

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 161.290 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 3. 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 with no resulting financial obligation for the state. Any
26 retirement incentive provided~~[payment made]~~ by the employer to a member on the
27 condition that the member terminate employment with the employer shall be

1 deemed a retirement incentive for purposes of this subsection if the member retires
2 within six (6) months following the member's termination in employment.
3 **Retirement incentives include remuneration of any kind and any tangible or**
4 **intangible benefit provided to or on behalf of the member before, after, or at the**
5 **member's date of retirement. Retirement incentives do not include lump sum**
6 **payments for accumulated sick, annual, or compensatory leave that are generally**
7 **available to members upon termination of employment. Retirement incentives**
8 **shall not be included in a member's final average salary or annual compensation**
9 **as defined under KRS 161.220(9) and (10), respectively.** This subsection shall not
10 apply to retirement incentive plans adopted by local boards of education prior to
11 December 31, 1997, and to those employees of local school districts who retired on
12 or before July 1, 1998.

13 ➔Section 4. KRS 161.340 is amended to read as follows:

- 14 (1) (a) The board of trustees shall elect from its membership a chairperson and a vice
15 chairperson on an annual basis as prescribed by the administrative regulations
16 of the board of trustees. The chairperson shall not serve more than four (4)
17 consecutive years as chairperson or vice chairperson of the board. The vice
18 chairperson shall not serve more than four (4) consecutive years as
19 chairperson or vice chairperson of the board. A trustee who has served four
20 (4) consecutive years as chairperson or vice chairperson of the board may be
21 elected chairperson or vice chairperson of the board after an absence of two
22 (2) years from the position.
- 23 (b) The board of trustees shall employ an executive secretary by means of a
24 contract not to exceed a period of four (4) years and fix the compensation and
25 other terms of employment for this position without limitation of the
26 provisions of KRS Chapters 18A, 45A, 56, and KRS 64.640. The executive
27 secretary shall be the chief administrative officer of the board. The executive

1 secretary, at the time of employment, shall be a graduate of a four (4) year
2 college or university, and shall possess qualifications as the board of trustees
3 may require. The executive secretary shall not have held by appointment or
4 election an elective public office within the five (5) year period next preceding
5 the date of employment.

6 (2) The board shall employ clerical, administrative, and other personnel as are required
7 to transact the business of the retirement system. The compensation of all persons
8 employed by the board shall be paid at the rates and in amounts as the board
9 approves. Anything in the Kentucky Revised Statutes to the contrary
10 notwithstanding, the power over and the control of determining and maintaining an
11 adequate complement of employees in the system shall be under the exclusive
12 jurisdiction of the board of trustees.

13 (3) (a) Except as provided by KRS 161.430(7), the board shall contract for actuarial,
14 auditing, legal, medical, investment counseling, and other professional or
15 technical services, insurance, and commodities, as are required to carry out
16 the obligations of the board in accordance with the provisions of this chapter,
17 subject to KRS Chapters 45, 45A, 56, and 57 but without the limitations
18 provided by KRS Chapters 12 and 13B.

19 (b) The board shall provide for legal counsel and other legal services as may be
20 required in defense of trustees, officers, and employees of the system who
21 may be subjected to civil action arising from the performance of their legally
22 assigned duties if counsel and services are not provided by the Attorney
23 General. The hourly rate of reimbursement for any contract for legal services
24 under this paragraph shall not exceed the maximum hourly rate provided in
25 the Legal Services Duties and Maximum Rate Schedule promulgated by the
26 Government Contract Review Committee established pursuant to KRS
27 45A.705, unless a higher rate is specifically approved by the secretary of the

1 Finance and Administration Cabinet or his or her designee.

2 (4) ~~{The board shall require the trustees, executive secretary, and employees it~~
 3 ~~determines proper to execute bonds for the faithful performance of their duties~~
 4 ~~notwithstanding the limitations of KRS Chapter 62.~~

5 ~~(5)~~ The board of trustees may expend funds from the expense fund as necessary to
 6 insure the trustees, employees, and officials of the Teachers' Retirement System
 7 against any liability arising out of an act or omission committed in the scope and
 8 course of performing legal duties. **Insurance may be obtained or provided by**
 9 **contracting with an insurance carrier, by self-insurance, by indemnification, or**
 10 **by any combination thereof.**

11 ~~(5)~~~~(6)~~ Notwithstanding any statute to the contrary, employees shall not be considered
 12 legislative agents as defined in KRS 6.611.

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

20 ➔Section 5. KRS 161.470 is amended to read as follows:

21 (1) The membership of the retirement system shall consist of all new members, all
 22 present teachers, and all persons participating under the retirement system as of
 23 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.
 24 The board of trustees of the Teachers' Retirement System shall be responsible for
 25 final determination of membership eligibility and may direct employers to take
 26 whatever action that may be necessary to correct any error relating to membership.

27 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service

1 it shall be as a new member, except that any teacher who withdraws by claiming his
2 deposits may repay the system the amount withdrawn plus interest and reestablish
3 his service credit as provided in subsection (3) of this section.

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

12 (4) Effective July 1, 1974, any active contributing member with at least two (2) years of
13 contributing service credit who declined membership as provided in Acts 1938 (1st
14 Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and for
15 any subsequent service prior to date of membership, by depositing in the teachers'
16 savings fund contributions for each year of subsequent service prior to date of
17 membership, with interest at the rate of eight percent (8%) compounded annually to
18 the date of deposit.

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

20 (a) By retirement for service;

21 (b) By death;

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

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

25 (e) For persons whose membership begins~~hired~~ on or after August 1, 2000,
26 when a member is convicted, in any state or federal court of competent
27 jurisdiction, of a felony related to his employment as provided in

1 subparagraphs 1. and 2. of this paragraph.

- 2 1. Notwithstanding any provision of law to the contrary, a **person whose**
3 **membership begins**~~[member hired]~~ on or after August 1, 2000, who is
4 convicted, in any state or federal court of competent jurisdiction, of a
5 felony related to his employment shall forfeit rights and benefits earned
6 under the retirement system, except for the return of his accumulated
7 contributions and interest credited on those contributions.
- 8 2. The payment of retirement benefits ordered forfeited shall be stayed
9 pending any appeal of the conviction. If the conviction is reversed on
10 final judgment, no retirement benefits shall be forfeited.

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

- 16 (6) In case of withdrawal from service prior to eligibility for retirement, the board of
17 trustees shall on request of the member return all of his **or her** accumulated account
18 balance, including any payments made by the member to the state accumulation
19 fund, but the member shall have no claim on any contributions made by the state or
20 employer with a view to his **or her** retirement, except as provided by KRS 161.235,
21 or to contributions made to the medical insurance fund. **A member who is**
22 **withdrawing from service prior to retirement eligibility shall be entitled to a**
23 **refund following sixty (60) days after his or her last day of employment.** If the
24 member is eligible for an immediate service retirement allowance as provided in
25 KRS 161.600, no withdrawal and refund shall be permitted, unless the allowance
26 would prohibit the member from qualifying for Social Security benefits or the
27 member elects to withdraw part or all of his service for the purpose of obtaining

1 service credit in another retirement plan. Requests for refund of contributions by the
2 member must be filed on forms prescribed by the Teachers' Retirement System and
3 the employer shall be financially responsible for all information that is certified on
4 the prescribed form. A member may not withdraw any part of his or her
5 accumulated account balance in the retirement system except as provided by this
6 subsection.

7 (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to
8 retirement, the board of trustees shall pay to the estate of the deceased member,
9 unless a beneficiary was otherwise applicably designated by the deceased member,
10 then to the beneficiary, all of his accumulated account balance, including any
11 payments made by the member to the state accumulation fund, but the estate or
12 beneficiary shall have no claim on any contributions made by the state or employer
13 with a view to the retirement of the member, except as provided by KRS 161.235,
14 or to contributions made to the medical insurance fund.

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

20 ➔Section 6. KRS 161.480 is amended to read as follows:

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

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

- 1 **(c)** Any beneficiary designation made by the member, including the estate should
2 the estate become the beneficiary by default, shall remain in effect until
3 changed by the member on forms prescribed by the ~~the Kentucky~~ Teachers'
4 Retirement System, except in the event of subsequent marriage or divorce.
5 Subsequent marriage by the member shall void the primary beneficiary and
6 any cobeneficiary designation, even that of a trust, and the spouse of the
7 member at death shall be considered as the primary beneficiary, unless the
8 member subsequent to marriage designates another beneficiary. **An individual**
9 **who is married prior to becoming a member of the retirement system and**
10 **remains married at the time of becoming a member shall have his or her**
11 **spouse considered the primary beneficiary, unless the member designates**
12 **another beneficiary.** A final divorce decree shall terminate an ex-spouse's
13 status as either primary beneficiary, cobeneficiary, or contingent beneficiary,
14 unless subsequent to divorce the member redesignates the former spouse as
15 primary beneficiary, cobeneficiary, or contingent beneficiary.
- 16 **(d)** To the extent permitted by the Internal Revenue Code, a trust may be
17 designated as beneficiary for receipt of a member's accumulated account
18 balance in the retirement system as provided under KRS 161.470(7). A final
19 divorce decree shall not terminate the designation of a trust as beneficiary
20 regardless of who is designated as beneficiary of the trust.
- 21 **(e)** In the event that a member fails to designate a beneficiary, or all designated
22 beneficiaries predecease the member, the member's estate shall be deemed to
23 be the beneficiary, **unless the member is married at the time of his or her**
24 **death, in which case the spouse shall be deemed the beneficiary.**
- 25 **(f)** Members may designate as beneficiaries only presently identifiable and
26 existing individuals, or trusts where otherwise permitted, without contingency
27 instructions, on forms prescribed by the retirement system.

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

6 ➔Section 7. KRS 161.500 is amended to read as follows:

7 (1) At the close of each fiscal year, the retirement system shall add service credit to the
 8 account of each member who made contributions to his or her account during the
 9 year. **Members who are employed by an employer described under KRS**
 10 **161.220(4), excluding employers described under KRS 161.220(4)(b) or (n), are**
 11 **entitled to a full year of service credit if they have no more than five (5) unpaid**
 12 **days in a school or fiscal year under a contract requiring a work schedule of one**
 13 **hundred eighty-five (185) days or greater. Members who are employed by an**
 14 **employer described under KRS 161.220(4)(b) or (n) are entitled to a full year of**
 15 **service credit if they have no more than five (5) unpaid days in a school or fiscal**
 16 **year under a contract requiring a work schedule of one hundred eighty (180)**
 17 **days or greater**~~Members shall be entitled to a full year of service credit if their~~
 18 ~~total paid days were not less than one hundred eighty (180) days of a one hundred~~
 19 ~~eighty five (185) day contract for a regular school or fiscal year]. In the event a~~
 20 ~~member~~~~[an individual who became a member prior to January 1, 2019,] is paid for~~
 21 less than **the required number of days for a full year of service credit**~~[one hundred~~
 22 ~~eighty (180) days], the member may purchase credit according to administrative~~
 23 ~~regulations established by the board of trustees. In no case shall more than one (1)~~
 24 ~~year of service be credited for all service performed in one (1) fiscal year. Members~~
 25 ~~who complete their employment contract prior to the close of a fiscal year and elect~~
 26 ~~to retire prior to the close of a fiscal year shall have their service credit reduced by~~
 27 ~~eight percent (8%) for each calendar month that the retirement becomes effective~~

1 prior to July 1.

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

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

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

12 ➔Section 8. KRS 161.515 is amended to read as follows:

13 (1) For the purposes of this section, "out-of-state service" shall mean service in any
14 state in a comparable position on a full-time basis, which would be covered if in
15 Kentucky.

16 (2) (a) An active contributing member who has been a contributing member of the
17 retirement system for at least one (1) full scholastic year subsequent to the
18 latest out-of-state service, may present for credit service rendered out of state,
19 not to exceed ten (10) years actually taught as a certified or licensed teacher.
20 All members who elect to purchase this service shall pay to the retirement
21 system the full actuarial cost as provided under KRS 161.220(22). For each
22 year of which the retirement system shall accept payment, one (1) year of
23 service credit shall be given. For members who purchased this service under
24 the cost formula as it existed under this subsection on June 30, 2005, this
25 credit may not be used to meet the service requirements of KRS 161.525,
26 161.600, or 161.661, except as provided in subsection (2)(c) of this section.
27 No credit shall be granted for service which has been or will be used in

1 qualifying for annuity benefit payments from another retirement system
2 financed wholly or in part by public funds.

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

13 (c) A member having service referred to in subsection (2)(a) or (2)(b) of this
14 section who purchased this service under the cost formula as it existed under
15 those subsections on June 30, 2005, may elect to use this service for meeting
16 the requirements of KRS 161.600(1)(c) by making an additional contribution
17 to the state accumulation fund equal to a member contribution rate of eight
18 percent (8%) for each year so used. These payments shall not be picked up as
19 described in KRS 161.540(2). The salary base to be used in determining this
20 additional contribution shall be the final average salary which is used in
21 calculating the member's regular retirement annuity.

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

27 (4) A member, having completed service as a volunteer in the Kentucky Peace Corps

1 created by KRS 154.1-720, may purchase service credit for the time served in the
2 corps on the same basis as provided in this section for the purchase of out-of-state
3 service credit. A member, having completed service as a federal Peace Corps
4 volunteer, may purchase up to two (2) years of service credit for time served in the
5 Peace Corps on the same basis as provided in this section for the purchase of out-of-
6 state service credit.

7 (5) **(a)** Service purchased under this section by members who at the time of purchase
8 are employed by employers other than those described in KRS 161.220(4)(b)
9 or (n) shall be credited~~[,]~~ **with the retirement factor in effect for members of**
10 **the Teachers' Retirement System for the year that the out-of-state service**
11 **was worked and as set forth in subsection (1)(a), (b), and (d) of Section 16**
12 **of this Act for members who were not employed by employers described in**
13 **KRS 161.220(4)(b) or (n)**~~[as described in KRS 161.620(1)(a) and (b), with a~~
14 ~~retirement factor of two and one-half percent (2.5%) for each year of service~~
15 ~~that was originally performed on or after July 1, 1983, and two percent (2.0%)~~
16 ~~for each year of service performed before July 1, 1983].~~

17 **(b)** Service purchased under this section by members who at the time of purchase
18 are employed by employers described in KRS 161.220(4)(b) or (n) shall be
19 credited **with the retirement factor in effect for members of the Teachers'**
20 **Retirement System for the year that the out-of-state service was worked and**
21 **as set forth in subsection (1)(a) and (e) of Section 16 of this Act for**
22 **members who were employed by employers described in KRS 161.220(4)(b)**
23 **or (n)**~~[, as described in KRS 161.620(1)(a), with a retirement factor of two~~
24 ~~percent (2.0%) for each year of service, regardless of when the service was~~
25 ~~performed].~~

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

1 ➔Section 9. KRS 161.520 is amended to read as follows:

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

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

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

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

14 (c) If the deceased member has a minimum of ten (10) years of service credit with
15 the Teachers' Retirement System, the surviving widow or widower may apply
16 for an annuity actuarially equivalent to the annuity that would have been paid
17 to the deceased member when eligibility conditions were met. Eligibility for
18 payments would begin at the time the age of the deceased member would have
19 met the requirements of KRS 161.235(6) or 161.600(1), as applicable. In
20 exercising this right, the surviving widow or widower shall be entitled to
21 receive an annuity for life~~[, except as provided in subsection (6) of this~~
22 ~~section].~~ This subsection applies to surviving spouses of members who die on
23 or after July 1, 1978. A surviving widow or widower of a member who dies
24 after July 1, 1978, shall be eligible for benefit payments provided under
25 paragraphs (a) and (b) of this subsection until they begin receiving payments
26 under this provision.

27 ***This subsection shall not apply if a surviving widow or widower of a deceased***

1 member who began participating in the Teachers' Retirement System on or after
2 the effective date of this Act was married to the deceased member for less than
3 five (5) years;

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

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

- 17 1. Is a biological or adoptive parent of all children eligible for a benefit
18 under this subsection and has not had his or her parental rights
19 terminated; or
- 20 2. Has been appointed as legal guardian of all of the children eligible under
21 paragraph (a) of this subsection.

22 (c) To elect a lump-sum refund of the member's accumulated account balance
23 under paragraph (b) of this subsection, the surviving spouse who is designated
24 as the primary beneficiary must sign a waiver on forms prescribed by the
25 retirement system of his or her rights and the member's children's rights to the
26 survivorship benefits payable under this subsection and subsection (1) of this
27 section. The surviving spouse shall not waive the survivorship benefits

1 available under this subsection or subsections (1) and (6) of this section if any
2 of the member's children have attained age eighteen (18) or older unless all of
3 those children consent in writing on forms prescribed by the retirement system
4 to waive their survivorship benefits available under this subsection;

5 (3) (a) Where the survivor is a child age eighteen (18) or older whose mental or
6 physical condition is sufficient to cause his dependency on the deceased
7 member at the time of the member's death, the benefit shall be two hundred
8 dollars (\$200) per month, payable for the life of the child or until the time as
9 the mental or physical condition creating the dependency no longer exists or
10 the child marries. The mental or physical condition of the adult child shall be
11 revealed by a competent examination by a licensed physician and shall be
12 approved by a majority of a medical review committee as defined in KRS
13 161.661(14). Benefits under this subsection shall apply in addition to benefits
14 which may be payable under subsections (1) and (2) of this section.

15 (b) Notwithstanding any provision of law to the contrary, the surviving spouse
16 shall not elect to receive a lump-sum refund of the member's accumulated
17 account balance in lieu of the survivorship benefits payable under this
18 subsection and subsection (1) of this section unless:

- 19 1. The surviving spouse is designated as the primary beneficiary;
- 20 2. The surviving spouse has been appointed by the court as guardian,
21 conservator, or other fiduciary with sufficient general or specific
22 authority to waive the survivorship benefits available under this
23 subsection for any child or children age eighteen (18) or older who have
24 been adjudicated incompetent to make decisions on their own behalf by
25 a court of law; and
- 26 3. Any child or children age eighteen (18) or older who are mentally
27 competent to make decisions on their own behalf as attested to by two

1 (2) physicians' statements consent in writing on forms prescribed by the
2 retirement system to waive their survivorship benefits available under
3 this subsection.

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

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

13 (5) Where the sole eligible survivor is a dependent brother or sister, the benefit shall be
14 one hundred sixty five dollars (\$165) per month. In order to qualify the brother or
15 sister must have been a resident of the deceased member's household for at least one
16 (1) full year prior to the member's death or must have been receiving care in a
17 hospital, nursing home, or other institution at the member's expense for same
18 period;

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

27 (7) The board of trustees shall be the sole judge of eligibility or dependency of any

1 beneficiary, and may require formal application or information relating to eligibility
2 or dependency, including proof of annual income satisfactory to the board. The
3 board of trustees may subpoena records and individuals whenever it deems this
4 action necessary;

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

10 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)
11 of this section, or in the event that the surviving spouse elects not to receive
12 survivorship benefits on his or her own behalf or on behalf of any of the member's
13 children as permitted under subsections (2) and (3) of this section, the board of
14 trustees shall pay to the estate or the designated beneficiaries of the deceased
15 member a refund of his accumulated account balance as provided in KRS
16 161.470(7). If the benefits paid or payable under subsections (1) to (5) of this
17 section and KRS 161.661 shall amount to a sum less than the member's
18 accumulated account balance at the time of death, the board of trustees shall pay to
19 the estate or designated beneficiaries of the deceased member the balance of the
20 accumulated account balance;

21 (10) Any person who is receiving benefits and becomes disqualified from receiving
22 those benefits under this section shall immediately notify the Teachers' Retirement
23 System of this disqualification in writing and shall return all benefits paid after the
24 date of disqualification. Failure to comply with these provisions shall create an
25 indebtedness of that person to the Teachers' Retirement System. Interest at the rate
26 of eight percent (8%) per annum shall be charged if the debt is not repaid within
27 sixty (60) days after the date of disqualification. Failure to repay this debt creates a

1 lien in favor of the Teachers' Retirement System upon all property of the person
2 who improperly receives benefits and does not repay those benefits; and

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

7 ➔Section 10. KRS 161.540 is amended to read as follows:

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

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

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

15 (b) Effective January 1, 2019, each individual who is a contributing university
16 member, shall contribute to the retirement system ten and four-tenths percent
17 (10.4%) of annual compensation, of which:

18 1. Seven and six hundred twenty-five thousandths percent (7.625%) of
19 annual compensation shall be used to fund pension benefits; and

20 2. Two and seven hundred seventy-five thousandths percent (2.775%) of
21 annual compensation shall be used to fund retiree health benefits.

22 (c) When the medical insurance fund established under KRS 161.420(5) achieves
23 a sufficient prefunded status as determined by the retirement system's actuary,
24 the board of trustees shall recommend to the General Assembly that the
25 contributions required under paragraph (a)2. or (b)2. of this subsection shall,
26 in an actuarially accountable manner, be either decreased, suspended, or
27 eliminated.

1 (d) Payments authorized by statute that are made to retiring members, who
 2 became members of the system before July 1, 2008, for not more than sixty
 3 (60) days of unused accrued annual leave shall, subject to KRS 161.220(10),
 4 be considered as part of the member's annual compensation, and shall be used
 5 only for the member's final year of active service. Notwithstanding the
 6 provisions of this subsection or any other statute to the contrary, for
 7 retirement calculation purposes, members may only be credited for payment
 8 of annual leave under the following conditions:

- 9 1. Payment by an employer for annual leave shall be equally available to
 10 all members serving under contracts requiring the same number of
 11 worked days and greater; and
- 12 2. At least two (2) members of the employer shall receive payment for
 13 annual leave.

14 (e) The contribution of members shall not exceed ~~the~~^[these] applicable
 15 percentages on annual compensation as set forth in this section or as where
 16 otherwise limited by statute. When a member retires, if it is determined that
 17 he or she has made contributions on a salary in excess of the amount to be
 18 included for the purpose of calculating his or her final average salary, any
 19 excess contribution shall be refunded in lump sum to the member's employer
 20 for distribution to the member~~[to him in a lump sum at the time of the~~
 21 ~~payment of his first retirement allowance. In the event a member is awarded a~~
 22 ~~court ordered back salary payment the employer shall deduct and remit the~~
 23 ~~member contribution on the salary payment, plus interest to be paid by the~~
 24 ~~employer, to the retirement system unless otherwise specified by the court~~
 25 ~~order].~~

26 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for
 27 the purpose of compliance with Section 414(h) of the United States Internal

1 Revenue Code, pick up the member contributions required by this section for all
2 compensation earned after August 1, 1982, and the contributions so picked up shall
3 be treated as employer contributions in determining tax treatment under the United
4 States Internal Revenue Code and KRS 141.010. The picked-up member
5 contribution shall satisfy all obligations to the retirement system satisfied prior to
6 August 1, 1982, by the member contribution, and the picked-up member
7 contribution shall be in lieu of a member contribution. Each employer shall pay
8 these picked-up member contributions from the same source of funds which is used
9 to pay earnings to the member. The member shall have no option to receive the
10 contributed amounts directly instead of having them paid by the employer to the
11 system. Member contributions picked-up after August 1, 1982, shall be treated for
12 all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent
13 as member contributions made prior to August 1, 1982.

14 ➔Section 11. KRS 161.545 is amended to read as follows:

- 15 (1) (a) Members may make contributions and receive service credit for substitute,
16 part-time, or any service other than regular full-time teaching as provided in
17 the administrative regulations of the board of trustees if contributions were not
18 otherwise made as a result of the service. This paragraph does not apply to
19 members who retired on or after January 1, 2019, and are reemployed on or
20 after January 1, 2019.
- 21 (b) Members placed on leave of absence during a period of full-time employment
22 as defined in KRS 161.220(21) may make contributions and receive service
23 credit for this leave only if contributions are made by the end of the fiscal year
24 next succeeding the year in which the leave was effective as provided in
25 administrative regulations promulgated by the board of trustees. Contributions
26 permitted after August 1, 1982, shall not be picked-up pursuant to KRS
27 161.540(2).

- 1 (2) Active contributing members of the Teachers' Retirement System, or former
2 members who are currently participating in a state-administered retirement system,
3 who were granted leaves of absence during a period of full-time employment as
4 defined in KRS 161.220(21) since July 1, 1964, for reasons of health as defined
5 under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs. 2601 et seq.,
6 child rearing, or to improve their educational qualifications, and did not purchase
7 the leave of absence as provided in subsection (1) of this section may obtain credit
8 for the leave of absence as provided under the administrative regulations of the
9 board of trustees and under the following conditions:
- 10 (a) The leave of absence shall be verified by a copy of the board of education
11 minutes which granted the leave of absence or by other documentation that
12 was generated contemporaneously with the leave that is determined by the
13 retirement system to reasonably establish that a leave of absence was granted;
14 and
- 15 (b) The member shall contribute the required percentage based on the salary
16 received for the year immediately preceding the leave of absence plus interest
17 at the rate of eight percent (8%) compounded annually from the beginning of
18 the school year following the year of the leave of absence, and by depositing
19 the appropriate contributions in the state accumulation fund and medical
20 insurance fund~~[an amount equal to this total]~~.
- 21 (c) The member shall receive credit for no more than two (2) years under the
22 provisions of this subsection.
- 23 (3) Sabbatical leaves of absence granted by any one (1) of the five (5) universities
24 identified in subsection KRS 161.220(4)(b) for which the university employee is
25 provided full pay at the rate he or she was provided as a full-time employee
26 immediately preceding the sabbatical leave shall be deemed as full-time
27 employment provided for the university and employee and employer contributions

1 shall be made in accordance with KRS 161.550 and Section 10 of this Act.

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

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

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

8 (b) Shall not apply to individuals who become members on or after January 1,
9 2019.

10 ➔Section 12. KRS 161.553 is amended to read as follows:

11 (1) The cost of providing statutory benefit improvements for annuitants may be funded
12 by annual appropriations from the state on an actuarial amortized basis over the
13 lifetime of the annuitants. The schedules in paragraphs (a) ~~and~~~~(b)~~~~and (c)~~ of
14 this subsection are the annual appropriations which shall be made by the state for
15 benefit improvements approved in the respective fiscal years or biennia~~bienniums~~
16 prior to July 1, 2020~~2010~~:

17	(a) Cost-of-Living	<u>2020-2021</u> 2010-2011	Each Succeeding Fiscal Year
18	Allowance		
19	1994-1996		
20	1996-1998	\$4,459,000	
21	1998-2000	\$15,333,900	\$15,333,900 through 2012-2013
22			\$7,938,600 in 2013-2014
23	2000-2002	\$12,511,400	\$12,511,400 through 2014-2015
24			and
25			\$7,227,700 in 2015-2016
26	2002-2004	\$21,405,700	\$21,405,700 through 2021-2022
27			and

1			\$11,204,100 in 2022-2023
2	2004-2006	\$15,413,700	\$15,413,700 through 2023-2024
3			and
4			\$7,421,400 in 2024-2025
5	2006-2008	\$15,730,200	\$15,730,200 through 2025-2026
6			and
7			\$7,104,600 in 2026-2027;
8	(b) [Minimum Value	2010-2011	Each Succeeding Fiscal Year
9	_____	_____	_____
10	_____	_____	_____
11	_____	_____	_____
12	_____	_____	_____
13	(e)]Sick Leave	2020-2021	Each Succeeding Fiscal Year
14	Allowance	_____	_____
15	[1998-2000	\$4,660,300
16	_____	_____	_____
17	_____	_____	_____
18	_____	_____	_____
19	_____	_____	_____
20	_____	_____	_____
21	2002-2004	\$5,337,000	\$5,337,000 through 2021-2022
22			and
23			\$3,022,800 in 2022-2023
24	2004-2006	\$5,480,300	\$5,480,300 through 2023-2024
25			and
26			\$2,558,700 in 2024-2025
27	2006-2008	<u>\$5,646,400</u>	<u>\$5,646,400</u> through 2025-2026

1			and
2			<u>\$3,331,200</u> [\$3,499,200] in 2026-
3	2027		
4	2008-2010	<u>\$4,926,000</u> [\$8,969,000]	<u>\$4,926,000</u> [\$8,969,000] through 2027-2028
5			and
6			<u>\$2,355,000</u> [\$6,281,300] in 2028-2029.
7	2010-2012	<u>\$5,198,100</u> [\$6,516,600]	<u>\$5,198,100</u> [\$13,674,800] through 2029-2030
8			and
9			<u>\$2,723,900</u> [\$7,158,200] in 2030-2031
10	<u>2012-2014</u>	<u>\$6,726,200</u>	<u>\$6,726,000 through 2031-2032</u>
11			<i>and</i>
12			<u>\$3,357,900 in 2032-2033</u>
13	<u>2014-2016</u>	<u>\$7,206,200</u>	<u>\$7,206,200 through 2033-2034</u>
14			<i>and</i>
15			<u>\$3,279,700, in 2034-2035</u>
16	<u>2016-2018</u>	<u>\$6,129,500</u>	<u>\$6,129,500 through 2035-2036</u>
17			<i>and</i>
18			<u>\$3,054,200 in 2036-2037</u>
19	<u>2018-2020</u>	<u>\$7,577,300</u>	<u>\$7,577,300 through 2037-2038</u>
20			<i>and</i>
21			<u>\$4,826,200 in 2038-2039</u>
22	<u>2020-2022</u>	<u>\$4,633,100</u>	<u>\$9,266,200 through 2039-2040</u>
23			<i>and</i>
24			<u>\$4,633,100 in 2040-2041</u>

(2) The cost of providing the transitional funding for the state medical insurance fund stabilization contribution as provided by KRS 160.550(2) may be funded by annual appropriations from the state on an amortized basis. The schedule in this subsection

1 is the annual appropriation which shall be made by the state in the respective fiscal
 2 years or *bienna*[*biennium*] prior to July 1, 2020[2010]:

3	[Amortization of	2010-2011	Each Succeeding Fiscal Year
4	Transitional Funding		
5	2004-2006	\$13,325,100	\$13,325,100 through 2014-2015
6			and
7			\$9,075,500 in 2015-2016
8	2006-2008	\$28,487,400	\$28,487,400 through 2016-2017
9			and
10			\$18,280,000 in 2017-2018
11	2008-2010	\$36,554,100	\$36,554,100 through 2018-2019
12			and
13			\$18,266,100 in 2019-2020]

14	Amortization of	<u>2020-2021</u> [2010-2011]	Each Succeeding
15	Fiscal Year		
16	Medical Subsidy		
17	2008-2010	<u>\$1,345,200</u> [\$2,574,100]	[\$2,574,100
18	through 2018-2019		and
19			\$1,345,200 in 2019-2020]

20 2010-2012 \$3,363,200 \$3,363,200 through 2020-2021
 21 and
 22 \$1,798,700 in 2021-2022

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

26	1986-1988	\$34,689,893
27	1990-1992	\$68,107,473

1 1992-1994 \$15,749,976

2 ➔Section 13. KRS 161.560 is amended to read as follows:

3 (1) **(a)** Each agency, **school district, and institution** employing members of the
 4 retirement system shall deduct from the compensation of each member for
 5 each payroll period subsequent to the date the individual became a member,
 6 the percentage of his compensation due under the rates prescribed in KRS
 7 161.540. No later than fifteen (15) days following~~[the end of]~~ each **pay**
 8 **date**~~[payroll period]~~, the **employer**~~[agency]~~ shall **have on deposit with the**
 9 **retirement system all required deductions**~~[forward all amounts deducted to~~
 10 ~~the Teachers' Retirement System]~~. The retirement system **may**~~[shall]~~ charge
 11 the **employer**~~[employing agency]~~ interest at an annual rate not to exceed **eight**
 12 **percent (8%)**~~[twelve percent (12%)]~~ for deductions not **deposited**~~[remitted]~~
 13 within the specified fifteen (15) days.

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

21 **(c) Each employer employing members of the retirement system shall have on**
 22 **file at the retirement system's office an annual summary report**~~[Employers~~
 23 ~~shall submit an annual report, in compliance with requirements of the~~
 24 ~~retirement system,]~~ of member contributions and periods employed~~[to the~~
 25 ~~retirement system]~~ no later than August 1 following the completion of each
 26 fiscal year. The retirement system may impose a penalty on the employer not
 27 to exceed one thousand dollars (\$1,000) when the employer does not meet the

1 August 1 reporting date. However, the retirement system may waive the
2 penalty for good cause.

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

9 (2) If an employer fails to deduct the correct retirement contribution from a member's
10 compensation, the member may make the contribution that should have been
11 deducted by the employer and receive retirement credit for the payment. For
12 correction of omitted member contributions that occur more than one (1) year after
13 the year in which the error was made, the employer shall be responsible for paying
14 interest to the retirement system at a rate of eight percent (8%) from the end of the
15 year in which the service was performed to the date of payment.

16 ➔Section 14. KRS 161.597 is amended to read as follows:

17 (1) A member in active contributing status may purchase any service credit which the
18 member is authorized to purchase by making installment payments in lieu of a
19 lump-sum payment.

20 (2) To initiate an installment payment plan, a member shall make a written request to
21 the retirement system for an estimate to purchase service credit by making
22 installment payments.

23 (3) To qualify for installment payments, the total cost of the service purchase, including
24 any chargeable interest, shall exceed one thousand dollars (\$1,000).

25 (4) Installment payments shall be at least fifty dollars (\$50) per month and shall be
26 made for a period of time which is not less than twelve (12) months nor more than
27 sixty (60) months. Interest at eight percent (8%) per annum, unless the board

1 specifies in an administrative regulation a different interest rate, shall be charged on
 2 all installment payment purchases of service credit that are purchasable at less than
 3 full actuarial cost. **Interest shall be assigned to the guarantee fund.**

4 (5) Installment payments shall be made on a monthly basis by~~[payroll deduction or]~~
 5 electronic fund transfer~~[and forwarded separately to the Teachers' Retirement~~
 6 ~~System on forms or by computer format not later than fifteen (15) days following~~
 7 ~~the end of each month]~~. The payments shall be considered accumulated
 8 contributions and shall not be picked up as provided in KRS 161.560, except that
 9 subject to approval by the Internal Revenue Service and only as permitted by the
 10 Internal Revenue Code, installment payments~~[by payroll deduction]~~ shall be made
 11 on a tax-deferred basis.

12 (6) A member may elect to terminate **electronic fund transfers**~~[payroll deductions]~~ at
 13 any time and purchase the remaining service credit by lump-sum payment. A
 14 member on a leave of absence may **continue to** make~~[personal]~~ installment
 15 payments. Termination of employment in a covered position shall terminate
 16 installment payments. If the member is later employed by a different employer in a
 17 covered position, the member may request a new estimate and reinstate installment
 18 payments. A member that misses two (2) consecutive installment payments shall be
 19 in default. A member in default shall receive **a refund of all prior installment**
 20 **payments and the member's** service credit **shall be reduced accordingly**~~[on a pro~~
 21 ~~rata basis for the total amount of contributions made by installment payments]~~. A
 22 member in default may not reinstate installment payments for twelve (12) months
 23 from the date the member was in default.

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

27 ➔Section 15. KRS 161.614 is amended to read as follows:

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

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

13 (2) The member may have court-ordered back salary credited to his or her account only
14 to the extent that the member actually received payment for the back salary and only
15 to the extent that the court-ordered back salary is within the salary scale that was
16 available to the member in the covered position for the years that the back salary
17 was awarded. Court-ordered back salary can be credited to the member's account
18 only as permitted under KRS 161.220(9) and (10). The member may have court-
19 ordered service credited to his or her account only after the retirement system has
20 received the contributions and interest on the full compensation that would
21 normally be earned in the position that is the subject of the litigation;

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

25 (4) The calculations of the contributions and interest required to be paid for court-
26 ordered back salary or reinstatement shall be provided by the retirement system to
27 the member or the member's employer at the member's or employer's request.

1 Requests for these calculations shall be made with at least two (2) weeks of advance
2 notice to the retirement system to provide these calculations. The retirement system
3 will calculate accrued interest as of the last day of the month during which payment
4 of the full contributions are made;

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

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

14 ➔Section 16. KRS 161.620 is amended to read as follows:

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

17 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise
18 provided by this section, the annual allowance for each year of service shall be
19 two percent (2%) of the final average salary for service performed prior to
20 July 1, 1983, and two and one-half percent (2.5%) of the final average salary
21 for service performed after July 1, 1983, for all nonuniversity members. The
22 annual retirement allowance for each year of service performed by members
23 of the Teachers' Retirement System who are university members shall be two
24 percent (2%) of the final average salary. Actuarial discounts due to age or
25 service credit at retirement may be applied as provided in this section;

26 (b) For individuals who become nonuniversity members of the Teachers'
27 Retirement System on or after July 1, 2002, and before July 1, 2008, who

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

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

13 This three percent (3%) factor shall be in lieu of the two and one-half percent
14 (2.5%) factor provided for in paragraph (b) of this subsection for every year or
15 fraction of a year of service in excess of thirty (30) years. Upon approval of
16 this three percent (3%) retirement factor, the board of trustees may establish
17 conditions of eligibility regarding the type of service credit that will qualify
18 for meeting the requirements of this subsection. This subsection is optional
19 with the board of trustees and shall not be subject to KRS 161.714;

- 20 (d) For individuals who become nonuniversity members of the Teachers'
21 Retirement System on or after July 1, 2008, the retirement allowance shall be:
- 22 1. a. One and seven-tenths percent (1.7%) of the member's final average
23 salary for each year of service if the member has earned ten (10) or
24 less years of service at retirement;
 - 25 b. Two percent (2%) of the member's final average salary for each
26 year of service if the member has earned greater than ten (10) but
27 no more than twenty (20) years of service at retirement;

- 1 c. Two and three-tenths percent (2.3%) of the member's final average
2 salary for each year of service if the member has earned greater
3 than twenty (20) but no more than twenty-six (26) years of service
4 at retirement; or
- 5 d. Two and one-half percent (2.5%) of the member's final average
6 salary for each year of service if the member has earned greater
7 than twenty-six (26) but no more than thirty (30) years of service at
8 retirement; and
- 9 2. Three percent (3%) of the member's final average salary for each year *or*
10 *partial year* of service earned in excess of thirty (30) years of service at
11 retirement subject to the same terms and conditions as set forth in
12 paragraph (c)2. of this subsection;
- 13 (e) For individuals who become university members of the Teachers' Retirement
14 System on or after July 1, 2008, the retirement allowance shall be:
- 15 1. One and one-half percent (1.5%) of the member's final average salary for
16 each year of service if the member has earned ten (10) or less years of
17 service at retirement;
- 18 2. One and seven-tenths percent (1.7%) of the member's final average
19 salary for each year of service if the member has earned greater than ten
20 (10) but no more than twenty (20) years of service at retirement;
- 21 3. One and eighty-five hundredths percent (1.85%) of the member's final
22 average salary for each year of service if the member has earned greater
23 than twenty (20) but less than twenty-seven (27) years of service at
24 retirement; or
- 25 4. Two percent (2%) of the member's final average salary for each year of
26 service if the member has earned twenty-seven (27) or more years of
27 service at retirement; and

- 1 (f) The retirement allowance of a member at retirement, as measured on a life
2 annuity, shall not exceed the member's last yearly salary or the member's final
3 average salary, whichever is the greater amount. For purposes of this section,
4 "yearly salary" means the compensation earned by a member during the most
5 recent period of contributing service, either consecutive or nonconsecutive,
6 preceding the member's effective retirement date and shall be subject to the
7 provisions of KRS 161.220(9) and (10).
- 8 (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance
9 of each retired member and of each beneficiary of a retirement option shall be
10 increased in the amount of one and one-half percent (1.5%), provided the retired
11 member had been retired for at least the full twelve (12) months immediately
12 preceding the date that the increase is effective. In the event that the retired member
13 had been retired for less than the full twelve (12) months immediately preceding the
14 date that the increase is effective, then the increase shall be reduced on a pro rata
15 basis by each month that the retired member had not been retired for the full twelve
16 (12) months immediately preceding the effective date of the increase.
- 17 (3) Any member qualifying for retirement under a life annuity with refundable balance
18 shall be entitled to receive an annual allowance amounting to not less than four
19 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty
20 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the
21 member. These minimums shall apply to the retired members receiving annuity
22 payments and to those members retiring on or subsequent to the effective dates
23 listed in this subsection, except the following:
- 24 (a) Individuals who become members of the Kentucky Teachers' Retirement
25 System on or after July 1, 2008; or
- 26 (b) Members whose retirement allowance payment is reduced below the
27 minimum allowance as a result of its division in a qualified domestic relations

1 order or any other provision permitted under KRS 161.700.

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

7 (5) Effective July 1, 2008, the monthly allowance of each retired member and each
8 recipient of a retirement option of the retired member may be increased in an
9 amount not to exceed three and one-half percent (3.5%) of the monthly allowance in
10 effect the previous month, provided the retired member had been retired for at least
11 the full twelve (12) months immediately preceding the date that the increase is
12 effective. In the event that the retired member had been retired for less than the full
13 twelve (12) months immediately preceding the date that the increase is effective,
14 then the increase shall be reduced on a pro rata basis by each month that the retired
15 member had not been retired for the full twelve (12) months immediately preceding
16 the effective date of the increase. The level of increase provided for in this
17 subsection shall be determined by the funding provided in the 2008-2010 biennium
18 budget appropriation.

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

1 the effective date of the increase. The level of increase provided for in this
2 subsection shall be determined by the funding provided in the 2008-2010 biennium
3 budget appropriation.

4 (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be
5 payable for the benefit of an adult child of a member retired for service when the
6 child's mental or physical condition is sufficient to cause dependency on the
7 member at the time of retirement. Eligibility for this payment shall continue for the
8 life of the child or until the time the mental or physical condition creating the
9 dependency no longer exists or the child marries. Benefits under this subsection
10 shall apply to legally adopted survivors provided the proceedings for the adoption
11 were initiated at least one (1) year prior to the death of the member. The board of
12 trustees shall be the sole judge of eligibility or dependency and may require formal
13 application or information relating thereto.

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

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

23 (10) Effective January 1, 2019, subsections (1) to (7) of this section do not apply to
24 individuals who become members of the Teachers' Retirement System on or after
25 January 1, 2019.

26 ➔Section 17. KRS 161.630 is amended to read as follows:

27 (1) (a) An individual who became a member prior to January 1, 2019, upon

1 retirement, shall receive a retirement allowance in the form of a life annuity,
2 with refundable balance, as provided in KRS 161.620, unless an election is
3 made before the effective date of retirement to receive actuarially equivalent
4 benefits under options which the board of trustees approves.

5 (b) An individual who is participating in the hybrid cash balance plan as provided
6 by KRS 161.235 may, before the effective date of retirement, elect to receive
7 his or her accumulated account balance annuitized into a monthly payment
8 under one (1) of the actuarial equivalent payment options approved by the
9 board of trustees.

10 (c) No option shall provide for a benefit with an actuarial value at the age of
11 retirement greater than that provided in KRS 161.235(7)(a) or 161.620, as
12 applicable. This section does not apply to disability allowances as provided in
13 KRS 161.661(1).

14 (2) The retirement option chosen by a retiree at the time of service retirement shall
15 remain in force unless the retiree became a member prior to January 1, 2019, and
16 elects to make a change under the following conditions:

17 (a) A divorce, annulment, or marriage dissolution following retirement shall, at
18 the election of the retiree, cancel any optional plan selected at retirement that
19 provides *indefinitely* continuing benefits to a spousal beneficiary and return
20 the retiree to a single lifetime benefit equivalent as determined by the board;
21 or

22 (b) Following marriage or remarriage, or the death of the designated beneficiary, a
23 retiree may elect a new optional plan of payment based on the actuarial
24 equivalent of a single lifetime benefit at the time of the election, as determined
25 by the board. The plan shall become effective the first of the month following
26 receipt of an application on a form approved by the board.

27 (3) Except as otherwise provided in this section, a beneficiary designation shall not be

1 changed after the effective date of retirement except for retirees who elect the life
 2 annuity with refundable balance or the predetermined years certain and life
 3 thereafter option. A member may remove a beneficiary at any time, but shall not
 4 designate a substitute beneficiary. If a member elects to remove a beneficiary, the
 5 member's retirement allowance shall not change regardless of the retirement option
 6 selected by the member, even if the removed beneficiary predeceases the member.

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

10 ➔Section 18. KRS 161.643 is amended to read as follows:

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

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

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

25 ➔Section 19. KRS 161.650 is amended to read as follows:

26 (1) In the case of death of a member who has retired by reason of service or disability,
 27 any portion of the member's accumulated contributions, including member

1 contributions to the state accumulation fund and regular interest to the date of
2 retirement, that has not, and will not be paid as an allowance or benefit shall be paid
3 to the member's beneficiary in such manner as the board of trustees elects.

4 (2) (a) The member may designate a primary beneficiary or two (2) or more
5 cobeneficiaries to receive any remaining accumulated member contributions
6 payable under this section.

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

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

13 (d) 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. Cobeneficiaries
16 shall be composed of a single class of individuals, or trusts where permitted,
17 who will share in equal proportions in any payment that may become available
18 under this section.

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

22 2. *Subsequent marriage by the member shall void the primary*
23 *beneficiary and any cobeneficiary designation, even that of a trust,*
24 *and the spouse of the member at death shall be considered as the*
25 *primary beneficiary, unless the member subsequent to marriage*
26 *designates another beneficiary. An individual who is married prior to*
27 *becoming a retired member of the retirement system and remains*

1 married at the time of becoming a retired member shall have his or
 2 her spouse considered the primary beneficiary, unless the member
 3 designates another beneficiary for any amounts payable under
 4 subsection (1) of this section.

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

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

15 ➔Section 20. KRS 161.655 is amended to read as follows:

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

18 (a) Provide a life insurance benefit in a minimum amount of five thousand dollars
 19 (\$5,000) for its members who are retired for service or disability. This life
 20 insurance benefit shall be payable upon the death of a member retired for
 21 service or disability to the member's estate or to a party designated by the
 22 member on a form prescribed by the retirement system; and

23 (b) Provide a life insurance benefit in a minimum amount of two thousand dollars
 24 (\$2,000) for its active contributing members. This life insurance benefit shall
 25 be payable upon the death of an active contributing member to the member's
 26 estate or to a party designated by the member on a form prescribed by the
 27 retirement system.

- 1 (2) (a) The member may name one (1) primary and one (1) contingent beneficiary for
2 receipt of the life insurance benefit. To the extent permitted by the Internal
3 Revenue Code, a trust may be designated as beneficiary for receipt of the life
4 insurance benefit.
- 5 (b) Members may designate as beneficiaries only presently identifiable and
6 existing individuals, or trusts where otherwise permitted, without contingency
7 instructions, on forms prescribed by the retirement system.
- 8 (c) In the event that a member fails to designate a beneficiary, or all designated
9 beneficiaries predecease the member, the member's estate shall be deemed to
10 be the beneficiary, *unless the member is married at the time of his or her*
11 *death, in which case the spouse shall be deemed the beneficiary.*
- 12 (d) 1. Any beneficiary designation made by the member, including the estate
13 should the estate become the beneficiary by default, shall remain in
14 effect until changed by the member on forms prescribed by the
15 retirement system, except in the event of subsequent marriage or
16 divorce.
- 17 2. A valid marriage license shall terminate any previously designated
18 beneficiary, even that of a trust, and establish the spouse as beneficiary
19 unless, subsequent proof of the marriage, the member or retired member
20 redesignates someone other than the new spouse as the beneficiary.
- 21 3. *An individual who is married prior to becoming an active member or a*
22 *retired member of the retirement system and remains married at the*
23 *time of becoming an active or retired member of the retirement system*
24 *shall have his or her spouse considered the primary beneficiary,*
25 *unless the member designates another beneficiary.*
- 26 4. A final divorce decree shall terminate the beneficiary status of an ex-
27 spouse unless, subsequent to divorce, the member redesignates the

1 former spouse as a beneficiary. A final divorce decree shall not
 2 terminate the designation of a trust as beneficiary regardless of who is
 3 designated as beneficiary of the trust.

4 **(e) The Teachers' Retirement System shall not acknowledge a beneficiary**
 5 **designation unless the life insurance beneficiary form is received by the**
 6 **Teachers' Retirement System prior to the member's death, or the life**
 7 **insurance beneficiary form has been deposited in the mail with a postmark**
 8 **date no later than the date of the member's death.**

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

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

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

20 ➔Section 21. KRS 161.680 is amended to read as follows:

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

26 **(2) The Teachers' Retirement System shall take all practicable and cost-effective**
 27 **steps to collect overpayments from a member's or retiree's account. Methods of**

1 correction of overpayments from any member's or retiree's account shall include
2 but are not limited to reclamation of the overpayment from the member's or
3 retiree's account at the depository bank, the deduction of moneys from account
4 refunds, deduction from the retirement allowance or joint and survivor annuity
5 payable from the account, and deduction of moneys from the life insurance
6 benefit. Collection of overpayments shall be initiated regardless of the designated
7 beneficiary for any amounts payable from the account.