

1 AN ACT relating to teacher benefit provisions 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 statement 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, a statement 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) A teacher or employee may use up to thirty (30) days of sick leave following
26 the birth or adoption of a child or children. Additional days may be used when
27 the need is verified by a physician's statement.

1 **(b) On or before July 1, 2030, each school district shall establish a policy to**
 2 **provide up to thirty (30) paid maternity leave days for a teacher or employee**
 3 **who gives birth to a child. The maternity leave days shall be used without**
 4 **deduction of salary and shall be used prior to the teacher or employee using**
 5 **any other leave. Any maternity leave days unused by the teacher or**
 6 **employee shall not transfer into sick leave or be converted to any other leave**
 7 **type and shall expire upon return to work. This paragraph shall not limit a**
 8 **school district's authority to establish additional paid maternity benefits or**
 9 **to provide paid parental leave benefits.**

10 (10) (a) [~~After July 1, 1982,]A district board of education may compensate, at the
 11 time of retirement or upon the death of a member in active contributing status
 12 at the time of death who was eligible to retire by reason of service, an
 13 employee or a teacher, or the estate of an employee or teacher, for each
 14 unused sick leave day. The rate of compensation for each unused sick leave
 15 day shall be based on a percentage of the daily salary rate calculated from the
 16 employee's or teacher's last annual salary, not to exceed thirty percent (30%).~~

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

25 (c) For a teacher or employee who becomes a nonuniversity member of the
 26 Teachers' Retirement System on or after January 1, 2022, as provided by KRS
 27 161.220, payment for unused sick leave days under this subsection shall not

1 be incorporated into the annual compensation used to calculate the teacher's or
2 employee's retirement allowance in the foundational benefit component as
3 described by KRS 161.633 but may be deposited into the nonuniversity
4 member's supplemental benefit component as provided by KRS 161.635.

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

10 (e) 1. Actuarial costs to the Teachers' Retirement System for the inclusion of
11 payment for unused sick leave days that are eligible for compensation
12 under paragraph (b) of this subsection shall be funded in accordance
13 with this paragraph.

14 2. The state shall pay the actuarial costs for the compensation
15 attributable to the actual unused sick leave accrued as of June 30,
16 2025, plus annual adjustments to the sick leave balance each fiscal
17 year thereafter, based upon the sick leave accrued or used by the
18 teacher or employee, not to exceed twelve (12) additional days per
19 year. Unused sick leave payable by the state shall not include any
20 annual leave described by KRS 161.540(1)(f) or the cost of unused
21 sick days for employees retiring from agencies listed in KRS
22 161.220(4)(d) and (f).

23 3. The last employer who is compensating the unused sick day as
24 provided in paragraph (a) of this subsection shall pay the actuarial
25 costs of compensation for unused sick leave days not paid by the state
26 under subparagraph 2. of this paragraph. Upon the teacher's or
27 employee's retirement, the Teachers' Retirement System shall bill the

1 last employer for the cost of the unused sick days, and the employer
2 shall pay the costs within fifteen (15) days after receiving notification
3 of the cost from the system.

4 4. The actuarial costs of the unused sick days shall be the amount
5 payable for unused sick days after the fixed statutory employee and
6 employer contributions have been paid as provided in KRS 161.540
7 and 161.550(1) and that is necessary to fund the benefit.

8 (f) For the fiscal year ending June 30, 2025, and each fiscal year thereafter,
9 each school district shall annually report to the Teachers' Retirement
10 System the sick leave balances for each teacher and employee who is a
11 member of the Teachers' Retirement System. The report shall include for
12 each teacher or employee:

- 13 1. The sick leave days accrued at the beginning of the fiscal year;
- 14 2. The sick leave days accrued during the fiscal year;
- 15 3. Any other days of leave added to the sick leave balance during the
16 fiscal year by rollover, conversion, or any other method;
- 17 4. The sick leave days used during the fiscal year; and
- 18 5. The sick leave balance at the end of the fiscal year.

19 (g) Each school district shall file with the Teachers' Retirement System
20 information regarding their sick leave policies and provisions that are
21 applicable to members of the system, including:

- 22 1. The number of sick leave days accrued annually under the sick leave
23 program established pursuant to subsection (2) of this section;
- 24 2. Any other types of leave and the amount of leave by type that may,
25 prior to retirement or at the time of retirement, be included by rollover,
26 conversion, or any other method, in an employee's sick leave balance
27 pursuant to any district policy or any contract entered into by the

1 district; and

2 3. Any other information required by the system.

3 The reporting required by this paragraph shall include a description of
 4 whether the policies or contracts governing sick leave policies apply to all
 5 employees, a class of employees, or a specific employee of the district.

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

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

14 ➔Section 2. KRS 161.400 is amended to read as follows:

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

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

26 2. At least once in each five (5) year period, the actuary shall make an
 27 actuarial investigation into all of the demographic actuarial assumptions

1 used, including but not limited to mortality tables, withdrawal rates, and
2 retirement rate assumptions, relative to the demographic actuarial
3 assumptions previously adopted by the board.

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

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

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

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

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

19 4. The actuarially recommended contribution rate for employers for the
20 upcoming budget periods;

21 5. A thirty (30) year projection of the funding levels, unfunded liabilities,
22 and actuarially recommended contribution rates for employers based
23 upon the actuarial assumptions, funding methods, and experience of the
24 system as of the valuation date; ~~and~~

25 6. A sensitivity analysis that evaluates the impact of changes in system
26 assumptions, including but not limited to the investment return
27 assumption, payroll growth assumption, and medical inflation rates, on

1 employer contribution rates, funding levels, and unfunded liabilities;

2 and

3 7. The full actuarial cost of the sick leave program established by
4 subsection (10) of Section 1 of this Act and the full actuarial costs of
5 annual leave program established by KRS 161.540(1)(f), including the
6 total actuarially accrued liabilities of the sick leave program and the
7 annual leave program determined and reported separately, and the
8 total actuarial costs to annually finance each program as a percentage
9 of payroll and in total dollars broken down by each funding source.

10 (d) On the basis of the results of the valuations, the board of trustees shall make
11 necessary changes in the retirement system within the provisions of law and
12 shall establish the contributions payable by employers and the state specified
13 in KRS 161.550, including changes prescribed by KRS 161.633, 161.634,
14 161.635, and 161.636, as applicable.

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

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

27 (3) A copy of each actuarial investigation, actuarial analysis, and valuation required by

1 subsection (1) of this section shall be forwarded electronically to the Legislative
2 Research Commission no later than ten (10) days after receipt by the board, and the
3 Legislative Research Commission shall distribute the information received to the
4 committee staff and co-chairs of any committee that has jurisdiction over the
5 Teachers' Retirement System. The actuarial valuation required by subsection (1)(c)
6 of this section shall be submitted no later than November 15 following the close of
7 the fiscal year.

8 ➔Section 3. KRS 161.643 is amended to read as follows:

9 (1) Each school district, institution, and agency employing annuitants of the retirement
10 system shall have on file at the retirement system's office an annual summary report
11 of the days employed and the compensation paid to each annuitant, *the sick leave*
12 *reporting requirements established by subsection (10)(f) of Section 1 of this Act,*
13 and other data as required by administrative regulation of the board of trustees no
14 later than August 1, following the completion of each fiscal year.

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

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

23 ➔Section 4. KRS 161.635 is amended to read as follows:

24 (1) An individual who becomes a nonuniversity member of the Teachers' Retirement
25 System on or after January 1, 2022, shall receive the retirement benefits provided
26 by this section in addition to the retirement benefits provided under KRS 161.620.
27 The retirement benefits provided by this section shall be known as the supplemental

- 1 benefit component.
- 2 (2) The supplemental benefit component shall provide a benefit based upon a member's
3 accumulated account balance which shall include:
- 4 (a) Mandatory contributions made by the member as provided by KRS
5 161.540(1)(c)2.;
- 6 (b) Voluntary contributions made by the member, which may include lump-sum
7 payments;
- 8 (c) Mandatory contributions made by the employer as provided by KRS
9 161.550(1)(d)2.;
- 10 (d) Voluntary employer contributions at the option of the employer, which may
11 include but not be limited to a voluntary employer contribution to attract
12 and retain new teachers of one thousand dollars (\$1,000) for each of the
13 first five (5) years of contributing service to the system; and
- 14 (e) Regular interest, which shall be credited to the member's account annually on
15 June 30 of each fiscal year, by multiplying the member's accumulated account
16 balance in the supplemental benefit component on June 30 of the preceding
17 fiscal year by the regular interest rate.
- 18 (3) (a) Member contributions and employer contributions as provided by subsection
19 (2)(a) to (d) of this section shall be credited to the member's account at least
20 monthly as contributions are reported and posted to the system in accordance
21 with KRS 161.560.
- 22 (b) No employer contributions or interest shall be provided to a member who has
23 taken a refund of his or her accumulated account balance as provided by KRS
24 161.470 or who has retired and annuitized his or her accumulated account
25 balance as authorized by this section.
- 26 (4) (a) Upon termination of employment, a member who has less than five (5) years
27 of service credited under KRS 161.500, who elects to take a refund of his or

1 her accumulated account balance as provided by KRS 161.470, shall forfeit
2 the accumulated employer contribution, and shall only receive a refund of his
3 or her accumulated contributions.

4 (b) Upon termination of employment, a member who has five (5) or more years
5 of service credited under KRS 161.500, who elects to take a refund of his or
6 her accumulated account balance as provided by KRS 161.470, shall receive a
7 full refund of his or her accumulated account balance.

8 (5) A nonuniversity member eligible to retire under KRS 161.600(2) may upon
9 retirement, in addition to the other benefits provided by KRS 161.620, elect to:

10 (a) Have his or her accumulated account balance in the supplemental benefit
11 component annuitized into a lifetime monthly retirement allowance by the
12 system in accordance with the actuarial assumptions and actuarial methods
13 adopted by the board for the supplemental benefit component and in effect on
14 the member's retirement date;

15 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
16 under paragraph (a) of this subsection payable under one (1) of the options
17 established by the board pursuant to KRS 161.630;

18 (c) Take a distribution of the accumulated account balance in the supplemental
19 benefit component over a period certain as authorized by the board; or

20 (d) Take a full or partial refund of his or her accumulated account balance as
21 provided by KRS 161.470.

22 A member participating in the supplemental benefit component shall not be
23 required to take a distribution or annuitize his or her accumulated account balance
24 in the supplemental benefit component when he or she begins drawing a retirement
25 allowance from the foundational benefit component and may instead choose to
26 begin drawing a distribution or annuitize his or her accumulated account balance in
27 the supplemental benefit component at any date following his or her retirement date

1 from the foundational benefit component.

2 (6) This section only applies to individuals who become nonuniversity members of the
3 Teachers' Retirement System on or after January 1, 2022.

4 (7) The board of trustees shall have the authority to utilize or establish any plan or
5 plans authorized under the Internal Revenue Code to provide the benefits set forth
6 in this section.

7 ➔Section 5. The Auditor of Public Accounts shall perform a special audit of
8 benefit programs provided by the Teachers' Retirement System which shall be paid by the
9 Teachers' Retirement System as part of its normal administrative expenses. The special
10 audit shall be limited to:

11 (1) An audit of the sick leave program established by Section 1 of this Act as it
12 relates to the Teachers' Retirement System and the sick leave reported by local school
13 districts to the Teachers' Retirement System as of June 30, 2025, to ensure that only the
14 sick leave that is eligible for payment under Section 1 of this Act and inclusion in a
15 retiring employee's final average salary as defined in KRS 161.220 is being reported
16 correctly according to Section 1 of this Act and that the cost of the sick leave program is
17 being reported correctly according to Section 2 of this Act;

18 (2) An audit of the employers listed in subsection KRS 161.220(4) to determine if
19 any listed employers are providing coverage in the Teachers' Retirement System for other
20 entities on a contract basis, through a memorandum of agreement, or other method. The
21 audit shall provide a listing of each employer providing the retirement coverage, a listing
22 of entities for which retirement coverage is being provided through the employer and the
23 number of employees covered for each entity, and any estimated costs to the state for
24 providing the Teachers' Retirement System coverage to these entities; and

25 (3) An audit of the Teachers' Retirement System's annual leave program
26 established by KRS 161.540(1)(f) to report the agencies that are including annual leave
27 payments in a retiring employee's final average salary as defined in KRS 161.220, to

1 report the policies of each agency participating in the annual leave program and the
2 number of employees covered by the policy of each agency, to evaluate how annual leave
3 is reported to the system and whether changes should be made to annual leave reporting
4 process to the system to ensure proper cost estimates, and a review of the cost of the
5 annual leave program that is required to be disclosed in the annual valuation as required
6 by Section 2 of this Act.

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