

1 AN ACT relating to sick leave for members of the Teachers' Retirement System
2 and declaring an emergency.

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

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

5 (1) As used in this section:

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

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

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

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

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

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

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

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

16 (a) The district shall pay the salary of the teacher or employee between the time
17 of the assault and the time the teacher's or employee's workers' compensation
18 income benefits take effect, or the time the teacher or employee is certified to
19 return to work by a physician or surgeon duly qualified under KRS Chapter
20 342, whichever is sooner;

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

1 cease to make payments under this paragraph;

2 (c) The Commonwealth, through the Kentucky Department of Education, shall
3 make the employer's health insurance contribution during the period that the
4 district makes payments under paragraphs (a) and (b) of this subsection;

5 (d) The Commonwealth, through the Kentucky Department of Education, shall
6 make the employer's contribution to the retirement system in which the
7 teacher or employee is a member during the period that the district makes
8 payments under paragraphs (a) and (b) of this subsection; and

9 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this
10 subsection shall be coordinated with workers' compensation benefits under
11 KRS Chapter 342, disability retirement benefits for teachers under KRS
12 161.661 to 161.663, and disability retirement benefits for employees under
13 KRS 61.600 to 61.621 and 78.5522, 78.5524, 78.5526, 78.5528, and 78.5530
14 so that the teacher or employee receives income equivalent to his or her full
15 contracted salary, but in no event shall the combined payments exceed one
16 hundred percent (100%) of the teacher's or employee's full contracted salary.

17 (4) Days of sick leave not taken by an employee or a teacher during any school year
18 shall accumulate without limitation and be credited to that employee or teacher.
19 Accumulated sick leave may be taken in any school year. Any district board of
20 education may, in its discretion, allow employees or teachers in its common school
21 system sick leave in excess of the number of days prescribed in this section and
22 may allow school district employees and teachers to use up to three (3) days' sick
23 leave per school year for emergency leave pursuant to KRS 161.152(3). Any
24 accumulated sick leave days credited to an employee or a teacher shall remain so
25 credited in the event he or she transfers his or her place of employment from one (1)
26 school district to another within the state or to the Kentucky Department of
27 Education or transfers from the Department of Education to a school district.

- 1 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to
2 the opening day of the school year, a statement or a certificate of a physician is
3 presented to the district board of education, stating that the teacher or employee is
4 unable to commence his or her duties on the opening day of the school year, but
5 will be able to assume his or her duties within a period of time that the board
6 determines to be reasonable.
- 7 (6) Any school teacher or employee may repurchase previously used sick leave days
8 with the concurrence of the local school board by paying to the district an amount
9 equal to the total of all costs associated with the used sick leave.
- 10 (7) A district board of education may adopt a plan for a sick leave bank. The plan may
11 include limitations upon the number of days a teacher or employee may annually
12 contribute to the bank and limitations upon the number of days a teacher or
13 employee may annually draw from the bank. Only those teachers or employees who
14 contribute to the bank may draw upon the bank. Days contributed will be deducted
15 from the days available to the contributing teacher or employee. The sick leave
16 bank shall be administered in accordance with a policy adopted by the board of
17 education.
- 18 (8) (a) A district board of education shall establish a sick leave donation program to
19 permit teachers or employees to voluntarily contribute sick leave to teachers
20 or employees in the same school district who are in need of an extended
21 absence from school. A teacher or employee who has accrued more than
22 fifteen (15) days' sick leave may request the board of education to transfer a
23 designated amount of sick leave to another teacher or employee who is
24 authorized to receive the sick leave donated. A teacher or employee may not
25 request an amount of sick leave be donated that reduces his or her sick leave
26 balance to less than fifteen (15) days.
- 27 (b) A teacher or employee may receive donations of sick leave if:

1 is verified by a physician's statement.

2 (10) (a) After July 1, 1982, a district board of education may compensate, at the time
3 of retirement or upon the death of a member in active contributing status at
4 the time of death who was eligible to retire by reason of service, an employee
5 or a teacher, or the estate of an employee or teacher, for each unused sick
6 leave day. The rate of compensation for each unused sick leave day
7 **compensated under this section** shall be based on a percentage of the daily
8 salary rate calculated from the employee's or teacher's last annual salary, not
9 to exceed thirty percent (30%).

10 (b) Except as provided in paragraph (c) of this subsection, payment for unused
11 sick leave days under this subsection shall be incorporated into the annual
12 salary of the final year of service for inclusion in the calculation of the
13 employee's or teacher's retirement allowance only at the time of his or her
14 initial retirement, provided that the member makes the regular retirement
15 contribution for members on the sick leave payment. The accumulation of
16 these days includes unused sick leave days held by the employee or teacher at
17 the time of implementation of the program.

18 (c) **1. For a teacher or employee who becomes a nonuniversity member of**
19 **the Teachers' Retirement System prior to January 1, 2022, as defined**
20 **in KRS 161.220, and who retires on or after July 1, 2024, the payment**
21 **for unused sick leave days that is included in the calculation of the**
22 **retiring employee's or teacher's retirement allowance as provided by**
23 **paragraph (b) of this subsection shall be limited to the payment**
24 **attributable to sick leave days accrued as of June 30, 2024, adjusted**
25 **annually for each school year thereafter for sick leave accrued or used**
26 **during the school year not to exceed an annual increase in the sick**
27 **leave balance of more than ten (10) days.**

1 2. For a teacher or employee who becomes a nonuniversity member of the
2 Teachers' Retirement System on or after January 1, 2022, as provided by
3 KRS 161.220, payment for unused sick leave days under this subsection
4 shall not be incorporated into the annual compensation used to calculate
5 the teacher's or employee's retirement allowance in the foundational
6 benefit component as described by KRS 161.633 but may be deposited
7 into the nonuniversity member's supplemental benefit component as
8 provided by KRS 161.635.

9 (d) For a teacher or employee who begins employment with a local school district
10 on or after July 1, 2008, the maximum amount of unused sick leave days a
11 district board of education may recognize in calculating the payment of
12 compensation to the teacher or employee under this subsection shall not
13 exceed three hundred (300) days.

14 (e) For the fiscal year ending June 30, 2024, and for each fiscal year
15 thereafter, each school district shall annually report to the Teachers'
16 Retirement System the sick leave balances for each teacher and employee
17 subject to this paragraph as part of the annual reporting requirements
18 under Section 5 of this Act. The report shall include for each teacher or
19 employee the unused sick leave days accrued at the beginning of the fiscal
20 year, the sick leave days accrued during the fiscal year, the sick leave days
21 used during the fiscal year, and the balance of unused sick leave days at the
22 end of the fiscal year.

23 (11) Any statute to the contrary notwithstanding, employees and teachers who
24 transferred from the Department of Education to a school district, from a school
25 district to the Department of Education, or from one (1) school district to another
26 school district after July 15, 1981, shall receive credit for any unused sick leave to
27 which the employee or teacher was entitled on the date of transfer. This credit shall

1 be for the purposes set forth in subsection (10) of this section.

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

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

5 As used in KRS 161.220 to 161.716 and 161.990:

- 6 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to
7 161.716 and 161.990 for payment of allowances to members;
- 8 (2) "Retirement allowance" means the amount annually payable during the course of
9 his or her natural life to a member who has been retired by reason of service;
- 10 (3) "Disability allowance" means the amount annually payable to a member retired by
11 reason of disability;
- 12 (4) "Member" means the commissioner of education, deputy commissioners, associate
13 commissioners, and all division directors in the State Department of Education,
14 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any
15 full-time teacher or professional occupying a position requiring certification or
16 graduation from a four (4) year college or university, as a condition of employment,
17 and who is employed by public boards, institutions, or agencies as follows:
- 18 (a) Local boards of education and public charter schools if the public charter
19 school satisfies the criteria set by the Internal Revenue Service to participate
20 in a governmental retirement plan;
- 21 (b) Eastern Kentucky University, Kentucky State University, Morehead State
22 University, Murray State University, Western Kentucky University, and any
23 community colleges established under the control of these universities;
- 24 (c) State-operated secondary area vocational education or area technology
25 centers, Kentucky School for the Blind, and Kentucky School for the Deaf;
- 26 (d) Other public education agencies as created by the General Assembly and
27 those members of the administrative staff of the Teachers' Retirement System

- 1 of the State of Kentucky whom the board of trustees may designate by
2 administrative regulation;
- 3 (e) Regional cooperative organizations formed by local boards of education or
4 other public educational institutions listed in this subsection, for the purpose
5 of providing educational services to the participating organizations;
- 6 (f) All full-time members of the staffs of the Kentucky Association of School
7 Administrators, Kentucky Education Association, Kentucky Vocational
8 Association, Kentucky High School Athletic Association, Kentucky
9 Academic Association, and the Kentucky School Boards Association who
10 were members of the Kentucky Teachers' Retirement System or were
11 qualified for a position covered by the system at the time of employment by
12 the association in the event that the board of directors of the respective
13 association petitions to be included. The board of trustees of the Kentucky
14 Teachers' Retirement System may designate by resolution whether part-time
15 employees of the petitioning association are to be included. The state shall
16 make no contributions on account of these employees, either full-time or part-
17 time. The association shall make the employer's contributions, including any
18 contribution that is specified under KRS 161.550. The provisions of this
19 paragraph shall be applicable to persons in the employ of the associations on
20 or subsequent to July 1, 1972;
- 21 (g) Employees of the Council on Postsecondary Education who were employees
22 of the Department for Adult Education and Literacy and who were members
23 of the Kentucky Teachers' Retirement System at the time the department was
24 transferred to the council pursuant to Executive Order 2003-600;
- 25 (h) The Office of Career and Technical Education;
- 26 (i) The Office of Vocational Rehabilitation;
- 27 (j) The Kentucky Educational Collaborative for State Agency Children;

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

- 1 on the same basis as faculty of the state universities as provided in KRS
2 161.540 and 161.620;
- 3 (o) Employees of the Office of General Counsel, the Office of Budget and
4 Administrative Services, and the Office of Quality and Human Resources
5 within the Office of the Secretary of the former Cabinet for Workforce
6 Development and the commissioners of the former Department for Adult
7 Education and Literacy and the former Department for Technical Education
8 who were contributing to the Kentucky Teachers' Retirement System as of
9 July 15, 2000;
- 10 (p) Employees of the Kentucky Department of Education only who are graduates
11 of a four (4) year college or university, notwithstanding a substitution clause
12 within a job classification, and who are serving in a professional job
13 classification as defined by the department;
- 14 (q) The Governor's School for Entrepreneurs Program;
- 15 (r) Employees of the Office of Adult Education within the Department of
16 Workforce Development in the Education and Labor Cabinet who were
17 employees of the Council on Postsecondary Education, Kentucky Adult
18 Education Program and who were members of the Kentucky Teachers'
19 Retirement System at the time the Program was transferred to the cabinet
20 pursuant to Executive Orders 2019-0026 and 2019-0027; and
- 21 (s) Employees of the Education Professional Standards Board who were
22 members of the Kentucky Teachers' Retirement System at the time the
23 employees were transferred to the Kentucky Department of Education
24 pursuant to Executive Order 2020-590;
- 25 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,
26 and became a member of the retirement system created by 1938 (1st Extra. Sess.)
27 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year

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

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

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

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

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

1 for each of those three (3) years or five (5) years, as applicable, for the purpose of
2 calculating the final average salary shall be limited to the lesser of:

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

17 For individuals who became members of the retirement system prior to July 1,
18 2021, this limitation shall not apply if the member receives an increase in salary in a
19 percentage exceeding that received by the other members, and this increase was
20 accompanied by a corresponding change in position or in length of employment.
21 The board of trustees may promulgate an administrative regulation in accordance
22 with KRS Chapter 13A to provide definitions for a corresponding change in
23 position or in length of employment. This limitation shall also not apply to the
24 payment to a member for accrued annual leave if the individual becomes a member
25 before July 1, 2008, or accrued sick leave which is authorized by statute and which
26 shall, for individuals subject to KRS 161.155(10) who became nonuniversity
27 members of the system prior to January 1, 2022, be included as part of a retiring

1 member's annual compensation for the member's last year of active service as
2 determined and limited by subsection (10) of Section 1 of this Act;

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

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

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

8 (13) "Regular interest" means:

9 (a) For an individual who becomes a member prior to July 1, 2008, interest at
10 three percent (3%) per annum;:

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

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

20 1. Once the member has at least sixty (60) months of service in the system
21 it shall mean interest at two and one-half percent (2.5%) per annum for
22 purposes of crediting interest to employee contributions in the
23 foundational benefit component or any other contributions made by the
24 employee to the foundational benefit component that are refundable to
25 the employee upon termination of employment; and

26 2. The board shall have the authority to adjust the regular interest rate for
27 individuals who become members on or after January 1, 2022, in

- 1 accordance with KRS 161.633 and 161.634;
- 2 (14) "Accumulated contributions" means the contributions of a member to the teachers'
3 savings fund, including picked-up member contributions as described in KRS
4 161.540(2), plus accrued regular interest;
- 5 (15) "Annuitant" means a person who receives a retirement allowance or a disability
6 allowance;
- 7 (16) "Local retirement system" means any teacher retirement or annuity system created
8 in any public school district in Kentucky in accordance with the laws of Kentucky;
- 9 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The
10 retirement plan year is concurrent with this fiscal year. A contract for a member
11 employed by a local board of education may not exceed two hundred sixty-one
12 (261) days in the fiscal year;
- 13 (18) "Public schools" means the schools and other institutions mentioned in subsection
14 (4) of this section;
- 15 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was
16 receiving, at the time of death of the member, at least one-half (1/2) of the support
17 from the member for maintenance, including board, lodging, medical care, and
18 related costs;
- 19 (20) "Active contributing member" means a member currently making contributions to
20 the Teachers' Retirement System, who made contributions in the next preceding
21 fiscal year, for whom picked-up member contributions are currently being made, or
22 for whom these contributions were made in the next preceding fiscal year;
- 23 (21) "Full-time" means employment in a position that requires services on a continuing
24 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal
25 year basis;
- 26 (22) "Full actuarial cost," when used to determine the payment that a member must pay
27 for service credit means the actuarial value of all costs associated with the

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

- 1 (28) "Nonuniversity member" means an individual who becomes a member through
2 employment with an employer specified under subsection (4) of this section, except
3 for those members employed by an employer specified in subsection (4)(b) and (n)
4 of this section;
- 5 (29) "Accumulated employer contribution" means the employer contribution deposited
6 to a member's account through the supplemental benefit component and regular
7 interest credited on such amounts as provided by KRS 161.635 for nonuniversity
8 members and KRS 161.636 for university members;
- 9 (30) "Accumulated account balance" means:
- 10 (a) For members who began participating in the system prior to January 1, 2022,
11 the member's accumulated contributions; or
- 12 (b) For members who began participating in the system on or after January 1,
13 2022, the combined sum of the member's accumulated contributions and the
14 member's accumulated employer contributions;
- 15 (31) "Foundational benefit component" means the benefits provided by KRS 161.220 to
16 161.716 to individuals who become members on or after January 1, 2022, except
17 for the supplemental benefit component and retiree health benefits set forth in KRS
18 161.675; and
- 19 (32) "Supplemental benefit component" means:
- 20 (a) The benefit established pursuant to KRS 161.635 for individuals who become
21 nonuniversity members on or after January 1, 2022; or
- 22 (b) The benefit established pursuant to KRS 161.636 for individuals who become
23 university members on or after January 1, 2022.
- 24 ➔Section 3. KRS 161.370 is amended to read as follows:
- 25 (1) The State Treasurer, the Auditor of Public Accounts, and the Attorney General shall
26 be treasurer, auditor, and legal adviser, respectively, of the board of trustees, and
27 shall be liable upon their official bonds for the faithful performance of such duties.

1 They shall serve without compensation except as provided by subsection (2)(b) of
2 this section. When the board of trustees deems it for the best interests of the
3 retirement system, it may employ attorneys and pay reasonable fees for the services
4 rendered.

5 (2) (a) The board shall annually procure an audit of the Teachers' Retirement System.
6 The audit shall be conducted in accordance with generally accepted auditing
7 standards. Except as provided by paragraph (b) of this subsection, the board
8 may select an independent certified public accountant to perform the audit and
9 pay reasonable fees for the services rendered. If the audit is performed by an
10 independent certified public accountant, the Auditor of Public Accounts shall
11 not be required to perform an audit pursuant to KRS 43.050(2)(a), but may
12 perform an audit at his discretion.

13 (b) At least once every five (5) years, the Auditor of Public Accounts shall
14 perform the audit described by this subsection, and the system shall reimburse
15 the Auditor of Public Accounts for all costs of the audit. The Auditor of
16 Public Accounts shall determine which fiscal year during the five (5) year
17 period the audit prescribed by this paragraph will be completed. **The audit**
18 **performed by the Auditor of Public Accounts pursuant to this paragraph**
19 **shall include a review of the sick leave program established by Section 1 of**
20 **this Act to ensure payments for unused sick days as it relates to the impact**
21 **on retirement benefits are operating within the limitations of subsection**
22 **(10) of Section 1 of this Act and that school boards are appropriately**
23 **reporting unused sick leave days in accordance with subsection (10)(e) of**
24 **Section 1 of this Act.**

25 (3) The board shall make copies of the audit required by this section available for
26 examination by any active contributing member or annuitant in the office of the
27 executive secretary of the Teachers' Retirement System and in such other places as

1 may be necessary to make the audit available to all active contributing members
2 and annuitants. A copy of the annual audit shall be sent to the Legislative Research
3 Commission no later than ten (10) days after receipt by the board.

4 ➔Section 4. KRS 161.400 is amended to read as follows:

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

10 (b) 1. At least once in each two (2) year period, the board shall cause an
11 actuarial investigation to be made of all of the economic experience
12 under the retirement system, including but not limited to the inflation
13 rate, investment return, and payroll growth assumptions, relative to the
14 economic assumptions and funding methods previously adopted by the
15 board.

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

21 3. Each actuarial investigation shall include at a minimum a summary of
22 the changes in actuarial assumptions and funding methods
23 recommended in the investigation and the projected impact of the
24 recommended changes on funding levels, unfunded liabilities, and
25 actuarially recommended contribution rates for employers over a thirty
26 (30) year period.

27 (c) At least annually the actuary shall make an actuarial valuation of the

1 retirement system. The valuation shall include:

- 2 1. A description of the actuarial assumptions used, and the assumptions
3 shall be reasonably related to the experience of the system and represent
4 the actuary's best estimate of anticipated experience;
- 5 2. A description of any funding methods utilized or required by state law in
6 the development of the actuarial valuation results;
- 7 3. A description of any changes in actuarial assumptions and methods from
8 the previous year's actuarial valuation;
- 9 4. The actuarially recommended contribution rate for employers for the
10 upcoming budget periods;
- 11 5. A thirty (30) year projection of the funding levels, unfunded liabilities,
12 and actuarially recommended contribution rates for employers based
13 upon the actuarial assumptions, funding methods, and experience of the
14 system as of the valuation date; ~~and~~
- 15 6. A sensitivity analysis that evaluates the impact of changes in system
16 assumptions, including but not limited to the investment return
17 assumption, payroll growth assumption, and medical inflation rates, on
18 employer contribution rates, funding levels, and unfunded liabilities;

19 and

20 7. The full actuarial cost of the sick leave program established in
21 subsection (10) of Section 1 of this Act, including the total actuarial
22 liabilities of the sick leave program and the total actuarial costs to
23 annually finance the program as a percentage of payroll and in total
24 dollars broken down by each funding source.

- 25 (d) On the basis of the results of the valuations, the board of trustees shall make
26 necessary changes in the retirement system within the provisions of law and
27 shall establish the contributions payable by employers and the state specified

1 in KRS 161.550, including changes prescribed by KRS 161.633, 161.634,
2 161.635, and 161.636, as applicable.

3 (e) For any change in actuarial assumptions, funding methods, retiree health
4 insurance premiums and subsidies, or any other decisions made by the board
5 that impact system liabilities and actuarially recommended contribution rates
6 for employers and that are not made in conjunction with the actuarial
7 investigations required by paragraph (b) of this subsection, an actuarial
8 analysis shall be completed showing the projected impact of the changes on
9 funding levels, unfunded liabilities, and actuarially recommended contribution
10 rates for employers over a thirty (30) year period.

11 (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for
12 all purposes shall be determined by the actuary of the retirement system and
13 approved by the board of trustees by resolution and implemented without the
14 necessity of an administrative regulation.

15 (3) A copy of each actuarial investigation, actuarial analysis, and valuation required by
16 subsection (1) of this section shall be forwarded electronically to the Legislative
17 Research Commission no later than ten (10) days after receipt by the board, and the
18 Legislative Research Commission shall distribute the information received to the
19 committee staff and co-chairs of any committee that has jurisdiction over the
20 Teachers' Retirement System. The actuarial valuation required by subsection (1)(c)
21 of this section shall be submitted no later than November 15 following the close of
22 the fiscal year.

23 ➔Section 5. KRS 161.643 is amended to read as follows:

24 (1) Each school district, institution, and agency employing annuitants of the retirement
25 system shall have on file at the retirement system's office an annual summary report
26 of the days employed and the compensation paid to each annuitant, *the sick leave*
27 *reporting requirements established by Section 1 of this Act*, and other data as

1 required by administrative regulation of the board of trustees no later than August 1,
2 following the completion of each fiscal year.

3 (2) The retirement system may impose a penalty on the employer not to exceed one
4 thousand dollars (\$1,000) when the employer does not meet the August 1 filing date
5 or fails to provide the information required for employment of annuitants of the
6 retirement system. However, the retirement system may waive the penalty for good
7 cause.

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

11 ➔Section 6. Whereas ensuring the accuracy of data and costs of the sick leave
12 programs provided by the Teachers' Retirement System will ensure the reliability of
13 future pension costs, an emergency is declared to exist, and this Act takes effect upon its
14 passage and approval by the Governor or upon its otherwise becoming a law.