

1 AN ACT relating to the Teachers' Retirement System.

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

3 ➔SECTION 1. A NEW SECTION OF KRS 161.220 TO 161.716 IS CREATED
4 TO READ AS FOLLOWS:

5 *(1) Notwithstanding any provision of KRS 161.220 to 161.716 to the contrary, the*
6 *Teachers' Retirement System may, when it deems appropriate, use and accept*
7 *electronic signatures on any retirement system document, and for any reason that*
8 *the retirement system would otherwise require a signature, if the electronic*
9 *signatures are submitted using technology that the board of trustees of the*
10 *retirement system deems sufficient to protect their integrity, security, and*
11 *authenticity.*

12 *(2) If deemed appropriate for use and acceptance under this section, an electronic*
13 *signature shall have the same force and effect as a handwritten signature.*

14 *(3) The board of trustees of the retirement system may promulgate an administrative*
15 *regulation in accordance with KRS Chapter 13A to establish guidelines for the*
16 *use and acceptance of electronic signatures.*

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

18 As used in KRS 161.220 to 161.716 and 161.990:

19 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to
20 161.716 and 161.990 for payment of allowances to members;

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

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

25 (4) "Member" means the commissioner of education, deputy commissioners, associate
26 commissioners, and all division directors in the State Department of Education,
27 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any

- 1 full-time teacher or professional occupying a position requiring certification or
2 graduation from a four (4) year college or university, as a condition of employment,
3 and who is employed by public boards, institutions, or agencies as follows:
- 4 (a) Local boards of education;
 - 5 (b) Eastern Kentucky University, Kentucky State University, Morehead State
6 University, Murray State University, Western Kentucky University, and any
7 community colleges established under the control of these universities;
 - 8 (c) State-operated secondary area vocational education or area technology centers,
9 Kentucky School for the Blind, and Kentucky School for the Deaf;
 - 10 (d) The Education Professional Standards Board, other public education agencies
11 as created by the General Assembly, and those members of the administrative
12 staff of the Teachers' Retirement System of the State of Kentucky whom the
13 board of trustees may designate by administrative regulation;
 - 14 (e) Regional cooperative organizations formed by local boards of education or
15 other public educational institutions listed in this subsection, for the purpose
16 of providing educational services to the participating organizations;
 - 17 (f) All full-time members of the staffs of the Kentucky Association of School
18 Administrators, Kentucky Education Association, Kentucky Vocational
19 Association, Kentucky High School Athletic Association, Kentucky Academic
20 Association, and the Kentucky School Boards Association who were members
21 of the Kentucky Teachers' Retirement System or were qualified for a position
22 covered by the system at the time of employment by the association in the
23 event that the board of directors of the respective association petitions to be
24 included. The board of trustees of the Kentucky Teachers' Retirement System
25 may designate by resolution whether part-time employees of the petitioning
26 association are to be included, except as limited by KRS 161.612. The state
27 shall make no contributions on account of these employees, either full-time or

- 1 part-time. The association shall make the employer's contributions, including
2 any contribution that is specified under KRS 161.550. The provisions of this
3 paragraph shall be applicable to persons in the employ of the associations on
4 or subsequent to July 1, 1972;
- 5 (g) Employees of the Council on Postsecondary Education who were employees
6 of the Department for Adult Education and Literacy and who were members
7 of the Kentucky Teachers' Retirement System at the time the department was
8 transferred to the council pursuant to Executive Order 2003-600;
- 9 (h) The Office of Career and Technical Education, except that the executive
10 director shall not be a member;
- 11 (i) The Office of Vocational Rehabilitation;
- 12 (j) The Kentucky Educational Collaborative for State Agency Children;
- 13 (k) The Governor's Scholars Program;
- 14 (l) Any person who is retired for service from the retirement system and is
15 reemployed by an employer identified in this subsection in a position that the
16 board of trustees deems to be a member, except that any person who retires on
17 or after January 1, 2019, shall upon reemployment after retirement not earn a
18 second retirement account;
- 19 (m) Employees of the former Cabinet for Workforce Development who are
20 transferred to the Kentucky Community and Technical College System and
21 who occupy positions covered by the Kentucky Teachers' Retirement System
22 shall remain in the Teachers' Retirement System. New employees occupying
23 these positions, as well as newly created positions qualifying for Teachers'
24 Retirement System coverage that would have previously been included in the
25 former Cabinet for Workforce Development, shall be members of the
26 Teachers' Retirement System;
- 27 (n) Effective January 1, 1998, employees of state community colleges who are

1 transferred to the Kentucky Community and Technical College System shall
2 continue to participate in federal old age, survivors, disability, and hospital
3 insurance, and a retirement plan other than the Kentucky Teachers' Retirement
4 System offered by Kentucky Community and Technical College System. New
5 employees occupying positions in the Kentucky Community and Technical
6 College System as referenced in KRS 164.5807(5) that would not have
7 previously been included in the former Cabinet for Workforce Development,
8 shall participate in federal old age, survivors, disability, and hospital insurance
9 and have a choice at the time of employment of participating in a retirement
10 plan provided by the Kentucky Community and Technical College System,
11 including participation in the Kentucky Teachers' Retirement System, on the
12 same basis as faculty of the state universities as provided in KRS 161.235,
13 161.540, and 161.620;

14 (o) Employees of the Office of General Counsel, the Office of Budget and
15 Administrative Services, and the Office of Quality and Human Resources
16 within the Office of the Secretary of the former Cabinet for Workforce
17 Development and the commissioners of the former Department for Adult
18 Education and Literacy and the former Department for Technical Education
19 who were contributing to the Kentucky Teachers' Retirement System as of
20 July 15, 2000;

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

25 (q) The Governor's School for Entrepreneurs Program.

26 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,
27 and became a member of the retirement system created by 1938 (1st Extra. Sess.)

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

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

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

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

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

27 (a) The member's actual salary; or

1 (b) The member's annual salary that was used for retirement purposes during each
2 of the prior three (3) years, plus a percentage increase equal to the percentage
3 increase received by all other members employed by the public board,
4 institution, or agency, or for members of school districts, the highest
5 percentage increase received by members on any one (1) rank and step of the
6 salary schedule of the school district. The increase shall be computed on the
7 salary that was used for retirement purposes.

8 This limitation shall not apply if the member receives an increase in salary in a
9 percentage exceeding that received by the other members, and this increase was
10 accompanied by a corresponding change in position or in length of employment.

11 This limitation shall also not apply to the payment to a member for accrued annual
12 leave if the individual becomes a member before July 1, 2008, or accrued sick leave
13 which is authorized by statute and which shall be included as part of a retiring
14 member's annual compensation for the member's last year of active service as
15 provided by KRS 161.155;

16 (10) "Annual compensation" means the total salary received by a member as
17 compensation for all services performed in employment covered by the retirement
18 system during a fiscal year. Annual compensation shall not include payment for any
19 benefit or salary adjustments made by the public board, institution, or agency to the
20 member or on behalf of the member which is not available as a benefit or salary
21 adjustment to all other members employed by that public board, institution, or
22 agency. Annual compensation shall not include the salary supplement received by a
23 member under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996.
24 Under no circumstances shall annual compensation include compensation that is
25 earned by a member while on assignment to an organization or agency that is not a
26 public board, institution, or agency listed in subsection (4) of this section. In the
27 event that federal law requires that a member continue membership in the

1 retirement system even though the member is on assignment to an organization or
2 agency that is not a public board, institution, or agency listed in subsection (4) of
3 this section, the member's annual compensation for retirement purposes shall be
4 deemed to be the annual compensation, as limited by subsection (9) of this section,
5 last earned by the member while still employed solely by and providing services
6 directly to a public board, institution, or agency listed in subsection (4) of this
7 section. The board of trustees shall determine if any benefit or salary adjustment
8 qualifies as annual compensation. For an individual who becomes a member on or
9 after July 1, 2008, annual compensation shall not include lump-sum payments upon
10 termination of employment for accumulated annual or compensatory leave;

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

14 (12) "Employ," and derivatives thereof, means relationships under which an individual
15 provides services to an employer as an employee, as an independent contractor, as
16 an employee of a third party, or under any other arrangement as long as the services
17 provided to the employer are provided in a position that would otherwise be covered
18 by the ~~Kentucky~~ Teachers' Retirement System and as long as the services are
19 being provided to a public board, institution, or agency listed in subsection (4) of
20 this section;

21 (13) "Regular interest" means interest at three percent (3%) per annum, except:

22 (a) For an individual who becomes a member on or after July 1, 2008, but prior to
23 January 1, 2019, "regular interest" means interest at two and one-half percent
24 (2.5%) per annum for purposes of crediting interest to the teacher savings
25 account or any other contributions made by the employee that are refundable
26 to the employee upon termination of employment; and

27 (b) For an individual who becomes a member on or after January 1, 2019, who is

- 1 participating in the hybrid cash balance plan, "regular interest" means the
2 regular interest credited to the member's accumulated account balance as
3 provided by KRS 161.235;
- 4 (14) "Accumulated contributions" means the contributions of a member to the teachers'
5 savings fund, including picked-up member contributions as described in KRS
6 161.540(2), plus accrued regular interest;
- 7 (15) "Annuitant" means a person who receives a retirement allowance or a disability
8 allowance;
- 9 (16) "Local retirement system" means any teacher retirement or annuity system created
10 in any public school district in Kentucky in accordance with the laws of Kentucky;
- 11 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The
12 retirement plan year is concurrent with this fiscal year. A contract for a member
13 employed by a local board of education may not exceed two hundred sixty-one
14 (261) days in the fiscal year;
- 15 (18) "Public schools" means the schools and other institutions mentioned in subsection
16 (4) of this section;
- 17 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was
18 receiving, at the time of death of the member, at least one-half (1/2) of the support
19 from the member for maintenance, including board, lodging, medical care, and
20 related costs;
- 21 (20) "Active contributing member" means a member currently making contributions to
22 the Teachers' Retirement System, who made contributions in the next preceding
23 fiscal year, for whom picked-up member contributions are currently being made, or
24 for whom these contributions were made in the next preceding fiscal year;
- 25 (21) "Full-time" means employment in a position that requires services on a continuing
26 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year
27 basis;

- 1 (22) "Full actuarial cost," when used to determine the payment that a member must pay
2 for service credit means the actuarial value of all costs associated with the
3 enhancement of a member's benefits or eligibility for benefit enhancements,
4 including health insurance supplement payments made by the retirement system.
5 The actuary for the retirement system shall determine the full actuarial value costs
6 and actuarial cost factor tables as provided in KRS 161.400;
- 7 (23) "Last annual compensation" means the annual compensation, as defined by
8 subsection (10) of this section and as limited by subsection (9) of this section,
9 earned by the member during the most recent period of contributing service, either
10 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)
11 full year of service credit in the ~~the Kentucky~~ Teachers' Retirement System, and
12 which compensation is used in calculating the member's initial retirement
13 allowance, excluding bonuses, retirement incentives, payments for accumulated sick
14 leave authorized by KRS 161.155, annual, personal, and compensatory leave, and
15 any other lump-sum payment. For an individual who becomes a member on or after
16 July 1, 2008, payments for annual or compensatory leave shall not be included in
17 determining the member's last annual compensation;
- 18 (24) "Participant" means a member, as defined by subsection (4) of this section, or an
19 annuitant, as defined by subsection (15) of this section;
- 20 (25) "Qualified domestic relations order" means any judgment, decree, or order,
21 including approval of a property settlement agreement, that:
22 (a) Is issued by a court or administrative agency; and
23 (b) Relates to the provision of child support, alimony payments, or marital
24 property rights to an alternate payee;
- 25 (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
26 participant, who is designated to be paid retirement benefits in a qualified domestic
27 relations order;

- 1 (27) "University member" means an individual who becomes a member through
2 employment with an employer specified in subsection (4)(b) and (n) of this section;
- 3 (28) "Nonuniversity member" means an individual who becomes a member through
4 employment with an employer specified under subsection (4) of this section, except
5 for those members employed by an employer specified in subsection (4)(b) and (n)
6 of this section;
- 7 (29) "Accumulated employer credit" means the employer pay credit deposited to the
8 member's account and regular interest credited on such amounts as provided by
9 KRS 161.235; and
- 10 (30) "Accumulated account balance" means:
- 11 (a) For members who began participating in the system prior to January 1, 2019,
12 the member's accumulated contributions; or
- 13 (b) For members who began participating in the system on or after January 1,
14 2019, in the hybrid cash balance plan as provided by KRS 161.235, the
15 combined sum of the member's accumulated contributions and the member's
16 accumulated employer credit.
- 17 ➔Section 3. KRS 161.290 is amended to read as follows:
- 18 (1) The board of trustees shall meet on the third Monday during the months of March,
19 June, September, and December of each year. Special meetings may be called by the
20 chairperson upon giving adequate notice to each member of the board of trustees.
21 The business to be transacted at special meetings shall be specified in the notice of
22 the meeting.
- 23 (2) The members of the board of trustees shall serve without compensation, except that
24 elective trustees shall receive ninety dollars (\$90) for each day the board is in
25 session and all elected trustees shall be reimbursed from the expense fund for all
26 necessary expenses they incur through service to the board without limitation of the
27 provisions of KRS Chapters 44 and 45.

1 (3) The board of trustees may authorize a per diem, not to exceed ninety dollars (\$90)
2 per day, for trustees representing the system on committees or commissions
3 established by statute or for service as an official representative of the board of
4 trustees.

5 (4) The school district or other public agency or entity of the state which employs a
6 teacher trustee who is required to attend regular or special meetings of the board of
7 trustees, represent the system on committees or commissions, or serve as an official
8 representative of the board of trustees shall provide the teacher trustee with special
9 leave with pay and pay the compensation for a substitute for the teacher trustee
10 during periods of absence upon certification by the teacher trustee that the trustee is
11 performing these duties for the system.

12 ➔Section 4. KRS 161.310 is amended to read as follows:

13 (1) The board of trustees shall from time to time promulgate administrative regulations
14 for the administration of the funds of the retirement system and for the transaction
15 of business.

16 (2) All rules, regulations, or policies adopted by school districts, universities, or other
17 employers participating in the Teachers' Retirement System that pertain to the
18 retirement system shall conform to this chapter.

19 (3) All rules, regulations, or policies adopted, or decisions made, by school districts,
20 universities, or other employers participating in the Teachers' Retirement System
21 that pertain to retirement incentives for members as defined in KRS 161.220(4)
22 shall contain provisions for the school district, university, or other employer to
23 make full payment to the retirement system at the time a member retires for all
24 actuarial obligations that occur to the retirement system as a result of retirement
25 incentive payments. Any retirement incentive provided~~[payment made]~~ by the
26 employer to a member on the condition that the member terminate employment
27 with the employer shall be deemed a retirement incentive for purposes of this

1 subsection if the member retires within six (6) months following the member's
2 termination in employment. **Retirement incentives include remuneration of any**
3 **kind and any tangible or intangible benefit provided to or on behalf of the**
4 **member before, after, or at the member's date of retirement.** This subsection shall
5 not apply to retirement incentive plans adopted by local boards of education prior to
6 December 31, 1997, and to those employees of local school districts who retired on
7 or before July 1, 1998.

8 ➔Section 5. KRS 161.340 is amended to read as follows:

- 9 (1) (a) The board of trustees shall elect from its membership a chairperson and a vice
10 chairperson on an annual basis as prescribed by the administrative regulations
11 of the board of trustees. The chairperson shall not serve more than four (4)
12 consecutive years as chairperson or vice chairperson of the board. The vice
13 chairperson shall not serve more than four (4) consecutive years as
14 chairperson or vice chairperson of the board. A trustee who has served four
15 (4) consecutive years as chairperson or vice chairperson of the board may be
16 elected chairperson or vice chairperson of the board after an absence of two
17 (2) years from the position.
- 18 (b) The board of trustees shall employ an executive secretary by means of a
19 contract not to exceed a period of four (4) years and fix the compensation and
20 other terms of employment for this position without limitation of the
21 provisions of KRS Chapters 18A, 45A, 56, and KRS 64.640. The executive
22 secretary shall be the chief administrative officer of the board. The executive
23 secretary, at the time of employment, shall be a graduate of a four (4) year
24 college or university, and shall possess qualifications as the board of trustees
25 may require. The executive secretary shall not have held by appointment or
26 election an elective public office within the five (5) year period next preceding
27 the date of employment.

- 1 (2) The board shall employ clerical, administrative, and other personnel as are required
2 to transact the business of the retirement system. The compensation of all persons
3 employed by the board shall be paid at the rates and in amounts as the board
4 approves. Anything in the Kentucky Revised Statutes to the contrary
5 notwithstanding, the power over and the control of determining and maintaining an
6 adequate complement of employees in the system shall be under the exclusive
7 jurisdiction of the board of trustees.
- 8 (3) (a) Except as provided by KRS 161.430(7), the board shall contract for actuarial,
9 auditing, legal, medical, investment counseling, and other professional or
10 technical services, insurance, and commodities, as are required to carry out
11 the obligations of the board in accordance with the provisions of this chapter,
12 subject to KRS Chapters 45, 45A, 56, and 57 but without the limitations
13 provided by KRS Chapters 12 and 13B.
- 14 (b) The board shall provide for legal counsel and other legal services as may be
15 required in defense of trustees, officers, and employees of the system who
16 may be subjected to civil action arising from the performance of their legally
17 assigned duties if counsel and services are not provided by the Attorney
18 General. The hourly rate of reimbursement for any contract for legal services
19 under this paragraph shall not exceed the maximum hourly rate provided in
20 the Legal Services Duties and Maximum Rate Schedule promulgated by the
21 Government Contract Review Committee established pursuant to KRS
22 45A.705, unless a higher rate is specifically approved by the secretary of the
23 Finance and Administration Cabinet or his or her designee.
- 24 ~~(4) [The board shall require the trustees, executive secretary, and employees it~~
25 ~~determines proper to execute bonds for the faithful performance of their duties~~
26 ~~notwithstanding the limitations of KRS Chapter 62.~~
- 27 ~~(5) [The board of trustees may expend funds from the expense fund as necessary to~~

1 insure the trustees, employees, and officials of the Teachers' Retirement System
 2 against any liability arising out of an act or omission committed in the scope and
 3 course of performing legal duties. **Insurance may be obtained or provided by**
 4 **contracting with an insurance carrier, by self-insurance, by indemnification, or**
 5 **by any combination thereof.**

6 ~~(5)~~~~(6)~~ Notwithstanding any statute to the contrary, employees shall not be considered
 7 legislative agents as defined in KRS 6.611.

8 ~~(6)~~~~(7)~~ Notwithstanding any statute to the contrary, the executive branch of
 9 government shall accept from the ~~the Kentucky~~ Teachers' Retirement System all
 10 accrued annual and sick leave balances and service credits of employees leaving
 11 the ~~the Kentucky~~ Teachers' Retirement System and accepting appointments within the
 12 executive branch. These leave balances shall be attested to by the ~~the Kentucky~~
 13 Teachers' Retirement System and shall not exceed those limits established by statute
 14 or administrative regulation for employees of the executive branch.

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

16 (1) **(a)** The board of trustees shall be the trustee of the funds of the retirement system
 17 and shall have full power and responsibility for the purchase, sale, exchange,
 18 transfer, or other disposition of the investments and moneys of the retirement
 19 system. ~~The board shall, by administrative regulation, establish investment~~
 20 ~~policies and procedures to carry out their responsibilities.~~

21 **(b) 1.** The board shall **contract with**~~employ~~ experienced competent
 22 investment **managers**~~counselors~~ to **invest and manage assets of the**
 23 **system.**~~advise it on all matters pertaining to investment, except~~ The
 24 board may **also** employ qualified investment **staff**~~personnel~~ to advise it
 25 on investment matters **and to invest and manage assets of the system**
 26 not to exceed fifty percent (50%) of ~~the book value~~ of the system's
 27 assets. **The board may contract with one (1) or more general money**

1 managers, as well as specialized investment consultants, to advise it on
 2 investment matters.

3 2. All internal investment staff and investment consultants ~~[individuals~~
 4 ~~associated with the investment and management of retirement system~~
 5 ~~assets, whether contracted investment advisors, board members, or staff~~
 6 ~~employees,]~~ shall adhere to the Code of Ethics and Standards of
 7 Professional Conduct, and all board members shall adhere to ~~[the Asset~~
 8 ~~Manager Code of Professional Conduct if the individual is managing~~
 9 ~~retirement system assets, and]~~ the Code of Conduct for Members of a
 10 Pension Scheme Governing Body ~~[if the individual is a board member],~~
 11 promulgated by the CFA Institute. Investment managers shall comply
 12 with the Securities Act of 1933, the Securities and Exchange Act of
 13 1934, and any other applicable federal securities law that applies to
 14 the conduct of investment managers. Investment managers shall also
 15 comply with applicable rules promulgated by the Securities and
 16 Exchange Commission for the implementation of all applicable
 17 federal securities law.

18 3. ~~[Effective July 1, 1991,]~~ No money manager ~~[investment counselor]~~
 19 shall manage more than forty percent (40%) of the funds of the
 20 retirement system.

21 (c) The board may appoint an investment committee ~~[consisting of the executive~~
 22 ~~secretary and two (2) trustees]~~ to act for the board in all matters of investment,
 23 subject to the approval of the board of trustees. The board of trustees, in
 24 keeping with their responsibilities as trustees and wherever consistent with
 25 their fiduciary responsibilities, shall give priority to the investment of funds in
 26 obligations calculated to improve the industrial development and enhance the
 27 economic welfare of the Commonwealth. Toward this end, the board shall

1 develop procedures for informing the business community of the potential for
2 in-state investments by the retirement fund, accepting and evaluating
3 applications for the in-state investment of funds, and working with members
4 of the business community in executing in-state investments which are
5 consistent with the board's fiduciary responsibilities. The board shall include
6 in the criteria it uses to evaluate in-state investments their potential for
7 creating new employment opportunities and adding to the total job pool in
8 Kentucky. The board may cooperate with the board of trustees of Kentucky
9 Retirement Systems in developing its program and procedures, and shall
10 report to the Legislative Research Commission annually on its progress in
11 placing in-state investments. The first report shall be submitted by October 1,
12 1991, and subsequent reports shall be submitted by October 1 of each year
13 thereafter. The report shall include the number of applications for in-state
14 investment received, the nature of the investments proposed, the amount
15 requested, the amount invested, and the percentage of applications which
16 resulted in investments.

17 (2) The board members and investment consultants~~[counselor]~~ shall discharge their
18 duties with respect to the assets of the system solely in the interests of the active
19 contributing members and annuitants and:

20 (a) For the exclusive purpose of providing benefits to members and annuitants
21 and defraying reasonable expenses of administering the system;

22 (b) With the care, skill, prudence, and diligence under the circumstances then
23 prevailing that a prudent person acting in a like capacity and familiar with
24 these matters would use in the conduct of an enterprise of a like character and
25 with like aims;

26 (c) By diversifying the investments of the plan so as to minimize the risk of large
27 losses, unless under the circumstances it is clearly prudent not to do so; and

- 1 (d) In accordance with the laws, administrative regulations, and other instruments
2 governing the system.
- 3 (3) (a) In choosing and contracting for professional investment management **and**
4 **consulting** services, the board ~~shall~~~~must~~ do so prudently and in the interest
5 of the members and annuitants. Any contract that the board makes with an
6 investment ~~manager~~~~counselor~~ shall set forth policies and guidelines of the
7 board with reference to standard rating services and specific criteria for
8 determining the quality of investments. Expenses directly related to
9 investment management **and consulting** services shall be financed from the
10 guarantee fund in amounts approved by the board.
- 11 (b) An investment **consultant or money manager**~~counselor~~ appointed under
12 this section shall acknowledge in writing his **or her** fiduciary responsibilities
13 to the fund. To be eligible for appointment, an investment **consultant or**
14 **money manager, or their affiliate shall**~~counselor must~~ be:
- 15 1. Registered under the Federal Investment **Advisers**~~Advisors~~ Act of
16 1940; or
 - 17 2. A bank as defined by that Act; or
 - 18 3. An insurance company qualified to perform investment services under
19 the laws of more than one (1) state.
- 20 (4) No investment or disbursement of funds shall be made unless authorized by the
21 board of trustees, except that the board, in order to ensure timely market
22 transactions, shall establish investment guidelines~~[, by administrative regulation,]~~
23 and may permit its staff and investment **managers who are**~~counselors~~ employed
24 **or under contract with the board** pursuant to this section to execute purchases and
25 sales of investment instruments within those guidelines without prior board
26 approval.
- 27 (5) In discharging his or her administrative duties under this section, a trustee shall

1 strive to administer the retirement system in an efficient and cost-effective manner
2 for the taxpayers of the Commonwealth of Kentucky.

3 (6) Notwithstanding any other provision of KRS 161.220 to 161.716, no funds of the
4 ~~Kentucky~~ Teachers' Retirement System, including fees and commissions paid to an
5 investment manager, private fund, or company issuing securities, who manages
6 systems assets, shall be used to pay fees and commissions to placement agents. For
7 purposes of this subsection, "placement agent" means a third-party individual, who
8 is not an employee, or firm, wholly or partially owned by the entity being hired,
9 who solicits investments on behalf of an investment manager, private fund, or
10 company issuing securities.

11 (7) All contracts for the investment or management of assets of the system shall not be
12 subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct the
13 following process to develop and adopt an investment procurement policy with
14 which all prospective contracts for the investment or management of assets of the
15 system shall comply:

16 (a) On or before July 1, 2017, the board shall consult with the secretary of the
17 Finance and Administration Cabinet or his or her designee to develop an
18 investment procurement policy, which shall be written to meet best practices
19 in investment management procurement;

20 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary
21 investment procurement policy to the secretary of the Finance and
22 Administration Cabinet or his or her designee for review and comment;

23 (c) Upon receipt of comments from the secretary of the Finance and
24 Administration Cabinet or his or her designee, the board shall choose to adopt
25 or not adopt any recommended changes;

26 (d) Upon adoption, the board shall tender the final investment procurement policy
27 to the secretary of the Finance and Administration Cabinet or his or her

1 designee;

2 (e) No later than thirty (30) days after receipt of the investment procurement
3 policy, the secretary or his or her designee shall certify whether the board's
4 investment procurement policy meets or does not meet best practices for
5 investment management procurement; and

6 (f) Any amendments to the investment procurement policy shall adhere to the
7 requirements set forth by paragraphs (b) to (e) of this subsection.

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

9 (1) The membership of the retirement system shall consist of all new members, all
10 present teachers, and all persons participating under the retirement system as of
11 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.

12 The board of trustees of the Teachers' Retirement System shall be responsible for
13 final determination of membership eligibility and may direct employers to take
14 whatever action that may be necessary to correct any error relating to membership.

15 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service
16 it shall be as a new member, except that any teacher who withdraws by claiming his
17 deposits may repay the system the amount withdrawn plus interest and reestablish
18 his service credit as provided in subsection (3) of this section.

19 (3) Effective July 1, 1988, and thereafter, an active contributing member of the
20 retirement system with contributing service equal to one (1) year may regain service
21 credit by depositing in the teachers' savings fund the amount withdrawn with
22 interest at the rate to be set by the board of trustees, and computed from the first of
23 the month of withdrawal and including the month of redeposit. Service credit
24 regained pursuant to this subsection on or after January 1, 2019, shall not be used to
25 determine the date the individual purchasing the service became a member of the
26 Teachers' Retirement System.

27 (4) Effective July 1, 1974, any active contributing member with at least two (2) years of

1 contributing service credit who declined membership as provided in Acts 1938 (1st
2 Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and for
3 any subsequent service prior to date of membership, by depositing in the teachers'
4 savings fund contributions for each year of subsequent service prior to date of
5 membership, with interest at the rate of eight percent (8%) compounded annually to
6 the date of deposit.

7 (5) Membership in the retirement system shall be terminated:

8 (a) By retirement for service;

9 (b) By death;

10 (c) By withdrawal of the member's accumulated account balance;

11 (d) When a member, having less than five (5) years of Kentucky service is absent
12 from service for more than three (3) consecutive years; or

13 (e) For persons whose membership begins~~hired~~ on or after August 1, 2000,
14 when a member is convicted, in any state or federal court of competent
15 jurisdiction, of a felony related to his employment as provided in
16 subparagraphs 1. and 2. of this paragraph.

17 1. Notwithstanding any provision of law to the contrary, a person whose
18 membership begins~~member hired~~ on or after August 1, 2000, who is
19 convicted, in any state or federal court of competent jurisdiction, of a
20 felony related to his employment shall forfeit rights and benefits earned
21 under the retirement system, except for the return of his accumulated
22 contributions and interest credited on those contributions.

23 2. The payment of retirement benefits ordered forfeited shall be stayed
24 pending any appeal of the conviction. If the conviction is reversed on
25 final judgment, no retirement benefits shall be forfeited.

26 Except for paragraph (e) of this subsection, upon termination of member accounts
27 under this subsection, funds in the account shall be transferred to the guarantee

1 fund. Inactive members may apply for refunds of these funds at any time. The
2 terminated service shall be reinstated, if not withdrawn by the member, in the event
3 that the member returns to active contributing service.

4 (6) In case of withdrawal from service prior to eligibility for retirement, the board of
5 trustees shall on request of the member return all of his ***or her*** accumulated account
6 balance, including any payments made by the member to the state accumulation
7 fund, but the member shall have no claim on any contributions made by the state or
8 employer with a view to his ***or her*** retirement, except as provided by KRS 161.235,
9 or to contributions made to the medical insurance fund. ***A member who is retiring***
10 ***from a position of full-time employment shall be entitled to a refund following***
11 ***sixty (60) days after his or her last day of employment.*** If the member is eligible
12 for an immediate service retirement allowance as provided in KRS 161.600, no
13 withdrawal and refund shall be permitted, unless the allowance would ***diminish the***
14 ***member's***~~prohibit the member from qualifying for~~ Social Security benefits or the
15 member elects to withdraw part or all of his service for the purpose of obtaining
16 ***service*** credit in another retirement plan. Requests for refund of contributions by the
17 member must be filed on forms prescribed by the Teachers' Retirement System and
18 the employer shall be financially responsible for all information that is certified on
19 the prescribed form. A member may not withdraw any part of his or her
20 accumulated account balance in the retirement system except as provided by this
21 subsection.

22 (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to
23 retirement, the board of trustees shall pay to the estate of the deceased member,
24 unless a beneficiary was otherwise applicably designated by the deceased member,
25 then to the beneficiary, all of his accumulated account balance, including any
26 payments made by the member to the state accumulation fund, but the estate or
27 beneficiary shall have no claim on any contributions made by the state or employer

1 with a view to the retirement of the member, except as provided by KRS 161.235,
2 or to contributions made to the medical insurance fund.

3 (8) Any active contributing member of the Kentucky Employees Retirement System,
4 the County Employees Retirement System, the State Police Retirement System, or
5 the Judicial Retirement System may use service, under that retirement system for
6 the purpose of meeting the service requirement of subsections (3) and (4) of this
7 section.

8 →Section 8. KRS 161.480 is amended to read as follows:

9 (1) (a) Each person, upon becoming a member of the retirement system, shall file a
10 detailed statement as required by the board of trustees and shall designate a
11 primary beneficiary or two (2) or more cobeneficiaries to receive any benefits
12 accruing from the death of the member.

13 (b) A contingent beneficiary may be designated in addition to the primary
14 beneficiary or cobeneficiaries. The member may name more than one (1)
15 contingent beneficiary.

16 (c) Any beneficiary designation made by the member, including the estate should
17 the estate become the beneficiary by default, shall remain in effect until
18 changed by the member on forms prescribed by the ~~the Kentucky~~ Teachers'
19 Retirement System, except in the event of subsequent marriage or divorce.
20 Subsequent marriage by the member shall void the primary beneficiary and
21 any cobeneficiary designation, even that of a trust, and the spouse of the
22 member at death shall be considered as the primary beneficiary, unless the
23 member subsequent to marriage designates another beneficiary. **An individual**
24 **who is married prior to becoming a member of the retirement system and**
25 **remains married at the time of becoming a member shall have his or her**
26 **spouse considered the primary beneficiary, unless the member designates**
27 **another beneficiary.** A final divorce decree shall terminate an ex-spouse's

1 status as either primary beneficiary, cobeneficiary, or contingent beneficiary,
2 unless subsequent to divorce the member redesignates the former spouse as
3 primary beneficiary, cobeneficiary, or contingent beneficiary.

4 **(d)** To the extent permitted by the Internal Revenue Code, a trust may be
5 designated as beneficiary for receipt of a member's accumulated account
6 balance in the retirement system as provided under KRS 161.470(7). A final
7 divorce decree shall not terminate the designation of a trust as beneficiary
8 regardless of who is designated as beneficiary of the trust.

9 **(e)** In the event that a member fails to designate a beneficiary, or all designated
10 beneficiaries predecease the member, the member's estate shall be deemed to
11 be the beneficiary, **unless the member is married at the time of his or her**
12 **death, in which case the spouse shall be deemed the beneficiary.**

13 **(f)** Members may designate as beneficiaries only presently identifiable and
14 existing individuals, or trusts where otherwise permitted, without contingency
15 instructions, on forms prescribed by the retirement system.

16 **(2)** The provisions of this section shall be retroactive as they relate to election of
17 beneficiaries by members still in active status on the effective date of this section.
18 The provisions of this section shall not apply to any account from which a member
19 is drawing a retirement allowance or to the life insurance benefit available under
20 KRS 161.655.

21 ➔Section 9. KRS 161.500 is amended to read as follows:

22 (1) At the close of each fiscal year, the retirement system shall add service credit to the
23 account of each member who made contributions to his or her account during the
24 year. Members shall be entitled to a full year of service credit if their total paid days
25 were not less than one hundred eighty (180) days of a one hundred eighty-five (185)
26 day contract for a regular school or fiscal year. In the event an individual who
27 became a member prior to January 1, 2019, is paid for less than one hundred eighty

1 (180) days, the member may purchase credit according to administrative regulations
2 established by the board of trustees. Members employed under contracts requiring
3 a work schedule other than one hundred eighty-five (185) days, but not less than
4 one hundred eighty-five (185) days, shall be entitled to a full year of service credit
5 if they have no more than five (5) unpaid days during a regular school or fiscal
6 year, except that members employed in teaching positions by an employer
7 described in subsection (4)(b) or (n) of Section 2 of this Act under contracts
8 requiring a work schedule other than one hundred eighty (180) days, but not less
9 than one hundred eighty (180) days, shall be entitled to a full year of service
10 credit if they have no more than five (5) unpaid days during a regular school or
11 fiscal year. In no case shall more than one (1) year of service be credited for all
12 service performed in one (1) fiscal year. Members who complete their employment
13 contract prior to the close of a fiscal year and elect to retire prior to the close of a
14 fiscal year shall have their service credit reduced by eight percent (8%) for each
15 calendar month that the retirement becomes effective prior to July 1.

16 (2) Members who are employed and paid for less than the number of days required in
17 their normal employment year shall be entitled to pro rata service credit for the
18 fractional service. Such credit shall be based upon the number of days employed
19 and the number of days in the member's annual employment agreement or normal
20 employment year.

21 (3) Service credit may not exceed the ratio between the school or fiscal year and the
22 number of months or fraction of a month the member is employed during that year.

23 (4) No service credit shall be granted in the Teachers' Retirement System for service
24 that has been or will be used in qualifying for annuity benefit payments from
25 another retirement system financed wholly or in part by public funds.

26 ➔Section 10. KRS 161.515 is amended to read as follows:

27 (1) For the purposes of this section, "out-of-state service" shall mean service in any

1 state in a comparable position on a full-time basis, which would be covered if in
2 Kentucky.

3 (2) (a) An active contributing member who has been a contributing member of the
4 retirement system for at least one (1) full scholastic year subsequent to the
5 latest out-of-state service, may present for credit service rendered out of state,
6 not to exceed ten (10) years actually taught as a certified or licensed teacher.
7 All members who elect to purchase this service shall pay to the retirement
8 system the full actuarial cost as provided under KRS 161.220(22). For each
9 year of which the retirement system shall accept payment, one (1) year of
10 service credit shall be given. For members who purchased this service under
11 the cost formula as it existed under this subsection on June 30, 2005, this
12 credit may not be used to meet the service requirements of KRS 161.525,
13 161.600, or 161.661, except as provided in subsection (2)(c) of this section.
14 No credit shall be granted for service which has been or will be used in
15 qualifying for annuity benefit payments from another retirement system
16 financed wholly or in part by public funds.

17 (b) A member of the retirement system having teaching service in the elementary
18 or secondary schools operated by the United States overseas or in this country,
19 or in a public college or university in Kentucky, not included in the Teachers'
20 Retirement System of the State of Kentucky, may present this service for
21 credit in the retirement system on the same basis as provided above for out-of-
22 state service credit; however, no service may be presented which shall be used
23 as a basis for retirement benefits in any program supported wholly or in part
24 by a public institution or governmental agency. This service when added to
25 service credited under subsection (2)(a) of this section shall not exceed a total
26 of ten (10) years' service credit.

27 (c) A member having service referred to in subsection (2)(a) or (2)(b) of this

1 section who purchased this service under the cost formula as it existed under
2 those subsections on June 30, 2005, may elect to use this service for meeting
3 the requirements of KRS 161.600(1)(c) by making an additional contribution
4 to the state accumulation fund equal to a member contribution rate of eight
5 percent (8%) for each year so used. These payments shall not be picked up as
6 described in KRS 161.540(2). The salary base to be used in determining this
7 additional contribution shall be the final average salary which is used in
8 calculating the member's regular retirement annuity.

9 (3) Members entering the Teachers' Retirement System for the first time, July 1, 1976,
10 and after this date, shall not receive credit for service defined in subsections (2)(a)
11 or (2)(b) of this section in excess of one (1) year of credit for each two (2) years of
12 Kentucky service in a covered position or ten (10) years, whichever is the lesser
13 number.

14 (4) A member, having completed service as a volunteer in the Kentucky Peace Corps
15 created by KRS 154.1-720, may purchase service credit for the time served in the
16 corps on the same basis as provided in this section for the purchase of out-of-state
17 service credit. A member, having completed service as a federal Peace Corps
18 volunteer, may purchase up to two (2) years of service credit for time served in the
19 Peace Corps on the same basis as provided in this section for the purchase of out-of-
20 state service credit.

21 (5) (a) Service purchased under this section by members who at the time of purchase
22 are employed by employers other than those described in KRS 161.220(4)(b)
23 or (n) shall be credited~~[,]~~ **with the retirement factor in effect for members of**
24 **the Teachers' Retirement System for the year that the out-of-state service**
25 **was worked and as set forth in subsection (1)(a), (b), and (d) of Section 20**
26 **of this Act for members who were not employed by employers described in**
27 **subsection (4)(b) or (n) of Section 2 of this Act**~~[as described in KRS~~

1 ~~161.620(1)(a) and (b), with a retirement factor of two and one half percent~~
 2 ~~(2.5%) for each year of service that was originally performed on or after July~~
 3 ~~1, 1983, and two percent (2.0%) for each year of service performed before~~
 4 ~~July 1, 1983].~~

5 **(b)** Service purchased under this section by members who at the time of purchase
 6 are employed by employers described in KRS 161.220(4)(b) or (n) shall be
 7 credited **with the retirement factor in effect for members of the Teachers'**
 8 **Retirement System for the year that the out-of-state service was worked and**
 9 **as set forth in subsection (1)(a) and (e) of Section 20 of this Act for**
 10 **members who were employed by employers described in subsection (4)(b) or**
 11 **(n) of Section 2 of this Act**~~, as described in KRS 161.620(1)(a), with a~~
 12 ~~retirement factor of two percent (2.0%) for each year of service, regardless of~~
 13 ~~when the service was performed].~~

14 (6) Effective January 1, 2019, this section does not apply to individuals who become
 15 members on or after January 1, 2019.

16 ➔Section 11. KRS 161.520 is amended to read as follows:

17 Upon the death of an active contributing member or upon the death of a member retired
 18 for disability, except as provided in KRS 161.661(6), the survivors of the deceased
 19 member in the following named order, may elect to receive a survivor's benefit payable as
 20 follows:

21 (1) Where there is a surviving widow or widower who is named as the primary
 22 beneficiary of the member's retirement account, the benefit shall be:

23 (a) One hundred eighty dollars (\$180) per month with no restriction on other
 24 income;

25 (b) Two hundred forty dollars (\$240) per month when the surviving widow or
 26 widower's total income from all sources does not exceed six thousand six
 27 hundred dollars (\$6,600) per year or five hundred fifty dollars (\$550) per

1 month; or

2 (c) If the deceased member has a minimum of ten (10) years of service credit with
3 the Teachers' Retirement System, the surviving widow or widower may apply
4 for an annuity actuarially equivalent to the annuity that would have been paid
5 to the deceased member when eligibility conditions were met. Eligibility for
6 payments would begin at the time the age of the deceased member would have
7 met the requirements of KRS 161.235(6) or 161.600(1), as applicable. In
8 exercising this right, the surviving widow or widower shall be entitled to
9 receive an annuity for life, except as provided in subsection (6) of this section.
10 This subsection applies to surviving spouses of members who die on or after
11 July 1, 1978. A surviving widow or widower of a member who dies after July
12 1, 1978, shall be eligible for benefit payments provided under paragraphs (a)
13 and (b) of this subsection until they begin receiving payments under this
14 provision;

15 (2) (a) Where there are surviving unmarried children under age eighteen (18) or
16 under age nineteen (19) if a full-time student in high school, the benefit shall
17 be two hundred dollars (\$200) per month in the case of one (1) child, three
18 hundred forty dollars (\$340) per month in the case of two (2) children, four
19 hundred dollars (\$400) per month in the case of three (3) children, and four
20 hundred forty dollars (\$440) per month in the case of four (4) or more
21 children. Benefits under this subsection shall apply in addition to benefits
22 which may be payable under subsections (1) and (3) of this section.

23 (b) Notwithstanding any provision of law to the contrary, the surviving spouse
24 may elect to receive a lump-sum refund of the member's accumulated account
25 balance in lieu of the survivorship benefits payable under this subsection and
26 subsection (1) of this section only if the surviving spouse is designated as the
27 primary beneficiary and:

- 1 1. Is a biological or adoptive parent of all children eligible for a benefit
2 under this subsection and has not had his or her parental rights
3 terminated; or
- 4 2. Has been appointed as legal guardian of all of the children eligible under
5 paragraph (a) of this subsection.
- 6 (c) To elect a lump-sum refund of the member's accumulated account balance
7 under paragraph (b) of this subsection, the surviving spouse who is designated
8 as the primary beneficiary must sign a waiver on forms prescribed by the
9 retirement system of his or her rights and the member's children's rights to the
10 survivorship benefits payable under this subsection and subsection (1) of this
11 section. The surviving spouse shall not waive the survivorship benefits
12 available under this subsection or subsections (1) and (6) of this section if any
13 of the member's children have attained age eighteen (18) or older unless all of
14 those children consent in writing on forms prescribed by the retirement system
15 to waive their survivorship benefits available under this subsection;
- 16 (3) (a) Where the survivor is a child age eighteen (18) or older whose mental or
17 physical condition is sufficient to cause his dependency on the deceased
18 member at the time of the member's death, the benefit shall be two hundred
19 dollars (\$200) per month, payable for the life of the child or until the time as
20 the mental or physical condition creating the dependency no longer exists or
21 the child marries. The mental or physical condition of the adult child shall be
22 revealed by a competent examination by a licensed physician and shall be
23 approved by a majority of a medical review committee as defined in KRS
24 161.661(14). Benefits under this subsection shall apply in addition to benefits
25 which may be payable under subsections (1) and (2) of this section.
- 26 (b) Notwithstanding any provision of law to the contrary, the surviving spouse
27 shall not elect to receive a lump-sum refund of the member's accumulated

1 account balance in lieu of the survivorship benefits payable under this
2 subsection and subsection (1) of this section unless:

- 3 1. The surviving spouse is designated as the primary beneficiary;
- 4 2. The surviving spouse has been appointed by the court as guardian,
5 conservator, or other fiduciary with sufficient general or specific
6 authority to waive the survivorship benefits available under this
7 subsection for any child or children age eighteen (18) or older who have
8 been adjudicated incompetent to make decisions on their own behalf by
9 a court of law; and
- 10 3. Any child or children age eighteen (18) or older who ~~are mentally~~
11 ~~competent to make decisions on their own behalf as attested to by two~~
12 ~~(2) physicians' statements~~ consent in writing on forms prescribed by the
13 retirement system to waive their survivorship benefits available under
14 this subsection.

15 (c) If eligible to elect a lump-sum refund of the member's accumulated account
16 balance, the surviving spouse shall sign a waiver on forms prescribed by the
17 retirement system of his or her rights and the member's children's rights to the
18 survivorship benefits payable under this subsection and subsections (1) and
19 (2) of this section;

20 (4) Where the sole eligible survivors are dependent parents aged sixty-five (65) or over,
21 the benefit shall be two hundred dollars (\$200) per month for one (1) parent or two
22 hundred ninety dollars (\$290) per month for two (2) parents. Dependency of a
23 parent shall be established as of the date of the death of the member;

24 (5) Where the sole eligible survivor is a dependent brother or sister, the benefit shall be
25 one hundred sixty five dollars (\$165) per month. In order to qualify the brother or
26 sister must have been a resident of the deceased member's household for at least one
27 (1) full year prior to the member's death or must have been receiving care in a

1 hospital, nursing home, or other institution at the member's expense for same
2 period;

3 (6) The benefit to a child as defined in subsection (2) of this section shall terminate
4 upon the attainment of age eighteen (18) or upon reaching age nineteen (19), if a
5 full-time student in high school, or upon marriage, except that benefits shall
6 continue until the attainment of age twenty-three (23) for an unmarried child who is
7 a full-time student in a recognized educational program beyond the high school
8 level. The benefit to a widow, widower, dependent parent, or dependent brother or
9 sister or dependent child age eighteen (18) or older shall terminate upon marriage,
10 or upon termination of the condition creating the dependency;

11 (7) The board of trustees shall be the sole judge of eligibility or dependency of any
12 beneficiary, and may require formal application or information relating to eligibility
13 or dependency, including proof of annual income satisfactory to the board. The
14 board of trustees may subpoena records and individuals whenever it deems this
15 action necessary;

16 (8) No payment of benefits shall be made unless the board of trustees authorizes the
17 payment. The board shall promulgate administrative regulations for the
18 administration of the provisions in this section and in every case the decision of the
19 board of trustees shall be final as to eligibility, dependency, or disability, and the
20 amount of benefits payable;

21 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)
22 of this section, or in the event that the surviving spouse elects not to receive
23 survivorship benefits on his or her own behalf or on behalf of any of the member's
24 children as permitted under subsections (2) and (3) of this section, the board of
25 trustees shall pay to the estate or the designated beneficiaries of the deceased
26 member a refund of his accumulated account balance as provided in KRS
27 161.470(7). If the benefits paid or payable under subsections (1) to (5) of this

1 section and KRS 161.661 shall amount to a sum less than the member's
2 accumulated account balance at the time of death, the board of trustees shall pay to
3 the estate or designated beneficiaries of the deceased member the balance of the
4 accumulated account balance;

5 (10) Any person who is receiving benefits and becomes disqualified from receiving
6 those benefits under this section shall immediately notify the Teachers' Retirement
7 System of this disqualification in writing and shall return all benefits paid after the
8 date of disqualification. Failure to comply with these provisions shall create an
9 indebtedness of that person to the Teachers' Retirement System. Interest at the rate
10 of eight percent (8%) per annum shall be charged if the debt is not repaid within
11 sixty (60) days after the date of disqualification. Failure to repay this debt creates a
12 lien in favor of the Teachers' Retirement System upon all property of the person
13 who improperly receives benefits and does not repay those benefits; and

14 (11) Benefits under subsections (2) and (3) of this section shall apply to a child who is a
15 legally adopted survivor at the time of the death of the member. This provision shall
16 be retroactive to include a child who was born after January 1, 1990, and is a legally
17 adopted survivor of a member whose death occurred prior to July 15, 2008.

18 ➔Section 12. KRS 161.540 is amended to read as follows:

19 (1) (a) Effective January 1, 2019, each individual who is a contributing nonuniversity
20 member, shall contribute to the retirement system twelve and eight hundred
21 fifty-five thousandths percent (12.855%) of annual compensation, of which:

22 1. Nine and one hundred five thousandths percent (9.105%) of annual
23 compensation shall be used to fund pension benefits; and

24 2. Three and three-quarters percent (3.75%) of annual compensation shall
25 be used to fund retiree health benefits.

26 (b) Effective January 1, 2019, each individual who is a contributing university
27 member, shall contribute to the retirement system ten and four-tenths percent

- 1 (10.4%) of annual compensation, of which:
- 2 1. Seven and six hundred twenty-five thousandths percent (7.625%) of
- 3 annual compensation shall be used to fund pension benefits; and
- 4 2. Two and seven hundred seventy-five thousandths percent (2.775%) of
- 5 annual compensation shall be used to fund retiree health benefits.
- 6 (c) When the medical insurance fund established under KRS 161.420(5) achieves
- 7 a sufficient prefunded status as determined by the retirement system's actuary,
- 8 the board of trustees shall recommend to the General Assembly that the
- 9 contributions required under paragraph (a)2. or (b)2. of this subsection shall,
- 10 in an actuarially accountable manner, be either decreased, suspended, or
- 11 eliminated.
- 12 (d) Payments authorized by statute that are made to retiring members, who
- 13 became members of the system before July 1, 2008, for not more than sixty
- 14 (60) days of unused accrued annual leave shall, subject to subsection (10) of
- 15 Section 2 of this Act, be considered as part of the member's annual
- 16 compensation, and shall be used only for the member's final year of active
- 17 service. Notwithstanding the provisions of this subsection or any other
- 18 statute to the contrary, for retirement calculation purposes, members
- 19 employed under year-round contracts may only be credited for payment of
- 20 annual leave under the following conditions:
- 21 1. Payment by an employer for annual leave shall be equally available to
- 22 all members serving under contracts requiring the same number of
- 23 worked days and greater;
- 24 2. At least two (2) members of the employer shall receive payment for
- 25 annual leave; and
- 26 3. The contract requires at least two hundred forty (240) worked days of
- 27 service.

1 (e) The contribution of members shall not exceed ~~the~~^{these} applicable
2 percentages on annual compensation as set forth in this section or as where
3 otherwise limited by statute. When a member retires, if it is determined that
4 he or she has made contributions on a salary in excess of the amount to be
5 included for the purpose of calculating his or her final average salary, any
6 excess contribution shall be refunded in lump sum to the member's employer
7 for distribution to the member~~[to him in a lump sum at the time of the~~
8 ~~payment of his first retirement allowance. In the event a member is awarded a~~
9 ~~court ordered back salary payment the employer shall deduct and remit the~~
10 ~~member contribution on the salary payment, plus interest to be paid by the~~
11 ~~employer, to the retirement system unless otherwise specified by the court~~
12 ~~order].~~

13 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for
14 the purpose of compliance with Section 414(h) of the United States Internal
15 Revenue Code, pick up the member contributions required by this section for all
16 compensation earned after August 1, 1982, and the contributions so picked up shall
17 be treated as employer contributions in determining tax treatment under the United
18 States Internal Revenue Code and KRS 141.010. The picked-up member
19 contribution shall satisfy all obligations to the retirement system satisfied prior to
20 August 1, 1982, by the member contribution, and the picked-up member
21 contribution shall be in lieu of a member contribution. Each employer shall pay
22 these picked-up member contributions from the same source of funds which is used
23 to pay earnings to the member. The member shall have no option to receive the
24 contributed amounts directly instead of having them paid by the employer to the
25 system. Member contributions picked-up after August 1, 1982, shall be treated for
26 all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent
27 as member contributions made prior to August 1, 1982.

1 ➔Section 13. KRS 161.545 is amended to read as follows:

- 2 (1) (a) Members may make contributions and receive service credit for substitute,
3 part-time, or any service other than regular full-time teaching as provided in
4 the administrative regulations of the board of trustees if contributions were not
5 otherwise made as a result of the service. This paragraph does not apply to
6 members who retired on or after January 1, 2019, and are reemployed on or
7 after January 1, 2019.
- 8 (b) Members placed on leave of absence during a period of full-time employment
9 as defined in KRS 161.220(21) may make contributions and receive service
10 credit for this leave only if contributions are made by the end of the fiscal year
11 next succeeding the year in which the leave was effective as provided in
12 administrative regulations promulgated by the board of trustees. Contributions
13 permitted after August 1, 1982, shall not be picked-up pursuant to KRS
14 161.540(2).
- 15 (2) Active contributing members of the Teachers' Retirement System, or former
16 members who are currently participating in a state-administered retirement system,
17 who were granted leaves of absence during a period of full-time employment as
18 defined in KRS 161.220(21) since July 1, 1964, for reasons of health as defined
19 under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs. 2601 et seq.,
20 child rearing, or to improve their educational qualifications, and did not purchase
21 the leave of absence as provided in subsection (1) of this section may obtain credit
22 for the leave of absence as provided under the administrative regulations of the
23 board of trustees and under the following conditions:
- 24 (a) The leave of absence shall be verified by a copy of the board of education
25 minutes which granted the leave of absence or by other documentation that
26 was generated contemporaneously with the leave that is determined by the
27 retirement system to reasonably establish that a leave of absence was granted;

1 and

2 (b) The member shall contribute the required percentage based on the salary
 3 received for the year immediately preceding the leave of absence plus interest
 4 at the rate of eight percent (8%) compounded annually from the beginning of
 5 the school year following the year of the leave of absence, and by depositing
 6 the appropriate contributions in the state accumulation fund and medical
 7 insurance fund~~[an amount equal to this total].~~

8 (c) The member shall receive credit for no more than two (2) years under the
 9 provisions of this subsection.

10 (3) Sabbatical leaves of absence granted by any one (1) of the five (5) universities
 11 identified in subsection (4)(b) of Section 2 of this Act for which the university
 12 employee is provided full pay at the rate he or she was provided as a full-time
 13 employee immediately preceding the sabbatical leave shall be deemed as full-time
 14 employment provided for the university and employee and employer contributions
 15 shall be made in accordance with KRS 161.550 Section 12 of this Act.

16 (4) Contributions permitted under this section after August 1, 1982, shall not be picked-
 17 up pursuant to KRS 161.540(2).

18 ~~(5)~~~~(4)~~ Notwithstanding any other provisions of this section to the contrary, purchase
 19 of service credit under subsection (2) of this section:

20 (a) For individuals who become members on or after July 1, 2008, but prior to
 21 January 1, 2019, shall be purchasable only at the full actuarial cost; and

22 (b) Shall not apply to individuals who become members on or after January 1,
 23 2019.

24 ➔Section 14. KRS 161.553 is amended to read as follows:

25 (1) The cost of providing statutory benefit improvements for annuitants may be funded
 26 by annual appropriations from the state on an actuarial amortized basis over the
 27 lifetime of the annuitants. The schedules in paragraphs (a), (b), and (c) of this

1 subsection are the annual appropriations which shall be made by the state for benefit
2 improvements approved in the respective fiscal years or *biennia*~~[bienniums]~~ prior to
3 July 1, 2019~~[2010]~~:

4 (a) Cost-of-Living 2019-2020~~[2010-2011]~~ Each Succeeding Fiscal Year
5 Allowance

6 [~~1994-1996~~

7 ~~1996-1998 \$4,459,000~~

8 ~~1998-2000 \$15,333,900 \$15,333,900 through 2012-2013~~

9 ~~\$7,938,600 in 2013-2014~~

10 ~~2000-2002 \$12,511,400 \$12,511,400 through 2014-2015~~

11 ~~and~~

12 ~~\$7,227,700 in 2015-2016]~~

13 2002-2004 \$21,405,700 \$21,405,700 through 2021-2022

14 and

15 \$11,204,100 in 2022-2023

16 2004-2006 \$15,413,700 \$15,413,700 through 2023-2024

17 and

18 \$7,421,400 in 2024-2025

19 2006-2008 \$15,730,200 \$15,730,200 through 2025-2026

20 and

21 \$7,104,600 in 2026-2027;

22 (b) [~~Minimum Value 2010-2011~~ Each Succeeding Fiscal Year

23 ~~Annuities~~

24 ~~2002-2004 \$3,375,900 \$3,375,900 through 2016-2017~~

25 ~~and~~

26 ~~\$2,027,800 in 2017-2018; and~~

27 (c) ~~]Sick Leave~~ 2019-2020~~[2010-2011]~~ Each Succeeding Fiscal Year

1 Allowance

2 [~~1998-2000~~ ~~\$4,660,300~~ ~~\$4,660,300 through 2012-2013~~

3 ~~_____ and~~

4 ~~_____ \$2,425,900 in 2013-2014~~

5 ~~2000-2002~~ ~~\$6,167,100~~ ~~\$6,167,100 through 2014-2015~~

6 ~~_____ and~~

7 ~~_____ \$3,579,100 in 2015-2016}~~

8 2002-2004 \$5,337,000 \$5,337,000 through 2021-2022

9 and

10 \$3,022,800 in 2022-2023

11 2004-2006 \$5,480,300 \$5,480,300 through 2023-2024

12 and

13 \$2,558,700 in 2024-2025

14 2006-2008 \$5,646,400~~[\$5,814,400]~~ \$5,646,400~~[\$5,814,400]~~ through

15 2025-2026

16 and

17 \$3,331,200~~[\$3,499,200]~~ in 2026-

18 2027

19 2008-2010 \$4,926,000~~[\$8,969,000]~~ \$4,926,000~~[\$8,969,000]~~ through

20 2027-2028

21 and

22 \$2,355,000~~[\$6,281,300]~~ in 2028-

23 2029.

24 2010-2012 \$5,198,100~~[\$6,516,600]~~ \$5,198,100~~[\$13,674,800]~~

25 through 2029-2030

26 and

27 \$2,723,900~~[\$7,158,200]~~ in 2030-

1	2031		
2	<u>2012-2014</u>	<u>\$6,726,200</u>	<u>\$6,726,000 through 2031-2032</u>
3			<u>and \$3,357,900 in 2032—2032</u>
4	<u>2014-2016</u>	<u>\$7,206,200</u>	<u>\$7,206,200 through 2033-2034</u>
5			<u>and</u>
6			<u>\$3,279,700, in 2034-2035</u>
7	<u>2016-2018</u>	<u>\$9,112,000</u>	<u>\$6,129,500 through 2035-2036</u>
8			<u>and</u>
9			<u>\$3,054,200 in 2036-2037</u>
10	<u>2018-2020</u>	<u>\$9,552,200</u>	<u>\$9,552,200 through 2037-2038</u>
11			<u>and</u>
12			<u>\$4,826,000 in 2038-2039</u>

13 (2) The cost of providing the transitional funding for the state medical insurance fund
 14 stabilization contribution as provided by KRS 160.550(2) may be funded by annual
 15 appropriations from the state on an amortized basis. The schedule in this subsection
 16 is the annual appropriation which shall be made by the state in the respective fiscal
 17 years or bienna[biennium] prior to July 1, 2019[2010]:

18	[Amortization of	2010-2011	Each Succeeding Fiscal Year
19	Transitional Funding		
20	2004-2006	\$13,325,100	\$13,325,100 through 2014-2015
21			and
22			\$9,075,500 in 2015-2016
23	2006-2008	\$28,487,400	\$28,487,400 through 2016-2017
24			and
25			\$18,280,000 in 2017-2018
26	2008-2010	\$36,554,100	\$36,554,100 through 2018-2019
27			and

1 ~~_____ \$18,266,100 in 2019-2020]~~
 2 Amortization of 2019-2020~~[2010-2011]~~ Each
 3 Succeeding Fiscal Year
 4 Medical Subsidy
 5 2008-2010 \$1,345,200~~[\$2,574,100]~~ ~~[\$2,574,100~~
 6 ~~through 2018-2019 _____ and~~

7 ~~_____ \$1,345,200 in 2019-2020]~~
 8 2010-2012 \$3,363,200 \$3,363,200 through 2020-2021
 9 and
 10 \$1,798,700 in 2021-2022

11 (3) The present values of providing statutory cost-of-living increases for annuitants not
 12 included in subsection (1) of this section are to be assigned to the unfunded
 13 obligations of the retirement system and are identified as follows:

14	1986-1988	\$34,689,893
15	1990-1992	\$68,107,473
16	1992-1994	\$15,749,976

17 ➔Section 15. KRS 161.560 is amended to read as follows:

18 (1) (a) Each agency school district, institution, and employing members of the
 19 retirement system shall deduct from the compensation of each member for
 20 each payroll period subsequent to the date the individual became a member,
 21 the percentage of his compensation due under the rates prescribed in KRS
 22 161.540. No later than fifteen (15) days following the end of each payroll
 23 period, the employer~~[agency]~~ shall have on file at the retirement system's
 24 office~~[forward]~~ all amounts deducted to the Teachers' Retirement System. The
 25 retirement system may~~[shall]~~ charge the employer~~[employing agency]~~ interest
 26 at an annual rate not to exceed twelve percent (12%) for deductions not
 27 filed~~[remitted]~~ within the specified fifteen (15) days. However, the retirement

1 system may waive the interest penalty for good cause.

2 (b) Each employer employing members of the retirement system shall have on
3 file at the retirement system's office no later than fifteen (15) days following
4 the end of each payroll period payroll reports, contributions lists, and other
5 data required by administrative regulation of the board~~[of trustees shall be~~
6 ~~submitted]~~. The retirement system may impose a penalty on the employer
7 not to exceed one thousand dollars (\$1,000) when the employer does not
8 meet the reporting date. However, the retirement system may waive the
9 penalty for good cause.

10 (c) Each employer employing members of the retirement system shall have on
11 file at the retirement system's office an annual summary report~~[Employers~~
12 ~~shall submit an annual report, in compliance with requirements of the~~
13 ~~retirement system,]~~ of member contributions and periods employed to the
14 retirement system no later than August 1 following the completion of each
15 fiscal year. The retirement system may impose a penalty on the employer not
16 to exceed one thousand dollars (\$1,000) when the employer does not meet the
17 August 1 reporting date. However, the retirement system may waive the
18 penalty for good cause.

19 (d) The deductions described by paragraph (a) of this subsection shall be made
20 notwithstanding the fact that the salary as a result may be less than the
21 minimum compensation provided by law. Every member shall be deemed to
22 consent and agree to the deductions, and the deductions shall be considered as
23 having been paid to the member. After August 1, 1982, member contributions
24 shall be picked up by the agency pursuant to KRS 161.540(2).

25 (2) If an employer fails to deduct the correct retirement contribution from a member's
26 compensation, the member may make the contribution that should have been
27 deducted by the employer and receive retirement credit for the payment. For

1 correction of omitted member contributions that occur more than one (1) year after
2 the year in which the error was made, the employer shall be responsible for paying
3 interest to the retirement system at a rate of eight percent (8%) from the end of the
4 year in which the service was performed to the date of payment.

5 ➔Section 16. KRS 161.597 is amended to read as follows:

- 6 (1) A member in active contributing status may purchase any service credit which the
7 member is authorized to purchase by making installment payments in lieu of a
8 lump-sum payment.
- 9 (2) To initiate an installment payment plan, a member shall make a written request to
10 the retirement system for an estimate to purchase service credit by making
11 installment payments.
- 12 (3) To qualify for installment payments, the total cost of the service purchase, including
13 any chargeable interest, shall exceed one thousand dollars (\$1,000).
- 14 (4) Installment payments shall be at least fifty dollars (\$50) per month and shall be
15 made for a period of time which is not less than twelve (12) months nor more than
16 sixty (60) months. Interest at eight percent (8%) per annum, unless the board
17 specifies in an administrative regulation a different interest rate, shall be charged on
18 all installment payment purchases of service credit that are purchasable at less than
19 full actuarial cost.
- 20 (5) Installment payments shall be made on a monthly basis by payroll deduction or
21 electronic fund transfer and forwarded separately to the Teachers' Retirement
22 System on forms or by computer format not later than fifteen (15) days following
23 the end of each month. The payments shall be considered accumulated contributions
24 and shall not be picked up as provided in KRS 161.560, except that subject to
25 approval by the Internal Revenue Service and only as permitted by the Internal
26 Revenue Code, installment payments by payroll deduction shall be made on a tax-
27 deferred basis.

1 (6) A member may elect to terminate payroll deductions at any time and purchase the
 2 remaining service credit by lump-sum payment. A member on a leave of absence
 3 may make personal installment payments. Termination of employment in a covered
 4 position shall terminate installment payments. If the member is later employed by a
 5 different employer in a covered position, the member may request a new estimate
 6 and reinstate installment payments. A member that misses two (2) consecutive
 7 installment payments shall be in default. A member in default shall receive **a refund**
 8 **of all prior installment payments and the member's** service credit **shall be reduced**
 9 **accordingly**~~[on a pro rata basis for the total amount of contributions made by~~
 10 ~~installment payments].~~ A member in default may not reinstate installment payments
 11 for twelve (12) months from the date the member was in default.

12 (7) If a member dies before completing scheduled installment payments, the named
 13 beneficiary of the member's retirement account may pay the remaining balance due
 14 by a lump-sum payment within thirty (30) days of the death of the member.

15 ➔Section 17. KRS 161.605 is amended to read as follows:

16 Any member retired by reason of service may return to work in a position covered by the~~[~~
 17 ~~Kentucky]~~ Teachers' Retirement System and continue to receive his or her retirement
 18 allowance under the following conditions:

19 (1) Any member who is retired with thirty (30) or more years of service may return to
 20 work in a full-time or a part-time position **or in a position providing substitute**
 21 **teaching services,** covered by the~~[Kentucky]~~ Teachers' Retirement System and earn
 22 up to a maximum of seventy-five percent (75%) of the member's last annual
 23 compensation measured on a daily rate to be determined by the board of trustees.
 24 For purposes of determining whether the salary of a member returning to work is
 25 seventy-five percent (75%) or less of the member's last annual compensation, all
 26 remuneration paid and benefits provided to the member, on an actual dollar or fair
 27 market value basis as determined by the retirement system, **excluding employer-**

1 **provided medical insurance required under subsection (5) of this section,** shall be
2 considered. Members who were retired on or before June 30, 2002, shall be entitled
3 to return to work under the provisions of this section as if they had retired with
4 thirty (30) years of service. Nonqualified service credit purchased under the
5 provisions of KRS 161.5465 or elsewhere with any state-administered retirement
6 system shall not be used to meet the thirty (30) year requirement set forth in this
7 subsection. Out-of state teaching service provided in public schools for kindergarten
8 through grade twelve (12) may count toward the thirty (30) year requirement set
9 forth in this subsection even if it is not purchased as service credit, if the member
10 obtains from his or her out-of-state employer certification of this service on forms
11 prescribed by the retirement system;

12 (2) Any member who is retired with less than thirty (30) years of service after June 30,
13 2002, may return to work in a full-time or part-time position, **or in a position**
14 **providing substitute teaching services,** covered by the ~~Kentucky~~ Teachers'
15 Retirement System and earn up to a maximum of sixty-five percent (65%) of the
16 member's last annual compensation measured on a daily rate to be determined by
17 the board of trustees. For purposes of determining whether the salary of a member
18 returning to work is sixty-five percent (65%) or less of the member's last annual
19 compensation, all remuneration paid and benefits provided to the member, on an
20 actual dollar or fair market value basis as determined by the retirement system,
21 **excluding employer-provided medical insurance required under subsection (5) of**
22 **this section,** shall be considered;

23 (3) Reemployment of a retired member under subsection (1) or (2) of this section in a
24 full-time teaching or nonteaching position in a local school district shall be
25 permitted only if the employer certifies to the ~~Kentucky~~ Teachers' Retirement
26 System that there are no other qualified applicants available to fill the teaching or
27 nonteaching position. The employer may use any source considered reliable

1 including but not limited to data provided by the Education Professional Standards
2 Board and the Department of Education to determine whether other qualified
3 applicants are available to fill the teaching or nonteaching position. The Kentucky
4 Board of Education shall promulgate administrative regulations to establish
5 procedures to determine whether other qualified applicants are available to fill a
6 teaching or nonteaching position and, if not, for filling the position with a retired
7 member who will then be permitted to return to work in that position under
8 subsection (1) or (2) of this section. The administrative regulations shall assure that
9 a retired member shall not be hired in a teaching or nonteaching position by a local
10 school district until the superintendent of the school district assures the ~~the Kentucky~~
11 Teachers' Retirement System that every reasonable effort has been made to recruit
12 other qualified applicants for the position on an annual basis;

13 (4) Under this section, an employer may employ full-time a number of retired members
14 not to exceed three percent (3%) of the membership actively employed full-time by
15 that employer. The board of trustees may reduce this three percent (3%) cap upon
16 recommendation of the retirement system's actuary if a reduction is necessary to
17 maintain the actuarial soundness of the retirement system. The board of trustees
18 may increase the three percent (3%) cap upon a determination that an increase is
19 warranted to help address a shortage in the number of available teachers and upon
20 the determination of the retirement system's actuary that the proposed cap increase
21 allows the actuarial soundness of the retirement system to be maintained. For
22 purposes of this subsection, "full-time" means the same as defined by KRS
23 161.220(21). A local school district may exceed the quota established by this
24 subsection by making an annual written request to the Kentucky Department of
25 Education which the department may approve on a year-by-year basis if the
26 statewide quota has not been met. A district's written request to exceed its quota
27 shall be submitted no sooner than two (2) weeks after the start of the school year;

- 1 (5) (a) Except as provided by subsection (10) of this section, a member returning to
2 work in a full-time or part-time position, or in a position providing substitute
3 teaching services, under subsection (1) or (2) of this section ~~shall~~~~will~~
4 contribute to an account with the retirement system that will be administered
5 independently from and with no reciprocal impact with the member's original
6 retirement account, or any other account from which the member is eligible to
7 draw a retirement allowance.
- 8 (b) Except as provided by subsection (10) of this section, a member returning to
9 work under subsection (1) or (2) of this section shall make contributions to the
10 retirement system at the rate provided under KRS 161.540. The new account
11 shall independently meet ~~all~~~~the~~ ~~five~~ ~~(5)~~ ~~year~~ vesting
12 requirements~~requirement~~ as well as all other conditions set forth in KRS
13 161.600(1) before any retirement allowance is payable from this account. The
14 retirement allowance accruing under this new account shall be calculated
15 pursuant to KRS 161.620(1)(b). This new account shall not entitle the member
16 to a duplication of the benefits offered under KRS 161.620~~(6)~~~~(7)~~ or 161.675,
17 nor shall this new account provide the benefits offered by KRS 161.520,
18 161.525, 161.620(3), 161.655, 161.661, or 161.663.
- 19 (c) A member returning to work under subsection (1) or (2) of this section shall
20 waive his or her medical insurance with the ~~Kentucky~~ Teachers' Retirement
21 System during the period of reemployment and shall receive the medical
22 insurance coverage that is generally provided by the member's active employer
23 to the other members of the retirement system that the active employer
24 employs. If medical insurance coverage is not available from the employer,
25 the ~~Kentucky~~ Teachers' Retirement System may provide coverage for the
26 member.
- 27 (d) A member returning to work under subsection (1) or (2) of this section shall

1 not be eligible to purchase service credit for any service provided after the
2 member's effective date of retirement but prior to the date that the member
3 returns to work. A member returning to work under subsection (1) or (2) of
4 this section shall not be eligible to purchase service credit that the member
5 would have otherwise been eligible to purchase prior to the member's~~initial~~
6 retirement.

7 (e) A member who returns to work under subsection (1) or (2) of this section, or
8 in the event of the death of the member, the member's estate or applicably
9 designated beneficiary, shall be entitled, within ninety (90) days of the posting
10 of the annual report submitted by the employer, to a refund of contributions as
11 permitted and limited by KRS 161.470;

12 (6) The board of trustees may annually, on July 1, adjust the current daily rate of a
13 member's last annual compensation, for each full twelve (12) month period that has
14 elapsed subsequent to the member earning his or her last annual compensation, by
15 the percentage increase in the annual average of the consumer price index for all
16 urban consumers for the calendar year preceding the adjustment as published by the
17 Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each
18 annual adjustment shall become part of the member's daily rate base. Failure to
19 comply with the salary limitations set forth in subsections (1) and (2) of this section
20 as may be adjusted by this subsection shall result in a reduction of the member's
21 retirement allowance or any other benefit to which the member would otherwise be
22 entitled on a dollar-for-dollar basis for each dollar that the member exceeds these
23 salary limitations, and the member shall be refunded his or her retirement
24 contributions made on the compensation that exceeds these salary limitations.

25 Notwithstanding any other provision of law to the contrary, a member retiring from
26 a local school district who returns to work for a local school district under
27 subsection (1) or (2) of this section shall be entitled, without any reduction to his or

1 her retirement allowance or any other retirement benefit, to earn a minimum amount
2 equal to one hundred seventy dollars (\$170) per day;

3 (7) (a) A retired member returning to work under subsection (1) or (2) of this section
4 shall have separated from service for a period of at least one (1) year if
5 returning to work for the same employer on a full-time basis, and at least three
6 (3) months if returning to work for a different employer on a full-time basis. A
7 retired member returning to work under subsection (1) or (2) of this section on
8 a part-time basis shall have separated from service for a period of at least three
9 (3) months before returning to work for any employer.

10 (b) As an alternative to the separation-from-service requirements in paragraph (a)
11 of this subsection, a retired member who is returning to work for the same
12 employer in a full-time position under subsections (1) and (2) of this section
13 may elect a separation-from-service of not less than two (2) months followed
14 by a forfeiture of the retired member's retirement allowance on a month-to-
15 month basis for each month that the member has separated from service for
16 less than twelve (12) full months. A retired member returning to work for the
17 same employer in a part-time position, or for a different employer in a full-
18 time position, may elect an alternative separation-from-service requirement of
19 at least two (2) months followed by a forfeiture of the member's retirement
20 allowance for one (1) month. During the period that the member forfeits his or
21 her retirement allowance and thereafter, member and employer contributions
22 shall be made to the retirement system as a result of employment in any
23 position subject to membership in the retirement system. The member shall
24 contribute to an account with the retirement system subject to the conditions
25 set forth in subsection (5) of this section. ~~For purposes of measuring the~~
26 ~~separation-from-service requirements set forth throughout this section, a~~
27 ~~member's separation from service begins on the first day following the last~~

1 ~~day of paid employment for the member prior to retirement.]~~

2 (c) *A retired member under age sixty (60) who is returning to work for an*
3 *employer that has employees who participate in the Teachers' Retirement*
4 *System shall comply with the separation-from-service requirements in this*
5 *subsection before performing any service for the employer, regardless of*
6 *whether the retired member is providing service in a position covered by the*
7 *Teachers' Retirement System.*

8 (d) *The starting date for any separation-from-service required under this*
9 *subsection shall be the effective date of the member's retirement.*

10 (e) *The separation-from-service requirements of this subsection are not met if*
11 *there is a prearranged agreement between the member and the member's*
12 *employer prior to retirement for the member to return to work for the*
13 *employer after retirement.*

14 (f) *The Teachers' Retirement System may require the member and the*
15 *member's employer to certify in writing on a form prescribed by the*
16 *retirement system that no prearranged agreement as described in paragraph*
17 *(e) of this subsection has been or will be entered into.*

18 (g) Failure to comply with the separation-from-service requirements in this
19 subsection voids a member's retirement and the member shall be required to
20 return all the retirement benefits he or she received, with interest, for the
21 period of time that the member returned to work without a sufficient
22 separation from service;

23 (8) (a) Effective July 1, 2004, local school districts may employ retired members in
24 full-time or part-time teaching or administrative positions without limitation
25 on the compensation of the retired members that is otherwise required by
26 subsections (1) and (2) of this section. Under provisions of this subsection, a
27 local school district may only employ retired members to fill critical shortage

1 positions for which there are no other qualified applicants as determined by
2 the local superintendent. The number of retired members that a local school
3 district may employ under this subsection shall be no more than two (2)
4 members per local school district or one percent (1%) of the total active
5 members employed by the local school district on a full-time basis as defined
6 under KRS 161.220(21), whichever number is greater. Retired members
7 returning to work under this subsection shall be subject to the separation-
8 from-service requirements set forth in subsection (7) of this section. Retired
9 members returning to work under this subsection shall waive their medical
10 insurance coverage with the retirement system during their period of
11 reemployment and receive medical insurance coverage that is offered to other
12 full-time members employed by the local school district. **If medical insurance**
13 **coverage is not available from the employer, the Teachers' Retirement**
14 **System may provide coverage for the member.** Retired members returning to
15 work under this subsection shall contribute to an account subject to the
16 conditions set forth in subsection (5) of this section. Retired members
17 returning to work under this subsection shall make contributions to the
18 retirement system at the rate provided under KRS 161.540. The employer
19 shall make contributions at the rate provided under KRS 161.550. Local
20 school districts shall make annual payments to the retirement system on the
21 compensation paid to the reemployed retirees at the rates determined by the
22 retirement system's actuary that reflect any accrued liability resulting from the
23 reemployment of these members.

- 24 (b) **1.** The Department of Education may employ retired members in full-time
25 or part-time teaching or nonteaching positions without the limitations on
26 compensation otherwise required by subsections (1) and (2) of this
27 section to fill critical shortage areas in the schools it operates, including

1 the Kentucky School for the Blind, the Kentucky School for the Deaf,
2 and the Kentucky Virtual High School, and to serve on audit teams.

3 2. Specific individuals approved by the commissioner of education as
4 having the necessary experience to provide services and support from
5 the Department of Education to persistently low-achieving schools in
6 accordance with KRS 160.346 may be employed without the
7 limitations on compensation otherwise required by subsections (1) and
8 (2) of this section.

9 3. The department shall be subject to the same requirements as local school
10 districts as provided in paragraph (a) of this subsection, except the
11 ~~Kentucky~~ Teachers' Retirement System shall determine the maximum
12 number of employees that may be employed under this paragraph;

13 (9) The return to work limitations set forth in this section shall apply to retired
14 members who are returning to work in the same position from which they retired, or
15 a position substantially similar to the one from which they retired, or a position
16 described in KRS 161.046 or any position listed in KRS 161.220(4) which requires
17 membership in the retirement system. Positions which generally require certification
18 or graduation from a four (4) year college or university as a condition of
19 employment which are created, or changed to remove the position from coverage
20 under KRS 161.220(4) are also subject to the return to work limitations set forth in
21 this section. The board of trustees shall determine whether employment in a
22 nonteaching position is subject to this subsection;

23 (10) (a) Notwithstanding the provisions of this section, individuals who retire and
24 begin drawing a retirement allowance from one (1) or more of the systems or
25 plans administered by the Kentucky Retirement Systems, the Teachers'
26 Retirement System, or the Judicial Form Retirement System on or after
27 January 1, 2019, who are reemployed on or after January 1, 2019, with an

1 employer participating in the Teachers' Retirement System shall not be
2 eligible to contribute to or earn benefits in a second retirement account during
3 the period of reemployment. Employers shall be required to pay the employer
4 normal cost for pension benefits established by KRS 161.550 for any period of
5 full-time reemployment to help pay down the unfunded liability of the
6 Teachers' Retirement System pension fund.

7 (b) The provisions of subsections (1) to (8) of this section are not subject to KRS
8 161.714;

9 (11) Any member retired by reason of service may waive his or her annuity and return to
10 full-time employment in a position covered by the ~~Kentucky~~ Teachers' Retirement
11 System under the following conditions:

12 (a) The member shall receive no annuity payments while employed in a covered
13 position, shall waive his or her medical insurance coverage with the ~~Kentucky~~
14 ~~Kentucky~~ Teachers' Retirement System during the period of reemployment,
15 and shall receive the medical insurance coverage that is generally offered by
16 the member's active employer to the other members of the retirement system
17 employed by the active employer. The member's estate or, if there is a
18 beneficiary applicably designated by the member, then the beneficiary, shall
19 continue to be eligible for life insurance benefits as provided in KRS 161.655.
20 Service subsequent to retirement shall not be used to improve an annuity,
21 except as provided in paragraphs (b) and (c) of this subsection;

22 (b) Any member who waives regular annuity benefits and returns to teaching or
23 covered employment shall be entitled to make contributions on the salaries
24 received for this service and have his retirement annuity recalculated as
25 provided in the regular retirement formula in KRS 161.620(1), less any
26 applicable actuarial discount applied to the original retirement allowance due
27 to the election of a joint and last survivor option. Retirement option and

1 beneficiary designation on original retirement shall not be altered by
2 postretirement employment, and dependents and spouses of the members shall
3 not become eligible for benefits under KRS 161.520, 161.525, or 161.661
4 because of postretirement employment;

5 (c) When a member returns to full-time teaching or covered employment as
6 provided in subsection (b) of this section, the employer is required to withhold
7 and remit regular retirement contributions. The member must be employed
8 full-time for at least one (1) consecutive contract year to be eligible to
9 improve an annuity. The member shall be returned to the annuity rolls on July
10 1 following completion of the contract year or on the first day of the month
11 following the month of termination of service if full-time employment
12 exceeds one (1) consecutive contract year. **A member shall not be returned to**
13 **the annuity rolls until after he or she has filed a retirement application in**
14 **compliance with KRS 161.600(5).** Any discounts applied at the time of the
15 original retirement due to service or age may be reduced or eliminated due to
16 additional employment if full-time employment is for one (1) consecutive
17 contract year or longer; and

18 (d) A member retired by reason of service who has been employed the equivalent
19 of twenty-five (25) days or more during a school year under KRS 161.605
20 may waive the member's retirement annuity and return to regular employment
21 covered by the ~~the Kentucky~~ Teachers' Retirement System during that school
22 year a maximum of one (1) time during any five (5) year period, beginning
23 with that school year;

24 (12) Retired members may be employed in a part-time teaching capacity by an agency
25 described in KRS 161.220(4)(b) or (n), not to exceed the equivalent of twelve (12)
26 teaching hours in any one (1) fiscal year. Retired members may be employed for a
27 period not to exceed the equivalent of one hundred (100) days in any one (1) fiscal

1 year in a part-time administrative or nonteaching capacity by an agency described in
2 KRS 161.220(4)(b) or (n) in a position that would otherwise be covered by the
3 retirement system. **Except as otherwise provided by this subsection,** the return to
4 work provisions set forth in subsections (1) to (8) of this section shall not apply to
5 retired members who return to work solely for an agency described in KRS
6 161.220(4)(b) or (n). Calculation of the number of days and teaching hours for part-
7 time teaching, substitute teaching, or part-time employment in a nonteaching
8 capacity under this section shall not exceed the ratio between a school year and the
9 actual months of retirement for the member during that school year. The board of
10 trustees by administrative regulation may establish fractional equivalents of a day of
11 teaching service. Any member who exceeds the twelve (12) hour or one hundred
12 (100) day limitations of this subsection shall be subject to having his or her
13 retirement voided and be required to return all retirement allowances and other
14 benefits paid to the member or on the member's behalf since the effective date of
15 retirement. In lieu of voiding a member's retirement, the system may reduce the
16 member's retirement allowance or any other benefit to which the member would
17 otherwise be entitled on a dollar-for-dollar basis for each dollar of compensation
18 that the member earns in employment exceeding twelve (12) hours, one hundred
19 (100) days, or any apportionment of the two (2) combined. **Effective July 1, 2019,**
20 **retired members under age sixty (60) returning to work for an employer described**
21 **in subsection (4)(b) or (n) of Section 2 of this Act shall comply with the**
22 **separation-from-service requirements of subsection (7) of this section;**

23 (13) When a retired member returns to employment in a part-time teaching capacity or in
24 a nonteaching capacity as provided in subsection (12) of this section, the employer
25 shall contribute annually to the retirement system on the compensation paid to the
26 retired member at rates determined by the retirement system actuary that reflect
27 accrued liability for retired members who return to work under subsection (12) of

1 this section; and

2 (14) For retired members who return to work during any one (1) fiscal year in both a
3 position described in KRS 161.220(4)(b) or (n) and in a position described under
4 another provision under KRS 161.220(4), and for retired members who return to
5 work in a position described under KRS 161.220(4)(b) or (n) in both a teaching and
6 an administrative or nonteaching capacity, the board of trustees shall adopt a
7 methodology for a pro rata apportionment of days and hours that the retired member
8 may work in each position.

9 ➔Section 18. KRS 161.612 is amended to read as follows:

10 Effective July 1, 2002, any individual occupying a position on a part-time basis that
11 requires certification or graduation from a four (4) year college or university as a
12 condition of employment and any individual providing part-time or substitute teaching
13 services that are the same or similar to those teaching services provided by certified, full-
14 time teachers shall be a member of the ~~the Kentucky~~ Teachers' Retirement System,
15 according to the conditions and only to the extent set forth in this section, if the individual
16 is employed by one (1) of the public boards, institutions, or agencies set forth in KRS
17 161.220, excluding those public boards, institutions, and agencies described in KRS
18 161.220(4)(b) and (n). Members providing part-time and substitute services shall
19 participate in the retirement system as follows:

20 (1) Members providing part-time and substitute services shall accrue service credit as
21 provided under KRS 161.500 and be entitled to a retirement allowance upon
22 meeting the service retirement conditions of KRS 161.235 or 161.600, as
23 applicable. The board of trustees shall adopt a methodology for accrediting service
24 credit to these members on a pro rata basis. The methodology adopted by the board
25 of trustees may be amended as necessary to ensure its actuarial soundness. The
26 retirement allowance for members providing part-time and substitute services shall
27 be calculated pursuant to KRS 161.235 or 161.620, as applicable, except that the

1 provisions of KRS 161.620(3) shall not apply. Members providing part-time and
 2 substitute services who meet the service retirement conditions of KRS 161.235 or
 3 161.600, as applicable, may also be eligible to participate as approved by the board
 4 of trustees in the medical insurance program provided by the retirement system
 5 under KRS 161.675. Members providing part-time and substitute services shall
 6 make contributions to the ~~the Kentucky~~ Teachers' Retirement System at the rate
 7 provided under KRS 161.540. A member who provides part-time or substitute
 8 services, or in the event of the death of the member, the member's estate or
 9 applicably designated beneficiary, will be entitled, within ninety (90) days of the
 10 posting of the annual report submitted by the member's employer, to a refund of
 11 contributions as permitted and limited by KRS 161.470;

12 (2) (a) 1. The board of trustees shall adopt eligibility conditions under which
 13 members providing part-time and substitute services may participate in
 14 the benefits provided under KRS 161.520, 161.655, 161.661, and
 15 161.663.

16 2. For all disability retirement applications filed with the Teachers'
 17 Retirement System on or after July 1, 2019, disability retirement
 18 payments and any other recurring payments payable by a state-
 19 administered retirement system to members providing part-time or
 20 substitute services shall be applied to reduce, on a dollar-for-dollar
 21 basis, the minimum monthly disability retirement allowance of five
 22 hundred dollars (\$500) provided for under subsection (6) of Section 25
 23 of this Act.

24 3. Effective July 1, 2019, members providing part-time or substitute
 25 services shall not be eligible to apply for a disability retirement
 26 allowance if they are eligible for a service retirement allowance that is
 27 not subject to an actuarial reduction required under KRS

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161.600(1)(b) or (d).

(b) The board of trustees may permit members providing part-time or substitute services to participate in other benefits offered by the retirement system by promulgating administrative regulations that establish eligibility conditions for participation in these benefits. All eligibility conditions adopted by the board of trustees pursuant to this subsection may be amended as necessary to ensure their actuarial soundness;

(3) In addition to the pro rata methodology adopted by the board of trustees under subsection (1) of this section, members providing part-time and substitute services shall be subject to all limitations and conditions regarding the accrual, retention, accreditation, and use of service credit that apply to members providing full-time services. In addition to the eligibility conditions set forth by the board of trustees under subsection (2) of this section, members providing part-time and substitute services shall be subject to all limitations and conditions regarding both the eligibility to participate and the extent of participation in any benefit offered under KRS 161.220 to 161.716 that apply to members providing full-time services;

(4) Notwithstanding any other provisions of this section to the contrary, instructional assistants who provide teaching services in the local school districts on a full-time basis in positions covered by the County Employees Retirement System who are used as substitute teachers on an emergency basis for five (5) days or less during any one (1) fiscal year shall not be considered members of the Teachers' Retirement System during that period in which they are serving as substitute teachers for five (5) days or less;

(5) The board of trustees may adopt a pro rata methodology to determine the annual compensation of members providing part-time and substitute services in order to determine benefits provided under KRS 161.661 and 161.663. Members providing part-time and substitute services who had retirement contributions posted to their

1 accounts during the previous fiscal year and who have not had those contributions
2 refunded to them are eligible to vote for the board of trustees;

3 (6) The board of trustees of the Teachers' Retirement System shall be responsible for
4 final determination of membership eligibility and may direct employers to take
5 whatever action that may be necessary to correct any error relating to membership;

6 (7) Effective January 1, 2019, this section does not apply to any individual who retires
7 on or after January 1, 2019, and is reemployed on or after January 1, 2019; and

8 (8) The provisions of this section are not subject to KRS 161.714.

9 ➔Section 19. KRS 161.614 is amended to read as follows:

10 A court order awarding additional back salary to or reinstating a member as a result of
11 employment in a position covered by the ~~the Kentucky~~ Teachers' Retirement System shall
12 entitle the member to additional salary or service credit, or both, under the following
13 circumstances:

14 (1) Members shall make contributions to the ~~the Kentucky~~ Teachers' Retirement System
15 at the rate set forth in KRS 161.540 and members' employers shall make
16 contributions at the rate set forth in KRS 161.550, with interest accruing on all
17 contributions at the rate of eight percent (8%) per annum from the end of each fiscal
18 year that back salary or the reinstatement was ordered. Contributions, plus interest,
19 shall be made for each year that back salary or reinstatement was ordered. No
20 service or salary credit shall be credited to a member's account unless full
21 contributions are paid to the ~~the Kentucky~~ Teachers' Retirement System;

22 (2) The member may have court-ordered back salary credited to his or her account only
23 to the extent that the member actually received payment for the back salary and only
24 to the extent that the court-ordered back salary is within the salary scale that was
25 available to the member in the covered position for the years that the back salary
26 was awarded. Court-ordered back salary can be credited to the member's account
27 only as permitted under KRS 161.220(9) and (10). The member may have court-

1 ordered service credited to his or her account only after the retirement system has
2 received the contributions and interest on the full compensation that would
3 normally be earned in the position that is the subject of the litigation;

4 (3) The member's employer ordered to pay back salary or to reinstate the member by a
5 court of competent jurisdiction shall provide the retirement system with a
6 breakdown of the back salary awarded to the member on a year-by-year basis;

7 (4) The calculations of the contributions and interest required to be paid for court-
8 ordered back salary or reinstatement shall be provided by the retirement system to
9 the member or the member's employer at the member's or employer's request.
10 Requests for these calculations shall be made with at least two (2) weeks of advance
11 notice to the retirement system to provide these calculations. The retirement system
12 will calculate accrued interest as of the last day of the month during which payment
13 of the full contributions are made;

14 (5) For purposes of this section, a settlement agreement that provides back salary or
15 reinstatement, and is adopted by order or judgment of a court of competent
16 jurisdiction or is referenced in an order dismissing the action as settled shall have
17 the same effect as a court order adjudicating the matter. Orders entered by a
18 government board or agency as a result of litigation conducted on an administrative
19 hearing level and legally binding arbitration *and mediation* awards shall be
20 considered as court orders for the purposes of this section; and

21 (6) Under no circumstances shall a member be entitled to service credit as a result of
22 court-ordered reinstatement that is in violation of the provisions of KRS 161.500.

23 ➔Section 20. KRS 161.620 is amended to read as follows:

24 (1) The retirement allowance, in the form of a life annuity with refundable balance, of a
25 member retiring for service shall be calculated as follows:

26 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise
27 provided by this section, the annual allowance for each year of service shall be

1 two percent (2%) of the final average salary for service performed prior to
2 July 1, 1983, and two and one-half percent (2.5%) of the final average salary
3 for service performed after July 1, 1983, for all nonuniversity members. The
4 annual retirement allowance for each year of service performed by members
5 of the Teachers' Retirement System who are university members shall be two
6 percent (2%) of the final average salary. Actuarial discounts due to age or
7 service credit at retirement may be applied as provided in this section;

8 (b) For individuals who become nonuniversity members of the Teachers'
9 Retirement System on or after July 1, 2002, and before July 1, 2008, who
10 upon retirement have earned less than ten (10) full years of service credit, the
11 retirement allowance shall be two percent (2%) of the member's final average
12 salary for each year of service. For individuals who become nonuniversity
13 members of the Teachers' Retirement System on or after July 1, 2002, and
14 before July 1, 2008, and who upon retirement have earned at least ten (10) full
15 years of service credit, the annual allowance for each year of service shall be
16 two and one-half percent (2.5%) of the member's final average salary;

17 (c) The board of trustees may approve for members who initially retire on or after
18 July 1, 2004, and who become nonuniversity members before July 1, 2008, a
19 retirement allowance of three percent (3%) of the member's final average
20 salary for each year or partial year of service credit earned in excess of thirty
21 (30) years.

22 This three percent (3%) factor shall be in lieu of the two and one-half percent
23 (2.5%) factor provided for in paragraph (b) of this subsection for every year or
24 fraction of a year of service in excess of thirty (30) years. Upon approval of
25 this three percent (3%) retirement factor, the board of trustees may establish
26 conditions of eligibility regarding the type of service credit that will qualify
27 for meeting the requirements of this subsection. This subsection is optional

- 1 with the board of trustees and shall not be subject to KRS 161.714;
- 2 (d) For individuals who become nonuniversity members of the Teachers'
- 3 Retirement System on or after July 1, 2008, the retirement allowance shall be:
- 4 1. a. One and seven-tenths percent (1.7%) of the member's final average
- 5 salary for each year of service if the member has earned ten (10) or
- 6 less years of service at retirement;
- 7 b. Two percent (2%) of the member's final average salary for each
- 8 year of service if the member has earned greater than ten (10) but
- 9 no more than twenty (20) years of service at retirement;
- 10 c. Two and three-tenths percent (2.3%) of the member's final average
- 11 salary for each year of service if the member has earned greater
- 12 than twenty (20) but no more than twenty-six (26) years of service
- 13 at retirement; or
- 14 d. Two and one-half percent (2.5%) of the member's final average
- 15 salary for each year of service if the member has earned greater
- 16 than twenty-six (26) but no more than thirty (30) years of service at
- 17 retirement; and
- 18 2. Three percent (3%) of the member's final average salary for each year ***or***
- 19 ***partial year*** of service earned in excess of thirty (30) years of service at
- 20 retirement subject to the same terms and conditions as set forth in
- 21 paragraph (c)2. of this subsection;
- 22 (e) For individuals who become university members of the Teachers' Retirement
- 23 System on or after July 1, 2008, the retirement allowance shall be:
- 24 1. One and one-half percent (1.5%) of the member's final average salary for
- 25 each year of service if the member has earned ten (10) or less years of
- 26 service at retirement;
- 27 2. One and seven-tenths percent (1.7%) of the member's final average

- 1 salary for each year of service if the member has earned greater than ten
2 (10) but no more than twenty (20) years of service at retirement;
- 3 3. One and eighty-five hundredths percent (1.85%) of the member's final
4 average salary for each year of service if the member has earned greater
5 than twenty (20) but less than twenty-seven (27) years of service at
6 retirement; or
- 7 4. Two percent (2%) of the member's final average salary for each year of
8 service if the member has earned twenty-seven (27) or more years of
9 service at retirement; and
- 10 (f) The retirement allowance of a member at retirement, as measured on a life
11 annuity, shall not exceed the member's last yearly salary or the member's final
12 average salary, whichever is the greater amount. For purposes of this section,
13 "yearly salary" means the compensation earned by a member during the most
14 recent period of contributing service, either consecutive or nonconsecutive,
15 preceding the member's effective retirement date and shall be subject to the
16 provisions of KRS 161.220(9) and (10).
- 17 (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance
18 of each retired member, of each recipient of a straight life annuity with a
19 refundable balance, and of each recipient~~[beneficiary]~~ of a retirement option shall
20 be increased in the amount of one and one-half percent (1.5%), provided the retired
21 member had been retired for at least the full twelve (12) months immediately
22 preceding the date that the increase is effective. In the event that the retired member
23 had been retired for less than the full twelve (12) months immediately preceding the
24 date that the increase is effective, then the increase shall be reduced on a pro rata
25 basis by each month that the retired member had not been retired for the full twelve
26 (12) months immediately preceding the effective date of the increase.
- 27 (3) Any member qualifying for retirement under a life annuity with refundable balance

1 shall be entitled to receive an annual allowance amounting to not less than four
 2 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty
 3 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the
 4 member. These minimums shall apply to the retired members receiving annuity
 5 payments and to those members retiring on or subsequent to the effective dates
 6 listed in this subsection, except the following:

- 7 (a) Individuals who become members of the Kentucky Teachers' Retirement
 8 System on or after July 1, 2008; or
 9 (b) Members whose retirement allowance payment is reduced below the
 10 minimum allowance as a result of its division in a qualified domestic relations
 11 order or any other provision permitted under KRS 161.700.

12 (4) The minimum retirement allowance provided in this section shall apply in the case
 13 of members retired or retiring under an option other than a life annuity with
 14 refundable balance in the same proportion to the benefits of the member and his
 15 beneficiary or beneficiaries as provided in the duly-adopted option tables at the time
 16 of the member's retirement.

17 (5) (a) The Teachers' Retirement System may in its biennial budget request
 18 funding to provide an increase in the monthly allowance of each retired
 19 member, each recipient of a straight life annuity with a refundable balance,
 20 and each recipient of a retirement option in order to help their monthly
 21 allowances keep up with the costs of inflation.

22 (b) If funding is available, each retired member, each recipient of a straight life
 23 annuity with a refundable balance, and each recipient of a retirement
 24 option shall receive the full increase provided by the funding if the retired
 25 member, recipient of a straight life annuity with a refundable balance, or
 26 recipient of a retirement option has ~~Effective July 1, 2008, the monthly~~
 27 ~~allowance of each retired member and each recipient of a retirement option of~~

1 ~~the retired member may be increased in an amount not to exceed three and~~
2 ~~one half percent (3.5%) of the monthly allowance in effect the previous~~
3 ~~month, provided the retired member had] been retired for at least the full~~
4 ~~twelve (12) months immediately preceding the date that the increase is~~
5 ~~effective.~~

6 (c) In the event that the retired member, *the recipient of a straight life annuity*
7 *with a refundable balance, or the recipient of a retirement option has* ~~had]~~
8 ~~been retired for less than the full twelve (12) months immediately preceding~~
9 ~~the date that the increase is effective, then the increase shall be reduced on a~~
10 ~~pro rata basis by each month that the retired member had not been retired for~~
11 ~~the full twelve (12) months immediately preceding the effective date of the~~
12 ~~increase.~~

13 (d) The level of increase provided for in this subsection shall be determined by
14 the funding provided in the ~~2008-2010~~ biennium budget appropriation.

15 (6) ~~[Effective July 1, 2009, the monthly allowance of each retired member and each~~
16 ~~recipient of a retirement option of the retired member may be increased in an~~
17 ~~amount not to exceed seven tenths of one percent (0.7%) of the monthly allowance~~
18 ~~in effect the previous month, provided the retired member had been retired for at~~
19 ~~least the full twelve (12) months immediately preceding the date that the increase is~~
20 ~~effective. In the event that the retired member had been retired for less than the full~~
21 ~~twelve (12) months immediately preceding the date that the increase is effective,~~
22 ~~then the increase shall be reduced on a pro rata basis by each month that the retired~~
23 ~~member had not been retired for the full twelve (12) months immediately preceding~~
24 ~~the effective date of the increase. The level of increase provided for in this~~
25 ~~subsection shall be determined by the funding provided in the 2008-2010 biennium~~
26 ~~budget appropriation.~~

27 ~~(7)~~ Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be

1 payable for the benefit of an adult child of a member retired for service when the
2 child's mental or physical condition is sufficient to cause dependency on the
3 member at the time of retirement. Eligibility for this payment shall continue for the
4 life of the child or until the time the mental or physical condition creating the
5 dependency no longer exists or the child marries. Benefits under this subsection
6 shall apply to legally adopted survivors provided the proceedings for the adoption
7 were initiated at least one (1) year prior to the death of the member. The board of
8 trustees shall be the sole judge of eligibility or dependency and may require formal
9 application or information relating thereto.

10 ~~(7)~~~~(8)~~ Members of the Teachers' Retirement System shall be subject to the annuity
11 income limitations imposed by Section 415 of the Internal Revenue Service Code.

12 ~~(8)~~~~(9)~~ Compensation in excess of the limitations imposed by Section 401(a)(17) of
13 the Internal Revenue Code shall not be used in determining a member's retirement
14 annuity. The limitation on compensation for eligible members shall not be less than
15 the amount which was allowed to be taken into account by the retirement system in
16 effect on July 1, 1993. For this purpose, an eligible member is an individual who
17 was a member of the retirement system before the first plan year beginning after
18 December 31, 1995.

19 ~~(9)~~~~(10)~~ Effective January 1, 2019, subsections (1) to ~~(6)~~~~(7)~~ of this section do not
20 apply to individuals who become members of the Teachers' Retirement System on
21 or after January 1, 2019.

22 ➔Section 21. KRS 161.630 is amended to read as follows:

23 (1) (a) An individual who became a member prior to January 1, 2019, upon
24 retirement, shall receive a retirement allowance in the form of a life annuity,
25 with refundable balance, as provided in KRS 161.620, unless an election is
26 made before the effective date of retirement to receive actuarially equivalent
27 benefits under options which the board of trustees approves.

- 1 (b) An individual who is participating in the hybrid cash balance plan as provided
2 by KRS 161.235 may, before the effective date of retirement, elect to receive
3 his or her accumulated account balance annuitized into a monthly payment
4 under one (1) of the actuarial equivalent payment options approved by the
5 board of trustees.
- 6 (c) No option shall provide for a benefit with an actuarial value at the age of
7 retirement greater than that provided in KRS 161.235(7)(a) or 161.620, as
8 applicable. This section does not apply to disability allowances as provided in
9 KRS 161.661(1).
- 10 (2) The retirement option chosen by a retiree at the time of service retirement shall
11 remain in force unless the retiree became a member prior to January 1, 2019, and
12 elects to make a change under the following conditions:
- 13 (a) A divorce, annulment, or marriage dissolution following retirement shall, at
14 the election of the retiree, cancel any optional plan selected at retirement that
15 provides *indefinitely* continuing benefits to a spousal beneficiary and return
16 the retiree to a single lifetime benefit equivalent as determined by the board;
17 or
- 18 (b) Following marriage or remarriage, or the death of the designated beneficiary, a
19 retiree may elect a new optional plan of payment based on the actuarial
20 equivalent of a single lifetime benefit at the time of the election, as determined
21 by the board. The plan shall become effective the first of the month following
22 receipt of an application on a form approved by the board.
- 23 (3) Except as otherwise provided in this section, a beneficiary designation shall not be
24 changed after the effective date of retirement except for retirees who elect the life
25 annuity with refundable balance or the predetermined years certain and life
26 thereafter option. A member may remove a beneficiary at any time, but shall not
27 designate a substitute beneficiary. If a member elects to remove a beneficiary, the

1 member's retirement allowance shall not change regardless of the retirement option
2 selected by the member, even if the removed beneficiary predeceases the member.

3 (4) A member who experiences a qualifying event under subsection (2) of this section
4 and who elects a new optional plan of payment shall make that election within sixty
5 (60) days of the qualifying event.

6 ➔Section 22. KRS 161.643 is amended to read as follows:

7 **(1)** Each school district, **institution**, and agency employing annuitants of the retirement
8 system shall **have on file at the retirement system's office an annual summary**
9 **report**~~maintain a record~~ of the days employed and the compensation paid to each
10 annuitant and **other data as required by administrative regulation of the board of**
11 **trustees**~~submit an annual report on forms prescribed by the retirement system~~ no
12 later than August 1, following the completion of each fiscal year.

13 **(2)** The retirement system may impose a penalty on the employer not to exceed one
14 thousand dollars (\$1,000) when the employer does not meet the August 1
15 **filing**~~reporting~~ date or fails to provide the information required for employment of
16 annuitants of the retirement system. **However, the retirement system may waive the**
17 **penalty for good cause.**

18 **(3) The retirement system may promulgate administrative regulations in accordance**
19 **with KRS Chapter 13A to require employers to report more frequently than on an**
20 **annual basis.**

21 ➔Section 23. KRS 161.650 is amended to read as follows:

22 (1) In the case of death of a member who has retired by reason of service or disability,
23 any portion of the member's accumulated contributions, including member
24 contributions to the state accumulation fund and regular interest to the date of
25 retirement, that has not, and will not be paid as an allowance or benefit shall be paid
26 to the member's beneficiary in such manner as the board of trustees elects.

27 (2) **(a)** The member may designate a primary beneficiary or two (2) or more

1 cobeneficiaries to receive any remaining accumulated member contributions
2 payable under this section.

3 (b) A contingent beneficiary may be designated in addition to the primary
4 beneficiary or the cobeneficiaries. The member may designate two (2) or more
5 contingent beneficiaries.

6 (c) To the extent permitted by the Internal Revenue Code, a trust may be
7 designated as beneficiary for receipt of any remaining funds of the member's
8 accumulated contributions.

9 (d) Members may designate as beneficiaries only presently identifiable and
10 existing individuals, or trusts where otherwise permitted, without contingency
11 instructions, on forms prescribed by the retirement system. Cobeneficiaries
12 shall be composed of a single class of individuals, or trusts where permitted,
13 who will share in equal proportions in any payment that may become available
14 under this section.

15 (e) 1. Any beneficiary designation made by the member shall remain in effect
16 until changed by the member on forms prescribed by the retirement
17 system, except in the event of subsequent marriage or divorce.

18 2. Subsequent marriage by the member shall void the primary
19 beneficiary and any cobeneficiary designation, even that of a trust,
20 and the spouse of the member at death shall be considered as the
21 primary beneficiary, unless the member subsequent to marriage
22 designates another beneficiary. An individual who is married prior to
23 becoming a retired member of the retirement system and remains
24 married at the time of becoming a retired member shall have his or
25 her spouse considered the primary beneficiary, unless the member
26 designates another beneficiary for any amounts payable under
27 subsection (1) of this section.

1 **3.** A final divorce decree shall terminate the beneficiary status of an ex-
2 spouse unless, subsequent to divorce, the member redesignates the
3 former spouse as a beneficiary. A final divorce decree shall not
4 terminate the designation of a trust as beneficiary regardless of who is
5 designated as beneficiary of the trust.

6 **(f)** In the event that the member fails to designate a beneficiary or all designated
7 beneficiaries predecease the member, any remaining accumulated member
8 contributions shall be payable to the member's estate, **unless the member is**
9 **married at the time of his or her death, in which case any remaining**
10 **contributions shall be payable to his or her spouse.**

11 ➔Section 24. KRS 161.655 is amended to read as follows:

12 (1) Effective July 1, 2000, the Teachers' Retirement System shall for those individuals
13 who became members prior to January 1, 2019:

14 (a) Provide a life insurance benefit in a minimum amount of five thousand dollars
15 (\$5,000) for its members who are retired for service or disability. This life
16 insurance benefit shall be payable upon the death of a member retired for
17 service or disability to the member's estate or to a party designated by the
18 member on a form prescribed by the retirement system; and

19 (b) Provide a life insurance benefit in a minimum amount of two thousand dollars
20 (\$2,000) for its active contributing members. This life insurance benefit shall
21 be payable upon the death of an active contributing member to the member's
22 estate or to a party designated by the member on a form prescribed by the
23 retirement system.

24 (2) **(a)** The member may name one (1) primary and one (1) contingent beneficiary for
25 receipt of the life insurance benefit. To the extent permitted by the Internal
26 Revenue Code, a trust may be designated as beneficiary for receipt of the life
27 insurance benefit.

1 **(b)** Members may designate as beneficiaries only presently identifiable and
2 existing individuals, or trusts where otherwise permitted, without contingency
3 instructions, on forms prescribed by the retirement system.

4 **(c)** In the event that a member fails to designate a beneficiary, or all designated
5 beneficiaries predecease the member, the member's estate shall be deemed to
6 be the beneficiary, **unless the member is married at the time of his or her**
7 **death, in which case the spouse shall be deemed the beneficiary.**

8 **(d)** **1.** Any beneficiary designation made by the member, including the estate
9 should the estate become the beneficiary by default, shall remain in
10 effect until changed by the member on forms prescribed by the
11 retirement system, except in the event of subsequent marriage or
12 divorce.

13 **2.** A valid marriage license shall terminate any previously designated
14 beneficiary, even that of a trust, and establish the spouse as beneficiary
15 unless, subsequent proof of the marriage, the member or retired member
16 redesignates someone other than the new spouse as the beneficiary.

17 **3.** **An individual who is married prior to becoming an active member or a**
18 **retired member of the retirement system and remains married at the**
19 **time of becoming an active or retired member of the retirement system**
20 **shall have his or her spouse considered the primary beneficiary,**
21 **unless the member designates another beneficiary.**

22 **4.** A final divorce decree shall terminate the beneficiary status of an ex-
23 spouse unless, subsequent to divorce, the member redesignates the
24 former spouse as a beneficiary. A final divorce decree shall not
25 terminate the designation of a trust as beneficiary regardless of who is
26 designated as beneficiary of the trust.

27 **(e)** **The Teachers' Retirement System shall not acknowledge a beneficiary**

1 *designation unless the life insurance beneficiary form is received by the*
 2 *Teachers' Retirement System prior to the member's death, or the life*
 3 *insurance beneficiary form has been deposited in the mail with a postmark*
 4 *date no later than the date of the member's death.*

5 (3) Application for payment of life insurance proceeds shall be made to the Teachers'
 6 Retirement System together with acceptable evidence of death and eligibility. The
 7 reciprocal provisions of KRS 61.680(2)(a) shall not apply to the coverage and
 8 payment of proceeds by the life insurance benefit under this section.

9 (4) Suit or civil action shall not be required for the collection of the proceeds of the life
 10 insurance benefit provided for by this section, but nothing in this section shall
 11 prevent the maintenance of suit or civil action against the beneficiary or legal
 12 representative receiving the proceeds of the life insurance benefit.

13 (5) Upon the death of a member of the Teachers' Retirement System, the life insurance
 14 provided pursuant to subsection (1) of this section may be assigned by the
 15 designated beneficiary to a bank or licensed funeral home.

16 ➔Section 25. KRS 161.661 is amended to read as follows:

17 (1) (a) Any member who *is accredited by the retirement system*~~has completed~~ five
 18 (5) or more years of ~~accredited~~ service *credit* in ~~the public schools of~~
 19 Kentucky after July 1, 1941, may retire for disability and be granted a
 20 disability allowance if found to be eligible as provided in this section.
 21 Application for disability benefits shall be made within one (1) year of the last
 22 contributing service in Kentucky, and the disability must have occurred during
 23 the most recent period of employment in a position covered by the Teachers'
 24 Retirement System and subsequent to the *accreditation of the retirement*
 25 *system*~~completion~~ of five (5) years of *retirement system*~~teaching~~
 26 *credit* in Kentucky. A disability occurring during the regular vacation
 27 immediately following the last period of active service in Kentucky or during

1 an official leave for which the member is entitled to make regular
 2 contributions to the retirement system, shall be considered as having occurred
 3 during a period of active service.

4 **(b)** The annual disability allowance shall be equal to sixty percent (60%) of the
 5 member's final average salary.

6 **(c) The following individuals shall not be eligible for disability benefits as**
 7 **provided by this section:**

8 **1. Members with**~~Individuals who became members prior to January 1,~~
 9 ~~2019, who have~~ twenty-seven (27) or more years of service credit;

10 **2. Individuals who become members on or after July 1, 2019, who are**
 11 **eligible for an unreduced benefit as provided by KRS 161.600(1)(b)2.**
 12 **or (d); and**~~are eligible for service retirement only.]~~

13 **3.** Individuals who become members on or after **July 1**~~January 1~~, 2019,
 14 who have met the requirements of KRS 161.235(6)(b)~~shall be eligible~~
 15 ~~for service retirement only].~~

16 (2) The provisions of KRS 161.520, 161.525, and subsections (3), (4), and (5) of this
 17 section shall not apply to disability retirees whose benefits were calculated on the
 18 service retirement formula nor to survivors of these members.

19 (3) Members shall earn one (1) year of entitlement to disability retirement, at sixty
 20 percent (60%) of the member's final average salary, for each four (4) years of
 21 service in a covered position, but any member meeting the service requirement for
 22 disability retirement shall be credited with no less than five (5) years of eligibility.

23 (4) A member retired by reason of disability shall continue to earn service credit at the
 24 rate of one (1) year for each year retired for disability. This service shall be credited
 25 to the member's account at the expiration of entitlement as defined in subsection (3)
 26 of this section, or when the member's eligibility for disability benefits is terminated
 27 upon recommendation of a medical review committee, and this service shall be used

1 in calculating benefits as provided in subsection (5) of this section, but under no
2 circumstances shall this service be used to provide the member with more than
3 twenty-seven (27) years of total service credit or the level of service credit needed
4 to meet the requirements of KRS 161.235(6)(b), as applicable. The service credit
5 shall be valued at the same level as service earned by active members as provided
6 under KRS 161.235, 161.600, or 161.620, as applicable. Members participating in
7 the hybrid cash balance plan as provided by KRS 161.235 shall also be credited
8 with employer credits and interest credits for each year of service earned under the
9 provisions of this subsection based upon the salary in which the last employer credit
10 was paid. Payments during the entitlement period as specified by subsection (3) of
11 this section shall not reduce the accumulated account balance of a member
12 participating in the hybrid cash balance plan.

13 (5) Any member retired by reason of disability and remaining disabled at the expiration
14 of the entitlement period shall have his disability benefits recalculated using the
15 service retirement formula with service credit and any additional accumulated
16 account balance earned as set out in subsection (4) of this section. For persons who
17 became members prior to January 1, 2019, the retirement allowance shall be
18 calculated as set forth in KRS 161.620, except that those persons less than sixty
19 (60) years of age shall be considered as sixty (60) years of age. For persons who
20 become members on or after January 1, 2019, the retirement allowance or benefit
21 shall be calculated as set forth in KRS 161.235, except that those persons less than
22 age sixty-five (65) shall be considered as sixty-five (65) years of age. Members
23 having their disability benefits recalculated under this subsection shall not be
24 entitled to a benefit based upon an average of their three (3) highest salaries as set
25 forth in KRS 161.220(9), unless approved otherwise by the board of trustees.

26 (6) Members who have their disability retirement allowance recalculated at the
27 expiration of the entitlement period shall continue to have coverage under the post-

1 retirement medical insurance program. Restrictions on employment shall remain in
2 effect until the member attains age seventy (70) or until the member's eligibility is
3 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability
4 retirees whose retirement allowances have been recalculated at the expiration of the
5 entitlement period. Members who have their disability retirement allowance
6 recalculated at the expiration of their entitlement period shall be entitled to a
7 minimum monthly allowance of five hundred dollars (\$500) as the basic straight life
8 annuity. The minimum allowance shall be effective July 1, 1992, and shall apply to
9 those members who have had their allowance recalculated prior to that date and to
10 disability retirees who will have their benefit allowance recalculated on or after that
11 date. *For individuals who become members on or after July 1, 2019, disability*
12 *retirement payments and any other recurring payments payable by any state-*
13 *administered retirement system shall be applied to reduce, on a dollar-for-dollar*
14 *basis, the minimum monthly disability retirement allowance payable under this*
15 *subsection.*

16 (7) Effective July 1, 1992, members retired for disability prior to July 1, 1964, shall be
17 entitled to a minimum monthly allowance of five hundred dollars (\$500) as their
18 basic straight life annuity and their surviving spouse shall be eligible for survivor
19 benefits as provided in KRS 161.520(1)(a) and (b).

20 (8) Any member retired by reason of disability may voluntarily waive disability benefits
21 and return to teaching or any individual who became a member prior to January 1,
22 2019, who is age sixty (60) years or older, may elect to waive disability benefits and
23 retire for service on the basis of service credited to the member on the effective date
24 of the disability retirement, or any individual who becomes a member on or after
25 January 1, 2019, who is sixty-five (65) years of age or older, may elect to waive
26 disability benefits and retire for service on the basis of his or her accumulated
27 account balance and service credited to the member on the effective date of

1 disability retirement.

2 (9) In order to qualify for retirement by reason of disability a member must suffer from
3 a physical or mental condition presumed to be permanent in duration and of a nature
4 as to render the member incapable of being gainfully employed in a covered
5 position. The incapability must be revealed by a competent examination by a
6 licensed physician or physicians and must be approved by a majority of a medical
7 review committee.

8 (10) A member retired by reason of disability shall be required to undergo periodic
9 examinations at the discretion of the board of trustees to determine whether the
10 disability allowance shall be continued. When examination and recommendation of
11 a medical review committee indicate the disability no longer exists, the allowance
12 shall be discontinued.

13 (11) Eligibility for payment shall begin on the first day of the month following receipt of
14 the application in the Teachers' Retirement System office, or the first of the month
15 next following the last payment of salary or sick leave benefits by the employer,
16 whichever is the later date.

17 (12) No person who receives a disability allowance may be employed in a position that
18 entails duties or qualification requirements similar to positions subject to
19 participation in the retirement system either within or without the State of
20 Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the
21 allowance from the first date of this service. A member who applies for and is
22 approved for disability retirement on or after July 1, 2002, and whose annual
23 disability benefit is less than forty thousand dollars (\$40,000) may earn income in
24 any occupation other than covered employment only to the extent that the annual
25 income from the other employment when added to the annual disability benefit does
26 not exceed forty thousand dollars (\$40,000). For any member who exceeds this
27 limit as a result of income from other employment, the ~~Kentucky~~ Teachers'

1 Retirement System shall reduce the member's disability benefit on a dollar-for-
2 dollar basis for each dollar that the member's combined annual disability benefit and
3 annual income from other employment exceeds forty thousand dollars (\$40,000).
4 The board of trustees may annually increase the forty thousand dollar (\$40,000)
5 limit by the percentage increase in the annual average of the consumer price index
6 for all urban consumers for the most recent calendar year as published by the
7 Federal Bureau of Labor Statistics, not to exceed five percent (5%). *For purposes*
8 *of this subsection, "employment" and "occupation" mean any activity engaged*
9 *in by the member receiving disability allowance from which income is earned.*
10 *The retirement system may require income verification from the member,*
11 *including but not limited to copies of tax returns and federal forms W-2 and W-*
12 *4P.*

13 (13) All members who applied for disability retirement before July 1, 2002, and were
14 approved as a result of that application shall be subject to the income limitations as
15 they existed on June 30, 2002, until July 1, 2006. Effective July 1, 2006, the twenty-
16 seven thousand dollar (\$27,000) limitation shall be increased to forty thousand
17 dollars (\$40,000) and may be adjusted by the board of trustees by the consumer
18 price index in the manner described in subsection (12) of this section. The recipient
19 of a disability allowance who engages in any gainful occupation other than covered
20 employment must make a report of the duties involved, compensation received, and
21 any other pertinent information required by the board of trustees. *For purposes of*
22 *this subsection, "employment" and "occupation" mean any activity engaged in*
23 *by the member receiving disability allowance from which income is earned. The*
24 *retirement system may require income verification from the member, including*
25 *but not limited to copies of tax returns and federal forms W-2 and W-4P.*

26 (14) The board of trustees shall designate medical review committees, each consisting of
27 three (3) licensed physicians. A medical review committee shall pass upon all

1 applications for disability retirement and upon all applicant statements, medical
2 certifications, and examinations submitted in connection with disability
3 applications. The disposition of each case shall be recommended by a medical
4 review committee in writing to the retirement system. Members of a medical review
5 committee shall follow administrative regulations regarding procedures as the board
6 of trustees may enact and shall be paid reasonable fees and expenses as authorized
7 by the board of trustees in compliance with the provisions of KRS 161.330 and
8 161.340. The retirement system may secure additional medical examinations and
9 information as it deems necessary. A member may appeal any final agency decision
10 denying his or her disability retirement application pursuant to the provisions of
11 KRS 161.250(2).

12 (15) A disability may be presumed to be permanent if the condition creating the
13 disability may be reasonably expected to continue for one (1) year or more from the
14 date of application for disability benefits.

15 (16) Any member who has voluntarily waived disability benefits or whose disability
16 benefits have been discontinued on recommendation of a medical review
17 committee, may apply for reinstatement of disability benefits. The application for
18 reinstatement must be made to the retirement system within twelve (12) months of
19 the date disability benefits terminated. If the termination of benefits were voluntary,
20 the reinstatement may be made without medical examination if application is made
21 within three (3) months of the termination date. Other applications for reinstatement
22 will be processed in the same manner as new applications for benefits.

23 (17) No person who is receiving disability benefits under this section may be employed
24 in a position which qualifies the person for membership in a retirement system
25 financed wholly or in part with public funds. Employment in a position prohibited
26 by this subsection shall result in disqualification for those disability benefits from
27 the date of employment in the prohibited position.

1 (18) Any person who is receiving benefits and becomes disqualified from receiving
2 those benefits under this section, or becomes disqualified from receiving a portion
3 of those benefits due to income from other than covered employment, shall
4 immediately notify the Teachers' Retirement System of this disqualification in
5 writing and shall return all benefits paid after the date of disqualification. Failure to
6 comply with these provisions shall create an indebtedness of that person to the
7 Teachers' Retirement System. Interest at the rate of eight percent (8%) per annum
8 shall be charged if the debt is not repaid within sixty (60) days after the date of
9 disqualification. Failure to repay this debt creates a lien in favor of the Teachers'
10 Retirement System upon all property of the person who improperly receives benefits
11 and does not repay those benefits. The Kentucky Teachers' Retirement System may,
12 in order to collect an outstanding debt, reduce or terminate any benefit that a
13 member is otherwise entitled to receive.

14 ➔Section 26. KRS 161.680 is amended to read as follows:

15 (1) If any change or error in a record results in any individual receiving from the
16 retirement system more or less than the individual was entitled to receive, the board
17 of trustees shall, when the error is discovered, correct the error, and as far as
18 practicable adjust the payments so that the actuarial equivalent of the benefit to
19 which the individual was entitled shall be paid.

20 (2) *The Teachers' Retirement System shall take all practicable and cost-effective*
21 *steps to collect overpayments from a member's or retiree's account. Methods of*
22 *correction of overpayments from any member's or retiree's account shall include*
23 *but are not limited to reclamation of the overpayment from the member's or*
24 *retiree's account at the depository bank, the deduction of moneys from account*
25 *refunds, deduction from the retirement allowance or joint and survivor annuity*
26 *payable from the account, and deduction of moneys from the life insurance*
27 *benefit. Collection of overpayments shall be initiated regardless of the designated*

1 *beneficiary for any amounts payable from the account.*

2 ➔Section 27. Whereas the ability of the Teachers' Retirement System to invest the
3 funds of the system on behalf of its members is one of its most important fiduciary
4 obligations, an emergency is declared to exist, and Section 6 of this Act takes effect upon
5 its passage and approval of the Governor or upon its otherwise becoming law.