

1 AN ACT relating to the Teachers' Retirement System and declaring an emergency.

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

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

4 (1) As used in this section:

5 (a) "Teacher" shall mean any person for whom certification is required as a basis
6 of employment in the common schools of the state;

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

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

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

18 (e) "Assault" shall mean an act that intentionally causes injury so significant that
19 the victim is determined to be, by certification of a physician or surgeon duly
20 qualified under KRS Chapter 342, incapable of performing the duties of his or
21 her job.

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

1 ill, or for the purpose of mourning a member of his or her immediate family. The
2 ten (10) days of sick leave granted in this subsection may be taken by a teacher or
3 employee on any ten (10) days of the school year and shall be granted in addition to
4 accumulated sick leave days that have been credited to the teacher or employee
5 under the provisions of subsection (4) of this section.

6 (3) A school district shall coordinate among the income and benefits from workers'
7 compensation, temporary disability retirement, and district payroll and benefits so
8 that there is no loss of income or benefits to a teacher or employee for work time
9 lost because of an assault while performing the teacher's or employee's assigned
10 duties for a period of up to one (1) year after the assault. In the event a teacher or
11 employee suffers an assault while performing his or her assigned duties that results
12 in injuries that qualify the teacher or employee for workers' compensation benefits,
13 the district shall provide leave to the teacher or employee for up to one (1) year
14 after the assault with no loss of income or benefits under the following conditions:

15 (a) The district shall pay the salary of the teacher or employee between the time
16 of the assault and the time the teacher's or employee's workers' compensation
17 income benefits take effect, or the time the teacher or employee is certified to
18 return to work by a physician or surgeon duly qualified under KRS Chapter
19 342, whichever is sooner;

20 (b) The district shall pay, for up to one (1) year from the time of the assault, the
21 difference between the salary of the teacher or employee and any workers'
22 compensation income benefits received by the teacher or employee resulting
23 from the assault. Payments by the district shall include payments for
24 intermittent work time missed as a result of the assault during the one (1) year
25 period. If the teacher's or employee's workers' compensation income benefits
26 cease during the one (1) year period after the assault, the district shall also
27 cease to make payments under this paragraph;

- 1 (c) The Commonwealth, through the Kentucky Department of Education, shall
2 make the employer's health insurance contribution during the period that the
3 district makes payments under paragraphs (a) and (b) of this subsection;
- 4 (d) The Commonwealth, through the Kentucky Department of Education, shall
5 make the employer's contribution to the retirement system in which the
6 teacher or employee is a member during the period that the district makes
7 payments under paragraphs (a) and (b) of this subsection; and
- 8 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this
9 subsection shall be coordinated with workers' compensation benefits under
10 KRS Chapter 342, disability retirement benefits for teachers under KRS
11 161.661 to 161.663, and disability retirement benefits for employees under
12 KRS 61.600 to 61.621 and 78.5522, 78.5524, 78.5526, 78.5528, and 78.5530
13 so that the teacher or employee receives income equivalent to his or her full
14 contracted salary, but in no event shall the combined payments exceed one
15 hundred percent (100%) of the teacher's or employee's full contracted salary.
- 16 (4) Days of sick leave not taken by an employee or a teacher during any school year
17 shall accumulate without limitation and be credited to that employee or teacher.
18 Accumulated sick leave may be taken in any school year. Any district board of
19 education may, in its discretion, allow employees or teachers in its common school
20 system sick leave in excess of the number of days prescribed in this section and
21 may allow school district employees and teachers to use up to three (3) days' sick
22 leave per school year for emergency leave pursuant to KRS 161.152(3). Any
23 accumulated sick leave days credited to an employee or a teacher shall remain so
24 credited in the event he or she transfers his or her place of employment from one (1)
25 school district to another within the state or to the Kentucky Department of
26 Education or transfers from the Department of Education to a school district.
- 27 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to

1 the opening day of the school year, an affidavit or a certificate of a physician is
2 presented to the district board of education, stating that the teacher or employee is
3 unable to commence his or her duties on the opening day of the school year, but
4 will be able to assume his or her duties within a period of time that the board
5 determines to be reasonable.

6 (6) Any school teacher or employee may repurchase previously used sick leave days
7 with the concurrence of the local school board by paying to the district an amount
8 equal to the total of all costs associated with the used sick leave.

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

17 (8) (a) A district board of education shall establish a sick leave donation program to
18 permit teachers or employees to voluntarily contribute sick leave to teachers
19 or employees in the same school district who are in need of an extended
20 absence from school. A teacher or employee who has accrued more than
21 fifteen (15) days' sick leave may request the board of education to transfer a
22 designated amount of sick leave to another teacher or employee who is
23 authorized to receive the sick leave donated. A teacher or employee may not
24 request an amount of sick leave be donated that reduces his or her sick leave
25 balance to less than fifteen (15) days.

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

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

- 1 family suffers from a medically certified illness, injury,
2 impairment, or physical or mental condition that has caused or is
3 likely to cause the teacher or employee to be absent for at least ten
4 (10) days; or
- 5 b. The teacher or employee suffers from a catastrophic loss to his or
6 her personal or real property, due to either a natural disaster or fire,
7 that either has caused or will likely cause the employee to be
8 absent for at least ten (10) consecutive working days;
- 9 2. The teacher's or employee's need for the absence and use of leave are
10 certified by a licensed physician for leave requested under subparagraph
11 1.a. of this subsection;
- 12 3. The teacher or employee has exhausted his or her accumulated sick
13 leave, personal leave, and any other leave granted by the school district;
14 and
- 15 4. The teacher or employee has complied with the school district's policies
16 governing the use of sick leave.
- 17 (c) While a teacher or employee is on sick leave provided by this section, he or
18 she shall be considered a school district employee, and his or her salary,
19 wages, and other employee benefits shall not be affected.
- 20 (d) Any sick leave that remains unused, is not needed by a teacher or employee,
21 and will not be needed in the future shall be returned to the teacher or
22 employee donating the sick leave.
- 23 (e) The board of education shall adopt policies and procedures necessary to
24 implement the sick leave donation program.
- 25 (9) A teacher or employee may use up to thirty (30) days of sick leave following the
26 birth or adoption of a child or children. Additional days may be used when the need
27 is verified by a physician's statement.

- 1 (10) (a) After July 1, 1982, a district board of education may compensate, at the time
2 of retirement or upon the death of a member in active contributing status at
3 the time of death who was eligible to retire by reason of service, an employee
4 or a teacher, or the estate of an employee or teacher, for each unused sick
5 leave day. The rate of compensation for each unused sick leave day shall be
6 based on a percentage of the daily salary rate calculated from the employee's
7 or teacher's last annual salary, not to exceed thirty percent (30%).
- 8 (b) ~~Except as provided in paragraph (c) of this subsection,~~ Payment for unused
9 sick leave days under this subsection shall be incorporated into the annual
10 salary of the final year of service for inclusion in the calculation of the
11 employee's or teacher's retirement allowance only at the time of his or her
12 initial retirement, provided that the member makes the regular retirement
13 contribution for members on the sick leave payment. The accumulation of
14 these days includes unused sick leave days held by the employee or teacher at
15 the time of implementation of the program.
- 16 (c) ~~For a teacher or employee who becomes a nonuniversity member of the~~
17 ~~Teachers' Retirement System on or after January 1, 2022, as provided by KRS~~
18 ~~161.220, payment for unused sick leave days under this subsection shall not~~
19 ~~be incorporated into the annual compensation used to calculate the teacher's or~~
20 ~~employee's retirement allowance in the foundational benefit component as~~
21 ~~described by KRS 161.633 but may be deposited into the nonuniversity~~
22 ~~member's supplemental benefit component as provided by KRS 161.635.~~
- 23 (d) ~~For a teacher or employee who begins employment with a local school~~
24 ~~district on or after July 1, 2008, the maximum amount of unused sick leave~~
25 ~~days a district board of education may recognize in calculating the payment of~~
26 ~~compensation to the teacher or employee under this subsection shall not~~
27 ~~exceed three hundred (300) days.~~

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

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

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

10 As used in KRS 161.220 to 161.716 and 161.990:

11 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to
12 161.716 and 161.990 for payment of allowances to members;

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

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

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

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

26 (b) Eastern Kentucky University, Kentucky State University, Morehead State
27 University, Murray State University, Western Kentucky University, and any

- 1 community colleges established under the control of these universities;
- 2 (c) State-operated secondary area vocational education or area technology
3 centers, Kentucky School for the Blind, and Kentucky School for the Deaf;
- 4 (d) Other public education agencies as created by the General Assembly and
5 those members of the administrative staff of the Teachers' Retirement System
6 of the State of Kentucky whom the board of trustees may designate by
7 administrative regulation;
- 8 (e) Regional cooperative organizations formed by local boards of education or
9 other public educational institutions listed in this subsection, for the purpose
10 of providing educational services to the participating organizations;
- 11 (f) All full-time members of the staffs of the Kentucky Association of School
12 Administrators, Kentucky Education Association, Kentucky Vocational
13 Association, Kentucky High School Athletic Association, Kentucky
14 Academic Association, and the Kentucky School Boards Association who
15 were members of the Kentucky Teachers' Retirement System or were
16 qualified for a position covered by the system at the time of employment by
17 the association in the event that the board of directors of the respective
18 association petitions to be included. The board of trustees of the Kentucky
19 Teachers' Retirement System may designate by resolution whether part-time
20 employees of the petitioning association are to be included. The state shall
21 make no contributions on account of these employees, either full-time or part-
22 time. The association shall make the employer's contributions, including any
23 contribution that is specified under KRS 161.550. The provisions of this
24 paragraph shall be applicable to persons in the employ of the associations on
25 or subsequent to July 1, 1972;
- 26 (g) Employees of the Council on Postsecondary Education who were employees
27 of the Department for Adult Education and Literacy and who were members

- 1 of the Kentucky Teachers' Retirement System at the time the department was
2 transferred to the council pursuant to Executive Order 2003-600;
- 3 (h) The Office of Career and Technical Education;
- 4 (i) The Office of Vocational Rehabilitation;
- 5 (j) The Kentucky Educational Collaborative for State Agency Children;
- 6 (k) The Governor's Scholars Program;
- 7 (l) Any person who is retired for service from the retirement system and is
8 reemployed by an employer identified in this subsection in a position that the
9 board of trustees deems to be a member~~[-except that any person who becomes~~
10 ~~a member on or after January 1, 2022, and subsequently draws a monthly~~
11 ~~lifetime retirement allowance, shall upon reemployment after retirement not~~
12 ~~earn a second retirement account];~~
- 13 (m) Employees of the former Cabinet for Workforce Development who are
14 transferred to the Kentucky Community and Technical College System and
15 who occupy positions covered by the Kentucky Teachers' Retirement System
16 shall remain in the Teachers' Retirement System. New employees occupying
17 these positions, as well as newly created positions qualifying for Teachers'
18 Retirement System coverage that would have previously been included in the
19 former Cabinet for Workforce Development, shall be members of the
20 Teachers' Retirement System;
- 21 (n) Effective January 1, 1998, employees of state community colleges who are
22 transferred to the Kentucky Community and Technical College System shall
23 continue to participate in federal old age, survivors, disability, and hospital
24 insurance, and a retirement plan other than the Kentucky Teachers' Retirement
25 System offered by Kentucky Community and Technical College System. New
26 employees occupying positions in the Kentucky Community and Technical
27 College System as referenced in KRS 164.5807(5) that would not have

1 previously been included in the former Cabinet for Workforce Development,
2 shall participate in federal old age, survivors, disability, and hospital
3 insurance and have a choice at the time of employment of participating in a
4 retirement plan provided by the Kentucky Community and Technical College
5 System, including participation in the Kentucky Teachers' Retirement System,
6 on the same basis as faculty of the state universities as provided in KRS
7 161.540 and 161.620;

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

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

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

20 (r) Employees of the Office of Adult Education within the Department of
21 Workforce Development in the Education and Labor Cabinet who were
22 employees of the Council on Postsecondary Education, Kentucky Adult
23 Education Program and who were members of the Kentucky Teachers'
24 Retirement System at the time the Program was transferred to the cabinet
25 pursuant to Executive Orders 2019-0026 and 2019-0027; and

26 (s) Employees of the Education Professional Standards Board who were
27 members of the Kentucky Teachers' Retirement System at the time the

1 employees were transferred to the Kentucky Department of Education
2 pursuant to Executive Order 2020-590;

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

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

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

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

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

1 highest annual salaries used to calculate the final average salary was paid within the
2 three (3) years immediately prior to the date of the member's retirement ~~for~~
3 ~~individuals who become members prior to January 1, 2022, or within the five (5)~~
4 ~~years immediately prior to the date of the member's retirement for individuals who~~
5 ~~become members on or after January 1, 2022],~~ the amount of salary to be included
6 for each of those three (3) years ~~for five (5) years, as applicable,~~ for the purpose of
7 calculating the final average salary shall be limited to the lesser of:

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

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

1 position or in length of employment. This limitation shall also not apply to the
2 payment to a member for accrued annual leave if the individual becomes a member
3 before July 1, 2008, or accrued sick leave which is authorized by statute and which
4 shall ~~for individuals subject to KRS 161.155(10) who became nonuniversity~~
5 ~~members of the system prior to January 1, 2022,~~ be included as part of a retiring
6 member's annual compensation for the member's last year of active service as
7 *provided by Section 1 of this Act;*

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

1 annual compensation shall not include lump-sum payments upon termination of
2 employment for accumulated annual or compensatory leave;

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

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

13 (13) "Regular interest" means:

14 (a) For an individual who becomes a member prior to July 1, 2008, interest at
15 three percent (3%) per annum; ~~and~~[-];

16 (b) For an individual who becomes a member on or after July 1, 2008, ~~but prior~~
17 ~~to January 1, 2022,~~ interest at two and one-half percent (2.5%) per annum for
18 purposes of crediting interest to the teacher savings account or any other
19 contributions made by the employee that are refundable to the employee upon
20 termination of employment[-; and

21 ~~(c) For an individual who becomes a member on or after January 1, 2022, the~~
22 ~~rolling five (5) year yield on a thirty (30) year United States Treasury bond as~~
23 ~~of the end of May prior to the most recently completed fiscal year, except~~
24 ~~that:~~

25 ~~1. Once the member has at least sixty (60) months of service in the system~~
26 ~~it shall mean interest at two and one half percent (2.5%) per annum for~~
27 ~~purposes of crediting interest to employee contributions in the~~

1 ~~foundational benefit component or any other contributions made by the~~
2 ~~employee to the foundational benefit component that are refundable to~~
3 ~~the employee upon termination of employment; and~~

4 ~~2. The board shall have the authority to adjust the regular interest rate for~~
5 ~~individuals who become members on or after January 1, 2022, in~~
6 ~~accordance with KRS 161.633 and 161.634];~~

7 (14) "Accumulated contributions" means the contributions of a member to the teachers'
8 savings fund, including picked-up member contributions as described in KRS
9 161.540(2), plus accrued regular interest;

10 (15) "Annuitant" means a person who receives a retirement allowance or a disability
11 allowance;

12 (16) "Local retirement system" means any teacher retirement or annuity system created
13 in any public school district in Kentucky in accordance with the laws of Kentucky;

14 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The
15 retirement plan year is concurrent with this fiscal year. A contract for a member
16 employed by a local board of education may not exceed two hundred sixty-one
17 (261) days in the fiscal year;

18 (18) "Public schools" means the schools and other institutions mentioned in subsection
19 (4) of this section;

20 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was
21 receiving, at the time of death of the member, at least one-half (1/2) of the support
22 from the member for maintenance, including board, lodging, medical care, and
23 related costs;

24 (20) "Active contributing member" means a member currently making contributions to
25 the Teachers' Retirement System, who made contributions in the next preceding
26 fiscal year, for whom picked-up member contributions are currently being made, or
27 for whom these contributions were made in the next preceding fiscal year;

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

- 1 (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a
2 participant, who is designated to be paid retirement benefits in a qualified domestic
3 relations order;
- 4 (27) "University member" means an individual who becomes a member through
5 employment with an employer specified in subsection (4)(b) and (n) of this section;
- 6 (28) "Nonuniversity member" means an individual who becomes a member through
7 employment with an employer specified under subsection (4) of this section, except
8 for those members employed by an employer specified in subsection (4)(b) and (n)
9 of this section; *and*
- 10 ~~(29) ["Accumulated employer contribution" means the employer contribution deposited~~
11 ~~to a member's account through the supplemental benefit component and regular~~
12 ~~interest credited on such amounts as provided by KRS 161.635 for nonuniversity~~
13 ~~members and KRS 161.636 for university members;~~
- 14 ~~(30) ["Accumulated account balance" means:~~
15 ~~(a) For members who began participating in the system prior to January 1, 2022,]~~
16 ~~the member's accumulated contributions;~~ ~~or~~
17 ~~(b) For members who began participating in the system on or after January 1,~~
18 ~~2022, the combined sum of the member's accumulated contributions and the~~
19 ~~member's accumulated employer contributions;~~
- 20 ~~(31) "Foundational benefit component" means the benefits provided by KRS 161.220 to~~
21 ~~161.716 to individuals who become members on or after January 1, 2022, except~~
22 ~~for the supplemental benefit component and retiree health benefits set forth in KRS~~
23 ~~161.675; and~~
- 24 ~~(32) "Supplemental benefit component" means:~~
25 ~~(a) The benefit established pursuant to KRS 161.635 for individuals who become~~
26 ~~nonuniversity members on or after January 1, 2022; or~~
27 ~~(b) The benefit established pursuant to KRS 161.636 for individuals who become~~

1 ~~university members on or after January 1, 2022].~~

2 ➔Section 3. KRS 161.540 is amended to read as follows:

- 3 (1) (a) Each individual who ~~is~~is~~becomes~~ a contributing nonuniversity member ~~[prior~~
4 ~~to January 1, 2022,]~~shall contribute to the retirement system twelve and eight
5 hundred fifty-five thousandths percent (12.855%) of annual compensation, of
6 which:
- 7 1. Nine and one hundred five thousandths percent (9.105%) of annual
8 compensation shall be used to fund pension benefits; and
 - 9 2. Three and three-quarters percent (3.75%) of annual compensation shall
10 be used to fund retiree health benefits.
- 11 (b) Each individual who ~~is~~is~~becomes~~ a contributing university member ~~[prior to~~
12 ~~January 1, 2022,]~~shall contribute to the retirement system ten and four-tenths
13 percent (10.4%) of annual compensation, of which:
- 14 1. Seven and six hundred twenty-five thousandths percent (7.625%) of
15 annual compensation shall be used to fund pension benefits; and
 - 16 2. Two and seven hundred seventy-five thousandths percent (2.775%) of
17 annual compensation shall be used to fund retiree health benefits.
- 18 (c) ~~[Each individual who becomes a contributing nonuniversity member on or~~
19 ~~after January 1, 2022, shall contribute to the retirement system fourteen and~~
20 ~~three-quarters percent (14.75%) of annual compensation, of which:~~
- 21 1. ~~Nine percent (9%) of annual compensation shall be used to fund pension~~
22 ~~benefits in the foundational benefit component as described by KRS~~
23 ~~161.633. The contribution provided by this subparagraph shall not be~~
24 ~~used to fund the supplemental benefit account as provided by KRS~~
25 ~~161.635;~~
 - 26 2. ~~Two percent (2%) of annual compensation shall fund the required~~
27 ~~employee contribution in the supplemental benefit component in KRS~~

1 ~~161.635, except that the board may direct these contributions on a~~
2 ~~prospective basis into the pension and life insurance funds to contain~~
3 ~~costs of the foundational benefit component within the provisions of~~
4 ~~KRS 161.633; and~~

5 ~~3. Three and three quarters percent (3.75%) of annual compensation shall~~
6 ~~be used to fund retiree health benefits.~~

7 ~~(d) Each individual who becomes a contributing university member on or after~~
8 ~~January 1, 2022, shall contribute to the retirement system nine and seven~~
9 ~~hundred seventy five thousandths percent (9.775%) of annual compensation,~~
10 ~~of which:~~

11 ~~1. Five percent (5%) of annual compensation shall be used to fund pension~~
12 ~~benefits in the foundational benefit component as described by KRS~~
13 ~~161.634. The contribution provided by this subparagraph shall not be~~
14 ~~used to fund the supplemental benefit account as provided by KRS~~
15 ~~161.636;~~

16 ~~2. Two percent (2%) of annual compensation shall fund the required~~
17 ~~employee contribution in the supplemental benefit component in KRS~~
18 ~~161.636, except that the board may direct these contributions on a~~
19 ~~prospective basis into the pension and life insurance funds to contain~~
20 ~~costs of the foundational benefit component within the provisions of~~
21 ~~KRS 161.634; and~~

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

24 ~~(e)]When the medical insurance fund established under KRS 161.420(5)~~
25 ~~achieves a sufficient prefunded status as determined by the retirement~~
26 ~~system's actuary, the board of trustees shall recommend to the General~~
27 ~~Assembly that the contributions required under paragraph (a)2. or] (b)2.]~~

1 ~~(e)3., or (d)3.~~ of this subsection shall, in an actuarially accountable manner,
2 be either decreased, suspended, or eliminated.

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

23 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for
24 the purpose of compliance with Section 414(h) of the United States Internal
25 Revenue Code, pick up the member contributions required by this section for all
26 compensation earned after August 1, 1982, and the contributions so picked up shall
27 be treated as employer contributions in determining tax treatment under the United

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

11 ➔Section 4. KRS 161.550 is amended to read as follows:

12 (1) Each employer, except as provided under KRS 161.555, shall contribute annually to
13 the Teachers' Retirement System a permanent employer contribution rate on behalf
14 of each employee it employs equal to:

15 (a) Thirteen and one hundred five thousandths percent (13.105%) of the total
16 annual compensation of nonuniversity members who become members prior
17 to July 1, 2008. Of this permanent employer contribution rate:

18 1. Twelve and three hundred fifty-five thousandths percent (12.355%) of
19 the total annual compensation shall be used to fund pension and life
20 insurance benefits; and

21 2. Three-quarters of a percent (0.75%) of annual compensation shall be
22 used to provide funding to the medical insurance fund as provided under
23 KRS 161.420(5). If the board of trustees establishes a trust fund under
24 26 U.S.C. sec. 115, the board may deposit the employer contribution
25 provided in this subparagraph in that trust fund;

26 (b) Fourteen and one hundred five thousandths percent (14.105%) of the total
27 annual compensation of nonuniversity members who become members on or

1 after July 1, 2008~~, but prior to January 1, 2022~~. Of this permanent employer
2 contribution rate:

- 3 1. Thirteen and three hundred fifty-five thousandths percent (13.355%) of
4 the total annual compensation shall be used to fund pension and life
5 insurance benefits; and
- 6 2. Three-quarters of a percent (0.75%) of annual compensation shall be
7 used to provide funding to the medical insurance fund as provided under
8 KRS 161.420(5). If the board of trustees establishes a trust fund under
9 26 U.S.C. sec. 115, the board may deposit the employer contribution
10 provided in this subparagraph in that trust fund; *and*

11 (c) Thirteen and sixty-five hundredths percent (13.65%) of the total annual
12 compensation of university members ~~who become members prior to January~~
13 ~~1, 2022~~. Of this permanent employer contribution rate:

- 14 1. Ten and eight hundred seventy-five thousandths percent (10.875%) of
15 the total annual compensation shall be used to fund pension and life
16 insurance benefits; and
- 17 2. Two and seven hundred seventy-five thousandths percent (2.775%) of
18 annual compensation shall be used to provide funding to the medical
19 insurance fund as provided under KRS 161.420(5). If the board of
20 trustees establishes a trust fund under 26 U.S.C. sec. 115, the board may
21 deposit the employer contribution provided in this subparagraph in that
22 trust fund;

23 ~~(d) Ten and three quarters percent (10.75%) of the total annual compensation of~~
24 ~~nonuniversity members who become members on or after January 1, 2022. Of~~
25 ~~this permanent employer contribution rate:~~

- 26 1. ~~Eight percent (8%) of the total annual compensation shall be used to~~
27 ~~fund pension and life insurance benefits. The contribution provided by~~

- 1 ~~this subparagraph shall not be used to fund the supplemental benefit~~
2 ~~account as provided by KRS 161.635;~~
- 3 ~~2. Two percent (2%) of the total annual compensation shall be used to fund~~
4 ~~the mandatory employer contribution of the supplemental benefit~~
5 ~~component, except that the board may direct these contributions on a~~
6 ~~prospective basis into the pension and life insurance funds to contain~~
7 ~~costs within the provisions of KRS 161.633; and~~
- 8 ~~3. Three quarters of one percent (0.75%) of annual compensation shall be~~
9 ~~used to provide funding to the medical insurance fund as provided under~~
10 ~~KRS 161.420(5). If the board of trustees establishes a trust fund under~~
11 ~~26 U.S.C. sec. 115, the board may deposit the employer contribution~~
12 ~~provided in this subdivision in that trust fund; and~~
- 13 ~~(e) Nine and seven hundred seventy five thousandths percent (9.775%) of total~~
14 ~~annual compensation of university members who become members on or after~~
15 ~~January 1, 2022. Of this permanent employer contribution rate:~~
- 16 ~~1. Five and seven hundred seventy five thousandths percent (5.775%) of~~
17 ~~the total annual compensation shall be used to fund pension and life~~
18 ~~insurance benefits. The contribution provided by this subparagraph shall~~
19 ~~not be used to fund the supplemental benefit account as provided by~~
20 ~~KRS 161.636;~~
- 21 ~~2. Two percent (2%) of the total annual compensation shall be used to fund~~
22 ~~the mandatory employer contribution of the supplemental benefit~~
23 ~~component, except that the board may direct these contributions on a~~
24 ~~prospective basis into the pension and life insurance funds to contain~~
25 ~~costs within the provisions of KRS 161.634; and~~
- 26 ~~3. Two percent (2%) of annual compensation shall be used to provide~~
27 ~~funding to the medical insurance fund as provided under KRS~~

1 ~~161.420(5). If the board of trustees establishes a trust fund under 26~~
2 ~~U.S.C. sec. 115, the board may deposit the employer contribution~~
3 ~~provided in this subparagraph in that trust fund].~~

4 (2) In addition to the required contributions in subsection (1) of this section, the state
5 shall contribute annually to the Teachers' Retirement System a percentage of the
6 total salaries of the state-funded and federally funded members it employs to pay
7 the cost of health insurance coverage for retirees who are not eligible for Medicare
8 and who retire on or after July 1, 2010, less the amounts that are otherwise required
9 to be paid by the retirees under KRS 161.675. The board shall deposit funds in the
10 medical insurance fund unless the board of trustees has established a trust fund
11 under 26 U.S.C. sec. 115 for this purpose. In this case, the board may deposit the
12 employer contribution in that trust fund. This contribution shall be known as the
13 state medical insurance fund stabilization contribution. The percentage to be
14 contributed by the state under this subsection:

15 (a) Shall be determined by the retirement system's actuary for each biennial
16 budget period;

17 (b) May be suspended or adjusted by the General Assembly if in its judgment the
18 welfare of the Commonwealth so demands; and

19 (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible
20 for Medicare who retire on or after July 1, 2010, or the amount contributed by
21 employers under subsection (3) of this section.

22 (3) All employers who employ nonuniversity members shall make a contribution for
23 each payroll on behalf of their active employees who participate in the Teachers'
24 Retirement System in an amount equal to three percent (3%) of payroll of those
25 active employees. The contribution specified by this subsection shall be used to
26 fund retiree health benefits.

27 (4) When the medical insurance fund established under KRS 161.420(5) achieves a

1 sufficient prefunded status as determined by the Teachers' Retirement System's
 2 actuary, the board of trustees shall recommend to the General Assembly that the
 3 contributions required under subsections (1)(c)2. ~~and (e)3.~~ and (3) of this section
 4 shall, in an actuarially accountable manner, be either decreased, suspended, or
 5 eliminated. The decrease, suspension, or elimination in contributions required
 6 under subsection (1)(c)2. of this section shall not exceed two and twenty-five
 7 thousandths percent (2.025%) of annual compensation. ~~The decrease, suspension,~~
 8 ~~or elimination in contributions required under subsection (1)(e)3. of this section~~
 9 ~~shall not exceed one and twenty five hundredths percent (1.25%) of annual~~
 10 ~~compensation.]~~

11 (5) Each employer shall remit the required employer contributions to the retirement
 12 system under the terms and conditions specified for member contributions under
 13 KRS 161.560. The state shall provide annual appropriations based upon estimated
 14 funds needed to meet the requirements of KRS 161.155, 161.168, 161.507(4),
 15 161.515, 161.545, 161.553, 161.605, 161.612, and 161.620(1), (3), (5), (6), and (7).
 16 In the event an annual appropriation is less than the amount of these requirements,
 17 the state shall make up the deficit in the next biennium budget appropriation to the
 18 retirement system. Employer contributions to the retirement system are for the
 19 exclusive purpose of providing benefits to members and annuitants and these
 20 contributions shall be considered deferred compensation to the members. ~~This~~
 21 ~~subsection shall not apply to costs applicable to individuals who become members~~
 22 ~~on or after January 1, 2022.]~~

23 ➔Section 5. KRS 161.600 is amended to read as follows:

24 (1) ~~[An individual who becomes]~~A member of the retirement system ~~[prior to January~~
 25 ~~1, 2022,]~~may qualify for service retirement by meeting one (1) of the following
 26 requirements:

27 (a) Attainment of age sixty (60) years and completion of five (5) years of

1 Kentucky service;

2 (b) 1. For an individual who becomes a member before July 1, 2008,
3 attainment of age fifty-five (55) years and completion of a minimum of
4 five (5) years of Kentucky service with an actuarial reduction of the
5 basic allowance of five percent (5%) for each year the member's age is
6 less than sixty (60) years or for each year the member's years of
7 Kentucky service credit is less than twenty-seven (27), whichever is the
8 lesser number; and

9 2. For an individual who becomes a member on or after July 1, 2008,
10 attainment of age fifty-five (55) years and completion of a minimum of
11 ten (10) years of Kentucky service with an actuarial reduction of the
12 basic retirement allowance of six percent (6%) for each year the
13 member's age is less than sixty (60) years or for each year the member's
14 years of Kentucky service credit is less than twenty-seven (27),
15 whichever is the lesser number;

16 (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state
17 service earned in accordance with the provisions of KRS 161.515(2) may be
18 used to meet this requirement; or

19 (d) Completion of the necessary years of service under provisions of KRS
20 61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS
21 61.680. A member retiring under this paragraph who has not attained age
22 fifty-five (55) shall incur an actuarial reduction of the basic allowance
23 determined by the system's actuary for each year the member's service credit
24 is less than twenty-seven (27).

25 (2) ~~[An individual who becomes a member of the retirement system on or after January~~
26 ~~1, 2022, shall, except as adjusted by the board pursuant to KRS 161.633 or 161.634,~~
27 ~~as applicable, be eligible to retire upon attainment of:~~

- 1 ~~(a) — Age sixty five (65) and completion of a minimum of five (5) years of Kentucky~~
2 ~~service;~~
- 3 ~~(b) — Age sixty (60) and completion of a minimum of ten (10) years of Kentucky service;~~
- 4 ~~(c) — Age fifty seven (57) and completion of a minimum of thirty (30) years of Kentucky~~
5 ~~service; or~~
- 6 ~~(d) — Age fifty seven (57) and completion of a minimum of ten (10) years of Kentucky~~
7 ~~service with an actuarial reduction of the basic retirement allowance of six percent~~
8 ~~(6%) for each year the member's age is less than sixty (60) years or for each year~~
9 ~~the member's years of Kentucky service credit is less than thirty (30), whichever is~~
10 ~~the lesser number.~~
- 11 ~~(3) —~~ Any person who has been a member in Kentucky for twenty-seven (27) years or
12 more and who withdraws from covered employment may continue to pay into the
13 fund each year until the end of the fiscal year in which he or she reaches the age of
14 sixty-five (65) years, the current contribution rate based on the annual
15 compensation received during the member's last full year in covered employment,
16 less any payment received for accrued sick leave or accrued leave from an
17 employer. The member shall be entitled to receive a retirement allowance as
18 provided in KRS 161.620 at any time after withdrawing from covered employment
19 and payment of contributions under this subsection. No member shall make
20 contributions as provided for in this subsection if the member is at the same time
21 making contributions to another retirement system in Kentucky supported wholly or
22 in part by public funds.
- 23 ~~(3)~~~~(4)~~ Service credit in the Kentucky Employees Retirement System, the State
24 Police Retirement System, the Legislators' Retirement Plan, the County Employees
25 Retirement System, or the Judicial Retirement System may be used in meeting the
26 service requirements of subsection~~subsections~~ (1)(a) to (c)~~— and (2)~~ of this
27 section, provided the service is subsequent to July 1, 1956.

1 ~~(4)~~~~(5)~~ Upon death, disability, or service retirement, a member's accounts under all
2 state supported retirement systems shall be consolidated, as provided by this section
3 and by KRS 61.680, for the purpose of determining eligibility and amount of
4 benefits, which shall include medical benefits. Upon determination of benefits, each
5 system shall pay the applicable percentage of total benefits. The effective date of
6 retirement under this subsection shall be determined by each retirement system for
7 the portion of the payments that will be made.

8 ~~(5)~~~~(6)~~ No retirement annuity shall be effective until written application and option
9 election forms are filed with the retirement office in accordance with administrative
10 regulations of the board of trustees. A member may withdraw his or her retirement
11 application, postpone his or her effective retirement date, or change his or her
12 retirement option if these elections are made no later than the fifteenth day of the
13 month in which the member has made application for retirement.

14 ~~(6)~~~~(7)~~ The surviving spouse of an active contributing member, if named as
15 beneficiary of the member's account, may purchase retirement credit that the
16 member was eligible to purchase prior to the member's death.

17 ➔Section 6. KRS 161.620 is amended to read as follows:

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

20 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise
21 provided by this section, the annual allowance for each year of service shall
22 be two percent (2%) of the final average salary for service performed prior to
23 July 1, 1983, and two and one-half percent (2.5%) of the final average salary
24 for service performed after July 1, 1983, for all nonuniversity members.
25 Except as otherwise provided by this section, the annual retirement allowance
26 for each year of service performed by members of the Teachers' Retirement
27 System who are university members shall be two percent (2%) of the final

1 average salary. Actuarial discounts due to age or service credit at retirement
2 may be applied as provided in this section;

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

12 (c) The board of trustees may approve for members who initially retire on or after
13 July 1, 2004, and who become nonuniversity members before July 1, 2008, a
14 retirement allowance of three percent (3%) of the member's final average
15 salary for each year or partial year of service credit earned in excess of thirty
16 (30) years. This three percent (3%) factor shall be in lieu of the two and one-
17 half percent (2.5%) factor provided for in paragraph (b) of this subsection for
18 every year or fraction of a year of service in excess of thirty (30) years. Upon
19 approval of this three percent (3%) retirement factor, the board of trustees
20 may establish conditions of eligibility regarding the type of service credit that
21 will qualify for meeting the requirements of this subsection. This subsection is
22 optional with the board of trustees and shall not be subject to KRS 161.714;

23 (d) For individuals who become nonuniversity members of the Teachers'
24 Retirement System on or after July 1, 2008~~, but prior to January 1, 2022~~, the
25 retirement allowance shall be:

26 1. a. One and seven-tenths percent (1.7%) of the member's final
27 average salary for each year of service if the member has earned

- 1 ten (10) or less years of service at retirement;
- 2 b. Two percent (2%) of the member's final average salary for each
3 year of service if the member has earned greater than ten (10) but
4 no more than twenty (20) years of service at retirement;
- 5 c. Two and three-tenths percent (2.3%) of the member's final average
6 salary for each year of service if the member has earned greater
7 than twenty (20) but no more than twenty-six (26) years of service
8 at retirement; or
- 9 d. Two and one-half percent (2.5%) of the member's final average
10 salary for each year of service if the member has earned greater
11 than twenty-six (26) but no more than thirty (30) years of service
12 at retirement; and
- 13 2. Three percent (3%) of the member's final average salary for each year or
14 partial year of service earned in excess of thirty (30) years of service at
15 retirement subject to the same terms and conditions as set forth in
16 paragraph (c) of this subsection;
- 17 (e) For individuals who become university members of the Teachers' Retirement
18 System on or after July 1, 2008~~, but prior to January 1, 2022~~, the retirement
19 allowance shall be:
- 20 1. One and one-half percent (1.5%) of the member's final average salary
21 for each year of service if the member has earned ten (10) or less years
22 of service at retirement;
- 23 2. One and seven-tenths percent (1.7%) of the member's final average
24 salary for each year of service if the member has earned greater than ten
25 (10) but no more than twenty (20) years of service at retirement;
- 26 3. One and eighty-five hundredths percent (1.85%) of the member's final
27 average salary for each year of service if the member has earned greater

1 than twenty (20) but less than twenty-seven (27) years of service at
2 retirement; or

3 4. Two percent (2%) of the member's final average salary for each year of
4 service if the member has earned twenty-seven (27) or more years of
5 service at retirement; and

6 (f) ~~{For individuals who become nonuniversity members of the Teachers'~~
7 ~~Retirement System on or after January 1, 2022, the retirement allowance~~
8 ~~shall, except as adjusted by the board pursuant to KRS 161.633, be the~~
9 ~~following percentage of the member's final average salary for each year~~
10 ~~of service:~~

11 1. ~~One and seven tenths percent (1.7%), which shall be increased~~
12 ~~incrementally each month the member's age at retirement is greater than~~
13 ~~sixty (60) so that the incremental increase is four one hundredths of one~~
14 ~~percent (0.04%) for each complete additional year of age at retirement in~~
15 ~~excess of sixty (60), not to exceed a value of one and nine tenths percent~~
16 ~~(1.9%) at age sixty five (65) or greater; plus~~

17 2. a. ~~One quarter of one percent (0.25%), if the member has earned at~~
18 ~~least twenty (20) but less than thirty (30) years of service at~~
19 ~~retirement; or~~

20 b. ~~One half of one percent (0.50%), if the member has earned thirty~~
21 ~~(30) or more years of service at retirement;~~

22 (g) ~~For individuals who become university members of the Teachers' Retirement~~
23 ~~System on or after January 1, 2022, the retirement allowance shall, except as~~
24 ~~adjusted by the board pursuant to KRS 161.634, be the following percentage~~
25 ~~of the member's final average salary for each year of service:~~

26 1. ~~Seven tenths of one percent (0.7%), which shall be increased~~
27 ~~incrementally each month the member's age at retirement is greater than~~

1 ~~sixty (60) so that the incremental increase is four one-hundredths of one~~
 2 ~~percent (0.04%) for each complete additional year of age in excess of~~
 3 ~~sixty (60), not to exceed a value of nine-tenths of one percent (0.9%) at~~
 4 ~~age sixty-five (65) or greater; plus~~

5 ~~2. a. One-quarter of one percent (0.25%), if the member has earned at~~
 6 ~~least twenty (20) but less than thirty (30) years of service at~~
 7 ~~retirement; or~~

8 ~~b. One-half of one percent (0.50%), if the member has earned thirty~~
 9 ~~(30) or more years of service at retirement; and~~

10 ~~(h)]~~The retirement allowance of a member at retirement, as measured on a life
 11 annuity, shall not exceed the member's last yearly salary or the member's final
 12 average salary, whichever is the greater amount. For purposes of this section,
 13 "yearly salary" means the compensation earned by a member during the most
 14 recent period of contributing service, either consecutive or nonconsecutive,
 15 preceding the member's effective retirement date and shall be subject to the
 16 provisions of KRS 161.220(9) and (10)~~[. This paragraph shall not apply to the~~
 17 ~~supplemental benefit component].~~

18 (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance
 19 of each retired member and of each beneficiary of a retirement option shall be
 20 increased in the amount of one and one-half percent (1.5%), provided the retired
 21 member had been retired for at least the full twelve (12) months immediately
 22 preceding the date that the increase is effective. In the event that the retired member
 23 had been retired for less than the full twelve (12) months immediately preceding the
 24 date that the increase is effective, then the increase shall be reduced on a pro rata
 25 basis by each month that the retired member had not been retired for the full twelve
 26 (12) months immediately preceding the effective date of the increase~~[. This~~
 27 ~~subsection shall not apply to benefits from the supplemental benefit component, and~~

1 ~~the board may adjust this value for individuals who become members on or after~~
2 ~~January 1, 2022, as provided by KRS 161.633 or 161.634, as applicable].~~

- 3 (3) Any member qualifying for retirement under a life annuity with refundable balance
4 shall be entitled to receive an annual allowance amounting to not less than four
5 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty
6 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the
7 member. These minimums shall apply to the retired members receiving annuity
8 payments and to those members retiring on or subsequent to the effective dates
9 listed in this subsection, except the following:
- 10 (a) Individuals who become members of the Teachers' Retirement System on or
11 after July 1, 2008; or
- 12 (b) Members whose retirement allowance payment is reduced below the
13 minimum allowance as a result of its division in a qualified domestic relations
14 order or any other provision permitted under KRS 161.700.
- 15 (4) The minimum retirement allowance provided in this section shall apply in the case
16 of members retired or retiring under an option other than a life annuity with
17 refundable balance in the same proportion to the benefits of the member and his or
18 her beneficiary or beneficiaries as provided in the duly-adopted option tables at the
19 time of the member's retirement.
- 20 (5) Effective July 1, 2008, the monthly allowance of each retired member and each
21 recipient of a retirement option of the retired member may be increased in an
22 amount not to exceed three and one-half percent (3.5%) of the monthly allowance
23 in effect the previous month, provided the retired member had been retired for at
24 least the full twelve (12) months immediately preceding the date that the increase is
25 effective. In the event that the retired member had been retired for less than the full
26 twelve (12) months immediately preceding the date that the increase is effective,
27 then the increase shall be reduced on a pro rata basis by each month that the retired

1 member had not been retired for the full twelve (12) months immediately preceding
2 the effective date of the increase. The level of increase provided for in this
3 subsection shall be determined by the funding provided in the 2008-2010 biennium
4 budget appropriation.

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

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

27 (8) Members of the Teachers' Retirement System shall be subject to the annuity income

1 limitations imposed by Section 415 of the Internal Revenue Service Code.

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

9 ➔Section 7. KRS 161.655 is amended to read as follows:

10 (1) Effective July 1, 2000, the Teachers' Retirement System shall:

11 (a) Provide a life insurance benefit in a minimum amount of five thousand dollars
12 (\$5,000) for its members who are retired for service or disability~~], except that~~
13 ~~the minimum amount for an individual who becomes a member on or after~~
14 ~~January 1, 2022, and retires for service or disability shall be ten thousand~~
15 ~~dollars (\$10,000)].~~ This life insurance benefit shall be payable upon the death
16 of a member retired for service or disability to the member's estate or to a
17 party designated by the member on a form prescribed by the retirement
18 system; and

19 (b) Provide a life insurance benefit in a minimum amount of two thousand dollars
20 (\$2,000) for its active contributing members~~], except that the minimum~~
21 ~~amount for an individual who becomes a member on or after January 1, 2022,~~
22 ~~and is an active contributing member shall be five thousand dollars (\$5,000)].~~
23 This life insurance benefit shall be payable upon the death of an active
24 contributing member to the member's estate or to a party designated by the
25 member on a form prescribed by the retirement system.

26 (2) (a) The member may name one (1) primary and one (1) contingent beneficiary for
27 receipt of the life insurance benefit. To the extent permitted by the Internal

1 Revenue Code, a trust may be designated as beneficiary for receipt of the life
2 insurance benefit.

3 (b) 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.

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

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

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

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

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

1 designated as beneficiary of the trust.

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

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

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

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

18 ➔Section 8. KRS 161.400 is amended to read as follows:

19 (1) (a) The board of trustees shall designate as actuary a competent person who shall
20 be a fellow of the Conference of Consulting Actuaries or a member of the
21 American Academy of Actuaries. He or she shall be the technical adviser of
22 the board on matters regarding the operation of the funds of the system and
23 shall perform such other duties as are required in connection therewith.

24 (b) 1. At least once in each two (2) year period, the board shall cause an
25 actuarial investigation to be made of all of the economic experience
26 under the retirement system, including but not limited to the inflation
27 rate, investment return, and payroll growth assumptions, relative to the

1 economic assumptions and funding methods previously adopted by the
2 board.

3 2. At least once in each five (5) year period, the actuary shall make an
4 actuarial investigation into all of the demographic actuarial assumptions
5 used, including but not limited to mortality tables, withdrawal rates, and
6 retirement rate assumptions, relative to the demographic actuarial
7 assumptions previously adopted by the board.

8 3. Each actuarial investigation shall include at a minimum a summary of
9 the changes in actuarial assumptions and funding methods
10 recommended in the investigation and the projected impact of the
11 recommended changes on funding levels, unfunded liabilities, and
12 actuarially recommended contribution rates for employers over a thirty
13 (30) year period.

14 (c) At least annually the actuary shall make an actuarial valuation of the
15 retirement system. The valuation shall include:

16 1. A description of the actuarial assumptions used, and the assumptions
17 shall be reasonably related to the experience of the system and represent
18 the actuary's best estimate of anticipated experience;

19 2. A description of any funding methods utilized or required by state law in
20 the development of the actuarial valuation results;

21 3. A description of any changes in actuarial assumptions and methods from
22 the previous year's actuarial valuation;

23 4. The actuarially recommended contribution rate for employers for the
24 upcoming budget periods;

25 5. A thirty (30) year projection of the funding levels, unfunded liabilities,
26 and actuarially recommended contribution rates for employers based
27 upon the actuarial assumptions, funding methods, and experience of the

- 1 system as of the valuation date; and
- 2 6. A sensitivity analysis that evaluates the impact of changes in system
3 assumptions, including but not limited to the investment return
4 assumption, payroll growth assumption, and medical inflation rates, on
5 employer contribution rates, funding levels, and unfunded liabilities.
- 6 (d) On the basis of the results of the valuations, the board of trustees shall make
7 necessary changes in the retirement system within the provisions of law and
8 shall establish the contributions payable by employers and the state specified
9 in KRS 161.550~~[, including changes prescribed by KRS 161.633, 161.634,~~
10 ~~161.635, and 161.636, as applicable].~~
- 11 (e) For any change in actuarial assumptions, funding methods, retiree health
12 insurance premiums and subsidies, or any other decisions made by the board
13 that impact system liabilities and actuarially recommended contribution rates
14 for employers and that are not made in conjunction with the actuarial
15 investigations required by paragraph (b) of this subsection, an actuarial
16 analysis shall be completed showing the projected impact of the changes on
17 funding levels, unfunded liabilities, and actuarially recommended contribution
18 rates for employers over a thirty (30) year period.
- 19 (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for
20 all purposes shall be determined by the actuary of the retirement system and
21 approved by the board of trustees by resolution and implemented without the
22 necessity of an administrative regulation.
- 23 (3) A copy of each actuarial investigation, actuarial analysis, and valuation required by
24 subsection (1) of this section shall be forwarded electronically to the Legislative
25 Research Commission no later than ten (10) days after receipt by the board, and the
26 Legislative Research Commission shall distribute the information received to the
27 committee staff and co-chairs of any committee that has jurisdiction over the

1 Teachers' Retirement System. The actuarial valuation required by subsection (1)(c)
 2 of this section shall be submitted no later than November 15 following the close of
 3 the fiscal year.

4 ➔Section 9. KRS 161.420 is amended to read as follows:

5 All of the assets of the retirement system are for the exclusive purpose of providing
 6 benefits to members and annuitants and defraying reasonable expenses of administering
 7 the system. The board of trustees shall be the trustee of all funds of the system and shall
 8 have full power and responsibility for administering the funds. All the assets of the
 9 retirement system shall be credited according to the purpose for which they are held to
 10 one (1) of the following funds:

11 (1) The expense fund shall consist of the funds set aside from year to year by the board
 12 of trustees to defray the expenses of the administration of the retirement system.
 13 Each fiscal year an amount not greater than four percent (4%) of the dividends and
 14 interest income earned from investments during the immediate past fiscal year shall
 15 be set aside into the expense fund or expended for the administration of the
 16 retirement system;

17 (2) (a) The teachers' savings fund shall consist of ~~the~~

18 ~~1. the contributions paid by members of the retirement system into this~~
 19 ~~fund and regular interest assigned by the board of trustees from the~~
 20 ~~guarantee fund;~~ and

21 ~~2. For individuals who become members of the Teachers' Retirement~~
 22 ~~System on or after January 1, 2022, who are participating in the~~
 23 ~~supplemental benefit component, the employer contributions paid into~~
 24 ~~the supplemental benefit component and regular interest on those~~
 25 ~~contributions as provided by KRS 161.635 and 161.636 that is assigned~~
 26 ~~by the board of trustees from the guarantee fund.~~

27 ~~For individuals who become members on or after January 1, 2022, the system~~

1 ~~shall account for funds in the teachers' savings fund attributable to the~~
2 ~~nonuniversity members foundational benefit component, nonuniversity~~
3 ~~members supplemental benefit component, university members foundational~~
4 ~~benefit component, and university members supplemental benefit~~
5 ~~component].~~

6 (b) A member may not borrow any amount of his or her accumulated account
7 balance in the teachers' savings fund, or any regular interest earned thereon.

8 (c) The accumulated contributions or accumulated account balance of a member
9 which are returned to him or her upon his or her withdrawal or paid to his or
10 her estate or designated beneficiary in the event of his or her death shall be
11 paid from the teachers' savings fund.

12 (d) Any accumulated account balance in the teachers' savings fund forfeited by a
13 failure of a teacher or his or her estate to claim these contributions shall be
14 transferred from this fund to the guarantee fund.

15 (e) ~~[Except as provided by paragraph (f) of this subsection,]~~The accumulated
16 account balance of a member in the teachers' savings fund shall be transferred
17 from this fund to the allowance reserve fund in the event of retirement by
18 reason of service or disability[-.

19 ~~(f) For an individual who becomes a member of the Teachers' Retirement System~~
20 ~~on or after January 1, 2022, who is participating in the supplemental benefit~~
21 ~~component who elects to annuitize his or her accumulated account balance in~~
22 ~~the supplemental benefit component as prescribed by KRS 161.635(5)(a) or~~
23 ~~(b) or 161.636(5)(a) or (b), the member's accumulated account balance in the~~
24 ~~supplemental benefit component shall be transferred from this fund to the~~
25 ~~allowance reserve fund];~~

26 (3) The state accumulation fund shall consist of funds paid by employers and
27 appropriated by the state for the purpose of providing annuities and survivor

1 benefits, including any sums appropriated for meeting unfunded liabilities, together
 2 with regular interest assigned by the board of trustees from the guarantee fund. At
 3 the time of retirement or death of a member there shall be transferred from the state
 4 accumulation fund to the allowance reserve fund an amount which together with the
 5 sum transferred from the teachers' savings fund will be sufficient to provide the
 6 member a retirement allowance and provide for benefits under KRS 161.520 and
 7 161.525~~]. There shall also be transferred from the state accumulation fund to the~~
 8 ~~teachers' savings fund, the amount needed to fund the mandatory employer~~
 9 ~~contributions required by KRS 161.635 and 161.636];~~

10 (4) The allowance reserve fund shall be the fund from which shall be paid all
 11 retirement allowances and benefits provided under KRS 161.520 and 161.525. In
 12 addition, whenever a change in the status of a member results in an obligation on
 13 this fund, there shall be transferred to this fund from the teachers' savings fund and
 14 the state accumulation fund, the amounts as may be held in those funds for the
 15 account or benefit of the member;

16 (5) (a) The medical insurance fund, which is an account established according to 26
 17 U.S.C. sec. 401(h), shall consist of amounts accumulated for the purpose of
 18 providing benefits as provided in KRS 161.675, including:

- 19 1. The member contributions required by KRS 161.540(1)(a)2. ~~and~~
 20 (b)2. ~~, (c)3., and (d)3.];~~
- 21 2. The employer contribution required by KRS 161.550(1)(a)2., (b)2.,
 22 (c)2., ~~[(d)3., and (e)3.]~~and (3);
- 23 3. State appropriations as set forth in KRS 161.550(2), unless the
 24 contributions are made to a trust fund under 26 U.S.C. sec. 115
 25 established by the board for this purpose; and
- 26 4. Interest income from the investments of the fund from contributions
 27 received by the fund under subparagraphs 1. to 3. of this paragraph, and

1 from income earned on those investments.

2 (b) All claims for benefits under KRS 161.675 shall be paid from this fund or
3 from any trust fund under 26 U.S.C. sec. 115 as established by the board for
4 this purpose. Any amounts deposited to the fund that are not required to meet
5 current costs shall be maintained as a reserve in the fund for these benefits.
6 The board shall take the necessary and appropriate steps, including
7 promulgating administrative regulations and procedures to maintain the status
8 of the medical insurance fund as an account subject to 26 U.S.C. sec. 401(h);

9 (6) The guarantee fund shall be maintained to facilitate the crediting of uniform interest
10 on the amounts of the other funds, except the expense fund, to finance operating
11 expenses directly related to investment management services, and to provide a
12 contingent fund out of which special requirements of any of the other funds may be
13 covered. All income, interest, and dividends derived from the authorized deposits
14 and investments shall be paid into the guarantee fund. Any funds received from
15 gifts and bequests, which the board is hereby authorized to accept and expend
16 without limitation in a manner either expressed by the donor or deemed to be in the
17 best interest of the membership, shall be credited to the guarantee fund. Any funds
18 transferred from the teachers' savings fund by reason of lack of claimant or because
19 of a surplus in any fund and any other moneys whose disposition is not otherwise
20 provided for, shall also be credited to the guarantee fund. The interest allowed by
21 the board of trustees to each of the other funds shall be paid to these funds from the
22 guarantee fund. Any deficit occurring in any fund that would not be automatically
23 covered shall be met by the payments from the guarantee fund to that fund;

24 (7) The school employee annuity fund shall consist of those funds voluntarily
25 contributed under the provisions of Section 403(b) of the Internal Revenue Code by
26 a member of the Teachers' Retirement System with accounts that existed on or after
27 July 1, 1996. The contributions shall not be picked up as provided in KRS

1 161.540(2). Separate member accounts shall be maintained for each member. The
2 board of trustees may promulgate administrative regulations pursuant to KRS
3 Chapter 13A to manage this program;

4 (8) The supplemental retirement benefit fund shall consist of those funds contributed
5 by the employer for the purpose of constituting a qualified government excess
6 benefit plan as described in Section 415 of the Internal Revenue Code for accounts
7 that existed on or after July 1, 1996. The board of trustees shall promulgate
8 administrative regulations pursuant to KRS Chapter 13A to administer this
9 program; *and*

10 (9) The life insurance benefit fund shall consist of amounts accumulated for the
11 purpose of providing benefits provided under KRS 161.655. The board of trustees
12 may allocate to this fund a percentage of the employer and state contributions as
13 provided under KRS 161.550. The allocation to this fund will be in an amount that
14 the actuary determines necessary to fund the obligation of providing the benefits
15 provided under KRS 161.655[; and

16 ~~(10) The stabilization reserve account shall consist of amounts in two (2) separate~~
17 ~~accounts;~~

18 ~~(a) One (1) that includes employer contributions as provided by KRS 161.550(1)(d)1.~~
19 ~~and 2. that exceeds the combined actuarially required employer contribution for the~~
20 ~~foundational benefit component and the mandatory employer contribution to the~~
21 ~~supplemental benefit component as provided by KRS 161.633 and 161.635 for~~
22 ~~those individuals who become nonuniversity members on or after January 1, 2022;~~
23 ~~and~~

24 ~~(b) One (1) that includes employer contributions as provided by KRS 161.550(1)(e)1.~~
25 ~~and 2. that exceeds the combined actuarially required employer contribution for the~~
26 ~~foundational benefit component and the mandatory employer contribution to the~~
27 ~~supplemental benefit component as provided by KRS 161.634 and 161.636 for~~

1 ~~those individuals who become university members on or after January 1, 2022.~~

2 ~~— Notwithstanding any other statute to the contrary, funds in these accounts shall only~~
3 ~~be used to pay off the unfunded liability of the pension and life insurance funds].~~

4 ➔Section 10. KRS 161.470 is amended to read as follows:

- 5 (1) The membership of the retirement system shall consist of all new members, all
6 present teachers, and all persons participating under the retirement system as of
7 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.
8 The board of trustees of the Teachers' Retirement System shall be responsible for
9 final determination of membership eligibility and may direct employers to take
10 whatever action that may be necessary to correct any error relating to membership.
- 11 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service
12 it shall be as a new member, except that any teacher who withdraws by claiming his
13 or her deposits may repay the system the amount withdrawn plus interest and
14 reestablish his or her service credit as provided in subsection (3) of this section.
- 15 (3) Effective July 1, 1988, and thereafter, an active contributing member of the
16 retirement system with contributing service equal to one (1) year may regain service
17 credit by depositing in the teachers' savings fund the amount withdrawn with
18 interest at the rate to be set by the board of trustees, and computed from the first of
19 the month of withdrawal and including the month of redeposit.
- 20 (4) Effective July 1, 1974, any active contributing member with at least two (2) years
21 of contributing service credit who declined membership as provided in Acts 1938
22 (1st Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and
23 for any subsequent service prior to date of membership, by depositing in the
24 teachers' savings fund contributions for each year of subsequent service prior to
25 date of membership, with interest at the rate of eight percent (8%) compounded
26 annually to the date of deposit.
- 27 (5) Membership in the retirement system shall be terminated:

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

10 1. Notwithstanding any provision of law to the contrary, a person whose
11 membership begins on or after August 1, 2000, who is convicted, in any
12 state or federal court of competent jurisdiction, of a felony related to his
13 or her employment shall forfeit rights and benefits earned under the
14 retirement system, except for the return of his or her accumulated
15 contributions and interest credited on those contributions.

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

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

24 (6) In case of withdrawal from service prior to eligibility for retirement, the board of
25 trustees shall on request of the member return all of his or her accumulated account
26 balance, including any payments made by the member to the state accumulation
27 fund, but the member shall have no claim on any contributions made by the state or

1 employer with a view to his or her retirement~~[, except as provided by KRS 161.635~~
2 ~~and 161.636,]~~ or to contributions made to the medical insurance fund. A member
3 who is withdrawing from service prior to retirement eligibility shall be entitled to a
4 refund following sixty (60) days after his or her last day of employment. If the
5 member is eligible for an immediate service retirement allowance as provided in
6 KRS 161.600, no withdrawal and refund shall be permitted, unless the allowance
7 would prohibit the member from qualifying for Social Security benefits or the
8 member elects to withdraw part or all of his or her service for the purpose of
9 obtaining service credit in another retirement plan. Requests for refund of
10 contributions by the member must be filed on forms prescribed by the Teachers'
11 Retirement System and the employer shall be financially responsible for all
12 information that is certified on the prescribed form. A member may not withdraw
13 any part of his or her accumulated account balance in the retirement system except
14 as provided by this subsection.

15 (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to
16 retirement, the board of trustees shall pay to the estate of the deceased member,
17 unless a beneficiary was otherwise applicably designated by the deceased member,
18 then to the beneficiary, all of his or her accumulated account balance, including any
19 payments made by the member to the state accumulation fund, but the estate or
20 beneficiary shall have no claim on any contributions made by the state or employer
21 with a view to the retirement of the member~~[, except as provided by KRS 161.635~~
22 ~~and 161.636,]~~ or to contributions made to the medical insurance fund.

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

1 ➔Section 11. KRS 161.507 is amended to read as follows:

- 2 (1) An active contributing member of the Teachers' Retirement System may receive
3 service credit for active service rendered in the uniformed services of the Armed
4 Forces of the United States, including the commissioned corps of the Public Health
5 Service, subject to the provisions of the Uniformed Services Employment and
6 Reemployment Rights Act of 1994 and the administrative regulations promulgated
7 by the board of trustees. Military service includes service in the uniformed services
8 that occurs before the employment of a member in a position covered by the
9 retirement system or where a member leaves covered employment without giving
10 advance written or verbal notice of performing duty in the uniformed services.
11 Service in the uniformed services also includes uniformed service that occurs after
12 employment in a position covered by the retirement system where the member has
13 given advance written or verbal notice of performing duty in the uniformed services
14 and the member returns directly from uniformed services to covered employment.
15 Military service may be credited only if discharge was honorable or was not
16 terminated upon the occurrence of any of the events listed in 38 U.S.C. sec. 4304.
17 Service shall be considered as Kentucky teaching service, except that service may
18 not be used for meeting the service requirements set forth in KRS 161.600(1)(a)~~[-or~~
19 ~~(2)]~~ or 161.661(1) unless the service occurred after the member gave written or
20 verbal notice of performing duty in the uniformed services and the member returned
21 directly from uniformed services to covered employment. A maximum of six (6)
22 years of military service may be credited, but in no case a greater number of years
23 than the actual years of contributing service in Kentucky.
- 24 (2) No credit shall be granted for military service which has been or will be used in
25 qualifying for annuity benefit payments from another retirement system financed
26 wholly or in part by public funds.
- 27 (3) A member having twenty (20) years or more of active duty in the military service,

1 and who is qualified for regular federal retirement benefits based on this military
2 service, may not receive credit for any military service in the Teachers' Retirement
3 System. This subsection shall apply to service presented for credit on July 1, 1975,
4 and after this date.

5 (4) (a) A member receiving retirement credit for active duty in the armed services of
6 the United States prior to employment in a position covered by the retirement
7 system or where the member leaves covered employment without giving
8 advance written or verbal notice of performing duty in the uniformed services
9 shall pay to the retirement system the full actuarial cost of the service credit
10 purchased as provided under KRS 161.220(22). These contributions shall not
11 be picked up, as described in KRS 161.540(2). In purchasing retirement credit
12 for active duty in the armed services, the latest years of service shall be
13 considered first in allowing credit toward retirement. The board of trustees
14 shall adopt a table of actuarial factors to be used in calculating the amount of
15 contribution required for crediting this service.

16 (b) If military service occurred after the member gave written or verbal notice of
17 performing duty in the uniformed services and the member returns directly
18 from uniformed services to covered employment, the member shall contribute
19 the regular member contribution required by KRS 161.540. The member may
20 make the payment of delayed contributions in a lump sum payment or in
21 installments not to exceed five (5) years beginning with the member's date of
22 reemployment. Interest at the rate of eight percent (8%) per annum shall be
23 charged for delayed contributions beginning with the member's date of
24 reemployment until paid~~. Members participating in the supplemental benefit~~
25 ~~component who make the regular member contribution required by this~~
26 ~~paragraph, shall also receive the mandatory employer contributions in the~~
27 ~~supplemental benefit component for the period of service purchased].~~

1 (5) An active contributing member of the Teachers' Retirement System may receive
2 service credit for service in the military reserves of the United States or the National
3 Guard. The member may purchase one (1) month of service for each six (6) months
4 of service in the reserves or the National Guard. Notwithstanding any other statute,
5 regulation, or policy to the contrary, the system shall provide a member, upon
6 request, the estimated actuarial cost of the National Guard or military reserves
7 service purchase based upon the information available at the time of the request.
8 The member shall be entitled to enter into a contract with the system at the time of
9 the request to purchase the National Guard or military reserve service by paying to
10 the system the estimated actuarial cost, either by installments or in lump sum. The
11 member shall pay the full actuarial cost of this service in the military reserves or the
12 National Guard as provided in KRS 161.220(22). Service in the military reserves or
13 the National Guard shall be treated as service earned prior to participation in the
14 system and shall not be used for meeting the service requirements set forth in KRS
15 161.600(1)(a) ~~or (2)~~ or 161.661(1). The payment shall not be picked up by the
16 employer, as described in KRS 161.540(2).

17 ➔Section 12. KRS 161.520 is amended to read as follows:

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

- 22 (1) Where there is a surviving widow or widower who is named as the primary
23 beneficiary of the member's retirement account, the benefit shall be:
- 24 (a) One hundred eighty dollars (\$180) per month with no restriction on other
25 income;
- 26 (b) Two hundred forty dollars (\$240) per month when the surviving widow or
27 widower's total income from all sources does not exceed six thousand six

1 hundred dollars (\$6,600) per year or five hundred fifty dollars (\$550) per
2 month; or

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

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

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

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

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

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

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

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

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

1 period;

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

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

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

20 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)
21 of this section, or in the event that the surviving spouse elects not to receive
22 survivorship benefits on his or her own behalf or on behalf of any of the member's
23 children as permitted under subsections (2) and (3) of this section, the board of
24 trustees shall pay to the estate or the designated beneficiaries of the deceased
25 member a refund of his or her accumulated account balance as provided in KRS
26 161.470(7). If the benefits paid or payable under subsections (1) to (5) of this
27 section and KRS 161.661 shall amount to a sum less than the member's

1 accumulated account balance at the time of death, the board of trustees shall pay to
2 the estate or designated beneficiaries of the deceased member the balance of the
3 accumulated account balance;

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

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

17 ➔Section 13. KRS 161.548 is amended to read as follows:

18 A member of the Teachers' Retirement System who is in an active contributing status
19 with the system, and who was formerly employed in a regional community service
20 program for mental health and individuals with an intellectual disability, organized and
21 operated under the provisions of KRS 210.370 to 210.480, which does not participate in a
22 state-administered retirement system, may obtain credit for the period of his or her
23 service in the regional community program for mental health and individuals with an
24 intellectual disability by paying to the Teachers' Retirement System the full actuarial cost
25 of the service credit purchased, as provided in KRS 161.220(22). The service credit
26 purchased may not be used for meeting the service requirements set forth in KRS
27 161.600(1)(a)~~or (2)~~ or 161.661(1). The payment shall not be picked up, as described in

1 KRS 161.540(2), and the entire payment shall be placed in the teachers' savings fund.

2 ➔Section 14. KRS 161.549 is amended to read as follows:

3 A member of the Teachers' Retirement System who is in an active contributing status
4 with the system, and who was formerly employed by a Federal Head Start agency,
5 operated under 42 U.S.C. secs. 9831 et seq., which does not participate in a state-
6 administered retirement system, may obtain credit for the period of the member's service
7 in the Head Start program by purchasing this service credit under the same conditions
8 that out-of-state service credit may be purchased under KRS 161.515. The service credit
9 purchased may not be used for meeting the service requirements set forth in KRS
10 161.600(1)(a)~~[or (2)]~~ or 161.661(1). Payment for the service credit purchased may be
11 made in installments in lieu of a lump-sum payment. The payment shall not be picked up,
12 as described in KRS 161.540(2), and the entire payment shall be placed in the teachers'
13 savings fund.

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

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

18 (1) Any member who is retired with thirty (30) or more years of service may return to
19 work in a full-time or a part-time position, or in a position providing substitute
20 teaching service, covered by the Teachers' Retirement System and earn up to a
21 maximum of seventy-five percent (75%) of the member's last annual compensation
22 measured on a daily rate to be determined by the board of trustees. For purposes of
23 determining whether the salary of a member returning to work is seventy-five
24 percent (75%) or less of the member's last annual compensation, all remuneration
25 paid and benefits provided to the member, on an actual dollar or fair market value
26 basis as determined by the retirement system, excluding employer-provided medical
27 insurance required under subsection (5) of this section, shall be considered.

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

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

22 (3) Reemployment of a retired member under subsection (1) or (2) of this section in a
23 full-time teaching or nonteaching position in a local school district shall be
24 permitted only if the employer certifies to the Kentucky Teachers' Retirement
25 System that there are no other qualified applicants available to fill the teaching or
26 nonteaching position. The employer may use any source considered reliable,
27 including but not limited to data provided by the Education Professional Standards

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

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

27 (5) (a) Except as provided by subsection (10) of this section, a member returning to

1 work in a full-time or part-time position, or in a position providing substitute
2 teaching service, under subsection (1) or (2) of this section shall contribute to
3 an account with the retirement system that shall be administered
4 independently from and with no reciprocal impact with the member's original
5 retirement account, or any other account from which the member is eligible to
6 draw a retirement allowance.

7 (b) Except as provided by subsection (10) of this section, a member returning to
8 work under subsection (1) or (2) of this section shall make contributions to the
9 retirement system at the rate provided under KRS 161.540. The new account
10 shall independently meet all vesting requirements as well as all other
11 conditions set forth in KRS 161.600(1)~~[or (2), as applicable.]~~ before any
12 retirement allowance is payable from this account. The retirement allowance
13 accruing under this new account shall be calculated pursuant to KRS 161.620.
14 This new account shall not entitle the member to a duplication of the benefits
15 offered under KRS 161.620(7) or 161.675, nor shall this new account provide
16 the benefits offered by KRS 161.520, 161.525, 161.620(3), 161.655, 161.661,
17 or 161.663.

18 (c) A member returning to work under subsection (1) or (2) of this section shall
19 waive his or her medical insurance with the Teachers' Retirement System
20 during the period of reemployment and shall receive the medical insurance
21 coverage that is generally provided by the member's active employer to the
22 other members of the retirement system that the active employer employs. If
23 medical insurance coverage is not available from the employer, the Kentucky
24 Teachers' Retirement System may provide coverage for the member.

25 (d) A member returning to work under subsection (1) or (2) of this section shall
26 not be eligible to purchase service credit for any service provided after the
27 member's effective date of retirement but prior to the date that the member

1 returns to work. A member returning to work under subsection (1) or (2) of
2 this section shall not be eligible to purchase service credit that the member
3 would have otherwise been eligible to purchase prior to the member's initial
4 retirement.

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

10 (6) The board of trustees may annually, on July 1, adjust the current daily rate of a
11 member's last annual compensation, for each full twelve (12) month period that has
12 elapsed subsequent to the member earning his or her last annual compensation, by
13 the percentage increase in the annual average of the consumer price index for all
14 urban consumers for the calendar year preceding the adjustment as published by the
15 Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each
16 annual adjustment shall become part of the member's daily rate base. Failure to
17 comply with the salary limitations set forth in subsections (1) and (2) of this section
18 as may be adjusted by this subsection shall result in a reduction of the member's
19 retirement allowance or any other benefit to which the member would otherwise be
20 entitled on a dollar-for-dollar basis for each dollar that the member exceeds these
21 salary limitations, and the member shall be refunded his or her retirement
22 contributions made on the compensation that exceeds these salary limitations.
23 Notwithstanding any other provision of law to the contrary, a member retiring from
24 a local school district who returns to work for a local school district under
25 subsection (1) or (2) of this section shall be entitled, without any reduction to his or
26 her retirement allowance or any other retirement benefit, to earn a minimum
27 amount equal to one hundred seventy dollars (\$170) per day;

- 1 (7) (a) A retired member returning to work under subsection (1) or (2) of this section
2 shall have separated from service for a period of at least one (1) year if
3 returning to work for the same employer on a full-time basis, and at least three
4 (3) months if returning to work for a different employer on a full-time basis.
5 A retired member returning to work under subsection (1) or (2) of this section
6 on a part-time basis shall have separated from service for a period of at least
7 three (3) months before returning to work for any employer.
- 8 (b) As an alternative to the separation-from-service requirements in paragraph (a)
9 of this subsection, a retired member who is returning to work for the same
10 employer in a full-time position under subsections (1) and (2) of this section
11 may elect a separation-from-service of not less than two (2) months followed
12 by a forfeiture of the retired member's retirement allowance on a month-to-
13 month basis for each month that the member has separated from service for
14 less than twelve (12) full months. A retired member returning to work for the
15 same employer in a part-time position, or for a different employer in a full-
16 time position, may elect an alternative separation-from-service requirement of
17 at least two (2) months followed by a forfeiture of the member's retirement
18 allowance for one (1) month. During the period that the member forfeits his or
19 her retirement allowance and thereafter, member and employer contributions
20 shall be made to the retirement system as a result of employment in any
21 position subject to membership in the retirement system. The member shall
22 contribute to an account with the retirement system subject to the conditions
23 set forth in subsection (5) of this section.
- 24 (c) A retired member who is returning to work for an employer that has
25 employees who participate in the Teachers' Retirement System shall comply
26 with the separation-from-service requirements in this subsection before
27 performing any service for the employer, regardless of whether the retired

1 member is providing service in a position covered by the Teachers'
2 Retirement System.

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

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

9 (f) The Teachers' Retirement System may require the member and the employer
10 for which the member is returning to work to certify in writing on a form
11 prescribed by the Teachers' Retirement System that no prearranged agreement
12 was or will be entered into between the member and employer prior to
13 retirement for the member to work for the employer after retirement.

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

19 (8) (a) Effective July 1, 2004, local school districts may employ retired members in
20 full-time or part-time teaching or administrative positions without limitation
21 on the compensation of the retired members that is otherwise required by
22 subsections (1) and (2) of this section. Under provisions of this subsection, a
23 local school district may only employ retired members to fill critical shortage
24 positions for which there are no other qualified applicants as determined by
25 the local superintendent. The number of retired members that a local school
26 district may employ under this subsection shall be no more than two (2)
27 members per local school district or one percent (1%) of the total active

1 members employed by the local school district on a full-time basis as defined
2 under KRS 161.220(21), whichever number is greater. Retired members
3 returning to work under this subsection shall be subject to the separation-
4 from-service requirements set forth in subsection (7) of this section. Retired
5 members returning to work under this subsection shall waive their medical
6 insurance coverage with the retirement system during their period of
7 reemployment and receive medical insurance coverage that is offered to other
8 full-time members employed by the local school district. Retired members
9 returning to work under this subsection shall contribute to an account subject
10 to the conditions set forth in subsection (5) of this section. Retired members
11 returning to work under this subsection shall make contributions to the
12 retirement system at the rate provided under KRS 161.540. The employer
13 shall make contributions at the rate provided under KRS 161.550. Local
14 school districts shall make annual payments to the retirement system on the
15 compensation paid to the reemployed retirees at the rates determined by the
16 retirement system's actuary that reflect any accrued liability resulting from the
17 reemployment of these members.

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

1 (9) The return-to-work limitations set forth in this section shall apply to retired
2 members who are returning to work in the same position from which they retired, or
3 a position substantially similar to the one from which they retired, or a position
4 described in KRS 161.046 or any position listed in KRS 161.220(4) which requires
5 membership in the retirement system. Positions which generally require
6 certification or graduation from a four (4) year college or university as a condition
7 of employment which are created, or changed to remove the position from coverage
8 under KRS 161.220(4) are also subject to the return to work limitations set forth in
9 this section. The board of trustees shall determine whether employment in a
10 nonteaching position is subject to this subsection;

11 (10) ~~[(a) Notwithstanding the provisions of this section, individuals who become~~
12 ~~members on or after January 1, 2022, who subsequently retire and begin~~
13 ~~drawing a monthly lifetime retirement allowance from the Teachers'~~
14 ~~Retirement System, who following retirement are reemployed with an~~
15 ~~employer participating in the Teachers' Retirement System, shall not be~~
16 ~~eligible to contribute to or earn benefits in a second retirement account in the~~
17 ~~Teachers' Retirement System during the period of reemployment.~~

18 ~~(b)]~~The provisions of subsections (1) to (8) of this section are not subject to KRS
19 161.714;

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

23 (a) The member shall receive no annuity payments while employed in a covered
24 position, shall waive his or her medical insurance coverage with the Teachers'
25 Retirement System during the period of reemployment, and shall receive the
26 medical insurance coverage that is generally offered by the member's active
27 employer to the other members of the retirement system employed by the

1 active employer. The member's estate or, if there is a beneficiary applicably
2 designated by the member, then the beneficiary, shall continue to be eligible
3 for life insurance benefits as provided in KRS 161.655. Service subsequent to
4 retirement shall not be used to improve an annuity, except as provided in
5 paragraphs (b) and (c) of this subsection;

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

16 (c) When a member returns to full-time teaching or covered employment as
17 provided in subsection (b) of this section, the employer is required to withhold
18 and remit regular retirement contributions. The member must be employed
19 full-time for at least one (1) consecutive contract year to be eligible to
20 improve an annuity. The member shall be returned to the annuity rolls on July
21 1 following completion of the contract year or on the first day of the month
22 following the month of termination of service if full-time employment
23 exceeds one (1) consecutive contract year. A member shall not be returned to
24 the annuity rolls until after he or she has filed a retirement application in
25 compliance with KRS 161.600~~(5)~~~~(6)~~. Any discounts applied at the time of
26 the original retirement due to service or age may be reduced or eliminated due
27 to additional employment if full-time employment is for one (1) consecutive

1 contract year or longer; and

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

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

1 otherwise be entitled on a dollar-for-dollar basis for each dollar of compensation
2 that the member earns in employment exceeding twelve (12) hours, one hundred
3 (100) days, or any apportionment of the two (2) combined. Retired members
4 returning to work for an employer described in KRS 161.220(4)(b) or (n) shall
5 comply with the separation-from-service requirements of subsection (7) of this
6 section;

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

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

20 ➔Section 16. KRS 161.612 is amended to read as follows:

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

1 those public boards, institutions, and agencies described in KRS 161.220(4)(b) and (n).
2 Members providing part-time and substitute services shall participate in the retirement
3 system as follows:

4 (1) Members providing part-time and substitute services shall accrue service credit as
5 provided under KRS 161.500 and be entitled to a retirement allowance upon
6 meeting the service retirement conditions of KRS 161.600. The board of trustees
7 shall adopt a methodology for accrediting service credit to these members on a pro
8 rata basis. The methodology adopted by the board of trustees may be amended as
9 necessary to ensure its actuarial soundness. The retirement allowance for members
10 providing part-time and substitute services shall be calculated pursuant to KRS
11 161.620~~[and 161.635 or 161.636, as applicable]~~, except that the provisions of KRS
12 161.620(3) shall not apply. Members providing part-time and substitute services
13 who meet the service retirement conditions of KRS 161.600 may also be eligible to
14 participate as approved by the board of trustees in the medical insurance program
15 provided by the retirement system under KRS 161.675. Members providing part-
16 time and substitute services shall make contributions to the Teachers' Retirement
17 System at the rate provided under KRS 161.540. A member who provides part-time
18 or substitute services, or in the event of the death of the member, the member's
19 estate or applicably designated beneficiary, will be entitled, within ninety (90) days
20 of the posting of the annual report submitted by the member's employer, to a refund
21 of contributions as permitted and limited by KRS 161.470;

22 (2) (a) 1. The board of trustees shall adopt eligibility conditions under which
23 members providing part-time and substitute services may participate in
24 the benefits provided under KRS 161.520, 161.655, 161.661, and
25 161.663.

26 2. For all disability retirement applications filed with the Teachers'
27 Retirement System on or after July 1, 2021, disability retirement

1 payments and any other recurring payments payable by any other state-
2 administered retirement system to members providing part-time or
3 substitute services shall be applied to reduce, on a dollar-for-dollar
4 basis, the minimum monthly disability retirement allowance of five
5 hundred dollars (\$500) provided for under KRS 161.661(6).

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

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

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

26 (4) Notwithstanding any other provisions of this section to the contrary, instructional
27 assistants who provide teaching services in the local school districts on a full-time

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

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

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

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

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

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

23 (b) ~~[An individual who is participating in the supplemental benefit component as~~
24 ~~provided by KRS 161.635 or 161.636 may, before the effective date of~~
25 ~~retirement, elect to receive his or her accumulated account balance accrued in~~
26 ~~the supplemental benefit component annuitized into a monthly payment under~~
27 ~~one (1) of the actuarial equivalent payment options approved by the board of~~

1 trustees.

2 ~~(e)~~—]No option shall provide for a benefit with an actuarial value at the age of
3 retirement greater than that provided in KRS 161.620~~], 161.635(5)(a), or~~
4 ~~161.636(5)(a), as applicable].~~ This section does not apply to disability
5 allowances as provided in KRS 161.661(1).

6 (2) The retirement option chosen by a retiree at the time of service retirement shall
7 remain in force unless the retiree elects to make a change under the following
8 conditions:

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

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

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

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

1 (60) days of the qualifying event.

2 ➔Section 18. KRS 161.661 is amended to read as follows:

- 3 (1) (a) Any member who is accredited by the Teachers' Retirement System for five
4 (5) or more years of service in Kentucky after July 1, 1941, may retire for
5 disability and be granted a disability allowance if found to be eligible as
6 provided in this section. Application for disability benefits shall be made
7 within one (1) year of the last contributing service in Kentucky, and the
8 disability must have occurred during the most recent period of employment in
9 a position covered by the Teachers' Retirement System and subsequent to the
10 accreditation by the Teachers' Retirement System of five (5) years of
11 retirement system service credit in Kentucky. A disability occurring during
12 the regular vacation immediately following the last period of active service in
13 Kentucky or during an official leave for which the member is entitled to make
14 regular contributions to the retirement system, shall be considered as having
15 occurred during a period of active service.
- 16 (b) The annual disability allowance shall be equal to sixty percent (60%) of the
17 member's final average salary.
- 18 (c) The following individuals shall not be eligible for disability benefits under
19 this section:
- 20 1. Members with twenty-seven (27) or more years of service credit; and
 - 21 2. Individuals who become members on or after July 1, 2021, who are
22 eligible for an unreduced benefit under KRS 161.600(1)(b)2. or (d).
- 23 (2) The provisions of KRS 161.520, 161.525, and subsections (3), (4), and (5) of this
24 section shall not apply to disability retirees whose benefits were calculated on the
25 service retirement formula nor to survivors of these members.
- 26 (3) Members shall earn one (1) year of entitlement to disability retirement, at sixty
27 percent (60%) of the member's final average salary, for each four (4) years of

- 1 service in a covered position, but any member meeting the service requirement for
2 disability retirement shall be credited with no less than five (5) years of eligibility.
- 3 (4) A member retired by reason of disability shall continue to earn service credit at the
4 rate of one (1) year for each year retired for disability. This service shall be credited
5 to the member's account at the expiration of entitlement as defined in subsection (3)
6 of this section, or when the member's eligibility for disability benefits is terminated
7 upon recommendation of a medical review committee, and this service shall be
8 used in calculating benefits as provided in subsection (5) of this section, but under
9 no circumstances shall this service be used to provide the member with more than
10 twenty-seven (27) years of total service credit. The service credit shall be valued at
11 the same level as service earned by active members as provided under KRS 161.600
12 or 161.620.
- 13 (5) Any member retired by reason of disability and remaining disabled at the expiration
14 of the entitlement period shall have his or her disability benefits recalculated using
15 the service retirement formula with service credit earned as set out in subsection (4)
16 of this section. The retirement allowance shall be calculated as set forth in KRS
17 161.620, except that those persons less than sixty (60) years of age shall be
18 considered as sixty (60) years of age. Members having their disability benefits
19 recalculated under this subsection shall not be entitled to a benefit based upon an
20 average of their three (3) highest salaries as set forth in KRS 161.220(9), unless
21 approved otherwise by the board of trustees.
- 22 (6) Members who have their disability retirement allowance recalculated at the
23 expiration of the entitlement period shall continue to have coverage under the post-
24 retirement medical insurance program. Restrictions on employment shall remain in
25 effect until the member attains age seventy (70) or until the member's eligibility is
26 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability
27 retirees whose retirement allowances have been recalculated at the expiration of the

1 entitlement period. Members who have their disability retirement allowance
2 recalculated at the expiration of their entitlement period shall be entitled to a
3 minimum monthly allowance of five hundred dollars (\$500) as the basic straight
4 life annuity. The minimum allowance shall be effective July 1, 1992, and shall
5 apply to those members who have had their allowance recalculated prior to that date
6 and to disability retirees who will have their benefit allowance recalculated on or
7 after that date. For individuals who become members on or after July 1, 2021,
8 disability retirement payments and any other recurring payments payable by any
9 other state-administered retirement system shall be applied to reduce, on a dollar-
10 for-dollar basis, the minimum monthly disability retirement allowance payable
11 under this subsection.

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

16 (8) Any member retired by reason of disability may voluntarily waive disability
17 benefits and return to teaching or any member, who is age sixty (60) years or older,
18 may elect to waive disability benefits and retire for service on the basis of service
19 credited to the member on the effective date of the disability retirement.

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

26 (10) A member retired by reason of disability shall be required to undergo periodic
27 examinations at the discretion of the board of trustees to determine whether the

1 disability allowance shall be continued. When examination and recommendation of
2 a medical review committee indicate the disability no longer exists, the allowance
3 shall be discontinued.

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

8 (12) No person who receives a disability allowance may be employed in a position that
9 entails duties or qualification requirements similar to positions subject to
10 participation in the retirement system either within or without the State of
11 Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the
12 allowance from the first date of this service. For purposes of this subsection and
13 subsection (13) of this section, "employment" and "occupation," and derivatives
14 thereof, mean any activity engaged in by the member receiving disability allowance
15 from which income is earned. A member who applies for and is approved for
16 disability retirement on or after July 1, 2002, and whose annual disability benefit is
17 less than forty thousand dollars (\$40,000) may earn income in any occupation other
18 than covered employment only to the extent that the annual income from the other
19 employment when added to the annual disability benefit does not exceed forty
20 thousand dollars (\$40,000). For any member who exceeds this limit as a result of
21 income from other employment, the Kentucky Teachers' Retirement System shall
22 reduce the member's disability benefit on a dollar-for-dollar basis for each dollar
23 that the member's combined annual disability benefit and annual income from other
24 employment exceeds forty thousand dollars (\$40,000). The board of trustees may
25 annually increase the forty thousand dollar (\$40,000) limit by the percentage
26 increase in the annual average of the consumer price index for all urban consumers
27 for the most recent calendar year as published by the Federal Bureau of Labor

1 Statistics, not to exceed five percent (5%). The retirement system may require
2 income verification from the member, including but not limited to copies of tax
3 returns and federal forms W-2 and W-4P.

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

15 (14) The board of trustees shall designate medical review committees, each consisting of
16 three (3) licensed physicians. A medical review committee shall pass upon all
17 applications for disability retirement and upon all applicant statements, medical
18 certifications, and examinations submitted in connection with disability
19 applications. The disposition of each case shall be recommended by a medical
20 review committee in writing to the retirement system. Members of a medical review
21 committee shall follow administrative regulations regarding procedures as the board
22 of trustees may enact and shall be paid reasonable fees and expenses as authorized
23 by the board of trustees in compliance with the provisions of KRS 161.330 and
24 161.340. The retirement system may secure additional medical examinations and
25 information as it deems necessary. A member may appeal any final agency decision
26 denying his or her disability retirement application pursuant to the provisions of
27 KRS 161.250(2).

- 1 (15) A disability may be presumed to be permanent if the condition creating the
2 disability may be reasonably expected to continue for one (1) year or more from the
3 date of application for disability benefits.
- 4 (16) Any member who has voluntarily waived disability benefits or whose disability
5 benefits have been discontinued on recommendation of a medical review
6 committee, may apply for reinstatement of disability benefits. The application for
7 reinstatement must be made to the retirement system within twelve (12) months of
8 the date disability benefits terminated. If the termination of benefits were voluntary,
9 the reinstatement may be made without medical examination if application is made
10 within three (3) months of the termination date. Other applications for reinstatement
11 will be processed in the same manner as new applications for benefits.
- 12 (17) No person who is receiving disability benefits under this section may be employed
13 in a position which qualifies the person for membership in a retirement system
14 financed wholly or in part with public funds. Employment in a position prohibited
15 by this subsection shall result in disqualification for those disability benefits from
16 the date of employment in the prohibited position.
- 17 (18) Any person who is receiving benefits and becomes disqualified from receiving
18 those benefits under this section, or becomes disqualified from receiving a portion
19 of those benefits due to income from other than covered employment, shall
20 immediately notify the Teachers' Retirement System of this disqualification in
21 writing and shall return all benefits paid after the date of disqualification. Failure to
22 comply with these provisions shall create an indebtedness of that person to the
23 Teachers' Retirement System. Interest at the rate of eight percent (8%) per annum
24 shall be charged if the debt is not repaid within sixty (60) days after the date of
25 disqualification. Failure to repay this debt creates a lien in favor of the Teachers'
26 Retirement System upon all property of the person who improperly receives
27 benefits and does not repay those benefits. The Teachers' Retirement System may,

1 in order to collect an outstanding debt, reduce or terminate any benefit that a
2 member is otherwise entitled to receive.

3 ~~[(19) Notwithstanding any other provision of this section to the contrary, individuals who
4 become members on or after January 1, 2022, shall be eligible for an actuarially
5 determined disability benefit as prescribed by the board of trustees via
6 administrative regulations promulgated by the board. The board of trustees shall
7 arrange by appropriate contract or on a self-insured basis a disability plan to
8 provide the disability benefits and may adjust the benefits in accordance with KRS
9 161.633(3) or 161.634(3).]~~

10 ➔Section 19. The following KRS sections are repealed:

11 161.633 Foundational component for persons who became nonuniversity members on or
12 after January 1, 2022 -- Valuation assessment -- Adjustments to maintain funding
13 level and contain costs -- Construction.

14 161.634 Foundational component for persons who became university members on or
15 after January 1, 2022 -- Valuation assessment -- Adjustments to maintain funding
16 level and contain costs -- Construction.

17 161.635 Supplemental component for persons who became nonuniversity members on
18 or after January 1, 2022 -- Benefit -- Contributions -- Election upon termination of
19 employment and upon retirement -- Plans authorized under Internal Revenue
20 Code.

21 161.636 Supplemental component for persons who became university members on or
22 after January 1, 2022 -- Benefit -- Contributions -- Election upon termination of
23 employment and upon retirement -- Plans authorized under Internal Revenue
24 Code.

25 ➔Section 20. Individuals who become members of the Teachers' Retirement
26 System on or after January 1, 2022, but prior to the effective date of this Act, who would
27 have otherwise been eligible for the benefits and rights provided by 2021 Ky. Acts ch.

1 157, shall be provided the benefits and rights that were applicable to individuals who
2 became members of the Teachers' Retirement System immediately prior to January 1,
3 2022.

4 ➔Section 21. Whereas recruiting and retaining the best and brightest teachers to
5 educate and inspire future generations of Kentuckians is crucial to the success, health,
6 and financial well-being of all citizens of the Commonwealth, an emergency is declared
7 to exist, and this Act takes effect upon its passage and approval by the Governor or upon
8 its otherwise becoming a law.