall be known as the supplemental benefit component.
- (2) The supplemental benefit component shall provide a benefit based upon a member's accumulated account balance which shall include:
 - (a) Mandatory contributions made by the member as provided by KRS 161.540(1)(d)2.;
 - (b) Voluntary contributions made by the member, which may include lump-sum payments;
 - (c) Mandatory contributions made by the employer as provided by KRS 161.550(1)(e)2.;
 - (d) Voluntary employer contributions; and
 - (e) Regular interest, which shall be credited to the member's account annually on June 30 of each fiscal year, by multiplying the member's accumulated account balance in the supplemental benefit component on June 30 of the preceding fiscal year by the regular interest rate.
- (3)
 - (a) Member contributions and employer contributions as provided by subsection (2)(a) to (d) of this section shall be credited to the member's account at least monthly as contributions are reported and posted to the system in accordance with KRS 161.560.
 - (b) No employer contributions or interest shall be provided to a member who has taken a refund of his or her accumulated account balance as provided by KRS 161.470 or who has retired and annuitized his or her accumulated account balance as authorized by this section.
- (4)
 - (a) Upon termination of employment, a member who has less than five (5) years of service credited under KRS 161.500, who elects to take a refund of his or her accumulated account balance as provided by KRS 161.470, shall forfeit the accumulated employer contribution, and shall only receive a refund of his or her accumulated contributions.

- (b) Upon termination of employment, a member who has five (5) or more years of service credited under KRS 161.500, who elects to take a refund of his or her accumulated account balance as provided by KRS 161.470, shall receive a full refund of his or her accumulated account balance.
- (5) A university member eligible to retire under KRS 161.600(2) may upon retirement, in addition to the other benefits provided by KRS 161.620, elect to:
 - (a) Have ***all or a portion of*** his or her accumulated account balance in the supplemental benefit component annuitized into a lifetime monthly retirement allowance by the system in accordance with the actuarial assumptions and actuarial methods adopted by the board for the supplemental benefit component and in effect on the member's retirement date;
 - (b) Receive the actuarial equivalent of his or her retirement allowance calculated under paragraph (a) of this subsection payable under one (1) of the options established by the board pursuant to KRS 161.630;
 - (c) Take a distribution of the accumulated account balance in the supplemental benefit component over a period certain as authorized by the board; or
 - (d) Take a full or partial refund of his or her accumulated account balance as provided by KRS 161.470.

A member participating in the supplemental benefit component shall not be required to take a distribution or annuitize his or her accumulated account balance in the supplemental benefit component when he or she begins drawing a retirement allowance from the foundational benefit component and may instead choose to begin drawing a distribution or annuitize his or her accumulated account balance in the supplemental benefit component at any date following his or her retirement date from the foundational benefit component.

- (6) This section only applies to individuals who become university members of the Teachers' Retirement System on or after January 1, 2022.
- (7) The board of trustees shall have the authority to utilize or establish any plan or plans authorized under the Internal Revenue Code to provide the benefits set forth in this section.

➔Section 14. KRS 161.643 is amended to read as follows:

- (1) Each school district, institution, and agency employing annuitants of the retirement system shall have on file at the retirement system's office an annual summary report of the days employed and the compensation paid to each annuitant, ***the sick leave reporting requirements established by subsection (10)(f) of Section 1 of this Act***, and other data as required by administrative regulation of the board of trustees no later than August 1, following the completion of each fiscal year.
- (2) The retirement system may impose a penalty on the employer not to exceed one thousand dollars (\$1,000) when the employer does not meet the August 1 filing date or fails to provide the information required for employment of annuitants of the retirement system. However, the retirement system may waive the penalty for good cause.
- (3) The retirement system may promulgate administrative regulations in accordance with KRS Chapter 13A to require employers to report more frequently than on an annual basis.

➔Section 15. KRS 161.661 is amended to read as follows:

- (1) (a) Any member who is accredited by the Teachers' Retirement System for five (5) or more years of service in Kentucky after July 1, 1941, may retire for disability and be granted a disability allowance if found to be eligible as provided in this section. Application for disability benefits shall be made within one (1) year of the last contributing service in Kentucky, and the disability must have occurred during the most recent period of employment in a position covered by the Teachers' Retirement System and subsequent to the accreditation by the Teachers' Retirement System of five (5) years of retirement system service credit in Kentucky. ***The deadline for filing an application for disability benefits shall not be subject to the jurisdiction of any court or appeal process, nor shall it otherwise be tolled or waived.*** A disability occurring during the regular vacation immediately following the last period of active service in Kentucky or during an official leave for which the member is entitled to make regular contributions to the retirement system, shall be considered as having occurred during a period of active service.
- (b) The annual disability allowance shall be equal to sixty percent (60%) of the member's final average salary.
- (c) The following individuals shall not be eligible for disability benefits under this section:

1. Members with twenty-seven (27) or more years of service credit; and
 2. Individuals who become members on or after July 1, 2021, who are eligible for an unreduced benefit under KRS 161.600(1)(b)2. or (d).
- (2) The provisions of KRS 161.520, 161.525, and subsections (3), (4), and (5) of this section shall not apply to disability retirees whose benefits were calculated on the service retirement formula nor to survivors of these members.
- (3) Members shall earn one (1) year of entitlement to disability retirement, at sixty percent (60%) of the member's final average salary, for each four (4) years of service in a covered position, but any member meeting the service requirement for disability retirement shall be credited with no less than five (5) years of eligibility.
- (4) A member retired by reason of disability shall continue to earn service credit at the rate of one (1) year for each year retired for disability. This service shall be credited to the member's account at the expiration of entitlement as defined in subsection (3) of this section, or when the member's eligibility for disability benefits is terminated upon recommendation of a medical review committee, and this service shall be used in calculating benefits as provided in subsection (5) of this section, but under no circumstances shall this service be used to provide the member with more than twenty-seven (27) years of total service credit. The service credit shall be valued at the same level as service earned by active members as provided under KRS 161.600 or 161.620.
- (5) Any member retired by reason of disability and remaining disabled at the expiration of the entitlement period shall have his or her disability benefits recalculated using the service retirement formula with service credit earned as set out in subsection (4) of this section. The retirement allowance shall be calculated as set forth in KRS 161.620, except that those persons less than sixty (60) years of age shall be considered as sixty (60) years of age. Members having their disability benefits recalculated under this subsection shall not be entitled to a benefit based upon an average of their three (3) highest salaries as set forth in KRS 161.220(9), unless approved otherwise by the board of trustees.
- (6) Members who have their disability retirement allowance recalculated at the expiration of the entitlement period shall continue to have coverage under the post-retirement medical insurance program. Restrictions on employment shall remain in effect until the member attains age seventy (70) or until the member's eligibility is discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability retirees whose retirement allowances have been recalculated at the expiration of the entitlement period. Members who have their disability retirement allowance recalculated at the expiration of their entitlement period shall be entitled to a minimum monthly allowance of five hundred dollars (\$500) as the basic straight life annuity. The minimum allowance shall be effective July 1, 1992, and shall apply to those members who have had their allowance recalculated prior to that date and to disability retirees who will have their benefit allowance recalculated on or after that date. For individuals who become members on or after July 1, 2021, disability retirement payments and any other recurring payments payable by any other state-administered retirement system shall be applied to reduce, on a dollar-for-dollar basis, the minimum monthly disability retirement allowance payable under this subsection.
- (7) Effective July 1, 1992, members retired for disability prior to July 1, 1964, shall be entitled to a minimum monthly allowance of five hundred dollars (\$500) as their basic straight life annuity and their surviving spouse shall be eligible for survivor benefits as provided in KRS 161.520(1)(a) and (b).
- (8) Any member retired by reason of disability may voluntarily waive disability benefits and ~~return to teaching or~~ any member, who is ***immediately eligible for service retirement***~~age sixty (60) years or older~~, may elect to waive disability benefits and retire for service on the basis of service credited to the member on the effective date of the disability retirement.
- (9) In order to qualify for retirement by reason of disability a member must suffer from a physical or mental condition presumed to be permanent in duration and of a nature as to render the member incapable of being gainfully employed in a covered position. The incapability must be revealed by a competent examination by a licensed physician or physicians and must be approved by a majority of a medical review committee.
- (10) A member retired by reason of disability shall be required to undergo periodic examinations at the discretion of the board of trustees to determine whether the disability allowance shall be continued. When examination and recommendation of a medical review committee indicate the disability no longer exists, the allowance shall be discontinued. ***Failure to undergo examinations and provide the Teachers' Retirement System with requested medical documentation shall result in a suspension of disability benefits.***

- (11) Eligibility for payment shall begin on the first day of the month following receipt of the application in the Teachers' Retirement System office, or the first of the month next following the last payment of salary or sick leave benefits by the employer, whichever is the later date.
- (12) No person who receives a disability allowance may be employed in a position that entails duties or qualification requirements similar to positions subject to participation in the retirement system either within or without the State of Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the allowance from the first date of this service. For purposes of this subsection and subsection (13) of this section, "employment" and "occupation," and derivatives thereof, mean any activity engaged in by the member receiving disability allowance from which income is earned. A member who applies for and is approved for disability retirement on or after July 1, 2002, and whose annual disability benefit is less than forty thousand dollars (\$40,000) may earn income in any occupation other than covered employment only to the extent that the annual income from the other employment when added to the annual disability benefit does not exceed forty thousand dollars (\$40,000). For any member who exceeds this limit as a result of income from other employment, the Kentucky Teachers' Retirement System shall reduce the member's disability benefit on a dollar-for-dollar basis for each dollar that the member's combined annual disability benefit and annual income from other employment exceeds forty thousand dollars (\$40,000). The board of trustees may annually increase the forty thousand dollar (\$40,000) limit by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year as published by the Federal Bureau of Labor Statistics, not to exceed five percent (5%). The retirement system may require income *and employment* verification from the member, including but not limited to copies of tax returns and federal forms W-2 and W-4P. ***Failure to provide the Teachers' Retirement System with requested income and employment verification documentation shall result in a suspension of disability benefits. Submission of false or fraudulent documentation shall, in addition to criminal penalties, result in disqualification of all disability benefits from the date the fraudulent documentation was submitted.***
- (13) All members who applied for disability retirement before July 1, 2002, and were approved as a result of that application shall be subject to the income limitations as they existed on June 30, 2002, until July 1, 2006. Effective July 1, 2006, the twenty-seven thousand dollar (\$27,000) limitation shall be increased to forty thousand dollars (\$40,000) and may be adjusted by the board of trustees by the consumer price index in the manner described in subsection (12) of this section. The recipient of a disability allowance who engages in any gainful occupation other than covered employment must make a report of the duties involved, compensation received, and any other pertinent information required by the board of trustees. The retirement system may require income *and employment* verification from the member, including but not limited to copies of tax returns and federal forms W-2 and W-4P. ***Failure to provide the Teachers' Retirement System with requested income and employment verification documentation shall result in a suspension of disability benefits. Submission of false or fraudulent documentation shall, in addition to criminal penalties, result in disqualification of all disability benefits from the date the fraudulent documentation was submitted.***
- (14) The board of trustees shall designate medical review committees, each consisting of three (3) licensed physicians. A medical review committee shall pass upon all applications for disability retirement and upon all applicant statements, medical certifications, and examinations submitted in connection with disability applications. The disposition of each case shall be recommended by a medical review committee in writing to the retirement system. Members of a medical review committee shall follow administrative regulations regarding procedures as the board of trustees may enact and shall be paid reasonable fees and expenses as authorized by the board of trustees in compliance with the provisions of KRS 161.330 and 161.340. The retirement system may secure additional medical examinations and information as it deems necessary. A member may appeal any final agency decision denying his or her disability retirement application pursuant to the provisions of KRS 161.250(2). ***In the event of such an appeal, the member and his or her legal counsel shall be entitled to all written recommendations and reports submitted by the medical review committee to the Teachers' Retirement System. Such recommendations and reports shall otherwise be maintained in a confidential manner and shall not be subject to release under any conditions, including in response to a subpoena or order issued by a court of law notwithstanding any other statute to the contrary.***
- (15) A disability may be presumed to be permanent if the condition creating the disability may be reasonably expected to continue for one (1) year or more from the date of application for disability benefits.
- (16) Any member who has voluntarily waived disability benefits or whose disability benefits have been discontinued on recommendation of a medical review committee, may apply for reinstatement of disability benefits. The application for reinstatement must be made to the retirement system within twelve (12) months

of the date disability benefits terminated. If the termination of benefits were voluntary, the reinstatement may be made without medical examination if application is made within three (3) months of the termination date. Other applications for reinstatement will be processed in the same manner as new applications for benefits.

- (17) No person who is receiving disability benefits under this section may be employed in a position which qualifies the person for membership in a retirement system financed wholly or in part with public funds. Employment in a position prohibited by this subsection shall result in disqualification for those disability benefits from the date of employment in the prohibited position.
- (18) Any person who is receiving benefits and becomes disqualified from receiving those benefits under this section, or becomes disqualified from receiving a portion of those benefits due to income from other than covered employment, shall immediately notify the Teachers' Retirement System of this disqualification in writing and shall return all benefits paid after the date of disqualification. Failure to comply with these provisions shall create an indebtedness of that person to the Teachers' Retirement System. Interest at the rate of eight percent (8%) per annum, ***beginning on the date the written notice of disqualification is sent***, shall be charged if the debt is not repaid within sixty (60) days after the date of ***written notice of*** disqualification. Failure to repay this debt creates a lien in favor of the Teachers' Retirement System upon all property of the person who improperly receives benefits and does not repay those benefits. The Teachers' Retirement System may, in order to collect an outstanding debt, reduce or terminate any benefit that a member is otherwise entitled to receive.
- (19) Notwithstanding any other provision of this section to the contrary, individuals who become members on or after January 1, 2022, shall be eligible for an actuarially determined disability benefit as prescribed by the board of trustees via administrative regulations promulgated by the board. The board of trustees shall arrange by appropriate contract or on a self-insured basis a disability plan to provide the disability benefits and may adjust the benefits in accordance with KRS 161.633(3) or 161.634(3).

➔Section 16. KRS 161.680 is amended to read as follows:

- (1) If any change or error in a record results in any individual receiving from the retirement system more or less than the individual was entitled to receive ***as determined by the board of trustees or staff of the Teachers' Retirement System***, the board of trustees ***or staff*** shall, when the error is discovered, correct the error, and as far as practicable adjust the payments so that the actuarial equivalent of the benefit to which the individual was entitled shall be paid.
- (2) The Teachers' Retirement System shall take all practicable and cost-effective steps to collect overpayments from a member's or retiree's account. Methods of correction of overpayments from any member's or retiree's account shall include but are not limited to reclamation of the overpayment from the member's or retiree's account at the depository bank, the deduction of moneys from account refunds, deduction from the retirement allowance or joint and survivor annuity payable from the account, and deduction of moneys from the life insurance benefit. Collection of overpayments shall be initiated regardless of the designated beneficiary for any amounts payable from the account.

➔Section 17. KRS 56.8605 is amended to read as follows:

As used in KRS 56.860 to 56.869:

- (1) "Authorized project" means:
 - (a) Any project approved by the General Assembly and included in an enacted budget; or
 - (b) Any project approved by the General Assembly that is certified by the secretary of the Finance and Administration Cabinet in accordance with the provisions of KRS 56.870, to be of a type that will independently produce revenues or will be payable from receipts of federal transportation funds that are projected by the commission to be sufficient to fully meet debt service, issuance costs, reserve fund requirements, insurance premiums, or any other expenditures necessary for financing so that no appropriation of state funds is required;
- (2) "Cabinet" means the Finance and Administration Cabinet;
- (3) "Commercial paper" means obligations that by their terms mature not more than three hundred sixty-six (366) days from the date of their issuance and that may be refunded;
- (4) "Commission" means the Kentucky Asset/Liability Commission;

- (5) "Estimated revenues" means the official revenue estimates established pursuant to KRS 48.120 on or before the dates on which tax and revenue anticipation notes are awarded to the purchaser;
- (6) "Financial agreements" means interest rate swaps, options, or other agreements between two (2) parties to exchange or have the conditional right to exchange interest rate exposure from fixed rate to variable rate or from variable rate to fixed rate, or to provide other economic benefit to an issuance of notes or a portfolio of notes, or to hedge the net interest margin of the Commonwealth;
- (7) "Financing agreement" means an agreement between the commission and the cabinet, or between the cabinet and a state agency, relating to the funding of projects or items associated with projects as described in KRS 56.867(3), a judgment against a state agency or the Commonwealth, or the finance or refinance of obligations owed under KRS 161.550(2)~~or 161.553(2)~~. The provisions of a financing agreement shall require either the cabinet to make payments to the commission relating to the commission's issuance of notes, or the state agency to make payments to the cabinet reimbursing the cabinet for its payments to the commission on the agency's behalf. The obligations of the cabinet or the state agency under a financing agreement shall be contingent upon appropriations by the General Assembly to the cabinet or to the agency for the payment of those obligations;
- (8) "Fixed-rate obligations" means obligations on which the interest rate remains constant to maturity;
- (9) "Funding notes" means notes issued under the provisions of KRS 56.860 to 56.869 by the commission for the purpose of funding:
 - (a) Judgments, with a final maturity of not more than ten (10) years; and
 - (b) The finance or refinance of obligations owed under KRS 161.550(2)~~or 161.553(2)~~;
- (10) "Interest-sensitive assets" means tangible and intangible property held by the Commonwealth whose market value is dependent upon the level of interest rates;
- (11) "Interest-sensitive liabilities" means interest-bearing debts or other obligations of the Commonwealth or a state agency;
- (12) "Multimodal obligations" means obligations for which the time period for establishing the rate of interest may be selectively determined and altered;
- (13) "Net interest margin" means the net income or expense associated with the difference between the Commonwealth's interest-sensitive assets and interest-sensitive liabilities;
- (14) "Project notes" means notes issued under the provisions of KRS 56.860 to 56.869 by the commission with a final maturity of not more than twenty (20) years for the purpose of funding authorized projects, which may include bond anticipation notes;
- (15) "State agency" means any state administrative body, agency, department, or division as defined in KRS 42.005, and set out in KRS Chapter 12, or any board, commission, institution, state university, or division exercising any function of the Commonwealth;
- (16) "Tax and revenue anticipation notes" means notes that are issued under the provisions of KRS 56.860 to 56.869 by the commission with a final maturity that is no later than the last day of the fiscal year during which the tax and revenue anticipation notes are issued and that are issued in anticipation of estimated revenues to be received in that fiscal year; and
- (17) "Variable-rate demand obligations" means obligations on which the rate of interest is set by reference to a predetermined index or formula, by auction, by an agent that, in the sole judgment of the commission, has the financial expertise to establish market interest rates, or by similar means.

➔Section 18. KRS 56.868 is amended to read as follows:

- (1) The commission may issue and sell funding notes for the purposes of funding judgments against the Commonwealth or any state agency and financing or refinancing obligations owed under KRS 161.550(2)~~or 161.553(2)~~. Funding notes may be sold and issued in a manner and have terms relating to the payment of interest, principal, and premiums or discounts as market conditions warrant.
- (2) Appropriations requests for payment of principal and interest on funding notes shall be made by the state agency against which a judgment has been rendered or, in the case of financing or refinancing obligations owed under KRS 161.550(2)~~or 161.553(2)~~, to the Kentucky Teachers' Retirement System. Funding notes,

together with interest thereon, shall be repaid from payments received by the commission from the cabinet under a financing agreement.

- (3) Funding notes may be issued for the following purposes:
 - (a) To pay for judgments, which shall include legal settlements, court-ordered actions against the Commonwealth or any state agency, and any part of any expense or cost incidental to legal settlements or court-ordered actions against the Commonwealth or any state agency;
 - (b) To finance or refinance obligations owed under KRS 161.550(2)~~[-or 161.553(2)]~~; and
 - (c) To refund outstanding issues of funding notes.
- (4) The issuance of funding notes shall be subject to KRS 56.870, to approval by the State Property and Buildings Commission, and to review by the Capital Projects and Bond Oversight Committee pursuant to KRS 45.810.
- (5) The cabinet, in providing for the expenditure of funds for any of the purposes mentioned in this section, may provide by a financing agreement with the state agency so affected for the funding of the Commonwealth's or that state agency's judgment, and the state agency so affected is authorized to enter into a financing agreement with the cabinet for that purpose.
- (6) Funding notes shall not constitute a debt of the Commonwealth or any political subdivision thereof or a pledge of the faith and credit of the Commonwealth or any political subdivision, but the notes shall be payable solely from payments received under the financing agreement relating to the funding notes.

➔Section 19. KRS 161.550 is amended to read as follows:

- (1) Each employer, except as provided under KRS 161.555, shall contribute annually to the Teachers' Retirement System a permanent employer contribution rate on behalf of each employee it employs equal to:
 - (a) Thirteen and one hundred five thousandths percent (13.105%) of the total annual compensation of nonuniversity members who become members prior to July 1, 2008. Of this permanent employer contribution rate:
 1. Twelve and three hundred fifty-five thousandths percent (12.355%) of the total annual compensation shall be used to fund pension and life insurance benefits; and
 2. Three-quarters of a percent (0.75%) of annual compensation shall be used to provide funding to the medical insurance fund as provided under KRS 161.420(5). If the board of trustees establishes a trust fund under 26 U.S.C. sec. 115, the board may deposit the employer contribution provided in this subparagraph in that trust fund;
 - (b) Fourteen and one hundred five thousandths percent (14.105%) of the total annual compensation of nonuniversity members who become members on or after July 1, 2008, but prior to January 1, 2022. Of this permanent employer contribution rate:
 1. Thirteen and three hundred fifty-five thousandths percent (13.355%) of the total annual compensation shall be used to fund pension and life insurance benefits; and
 2. Three-quarters of a percent (0.75%) of annual compensation shall be used to provide funding to the medical insurance fund as provided under KRS 161.420(5). If the board of trustees establishes a trust fund under 26 U.S.C. sec. 115, the board may deposit the employer contribution provided in this subparagraph in that trust fund;
 - (c) Thirteen and sixty-five hundredths percent (13.65%) of the total annual compensation of university members who become members prior to January 1, 2022. Of this permanent employer contribution rate:
 1. Ten and eight hundred seventy-five thousandths percent (10.875%) of the total annual compensation shall be used to fund pension and life insurance benefits; and
 2. Two and seven hundred seventy-five thousandths percent (2.775%) of annual compensation shall be used to provide funding to the medical insurance fund as provided under KRS 161.420(5). If the board of trustees establishes a trust fund under 26 U.S.C. sec. 115, the board may deposit the employer contribution provided in this subparagraph in that trust fund;
 - (d) Ten and three-quarters percent (10.75%) of the total annual compensation of nonuniversity members who become members on or after January 1, 2022. Of this permanent employer contribution rate:

1. Eight percent (8%) of the total annual compensation shall be used to fund pension and life insurance benefits. The contribution provided by this subparagraph shall not be used to fund the supplemental benefit account as provided by KRS 161.635;
 2. Two percent (2%) of the total annual compensation shall be used to fund the mandatory employer contribution of the supplemental benefit component, except that the board may direct these contributions on a prospective basis into the pension and life insurance funds to contain costs within the provisions of KRS 161.633; and
 3. Three-quarters of one percent (0.75%) of annual compensation shall be used to provide funding to the medical insurance fund as provided under KRS 161.420(5). If the board of trustees establishes a trust fund under 26 U.S.C. sec. 115, the board may deposit the employer contribution provided in this subdivision in that trust fund; and
- (e) Nine and seven hundred seventy-five thousandths percent (9.775%) of total annual compensation of university members who become members on or after January 1, 2022. Of this permanent employer contribution rate:
1. Five and seven hundred seventy-five thousandths percent (5.775%) of the total annual compensation shall be used to fund pension and life insurance benefits. The contribution provided by this subparagraph shall not be used to fund the supplemental benefit account as provided by KRS 161.636;
 2. Two percent (2%) of the total annual compensation shall be used to fund the mandatory employer contribution of the supplemental benefit component, except that the board may direct these contributions on a prospective basis into the pension and life insurance funds to contain costs within the provisions of KRS 161.634; and
 3. Two percent (2%) of annual compensation shall be used to provide funding to the medical insurance fund as provided under KRS 161.420(5). If the board of trustees establishes a trust fund under 26 U.S.C. sec. 115, the board may deposit the employer contribution provided in this subparagraph in that trust fund.
- (2) In addition to the required contributions in subsection (1) of this section, the state shall contribute annually to the Teachers' Retirement System a percentage of the total salaries of the state-funded and federally funded members it employs to pay the cost of health insurance coverage for retirees who are not eligible for Medicare and who retire on or after July 1, 2010, less the amounts that are otherwise required to be paid by the retirees under KRS 161.675. The board shall deposit funds in the medical insurance fund unless the board of trustees has established a trust fund under 26 U.S.C. sec. 115 for this purpose. In this case, the board may deposit the employer contribution in that trust fund. This contribution shall be known as the state medical insurance fund stabilization contribution. The percentage to be contributed by the state under this subsection:
- (a) Shall be determined by the retirement system's actuary for each biennial budget period;
 - (b) May be suspended or adjusted by the General Assembly if in its judgment the welfare of the Commonwealth so demands; and
 - (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible for Medicare who retire on or after July 1, 2010, or the amount contributed by employers under subsection (3) of this section.
- (3) All employers who employ nonuniversity members shall make a contribution for each payroll on behalf of their active employees who participate in the Teachers' Retirement System in an amount equal to three percent (3%) of payroll of those active employees. The contribution specified by this subsection shall be used to fund retiree health benefits.
- (4) When the medical insurance fund established under KRS 161.420(5) achieves a sufficient prefunded status as determined by the Teachers' Retirement System's actuary, the board of trustees shall recommend to the General Assembly that the contributions required under subsections (1)(c)2. and (e)3. and (3) of this section shall, in an actuarially accountable manner, be either decreased, suspended, or eliminated. The decrease, suspension, or elimination in contributions required under subsection (1)(c)2. of this section shall not exceed two and twenty-five thousandths percent (2.025%) of annual compensation. The decrease, suspension, or elimination in contributions required under subsection (1)(e)3. of this section shall not exceed one and twenty-five hundredths percent (1.25%) of annual compensation.

- (5) Each employer shall remit the required employer contributions to the retirement system under the terms and conditions specified for member contributions under KRS 161.560. The state shall provide annual appropriations based upon estimated funds needed to meet the requirements of KRS 161.155, 161.168, 161.507(4), 161.515, 161.545, ~~161.553,~~ 161.605, 161.612, and 161.620(1), (3), (5), (6), and (7). In the event an annual appropriation is less than the amount of these requirements, the state shall make up the deficit in the next biennium budget appropriation to the retirement system. Employer contributions to the retirement system are for the exclusive purpose of providing benefits to members and annuitants and these contributions shall be considered deferred compensation to the members. This subsection shall not apply to costs applicable to individuals who become members on or after January 1, 2022.

➔Section 20. The following KRS section is repealed:

161.553 Funding of past statutory benefit improvements -- Schedules for appropriations -- Cost-of-living increases.

➔Section 21. The Auditor of Public Accounts shall perform a special audit of benefit programs provided by the Teachers' Retirement System which shall be paid by the Teachers' Retirement System as part of its normal administrative expenses. The special audit shall be limited to:

(1) An audit of the sick leave program established by Section 1 of this Act as it relates to the Teachers' Retirement System and the sick leave reported by local school districts to the Teachers' Retirement System as of June 30, 2025, to ensure that only the sick leave that is eligible for payment under Section 1 of this Act and inclusion in a retiring employee's final average salary as defined in Section 2 of this Act is being reported correctly according to Section 1 of this Act and that the cost of the sick leave program is being reported correctly according to Section 5 of this Act;

(2) An audit of the employers listed in subsection (4) of Section 2 of this Act to determine if any listed employers are providing coverage in the Teachers' Retirement System for other entities on a contract basis, through a memorandum of agreement, or other method. The audit shall provide a listing of each employer providing the retirement coverage, a listing of entities for which retirement coverage is being provided through the employer and the number of employees covered for each entity, and any estimated costs to the state for providing the Teachers' Retirement System coverage to these entities; and

(3) An audit of the Teachers' Retirement System's annual leave program established by KRS 161.540(1)(f) to report the agencies that are including annual leave payments in a retiring employee's final average salary as defined in Section 2 of this Act, to report the policies of each agency participating in the annual leave program and the number of employees covered by the policy of each agency, to evaluate how annual leave is reported to the system and whether changes should be made to annual leave reporting process to the system to ensure proper cost estimates, and a review of the cost of the annual leave program that is required to be disclosed in the annual valuation as required by Section 5 of this Act.

➔Section 22. Whereas ensuring the accuracy of data and costs of the sick leave programs provided by the Teachers' Retirement System will ensure the reliability of future pension costs, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

Signed by Governor March 31, 2025.