

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;

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

26 (r) Employees of the Office of Adult Education within the Department of
27 Workforce Investment in the Education and Workforce Development Cabinet

1 who were employees of the Council on Postsecondary Education, Kentucky
2 Adult Education Program and who were members of the Kentucky Teachers'
3 Retirement System at the time the program was transferred to the cabinet
4 pursuant to Executive Orders 2019-0026 and 2019-0027.

5 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,
6 and became a member of the retirement system created by 1938 (1st Extra. Sess.)
7 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year
8 after that date, and any teacher who was a member of a local teacher retirement
9 system in the public elementary or secondary schools of the state on or before July
10 1, 1940, and continued to be a member of the system until he, with the membership
11 of the local retirement system, became a member of the state Teachers' Retirement
12 System or who becomes a member under the provisions of KRS 161.470(4);

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

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

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

19 (9) "Final average salary" means the average of the five (5) highest annual salaries
20 which the member has received for service in a covered position and on which the
21 member has made contributions, or on which the public board, institution, or
22 agency has picked-up member contributions pursuant to KRS 161.540(2), or the
23 average of the five (5) years of highest salaries as defined in KRS 61.680(2)(a),
24 which shall include picked-up member contributions. Additionally, the board of
25 trustees may approve a final average salary based upon the average of the three (3)
26 highest salaries for members who are at least fifty-five (55) years of age and have a
27 minimum of twenty-seven (27) years of Kentucky service credit. However, if any of

1 the five (5) or three (3) highest annual salaries used to calculate the final average
2 salary was paid within the three (3) years immediately prior to the date of the
3 member's retirement, the amount of salary to be included for each of those three (3)
4 years for the purpose of calculating the final average salary shall be limited to the
5 lesser of:

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

20 *For individuals who became members of the retirement system prior to July 1,*
21 *2021,* this limitation shall not apply if the member receives an increase in salary in a
22 percentage exceeding that received by the other members, and this increase was
23 accompanied by a corresponding change in position or in length of employment.
24 *The board of trustees may promulgate an administrative regulation in*
25 *accordance with KRS Chapter 13A to provide definitions for a corresponding*
26 *change in position or in length of employment.* This limitation shall also not apply
27 to the payment to a member for accrued annual leave if the individual becomes a

1 member before July 1, 2008, or accrued sick leave which is authorized by statute
2 and which shall be included as part of a retiring member's annual compensation for
3 the member's last year of active service as provided by KRS 161.155;

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

26 (11) "Age of member" means the age attained on the first day of the month immediately
27 following the birthdate of the member. This definition is limited to retirement

- 1 eligibility and does not apply to tenure of members;
- 2 (12) "Employ," and derivatives thereof, means relationships under which an individual
3 provides services to an employer as an employee, as an independent contractor, as
4 an employee of a third party, or under any other arrangement as long as the services
5 provided to the employer are provided in a position that would otherwise be covered
6 by the Kentucky Teachers' Retirement System and as long as the services are being
7 provided to a public board, institution, or agency listed in subsection (4) of this
8 section;
- 9 (13) "Regular interest" means interest at three percent (3%) per annum, except:
- 10 (a) For an individual who becomes a member on or after July 1, 2008, but prior to
11 January 1, 2019, "regular interest" means interest at two and one-half percent
12 (2.5%) per annum for purposes of crediting interest to the teacher savings
13 account or any other contributions made by the employee that are refundable
14 to the employee upon termination of employment; and
- 15 (b) For an individual who becomes a member on or after January 1, 2019, who is
16 participating in the hybrid cash balance plan, "regular interest" means the
17 regular interest credited to the member's accumulated account balance as
18 provided by KRS 161.235;
- 19 (14) "Accumulated contributions" means the contributions of a member to the teachers'
20 savings fund, including picked-up member contributions as described in KRS
21 161.540(2), plus accrued regular interest;
- 22 (15) "Annuitant" means a person who receives a retirement allowance or a disability
23 allowance;
- 24 (16) "Local retirement system" means any teacher retirement or annuity system created
25 in any public school district in Kentucky in accordance with the laws of Kentucky;
- 26 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The
27 retirement plan year is concurrent with this fiscal year. A contract for a member

- 1 employed by a local board of education may not exceed two hundred sixty-one
2 (261) days in the fiscal year;
- 3 (18) "Public schools" means the schools and other institutions mentioned in subsection
4 (4) of this section;
- 5 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was
6 receiving, at the time of death of the member, at least one-half (1/2) of the support
7 from the member for maintenance, including board, lodging, medical care, and
8 related costs;
- 9 (20) "Active contributing member" means a member currently making contributions to
10 the Teachers' Retirement System, who made contributions in the next preceding
11 fiscal year, for whom picked-up member contributions are currently being made, or
12 for whom these contributions were made in the next preceding fiscal year;
- 13 (21) "Full-time" means employment in a position that requires services on a continuing
14 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year
15 basis;
- 16 (22) "Full actuarial cost," when used to determine the payment that a member must pay
17 for service credit means the actuarial value of all costs associated with the
18 enhancement of a member's benefits or eligibility for benefit enhancements,
19 including health insurance supplement payments made by the retirement system.
20 The actuary for the retirement system shall determine the full actuarial value costs
21 and actuarial cost factor tables as provided in KRS 161.400;
- 22 (23) "Last annual compensation" means the annual compensation, as defined by
23 subsection (10) of this section and as limited by subsection (9) of this section,
24 earned by the member during the most recent period of contributing service, either
25 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)
26 full year of service credit in the Kentucky Teachers' Retirement System, and which
27 compensation is used in calculating the member's initial retirement allowance,

1 excluding bonuses, retirement incentives, payments for accumulated sick leave
2 authorized by KRS 161.155, annual, personal, and compensatory leave, and any
3 other lump-sum payment. For an individual who becomes a member on or after July
4 1, 2008, payments for annual or compensatory leave shall not be included in
5 determining the member's last annual compensation;

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

8 (25) "Qualified domestic relations order" means any judgment, decree, or order,
9 including approval of a property settlement agreement, that:

10 (a) Is issued by a court or administrative agency; and

11 (b) Relates to the provision of child support, alimony payments, or marital
12 property rights to an alternate payee;

13 (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
14 participant, who is designated to be paid retirement benefits in a qualified domestic
15 relations order;

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

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

22 (29) "Accumulated employer credit" means the employer pay credit deposited to the
23 member's account and regular interest credited on such amounts as provided by
24 KRS 161.235; and

25 (30) "Accumulated account balance" means:

26 (a) For members who began participating in the system prior to January 1, 2019,
27 the member's accumulated contributions; or

1 (b) For members who began participating in the system on or after January 1,
2 2019, in the hybrid cash balance plan as provided by KRS 161.235, the
3 combined sum of the member's accumulated contributions and the member's
4 accumulated employer credit.

5 ➔Section 3. KRS 161.290 is amended to read as follows:

6 (1) The board of trustees shall meet on the third Monday during the months of March,
7 June, September, and December of each year. Special meetings may be called by the
8 chairperson upon giving adequate notice to each member of the board of trustees.
9 The business to be transacted at special meetings shall be specified in the notice of
10 the meeting.

11 (2) The members of the board of trustees shall serve without compensation, except that
12 elective trustees shall receive ninety dollars (\$90) for each day the board is in
13 session and all elected trustees shall be reimbursed from the expense fund for all
14 necessary expenses they incur through service to the board without limitation of the
15 provisions of KRS Chapters 44 and 45.

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

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

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

- 1 (1) The board of trustees shall from time to time promulgate administrative regulations
2 for the administration of the funds of the retirement system and for the transaction
3 of business.
- 4 (2) All rules, regulations, or policies adopted by school districts, universities, or other
5 employers participating in the Teachers' Retirement System that pertain to the
6 retirement system shall conform to this chapter.
- 7 (3) All rules, regulations, or policies adopted, or decisions made, by school districts,
8 universities, or other employers participating in the Teachers' Retirement System
9 that pertain to retirement incentives for members as defined in KRS 161.220(4)
10 shall contain provisions for the school district, university, or other employer to
11 make full payment to the retirement system at the time a member retires for all
12 actuarial obligations that occur to the retirement system as a result of retirement
13 incentive payments **with no resulting financial obligation for the state.** Any
14 **retirement incentive provided**~~[payment made]~~ by the employer to a member on the
15 condition that the member terminate employment with the employer shall be
16 deemed a retirement incentive for purposes of this subsection if the member retires
17 within six (6) months following the member's termination in employment.
18 **Retirement incentives include remuneration of any kind and any tangible or**
19 **intangible benefit provided to or on behalf of the member before, after, or at the**
20 **member's date of retirement. Retirement incentives do not include lump-sum**
21 **payments for accumulated sick, annual, or compensatory leave that are generally**
22 **available to members upon termination of employment. Notwithstanding any**
23 **provision of KRS 161.220 to 161.716 to the contrary, retirement incentives shall**
24 **not be included in a member's final average salary or annual compensation as**
25 **defined under subsections (9) and (10) of Section 2 of this Act, respectively.** This
26 subsection shall not apply to retirement incentive plans adopted by local boards of
27 education prior to December 31, 1997, and to those employees of local school

1 districts who retired on or before July 1, 1998.

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

- 3 (1) (a) The board of trustees shall elect from its membership a chairperson and a vice
4 chairperson on an annual basis as prescribed by the administrative regulations
5 of the board of trustees. The chairperson shall not serve more than four (4)
6 consecutive years as chairperson or vice chairperson of the board. The vice
7 chairperson shall not serve more than four (4) consecutive years as
8 chairperson or vice chairperson of the board. A trustee who has served four
9 (4) consecutive years as chairperson or vice chairperson of the board may be
10 elected chairperson or vice chairperson of the board after an absence of two
11 (2) years from the position.
- 12 (b) The board of trustees shall employ an executive secretary by means of a
13 contract not to exceed a period of four (4) years and fix the compensation and
14 other terms of employment for this position without limitation of the
15 provisions of KRS Chapters 18A, 45A, 56, and KRS 64.640. The executive
16 secretary shall be the chief administrative officer of the board. The executive
17 secretary, at the time of employment, shall be a graduate of a four (4) year
18 college or university, and shall possess qualifications as the board of trustees
19 may require. The executive secretary shall not have held by appointment or
20 election an elective public office within the five (5) year period next preceding
21 the date of employment.
- 22 (2) The board shall employ clerical, administrative, and other personnel as are required
23 to transact the business of the retirement system. The compensation of all persons
24 employed by the board shall be paid at the rates and in amounts as the board
25 approves. Anything in the Kentucky Revised Statutes to the contrary
26 notwithstanding, the power over and the control of determining and maintaining an
27 adequate complement of employees in the system shall be under the exclusive

1 jurisdiction of the board of trustees.

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

8 (b) The board shall provide for legal counsel and other legal services as may be
9 required in defense of trustees, officers, and employees of the system who
10 may be subjected to civil action arising from the performance of their legally
11 assigned duties if counsel and services are not provided by the Attorney
12 General. The hourly rate of reimbursement for any contract for legal services
13 under this paragraph shall not exceed the maximum hourly rate provided in
14 the Legal Services Duties and Maximum Rate Schedule promulgated by the
15 Government Contract Review Committee established pursuant to KRS
16 45A.705, unless a higher rate is specifically approved by the secretary of the
17 Finance and Administration Cabinet or his or her designee.

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

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

27 ~~(5)~~~~[(6)]~~ Notwithstanding any statute to the contrary, employees shall not be considered

1 legislative agents as defined in KRS 6.611.

2 ~~(6)~~~~(7)~~ Notwithstanding any statute to the contrary, the executive branch of
3 government shall accept from the ~~the Kentucky~~ Teachers' Retirement System all
4 accrued annual and sick leave balances and service credits of employees leaving
5 the ~~the Kentucky~~ Teachers' Retirement System and accepting appointments within the
6 executive branch. These leave balances shall be attested to by the ~~the Kentucky~~
7 Teachers' Retirement System and shall not exceed those limits established by statute
8 or administrative regulation for employees of the executive branch.

9 ➔Section 6. KRS 161.470 is amended to read as follows:

- 10 (1) The membership of the retirement system shall consist of all new members, all
11 present teachers, and all persons participating under the retirement system as of
12 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.
13 The board of trustees of the Teachers' Retirement System shall be responsible for
14 final determination of membership eligibility and may direct employers to take
15 whatever action that may be necessary to correct any error relating to membership.
- 16 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service
17 it shall be as a new member, except that any teacher who withdraws by claiming his
18 deposits may repay the system the amount withdrawn plus interest and reestablish
19 his service credit as provided in subsection (3) of this section.
- 20 (3) Effective July 1, 1988, and thereafter, an active contributing member of the
21 retirement system with contributing service equal to one (1) year may regain service
22 credit by depositing in the teachers' savings fund the amount withdrawn with
23 interest at the rate to be set by the board of trustees, and computed from the first of
24 the month of withdrawal and including the month of redeposit. Service credit
25 regained pursuant to this subsection on or after January 1, 2019, shall not be used to
26 determine the date the individual purchasing the service became a member of the
27 Teachers' Retirement System.

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

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

- 9 (a) By retirement for service;
- 10 (b) By death;
- 11 (c) By withdrawal of the member's accumulated account balance;
- 12 (d) When a member, having less than five (5) years of Kentucky service is absent
13 from service for more than three (3) consecutive years; or
- 14 (e) For persons whose membership begins~~[hired]~~ on or after August 1, 2000,
15 when a member is convicted, in any state or federal court of competent
16 jurisdiction, of a felony related to his or her employment as provided in
17 subparagraphs 1. and 2. of this paragraph.

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

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

27 Except for paragraph (e) of this subsection, upon termination of member accounts

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

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

23 (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to
24 retirement, the board of trustees shall pay to the estate of the deceased member,
25 unless a beneficiary was otherwise applicably designated by the deceased member,
26 then to the beneficiary, all of his *or her* accumulated account balance, including any
27 payments made by the member to the state accumulation fund, but the estate or

1 beneficiary shall have no claim on any contributions made by the state or employer
2 with a view to the retirement of the member, except as provided by KRS 161.235,
3 or to contributions made to the medical insurance fund.

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

9 →Section 7. KRS 161.480 is amended to read as follows:

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

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

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

1 **another beneficiary.** A final divorce decree shall terminate an ex-spouse's
2 status as either primary beneficiary, cobeneficiary, or contingent beneficiary,
3 unless subsequent to divorce the member redesignates the former spouse as
4 primary beneficiary, cobeneficiary, or contingent beneficiary.

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

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

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

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

22 ➔Section 8. KRS 161.500 is amended to read as follows:

23 (1) At the close of each fiscal year, the retirement system shall add service credit to the
24 account of each member who made contributions to his or her account during the
25 year. **Nonuniversity members are entitled to a full year of service credit if they**
26 **have no more than five (5) unpaid days in a school or fiscal year under a contract**
27 **requiring a work schedule of one hundred eighty-five (185) days or greater.**

1 *University members are entitled to a full year of service credit if they have no*
 2 *more than five (5) unpaid days in a school or fiscal year under a contract*
 3 *requiring a work schedule of one hundred eighty (180) days or greater* [~~Members~~
 4 ~~shall be entitled to a full year of service credit if their total paid days were not less~~
 5 ~~than one hundred eighty (180) days of a one hundred eighty five (185) day contract~~
 6 ~~for a regular school or fiscal year]. In the event *a member* [~~an individual who~~
 7 ~~became a member prior to January 1, 2019,]~~ is paid for less than *the required*
 8 *number of days for a full year of service credit* [~~one hundred eighty (180) days], the~~
 9 member may purchase credit according to administrative regulations established by
 10 the board of trustees. In no case shall more than one (1) year of service be credited
 11 for all service performed in one (1) fiscal year. Members who complete their
 12 employment contract prior to the close of a fiscal year and elect to retire prior to the
 13 close of a fiscal year shall have their service credit reduced by eight percent (8%)
 14 for each calendar month that the retirement becomes effective prior to July 1.~~

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

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

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

25 ➔Section 9. KRS 161.515 is amended to read as follows:

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

1 Kentucky.

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

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

26 (c) A member having service referred to in subsection (2)(a) or (2)(b) of this
27 section who purchased this service under the cost formula as it existed under

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

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

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

20 (5) Service purchased under this section by members **shall be credited based upon the**
21 **retirement factor established by Section 19 of this Act, as applicable**~~who at the~~
22 ~~time of purchase are employed by employers other than those described in KRS~~
23 ~~161.220(4)(b) or (n) shall be credited, as described in KRS 161.620(1)(a) and (b),~~
24 ~~with a retirement factor of two and one-half percent (2.5%) for each year of service~~
25 ~~that was originally performed on or after July 1, 1983, and two percent (2.0%) for~~
26 ~~each year of service performed before July 1, 1983. Service purchased under this~~
27 ~~section by members who at the time of purchase are employed by employers~~

1 ~~described in KRS 161.220(4)(b) or (n) shall be credited, as described in KRS~~
2 ~~161.620(1)(a), with a retirement factor of two percent (2.0%) for each year of~~
3 ~~service, regardless of when the service was performed].~~

4 ~~[(6) Effective January 1, 2019, this section does not apply to individuals who become~~
5 ~~members on or after January 1, 2019.]~~

6 ➔Section 10. KRS 161.520 is amended to read as follows:

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

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

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

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

19 (c) If the deceased member has a minimum of ten (10) years of service credit with
20 the Teachers' Retirement System, the surviving widow or widower may apply
21 for an annuity actuarially equivalent to the annuity that would have been paid
22 to the deceased member when eligibility conditions were met. Eligibility for
23 payments would begin at the time the age of the deceased member would have
24 met the requirements of KRS 161.235(6) or 161.600(1), as applicable. In
25 exercising this right, the surviving widow or widower shall be entitled to
26 receive an annuity for life, except as provided in subsection (6) of this section.

27 This subsection applies to surviving spouses of members who die on or after

1 July 1, 1978. A surviving widow or widower of a member who dies after July
2 1, 1978, shall be eligible for benefit payments provided under paragraphs (a)
3 and (b) of this subsection until they begin receiving payments under this
4 provision;

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

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

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

23 (c) To elect a lump-sum refund of the member's accumulated account balance
24 under paragraph (b) of this subsection, the surviving spouse who is designated
25 as the primary beneficiary must sign a waiver on forms prescribed by the
26 retirement system of his or her rights and the member's children's rights to the
27 survivorship benefits payable under this subsection and subsection (1) of this

1 section. The surviving spouse shall not waive the survivorship benefits
2 available under this subsection or subsections (1) and (6) of this section if any
3 of the member's children have attained age eighteen (18) or older unless all of
4 those children consent in writing on forms prescribed by the retirement system
5 to waive their survivorship benefits available under this subsection;

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

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

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

1 competent to make decisions on their own behalf~~[- as attested to by two~~
2 ~~(2) physicians' statements]~~ consent in writing on forms prescribed by the
3 retirement system to waive their survivorship benefits available under
4 this subsection.

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

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

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

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

- 1 (7) The board of trustees shall be the sole judge of eligibility or dependency of any
2 beneficiary, and may require formal application or information relating to eligibility
3 or dependency, including proof of annual income satisfactory to the board. The
4 board of trustees may subpoena records and individuals whenever it deems this
5 action necessary;
- 6 (8) No payment of benefits shall be made unless the board of trustees authorizes the
7 payment. The board shall promulgate administrative regulations for the
8 administration of the provisions in this section and in every case the decision of the
9 board of trustees shall be final as to eligibility, dependency, or disability, and the
10 amount of benefits payable;
- 11 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)
12 of this section, or in the event that the surviving spouse elects not to receive
13 survivorship benefits on his or her own behalf or on behalf of any of the member's
14 children as permitted under subsections (2) and (3) of this section, the board of
15 trustees shall pay to the estate or the designated beneficiaries of the deceased
16 member a refund of his or her accumulated account balance as provided in KRS
17 161.470(7). If the benefits paid or payable under subsections (1) to (5) of this
18 section and KRS 161.661 shall amount to a sum less than the member's
19 accumulated account balance at the time of death, the board of trustees shall pay to
20 the estate or designated beneficiaries of the deceased member the balance of the
21 accumulated account balance;
- 22 (10) Any person who is receiving benefits and becomes disqualified from receiving
23 those benefits under this section shall immediately notify the Teachers' Retirement
24 System of this disqualification in writing and shall return all benefits paid after the
25 date of disqualification. Failure to comply with these provisions shall create an
26 indebtedness of that person to the Teachers' Retirement System. Interest at the rate
27 of eight percent (8%) per annum shall be charged if the debt is not repaid within

1 sixty (60) days after the date of disqualification. Failure to repay this debt creates a
2 lien in favor of the Teachers' Retirement System upon all property of the person
3 who improperly receives benefits and does not repay those benefits; and

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

8 ➔Section 11. KRS 161.540 is amended to read as follows:

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

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

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

16 (b) Effective January 1, 2019, each individual who is a contributing university
17 member, shall contribute to the retirement system ten and four-tenths percent
18 (10.4%) of annual compensation, of which:

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

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

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

1 eliminated.

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

11 1. Payment by an employer for annual leave shall be equally available to
12 all members serving under contracts requiring the same number of
13 worked days and greater; and

14 2. At least two (2) members of the employer shall receive payment for
15 annual leave.

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

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

16 ➔Section 12. KRS 161.545 is amended to read as follows:

17 (1) (a) Members may make contributions and receive service credit for substitute,
18 part-time, or any service other than regular full-time teaching as provided in
19 the administrative regulations of the board of trustees if contributions were not
20 otherwise made as a result of the service. This paragraph does not apply to
21 members who retired on or after January 1, 2019, and are reemployed on or
22 after January 1, 2019.

23 (b) Members placed on leave of absence during a period of full-time employment
24 as defined in KRS 161.220(21) may make contributions and receive service
25 credit for this leave only if contributions are made by the end of the fiscal year
26 next succeeding the year in which the leave was effective as provided in
27 administrative regulations promulgated by the board of trustees. Contributions

1 permitted after August 1, 1982, shall not be picked-up pursuant to KRS
2 161.540(2).

3 (2) Active contributing members of the Teachers' Retirement System, or former
4 members who are currently participating in a state-administered retirement system,
5 who were granted leaves of absence during a period of full-time employment as
6 defined in KRS 161.220(21) since July 1, 1964, for reasons of health as defined
7 under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs. 2601 et seq.,
8 child rearing, or to improve their educational qualifications, and did not purchase
9 the leave of absence as provided in subsection (1) of this section may obtain credit
10 for the leave of absence as provided under the administrative regulations of the
11 board of trustees and under the following conditions:

12 (a) The leave of absence shall be verified by a copy of the board of education
13 minutes which granted the leave of absence or by other documentation that
14 was generated contemporaneously with the leave that is determined by the
15 retirement system to reasonably establish that a leave of absence was granted;
16 and

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

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

25 (3) Sabbatical leaves of absence granted by any one (1) of the five (5) universities
26 identified in subsection (4)(b) of Section 2 of this Act for which the university
27 employee is provided full pay at the rate he or she was provided as a full-time

1 employee immediately preceding the sabbatical leave shall be deemed as full-time
 2 employment provided for the university and employee and employer contributions
 3 shall be made in accordance with KRS 161.550 and Section 11 of this Act.

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

6 ~~(5)~~~~(4)~~ Notwithstanding any other provisions of this section to the contrary, purchase
 7 of service credit under subsection (2) of this section:

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

10 (b) Shall not apply to individuals who become members on or after January 1,
 11 2019.

12 ➔Section 13. KRS 161.553 is amended to read as follows:

13 (1) The cost of providing statutory benefit improvements for annuitants may be funded
 14 by annual appropriations from the state on an actuarial amortized basis over the
 15 lifetime of the annuitants. The schedules in paragraphs (a) ~~and~~~~(b)~~~~and (c)~~ of
 16 this subsection are the annual appropriations which shall be made by the state for
 17 benefit improvements approved in the respective fiscal years or biennia~~bienniums~~
 18 prior to July 1, 2021~~2010~~:

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

1 2002-2004 \$21,405,700 ~~[\$21,405,700 through 2021-2022~~
2 _____ and
3 _____] \$11,204,100 in 2022-2023
4 2004-2006 \$15,413,700 \$15,413,700 through 2023-2024
5 _____ and
6 _____ \$7,421,400 in 2024-2025
7 2006-2008 \$15,730,200 \$15,730,200 through 2025-2026
8 _____ and
9 _____ \$7,104,600 in 2026-2027;
10 (b) ~~[Minimum Value — 2010-2011 —~~ Each Succeeding Fiscal Year
11 ~~— Annuities —~~
12 ~~— 2002-2004 — \$3,375,900 — \$3,375,900 through 2016-2017~~
13 _____ and
14 _____ \$2,027,800 in 2017-2018; and
15 (e) ~~] Sick Leave~~ 2021-2022 ~~[2010-2011]~~ Each Succeeding Fiscal Year
16 Allowance
17 ~~[— 1998-2000 — \$4,660,300 — \$4,660,300 through 2012-2013~~
18 _____ and
19 _____ \$2,425,900 in 2013-2014
20 ~~— 2000-2002 — \$6,167,100 — \$6,167,100 through 2014-2015~~
21 _____ and
22 _____ \$3,579,100 in 2015-2016]
23 2002-2004 \$5,337,000 ~~[\$5,337,000 through 2021-2022~~
24 _____ and
25 _____] \$3,022,800 in 2022-2023
26 2004-2006 \$5,480,300 \$5,480,300 through 2023-2024
27 _____ and

1 \$2,558,700 in 2024-2025
2 2006-2008 \$5,646,400~~[\$5,814,400]~~ \$5,646,400~~[\$5,814,400]~~ through 2025-2026
3 and
4 \$3,331,200~~[\$3,499,200]~~ in 2026-
5 2027
6 2008-2010 \$4,926,000~~[\$8,969,000]~~ \$4,926,000~~[\$8,969,000]~~ through 2027-2028
7 and
8 \$2,355,000~~[\$6,281,300]~~ in 2028-2029~~[-]~~
9 2010-2012 \$5,198,100~~[\$6,516,600]~~ \$5,198,100~~[\$13,674,800]~~ through 2029-2030
10 and
11 \$2,723,900~~[\$7,158,200]~~ in 2030-2031
12 2012-2014 \$6,726,200 \$6,726,200 through 2031-2032
13 and
14 \$3,357,900 in 2032-2033
15 2014-2016 \$7,206,200 \$7,206,200 through 2033-2034
16 and
17 \$3,279,700 in 2034-2035
18 2016-2018 \$6,129,500 \$6,129,500 through 2035-2036
19 and
20 \$3,054,200 in 2036-2037
21 2018-2020 \$5,229,200 \$5,229,200 through 2037-2038
22 and
23 \$2,477,900 in 2038-2039
24 2020-2022 \$9,266,200 \$9,266,200 through 2039-2040
25 and
26 \$4,633,100 in 2040-2041

27 (2) The cost of providing the transitional funding for the state medical insurance fund

1 stabilization contribution as provided by KRS 160.550(2) may be funded by annual
 2 appropriations from the state on an amortized basis. The schedule in this subsection
 3 is the annual appropriation which shall be made by the state in the respective fiscal
 4 years or ~~bienna~~^[biennium] prior to July 1, ~~2021~~^[2010]:

5	[Amortization of	2010-2011	Each Succeeding Fiscal Year
6	Transitional Funding		
7	2004-2006	\$13,325,100	\$13,325,100 through 2014-2015
8			and
9			\$9,075,500 in 2015-2016
10	2006-2008	\$28,487,400	\$28,487,400 through 2016-2017
11			and
12			\$18,280,000 in 2017-2018
13	2008-2010	\$36,554,100	\$36,554,100 through 2018-2019
14			and
15			\$18,266,100 in 2019-2020]

16 Amortization of 2021-2022^[2010-2011] Each
 17 Succeeding Fiscal Year

18	Medical Subsidy		
19	<u>2010-2012</u>	<u>\$1,798,700</u> ^[2008-2010]	
20	2008-2010	\$2,574,100	\$2,574,100 through 2018-2019
21			and
22			\$1,345,200 in 2019-2020

23 —]

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

27	1986-1988	\$34,689,893
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1	1990-1992	\$68,107,473
2	1992-1994	\$15,749,976

3 → Section 14. KRS 161.560 is amended to read as follows:

- 4 (1) **(a)** Each agency, **school district, and institution** employing members of the
5 retirement system shall deduct from the compensation of each member for
6 each payroll period subsequent to the date the individual became a member,
7 the percentage of his compensation due under the rates prescribed in KRS
8 161.540. No later than fifteen (15) days following ~~the end of~~ each **pay**
9 **date** ~~payroll period~~, the **employer** ~~agency~~ shall **have on deposit with the**
10 **retirement system all required deductions** ~~forward all amounts deducted to~~
11 ~~the Teachers' Retirement System~~. The retirement system **may** ~~shall~~ charge
12 the **employer** ~~employing agency~~ interest at an annual rate not to exceed **eight**
13 **percent (8%)** ~~twelve percent (12%)~~ for deductions not **deposited** ~~remitted~~
14 within the specified fifteen (15) days.
- 15 **(b) Each employer employing members of the retirement system shall have on**
16 **file at the retirement system's office no later than fifteen (15) days following**
17 **each pay date** payroll reports, contributions lists, and other data required by
18 administrative regulation of the board ~~of trustees shall be submitted~~. **The**
19 **retirement system may impose a penalty on the employer not to exceed one**
20 **thousand dollars (\$1,000) when the employer does not meet the reporting**
21 **date. However, the retirement system may waive the penalty for good cause.**
- 22 **(c) Each employer employing members of the retirement system shall have on**
23 **file at the retirement system's office an annual summary report** ~~Employers~~
24 ~~shall submit an annual report, in compliance with requirements of the~~
25 ~~retirement system,~~ of member contributions and periods employed ~~to the~~
26 ~~retirement system~~ no later than August 1 following the completion of each
27 fiscal year. The retirement system may impose a penalty on the employer not

1 to exceed one thousand dollars (\$1,000) when the employer does not meet the
2 August 1 reporting date. However, the retirement system may waive the
3 penalty for good cause.

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

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

17 ➔Section 15. KRS 161.597 is amended to read as follows:

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

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

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

26 (4) Installment payments shall be at least fifty dollars (\$50) per month and shall be
27 made for a period of time which is not less than twelve (12) months nor more than

1 sixty (60) months. Interest at eight percent (8%) per annum, unless the board
2 specifies in an administrative regulation a different interest rate, shall be charged on
3 all installment payment purchases of service credit that are purchasable at less than
4 full actuarial cost. **Interest shall be assigned to the guarantee fund.**

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

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

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

1 ➔Section 16. KRS 161.605 is amended to read as follows:

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

5 (1) Any member who is retired with thirty (30) or more years of service may return to
6 work in a full-time or a part-time position, **or in a position providing substitute**
7 **teaching service,** covered by the ~~Kentucky~~ Teachers' Retirement System and earn
8 up to a maximum of seventy-five percent (75%) of the member's last annual
9 compensation measured on a daily rate to be determined by the board of trustees.
10 For purposes of determining whether the salary of a member returning to work is
11 seventy-five percent (75%) or less of the member's last annual compensation, all
12 remuneration paid and benefits provided to the member, on an actual dollar or fair
13 market value basis as determined by the retirement system, **excluding employer-**
14 **provided medical insurance required under subsection (5) of this section,** shall be
15 considered. Members who were retired on or before June 30, 2002, shall be entitled
16 to return to work under the provisions of this section as if they had retired with
17 thirty (30) years of service. Nonqualified service credit purchased under the
18 provisions of KRS 161.5465 or elsewhere with any state-administered retirement
19 system shall not be used to meet the thirty (30) year requirement set forth in this
20 subsection. Out-of state teaching service provided in public schools for kindergarten
21 through grade twelve (12) may count toward the thirty (30) year requirement set
22 forth in this subsection even if it is not purchased as service credit, if the member
23 obtains from his or her out-of-state employer certification of this service on forms
24 prescribed by the retirement system;

25 (2) Any member who is retired with less than thirty (30) years of service after June 30,
26 2002, may return to work in a full-time or part-time position, **or in a position**
27 **providing substitute teaching service,** covered by the ~~Kentucky~~ Teachers'

1 Retirement System and earn up to a maximum of sixty-five percent (65%) of the
2 member's last annual compensation measured on a daily rate to be determined by
3 the board of trustees. For purposes of determining whether the salary of a member
4 returning to work is sixty-five percent (65%) or less of the member's last annual
5 compensation, all remuneration paid and benefits provided to the member, on an
6 actual dollar or fair market value basis as determined by the retirement system,
7 *excluding employer-provided medical insurance required under subsection (5) of*
8 *this section,* shall be considered;

9 (3) Reemployment of a retired member under subsection (1) or (2) of this section in a
10 full-time teaching or nonteaching position in a local school district shall be
11 permitted only if the employer certifies to the Kentucky Teachers' Retirement
12 System that there are no other qualified applicants available to fill the teaching or
13 nonteaching position. The employer may use any source considered reliable
14 including but not limited to data provided by the Education Professional Standards
15 Board and the Department of Education to determine whether other qualified
16 applicants are available to fill the teaching or nonteaching position. The Kentucky
17 Board of Education shall promulgate administrative regulations to establish
18 procedures to determine whether other qualified applicants are available to fill a
19 teaching or nonteaching position and, if not, for filling the position with a retired
20 member who will then be permitted to return to work in that position under
21 subsection (1) or (2) of this section. The administrative regulations shall assure that
22 a retired member shall not be hired in a teaching or nonteaching position by a local
23 school district until the superintendent of the school district assures the Kentucky
24 Teachers' Retirement System that every reasonable effort has been made to recruit
25 other qualified applicants for the position on an annual basis;

26 (4) Under this section, an employer may employ full-time a number of retired members
27 not to exceed three percent (3%) of the membership actively employed full-time by

1 that employer. The board of trustees may reduce this three percent (3%) cap upon
 2 recommendation of the retirement system's actuary if a reduction is necessary to
 3 maintain the actuarial soundness of the retirement system. The board of trustees
 4 may increase the three percent (3%) cap upon a determination that an increase is
 5 warranted to help address a shortage in the number of available teachers and upon
 6 the determination of the retirement system's actuary that the proposed cap increase
 7 allows the actuarial soundness of the retirement system to be maintained. For
 8 purposes of this subsection, "full-time" means the same as defined by KRS
 9 161.220(21). A local school district may exceed the quota established by this
 10 subsection by making an annual written request to the Kentucky Department of
 11 Education which the department may approve on a year-by-year basis if the
 12 statewide quota has not been met. A district's written request to exceed its quota
 13 shall be submitted no sooner than two (2) weeks after the start of the school year;

14 (5) (a) Except as provided by subsection (10) of this section, a member returning to
 15 work in a full-time or part-time position, or in a position providing substitute
 16 teaching service, under subsection (1) or (2) of this section ~~shall~~~~will~~
 17 ~~contribute~~ to an account with the retirement system that ~~shall~~~~will~~ be
 18 administered independently from and with no reciprocal impact with the
 19 member's original retirement account, or any other account from which the
 20 member is eligible to draw a retirement allowance.

21 (b) Except as provided by subsection (10) of this section, a member returning to
 22 work under subsection (1) or (2) of this section shall make contributions to the
 23 retirement system at the rate provided under KRS 161.540. The new account
 24 shall independently meet ~~all~~~~the~~~~five~~~~(5)~~~~year~~ vesting
 25 requirements~~requirement~~ as well as all other conditions set forth in KRS
 26 161.600(1) before any retirement allowance is payable from this account. The
 27 retirement allowance accruing under this new account shall be calculated

1 pursuant to KRS 161.620(1)(b). This new account shall not entitle the member
2 to a duplication of the benefits offered under KRS 161.620(7) or 161.675, nor
3 shall this new account provide the benefits offered by KRS 161.520, 161.525,
4 161.620(3), 161.655, 161.661, or 161.663.

5 (c) A member returning to work under subsection (1) or (2) of this section shall
6 waive his or her medical insurance with the ~~the Kentucky~~ Teachers' Retirement
7 System during the period of reemployment and shall receive the medical
8 insurance coverage that is generally provided by the member's active employer
9 to the other members of the retirement system that the active employer
10 employs. If medical insurance coverage is not available from the employer,
11 the Kentucky Teachers' Retirement System may provide coverage for the
12 member.

13 (d) A member returning to work under subsection (1) or (2) of this section shall
14 not be eligible to purchase service credit for any service provided after the
15 member's effective date of retirement but prior to the date that the member
16 returns to work. A member returning to work under subsection (1) or (2) of
17 this section shall not be eligible to purchase service credit that the member
18 would have otherwise been eligible to purchase prior to the member's ~~initial~~
19 retirement.

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

25 (6) The board of trustees may annually, on July 1, adjust the current daily rate of a
26 member's last annual compensation, for each full twelve (12) month period that has
27 elapsed subsequent to the member earning his or her last annual compensation, by

1 the percentage increase in the annual average of the consumer price index for all
2 urban consumers for the calendar year preceding the adjustment as published by the
3 Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each
4 annual adjustment shall become part of the member's daily rate base. Failure to
5 comply with the salary limitations set forth in subsections (1) and (2) of this section
6 as may be adjusted by this subsection shall result in a reduction of the member's
7 retirement allowance or any other benefit to which the member would otherwise be
8 entitled on a dollar-for-dollar basis for each dollar that the member exceeds these
9 salary limitations, and the member shall be refunded his or her retirement
10 contributions made on the compensation that exceeds these salary limitations.

11 Notwithstanding any other provision of law to the contrary, a member retiring from
12 a local school district who returns to work for a local school district under
13 subsection (1) or (2) of this section shall be entitled, without any reduction to his or
14 her retirement allowance or any other retirement benefit, to earn a minimum amount
15 equal to one hundred seventy dollars (\$170) per day;

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

23 (b) As an alternative to the separation-from-service requirements in paragraph (a)
24 of this subsection, a retired member who is returning to work for the same
25 employer in a full-time position under subsections (1) and (2) of this section
26 may elect a separation-from-service of not less than two (2) months followed
27 by a forfeiture of the retired member's retirement allowance on a month-to-

1 month basis for each month that the member has separated from service for
2 less than twelve (12) full months. A retired member returning to work for the
3 same employer in a part-time position, or for a different employer in a full-
4 time position, may elect an alternative separation-from-service requirement of
5 at least two (2) months followed by a forfeiture of the member's retirement
6 allowance for one (1) month. During the period that the member forfeits his or
7 her retirement allowance and thereafter, member and employer contributions
8 shall be made to the retirement system as a result of employment in any
9 position subject to membership in the retirement system. The member shall
10 contribute to an account with the retirement system subject to the conditions
11 set forth in subsection (5) of this section.~~[For purposes of measuring the~~
12 ~~separation from service requirements set forth throughout this section, a~~
13 ~~member's separation from service begins on the first day following the last~~
14 ~~day of paid employment for the member prior to retirement.]~~

15 (c) *A retired member who is returning to work for an employer that has*
16 *employees who participate in the Teachers' Retirement System shall comply*
17 *with the separation-from-service requirements in this subsection before*
18 *performing any service for the employer, regardless of whether the retired*
19 *member is providing service in a position covered by the Teachers'*
20 *Retirement System.*

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

23 (e) *The separation-from-service requirements of this subsection are not met if*
24 *there is a prearranged agreement between the member and an employer*
25 *that has employees who participate in the Teachers' Retirement System*
26 *prior to retirement for the member to work for the employer after*
27 *retirement.*

1 (f) The Teachers' Retirement System may require the member and the
2 employer for which the member is returning to work to certify in writing on
3 a form prescribed by the Teachers' Retirement System that no prearranged
4 agreement was or will be entered into between the member and employer
5 prior to retirement for the member to work for the employer after
6 retirement.

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

12 (8) (a) Effective July 1, 2004, local school districts may employ retired members in
13 full-time or part-time teaching or administrative positions without limitation
14 on the compensation of the retired members that is otherwise required by
15 subsections (1) and (2) of this section. Under provisions of this subsection, a
16 local school district may only employ retired members to fill critical shortage
17 positions for which there are no other qualified applicants as determined by
18 the local superintendent. The number of retired members that a local school
19 district may employ under this subsection shall be no more than two (2)
20 members per local school district or one percent (1%) of the total active
21 members employed by the local school district on a full-time basis as defined
22 under KRS 161.220(21), whichever number is greater. Retired members
23 returning to work under this subsection shall be subject to the separation-
24 from-service requirements set forth in subsection (7) of this section. Retired
25 members returning to work under this subsection shall waive their medical
26 insurance coverage with the retirement system during their period of
27 reemployment and receive medical insurance coverage that is offered to other

1 full-time members employed by the local school district. Retired members
2 returning to work under this subsection shall contribute to an account subject
3 to the conditions set forth in subsection (5) of this section. Retired members
4 returning to work under this subsection shall make contributions to the
5 retirement system at the rate provided under KRS 161.540. The employer
6 shall make contributions at the rate provided under KRS 161.550. Local
7 school districts shall make annual payments to the retirement system on the
8 compensation paid to the reemployed retirees at the rates determined by the
9 retirement system's actuary that reflect any accrued liability resulting from the
10 reemployment of these members.

11 (b) The Department of Education may employ retired members in full-time or
12 part-time teaching or nonteaching positions without the limitations on
13 compensation otherwise required by subsections (1) and (2) of this section to
14 fill critical shortage areas in the schools it operates, including the Kentucky
15 School for the Blind, the Kentucky School for the Deaf, and the Kentucky
16 Virtual High School, and to serve on audit teams. The department shall be
17 subject to the same requirements as local school districts as provided in
18 paragraph (a) of this subsection, except the Kentucky Teachers' Retirement
19 System shall determine the maximum number of employees that may be
20 employed under this paragraph;

21 (9) The return to work limitations set forth in this section shall apply to retired
22 members who are returning to work in the same position from which they retired, or
23 a position substantially similar to the one from which they retired, or a position
24 described in KRS 161.046 or any position listed in KRS 161.220(4) which requires
25 membership in the retirement system. Positions which generally require certification
26 or graduation from a four (4) year college or university as a condition of
27 employment which are created, or changed to remove the position from coverage

1 under KRS 161.220(4) are also subject to the return to work limitations set forth in
2 this section. The board of trustees shall determine whether employment in a
3 nonteaching position is subject to this subsection;

4 (10) (a) Notwithstanding the provisions of this section, individuals who retire and
5 begin drawing a retirement allowance from one (1) or more of the systems or
6 plans administered by the Kentucky Retirement Systems, the Teachers'
7 Retirement System, or the Judicial Form Retirement System on or after
8 January 1, 2019, who are reemployed on or after January 1, 2019, with an
9 employer participating in the Teachers' Retirement System shall not be
10 eligible to contribute to or earn benefits in a second retirement account during
11 the period of reemployment. Employers shall be required to pay the employer
12 normal cost for pension benefits established by KRS 161.550 for any period of
13 full-time reemployment to help pay down the unfunded liability of the
14 Teachers' Retirement System pension fund.

15 (b) The provisions of subsections (1) to (8) of this section are not subject to KRS
16 161.714;

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

20 (a) The member shall receive no annuity payments while employed in a covered
21 position, shall waive his or her medical insurance coverage with the ~~the~~
22 ~~Kentucky~~ Teachers' Retirement System during the period of reemployment,
23 and shall receive the medical insurance coverage that is generally offered by
24 the member's active employer to the other members of the retirement system
25 employed by the active employer. The member's estate or, if there is a
26 beneficiary applicably designated by the member, then the beneficiary, shall
27 continue to be eligible for life insurance benefits as provided in KRS 161.655.

1 Service subsequent to retirement shall not be used to improve an annuity,
2 except as provided in paragraphs (b) and (c) of this subsection;

3 (b) Any member who waives regular annuity benefits and returns to teaching or
4 covered employment shall be entitled to make contributions on the salaries
5 received for this service and have his retirement annuity recalculated as
6 provided in the regular retirement formula in KRS 161.620(1), less any
7 applicable actuarial discount applied to the original retirement allowance due
8 to the election of a joint and last survivor option. Retirement option and
9 beneficiary designation on original retirement shall not be altered by
10 postretirement employment, and dependents and spouses of the members shall
11 not become eligible for benefits under KRS 161.520, 161.525, or 161.661
12 because of postretirement employment;

13 (c) When a member returns to full-time teaching or covered employment as
14 provided in subsection (b) of this section, the employer is required to withhold
15 and remit regular retirement contributions. The member must be employed
16 full-time for at least one (1) consecutive contract year to be eligible to
17 improve an annuity. The member shall be returned to the annuity rolls on July
18 1 following completion of the contract year or on the first day of the month
19 following the month of termination of service if full-time employment
20 exceeds one (1) consecutive contract year. **A member shall not be returned to**
21 **the annuity rolls until after he or she has filed a retirement application in**
22 **compliance with KRS 161.600(5).** Any discounts applied at the time of the
23 original retirement due to service or age may be reduced or eliminated due to
24 additional employment if full-time employment is for one (1) consecutive
25 contract year or longer; and

26 (d) A member retired by reason of service who has been employed the equivalent
27 of twenty-five (25) days or more during a school year under KRS 161.605

1 may waive the member's retirement annuity and return to regular employment
2 covered by the ~~the Kentucky~~ Teachers' Retirement System during that school
3 year a maximum of one (1) time during any five (5) year period, beginning
4 with that school year;

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

1 *returning to work for an employer described in subsection (4)(b) or (n) of Section*
2 *2 of this Act shall comply with the separation-from-service requirements of*
3 *subsection (7) of this section;*

4 (13) When a retired member returns to employment in a part-time teaching capacity or in
5 a nonteaching capacity as provided in subsection (12) of this section, the employer
6 shall contribute annually to the retirement system on the compensation paid to the
7 retired member at rates determined by the retirement system actuary that reflect
8 accrued liability for retired members who return to work under subsection (12) of
9 this section; and

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

17 ➔Section 17. KRS 161.612 is amended to read as follows:

18 Effective July 1, 2002, any individual occupying a position on a part-time basis that
19 requires certification or graduation from a four (4) year college or university as a
20 condition of employment and any individual providing part-time or substitute teaching
21 services that are the same or similar to those teaching services provided by certified, full-
22 time teachers shall be a member of the ~~the Kentucky~~ Teachers' Retirement System,
23 according to the conditions and only to the extent set forth in this section, if the individual
24 is employed by one (1) of the public boards, institutions, or agencies set forth in KRS
25 161.220, excluding those public boards, institutions, and agencies described in KRS
26 161.220(4)(b) and (n). Members providing part-time and substitute services shall
27 participate in the retirement system as follows:

1 (1) Members providing part-time and substitute services shall accrue service credit as
2 provided under KRS 161.500 and be entitled to a retirement allowance upon
3 meeting the service retirement conditions of KRS 161.235 or 161.600, as
4 applicable. The board of trustees shall adopt a methodology for accrediting service
5 credit to these members on a pro rata basis. The methodology adopted by the board
6 of trustees may be amended as necessary to ensure its actuarial soundness. The
7 retirement allowance for members providing part-time and substitute services shall
8 be calculated pursuant to KRS 161.235 or 161.620, as applicable, except that the
9 provisions of KRS 161.620(3) shall not apply. Members providing part-time and
10 substitute services who meet the service retirement conditions of KRS 161.235 or
11 161.600, as applicable, may also be eligible to participate as approved by the board
12 of trustees in the medical insurance program provided by the retirement system
13 under KRS 161.675. Members providing part-time and substitute services shall
14 make contributions to the ~~the Kentucky~~ Teachers' Retirement System at the rate
15 provided under KRS 161.540. A member who provides part-time or substitute
16 services, or in the event of the death of the member, the member's estate or
17 applicably designated beneficiary, will be entitled, within ninety (90) days of the
18 posting of the annual report submitted by the member's employer, to a refund of
19 contributions as permitted and limited by KRS 161.470;

20 (2) (a) 1. The board of trustees shall adopt eligibility conditions under which
21 members providing part-time and substitute services may participate in
22 the benefits provided under KRS 161.520, 161.655, 161.661, and
23 161.663.

24 2. For all disability retirement applications filed with the Teachers'
25 Retirement System on or after July 1, 2021, disability retirement
26 payments and any other recurring payments payable by any other
27 state-administered retirement system to members providing part-time

1 or substitute services shall be applied to reduce, on a dollar-for-dollar
2 basis, the minimum monthly disability retirement allowance of five
3 hundred dollars (\$500) provided for under subsection (6) of Section 24
4 of this Act.

5 3. Effective July 1, 2021, members providing part-time or substitute
6 services shall not be eligible to apply for a disability retirement
7 allowance if they are eligible for a service retirement allowance that is
8 not subject to an actuarial reduction required under KRS
9 161.600(1)(b) or (d).

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

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

25 (4) Notwithstanding any other provisions of this section to the contrary, instructional
26 assistants who provide teaching services in the local school districts on a full-time
27 basis in positions covered by the County Employees Retirement System who are

1 used as substitute teachers on an emergency basis for five (5) days or less during
2 any one (1) fiscal year shall not be considered members of the Teachers' Retirement
3 System during that period in which they are serving as substitute teachers for five
4 (5) days or less;

5 (5) The board of trustees may adopt a pro rata methodology to determine the annual
6 compensation of members providing part-time and substitute services in order to
7 determine benefits provided under KRS 161.661 and 161.663. Members providing
8 part-time and substitute services who had retirement contributions posted to their
9 accounts during the previous fiscal year and who have not had those contributions
10 refunded to them are eligible to vote for the board of trustees;

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

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

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

17 ➔Section 18. KRS 161.614 is amended to read as follows:

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

22 (1) Members shall make contributions to the ~~Kentucky~~ Teachers' Retirement System
23 at the rate set forth in KRS 161.540 and members' employers shall make
24 contributions at the rate set forth in KRS 161.550, with interest accruing on all
25 contributions at the rate of eight percent (8%) per annum from the end of each fiscal
26 year that back salary or the reinstatement was ordered. Contributions, plus interest,
27 shall be made for each year that back salary or reinstatement was ordered. No

- 1 service or salary credit shall be credited to a member's account unless full
2 contributions are paid to the ~~[Kentucky]~~ Teachers' Retirement System;
- 3 (2) The member may have court-ordered back salary credited to his or her account only
4 to the extent that the member actually received payment for the back salary and only
5 to the extent that the court-ordered back salary is within the salary scale that was
6 available to the member in the covered position for the years that the back salary
7 was awarded. Court-ordered back salary can be credited to the member's account
8 only as permitted under KRS 161.220(9) and (10). The member may have court-
9 ordered service credited to his or her account only after the retirement system has
10 received the contributions and interest on the full compensation that would
11 normally be earned in the position that is the subject of the litigation;
- 12 (3) The member's employer ordered to pay back salary or to reinstate the member by a
13 court of competent jurisdiction shall provide the retirement system with a
14 breakdown of the back salary awarded to the member on a year-by-year basis;
- 15 (4) The calculations of the contributions and interest required to be paid for court-
16 ordered back salary or reinstatement shall be provided by the retirement system to
17 the member or the member's employer at the member's or employer's request.
18 Requests for these calculations shall be made with at least two (2) weeks of advance
19 notice to the retirement system to provide these calculations. The retirement system
20 will calculate accrued interest as of the last day of the month during which payment
21 of the full contributions are made;
- 22 (5) For purposes of this section, a settlement agreement that provides back salary or
23 reinstatement, and is adopted by order or judgment of a court of competent
24 jurisdiction or is referenced in an order dismissing the action as settled shall have
25 the same effect as a court order adjudicating the matter. Orders entered by a
26 government board or agency as a result of litigation conducted on an administrative
27 hearing level and legally binding arbitration ***and mediation*** awards shall be

1 considered as court orders for the purposes of this section; and

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

4 ➔Section 19. KRS 161.620 is amended to read as follows:

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

7 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise
8 provided by this section, the annual allowance for each year of service shall be
9 two percent (2%) of the final average salary for service performed prior to
10 July 1, 1983, and two and one-half percent (2.5%) of the final average salary
11 for service performed after July 1, 1983, for all nonuniversity members. The
12 annual retirement allowance for each year of service performed by members
13 of the Teachers' Retirement System who are university members shall be two
14 percent (2%) of the final average salary. Actuarial discounts due to age or
15 service credit at retirement may be applied as provided in this section;

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

25 (c) The board of trustees may approve for members who initially retire on or after
26 July 1, 2004, and who become nonuniversity members before July 1, 2008, a
27 retirement allowance of three percent (3%) of the member's final average

1 salary for each year or partial year of service credit earned in excess of thirty
2 (30) years.

3 This three percent (3%) factor shall be in lieu of the two and one-half percent
4 (2.5%) factor provided for in paragraph (b) of this subsection for every year or
5 fraction of a year of service in excess of thirty (30) years. Upon approval of
6 this three percent (3%) retirement factor, the board of trustees may establish
7 conditions of eligibility regarding the type of service credit that will qualify
8 for meeting the requirements of this subsection. This subsection is optional
9 with the board of trustees and shall not be subject to KRS 161.714;

10 (d) For individuals who become nonuniversity members of the Teachers'
11 Retirement System on or after July 1, 2008, the retirement allowance shall be:

12 1. a. One and seven-tenths percent (1.7%) of the member's final average
13 salary for each year of service if the member has earned ten (10) or
14 less years of service at retirement;

15 b. Two percent (2%) of the member's final average salary for each
16 year of service if the member has earned greater than ten (10) but
17 no more than twenty (20) years of service at retirement;

18 c. Two and three-tenths percent (2.3%) of the member's final average
19 salary for each year of service if the member has earned greater
20 than twenty (20) but no more than twenty-six (26) years of service
21 at retirement; or

22 d. Two and one-half percent (2.5%) of the member's final average
23 salary for each year of service if the member has earned greater
24 than twenty-six (26) but no more than thirty (30) years of service at
25 retirement; and

26 2. Three percent (3%) of the member's final average salary for each year or
27 partial year of service earned in excess of thirty (30) years of service at

1 retirement subject to the same terms and conditions as set forth in
2 paragraph ~~(c)~~~~(e)2.~~ of this subsection;

3 (e) For individuals who become university members of the Teachers' Retirement
4 System on or after July 1, 2008, the retirement allowance shall be:

- 5 1. One and one-half percent (1.5%) of the member's final average salary for
6 each year of service if the member has earned ten (10) or less years of
7 service at retirement;
- 8 2. One and seven-tenths percent (1.7%) of the member's final average
9 salary for each year of service if the member has earned greater than ten
10 (10) but no more than twenty (20) years of service at retirement;
- 11 3. One and eighty-five hundredths percent (1.85%) of the member's final
12 average salary for each year of service if the member has earned greater
13 than twenty (20) but less than twenty-seven (27) years of service at
14 retirement; or
- 15 4. Two percent (2%) of the member's final average salary for each year of
16 service if the member has earned twenty-seven (27) or more years of
17 service at retirement; and

18 (f) The retirement allowance of a member at retirement, as measured on a life
19 annuity, shall not exceed the member's last yearly salary or the member's final
20 average salary, whichever is the greater amount. For purposes of this section,
21 "yearly salary" means the compensation earned by a member during the most
22 recent period of contributing service, either consecutive or nonconsecutive,
23 preceding the member's effective retirement date and shall be subject to the
24 provisions of KRS 161.220(9) and (10).

25 (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance
26 of each retired member and of each beneficiary of a retirement option shall be
27 increased in the amount of one and one-half percent (1.5%), provided the retired

1 member had been retired for at least the full twelve (12) months immediately
2 preceding the date that the increase is effective. In the event that the retired member
3 had been retired for less than the full twelve (12) months immediately preceding the
4 date that the increase is effective, then the increase shall be reduced on a pro rata
5 basis by each month that the retired member had not been retired for the full twelve
6 (12) months immediately preceding the effective date of the increase.

7 (3) Any member qualifying for retirement under a life annuity with refundable balance
8 shall be entitled to receive an annual allowance amounting to not less than four
9 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty
10 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the
11 member. These minimums shall apply to the retired members receiving annuity
12 payments and to those members retiring on or subsequent to the effective dates
13 listed in this subsection, except the following:

14 (a) Individuals who become members of the ~~Kentucky~~ Teachers' Retirement
15 System on or after July 1, 2008; or

16 (b) Members whose retirement allowance payment is reduced below the
17 minimum allowance as a result of its division in a qualified domestic relations
18 order or any other provision permitted under KRS 161.700.

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

24 (5) Effective July 1, 2008, the monthly allowance of each retired member and each
25 recipient of a retirement option of the retired member may be increased in an
26 amount not to exceed three and one-half percent (3.5%) of the monthly allowance in
27 effect the previous month, provided the retired member had been retired for at least

1 the full twelve (12) months immediately preceding the date that the increase is
2 effective. In the event that the retired member had been retired for less than the full
3 twelve (12) months immediately preceding the date that the increase is effective,
4 then the increase shall be reduced on a pro rata basis by each month that the retired
5 member had not been retired for the full twelve (12) months immediately preceding
6 the effective date of the increase. The level of increase provided for in this
7 subsection shall be determined by the funding provided in the 2008-2010 biennium
8 budget appropriation.

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

21 (7) Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be
22 payable for the benefit of an adult child of a member retired for service when the
23 child's mental or physical condition is sufficient to cause dependency on the
24 member at the time of retirement. Eligibility for this payment shall continue for the
25 life of the child or until the time the mental or physical condition creating the
26 dependency no longer exists or the child marries. Benefits under this subsection
27 shall apply to legally adopted survivors provided the proceedings for the adoption

1 were initiated at least one (1) year prior to the death of the member. The board of
2 trustees shall be the sole judge of eligibility or dependency and may require formal
3 application or information relating thereto.

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

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

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

16 ➔Section 20. KRS 161.630 is amended to read as follows:

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

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

27 (c) No option shall provide for a benefit with an actuarial value at the age of

1 retirement greater than that provided in KRS 161.235(7)(a) or 161.620, as
2 applicable. This section does not apply to disability allowances as provided in
3 KRS 161.661(1).

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

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

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

17 (3) Except as otherwise provided in this section, a beneficiary designation shall not be
18 changed after the effective date of retirement except for retirees who elect the life
19 annuity with refundable balance or the predetermined years certain and life
20 thereafter option. A member may remove a beneficiary at any time, but shall not
21 designate a substitute beneficiary. If a member elects to remove a beneficiary, the
22 member's retirement allowance shall not change regardless of the retirement option
23 selected by the member, even if the removed beneficiary predeceases the member.

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

27 ➔Section 21. KRS 161.643 is amended to read as follows:

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

7 **(2)** The retirement system may impose a penalty on the employer not to exceed one
 8 thousand dollars (\$1,000) when the employer does not meet the August 1
 9 **filing**~~[reporting]~~ date or fails to provide the information required for employment of
 10 annuitants of the retirement system. **However, the retirement system may waive the**
 11 **penalty for good cause.**

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

15 ➔Section 22. KRS 161.650 is amended to read as follows:

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

21 (2) **(a)** The member may designate a primary beneficiary or two (2) or more
 22 cobeneficiaries to receive any remaining accumulated member contributions
 23 payable under this section.

24 **(b)** A contingent beneficiary may be designated in addition to the primary
 25 beneficiary or the cobeneficiaries. The member may designate two (2) or more
 26 contingent beneficiaries.

27 **(c)** To the extent permitted by the Internal Revenue Code, a trust may be

1 designated as beneficiary for receipt of any remaining funds of the member's
2 accumulated contributions.

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

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

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

22 3. 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 (f) In the event that the member fails to designate a beneficiary or all designated

1 beneficiaries predecease the member, any remaining accumulated member
2 contributions shall be payable to the member's estate, unless the member is
3 married at the time of his or her death, in which case any remaining
4 contributions shall be payable to his or her spouse.

5 ➔Section 23. KRS 161.655 is amended to read as follows:

- 6 (1) Effective July 1, 2000, the Teachers' Retirement System shall for those individuals
7 who became members prior to January 1, 2019:
- 8 (a) Provide a life insurance benefit in a minimum amount of five thousand dollars
9 (\$5,000) for its members who are retired for service or disability. This life
10 insurance benefit shall be payable upon the death of a member retired for
11 service or disability to the member's estate or to a party designated by the
12 member on a form prescribed by the retirement system; and
- 13 (b) Provide a life insurance benefit in a minimum amount of two thousand dollars
14 (\$2,000) for its active contributing members. This life insurance benefit shall
15 be payable upon the death of an active contributing member to the member's
16 estate or to a party designated by the member on a form prescribed by the
17 retirement system.
- 18 (2) (a) The member may name one (1) primary and one (1) contingent beneficiary for
19 receipt of the life insurance benefit. To the extent permitted by the Internal
20 Revenue Code, a trust may be designated as beneficiary for receipt of the life
21 insurance benefit.
- 22 (b) Members may designate as beneficiaries only presently identifiable and
23 existing individuals, or trusts where otherwise permitted, without contingency
24 instructions, on forms prescribed by the retirement system.
- 25 (c) In the event that a member fails to designate a beneficiary, or all designated
26 beneficiaries predecease the member, the member's estate shall be deemed to
27 be the beneficiary, unless the member is married at the time of his or her

1 **death, in which case the spouse shall be deemed the beneficiary.**

2 **(d) 1.** Any beneficiary designation made by the member, including the estate
3 should the estate become the beneficiary by default, shall remain in
4 effect until changed by the member on forms prescribed by the
5 retirement system, except in the event of subsequent marriage or
6 divorce.

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

11 **3. An individual who is married prior to becoming an active member or a**
12 **retired member of the retirement system and remains married at the**
13 **time of becoming an active or retired member of the retirement system**
14 **shall have his or her spouse considered the primary beneficiary,**
15 **unless the member designates another beneficiary.**

16 **4.** A final divorce decree shall terminate the beneficiary status of an ex-
17 spouse unless, subsequent to divorce, the member redesignates the
18 former spouse as a beneficiary. A final divorce decree shall not
19 terminate the designation of a trust as beneficiary regardless of who is
20 designated as beneficiary of the trust.

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

26 (3) Application for payment of life insurance proceeds shall be made to the Teachers'
27 Retirement System together with acceptable evidence of death and eligibility. The

1 reciprocal provisions of KRS 61.680(2)(a) shall not apply to the coverage and
2 payment of proceeds by the life insurance benefit under this section.

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

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

10 →Section 24. KRS 161.661 is amended to read as follows:

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

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

27 (c) **The following individuals shall not be eligible for disability benefits under**

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this section:

- 1. Members with*~~[Individuals who became members prior to January 1, 2019, who have]~~ twenty-seven (27) or more years of service credit; *and*
- 2. Individuals who become members on or after July 1, 2021, who are eligible for an unreduced benefit under KRS 161.600(1)(b)2. or (d)*~~[are eligible for service retirement only. Individuals who become members on or after January 1, 2019, who have met the requirements of KRS 161.235(6)(b) shall be eligible for service retirement only].~~

- (2) The provisions of KRS 161.520, 161.525, and subsections (3), (4), and (5) of this section shall not apply to disability retirees whose benefits were calculated on the service retirement formula nor to survivors of these members.
- (3) Members shall earn one (1) year of entitlement to disability retirement, at sixty percent (60%) of the member's final average salary, for each four (4) years of service in a covered position, but any member meeting the service requirement for disability retirement shall be credited with no less than five (5) years of eligibility.
- (4) A member retired by reason of disability shall continue to earn service credit at the rate of one (1) year for each year retired for disability. This service shall be credited to the member's account at the expiration of entitlement as defined in subsection (3) of this section, or when the member's eligibility for disability benefits is terminated upon recommendation of a medical review committee, and this service shall be used in calculating benefits as provided in subsection (5) of this section, but under no circumstances shall this service be used to provide the member with more than twenty-seven (27) years of total service credit or the level of service credit needed to meet the requirements of KRS 161.235(6)(b), as applicable. The service credit shall be valued at the same level as service earned by active members as provided under KRS 161.235, 161.600, or 161.620, as applicable. Members participating in the hybrid cash balance plan as provided by KRS 161.235 shall also be credited

1 with employer credits and interest credits for each year of service earned under the
2 provisions of this subsection based upon the salary in which the last employer credit
3 was paid. Payments during the entitlement period as specified by subsection (3) of
4 this section shall not reduce the accumulated account balance of a member
5 participating in the hybrid cash balance plan.

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

19 (6) Members who have their disability retirement allowance recalculated at the
20 expiration of the entitlement period shall continue to have coverage under the post-
21 retirement medical insurance program. Restrictions on employment shall remain in
22 effect until the member attains age seventy (70) or until the member's eligibility is
23 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability
24 retirees whose retirement allowances have been recalculated at the expiration of the
25 entitlement period. Members who have their disability retirement allowance
26 recalculated at the expiration of their entitlement period shall be entitled to a
27 minimum monthly allowance of five hundred dollars (\$500) as the basic straight life

1 annuity. The minimum allowance shall be effective July 1, 1992, and shall apply to
2 those members who have had their allowance recalculated prior to that date and to
3 disability retirees who will have their benefit allowance recalculated on or after that
4 date. *For individuals who become members on or after July 1, 2021, disability*
5 *retirement payments and any other recurring payments payable by any other*
6 *state-administered retirement system shall be applied to reduce, on a dollar-for-*
7 *dollar basis, the minimum monthly disability retirement allowance payable under*
8 *this subsection.*

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

13 (8) Any member retired by reason of disability may voluntarily waive disability benefits
14 and return to teaching or any individual who became a member prior to January 1,
15 2019, who is age sixty (60) years or older, may elect to waive disability benefits and
16 retire for service on the basis of service credited to the member on the effective date
17 of the disability retirement, or any individual who becomes a member on or after
18 January 1, 2019, who is sixty-five (65) years of age or older, may elect to waive
19 disability benefits and retire for service on the basis of his or her accumulated
20 account balance and service credited to the member on the effective date of
21 disability retirement.

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

- 1 (10) A member retired by reason of disability shall be required to undergo periodic
2 examinations at the discretion of the board of trustees to determine whether the
3 disability allowance shall be continued. When examination and recommendation of
4 a medical review committee indicate the disability no longer exists, the allowance
5 shall be discontinued.
- 6 (11) Eligibility for payment shall begin on the first day of the month following receipt of
7 the application in the Teachers' Retirement System office, or the first of the month
8 next following the last payment of salary or sick leave benefits by the employer,
9 whichever is the later date.
- 10 (12) No person who receives a disability allowance may be employed in a position that
11 entails duties or qualification requirements similar to positions subject to
12 participation in the retirement system either within or without the State of
13 Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the
14 allowance from the first date of this service. **For purposes of this subsection and**
15 **subsection (13) of this section, "employment" and "occupation," and derivatives**
16 **thereof, mean any activity engaged in by the member receiving disability**
17 **allowance from which income is earned.** A member who applies for and is
18 approved for disability retirement on or after July 1, 2002, and whose annual
19 disability benefit is less than forty thousand dollars (\$40,000) may earn income in
20 any occupation other than covered employment only to the extent that the annual
21 income from the other employment when added to the annual disability benefit does
22 not exceed forty thousand dollars (\$40,000). For any member who exceeds this
23 limit as a result of income from other employment, the Kentucky Teachers'
24 Retirement System shall reduce the member's disability benefit on a dollar-for-
25 dollar basis for each dollar that the member's combined annual disability benefit and
26 annual income from other employment exceeds forty thousand dollars (\$40,000).
27 The board of trustees may annually increase the forty thousand dollar (\$40,000)

1 limit by the percentage increase in the annual average of the consumer price index
2 for all urban consumers for the most recent calendar year as published by the
3 Federal Bureau of Labor Statistics, not to exceed five percent (5%). *The retirement*
4 *system may require income verification from the member, including but not*
5 *limited to copies of tax returns and federal forms W-2 and W-4P.*

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

17 (14) The board of trustees shall designate medical review committees, each consisting of
18 three (3) licensed physicians. A medical review committee shall pass upon all
19 applications for disability retirement and upon all applicant statements, medical
20 certifications, and examinations submitted in connection with disability
21 applications. The disposition of each case shall be recommended by a medical
22 review committee in writing to the retirement system. Members of a medical review
23 committee shall follow administrative regulations regarding procedures as the board
24 of trustees may enact and shall be paid reasonable fees and expenses as authorized
25 by the board of trustees in compliance with the provisions of KRS 161.330 and
26 161.340. The retirement system may secure additional medical examinations and
27 information as it deems necessary. A member may appeal any final agency decision

1 denying his or her disability retirement application pursuant to the provisions of
2 KRS 161.250(2).

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

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

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

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

1 Retirement System upon all property of the person who improperly receives benefits
2 and does not repay those benefits. The ~~Kentucky~~ Teachers' Retirement System
3 may, in order to collect an outstanding debt, reduce or terminate any benefit that a
4 member is otherwise entitled to receive.

5 ➔Section 25. KRS 161.680 is amended to read as follows:

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

11 **(2)** ***The Teachers' Retirement System shall take all practicable and cost-effective***
12 ***steps to collect overpayments from a member's or retiree's account. Methods of***
13 ***correction of overpayments from any member's or retiree's account shall include***
14 ***but are not limited to reclamation of the overpayment from the member's or***
15 ***retiree's account at the depository bank, the deduction of moneys from account***
16 ***refunds, deduction from the retirement allowance or joint and survivor annuity***
17 ***payable from the account, and deduction of moneys from the life insurance***
18 ***benefit. Collection of overpayments shall be initiated regardless of the designated***
19 ***beneficiary for any amounts payable from the account.***

20 ➔Section 26. The amendments to subsection (9) of Section 2 of this Act and any
21 administrative regulations promulgated as a result of the amendments to subsection (9) of
22 Section 2 of this Act shall not result in any additional increases in benefits to members
23 and annuitants or any additional increases in liabilities to the system.