

1 AN ACT relating to the Kentucky Teachers' Retirement System.

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

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

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

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

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

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

16 (c) If the deceased member has a minimum of ten (10) years of service credit
17 with the Teachers' Retirement System, the surviving widow or widower may
18 apply for an annuity actuarially equivalent to the annuity that would have
19 been paid to the deceased member when eligibility conditions were met.
20 Eligibility for payments would begin at the time the age of the deceased
21 member would have met the requirements of KRS 161.600(1) or (2), as
22 applicable. In exercising this right, the surviving widow or widower shall be
23 entitled to receive an annuity for life. This subsection applies to surviving
24 spouses of members who die on or after July 1, 1978. A surviving widow or
25 widower of a member who dies after July 1, 1978, shall be eligible for benefit
26 payments provided under paragraphs (a) and (b) of this subsection until they
27 begin receiving payments under this provision;

- 1 (2) (a) Where there are surviving unmarried children under age eighteen (18) or
2 under age nineteen (19) if a full-time student in high school, the benefit shall
3 be two hundred dollars (\$200) per month in the case of one (1) child, three
4 hundred forty dollars (\$340) per month in the case of two (2) children, four
5 hundred dollars (\$400) per month in the case of three (3) children, and four
6 hundred forty dollars (\$440) per month in the case of four (4) or more
7 children. Benefits under this subsection shall apply in addition to benefits
8 which may be payable under subsections (1) and (3) of this section.
- 9 (b) Notwithstanding any provision of law to the contrary, the surviving spouse
10 may elect to receive a lump-sum refund of the member's accumulated account
11 balance in lieu of the survivorship benefits payable under this subsection and
12 subsection (1) of this section only if the surviving spouse is designated as the
13 primary beneficiary and:
- 14 1. Is a biological or adoptive parent of all children eligible for a benefit
15 under this subsection and has not had his or her parental rights
16 terminated; or
- 17 2. Has been appointed as legal guardian of all of the children eligible under
18 paragraph (a) of this subsection.
- 19 (c) To elect a lump-sum refund of the member's accumulated account balance
20 under paragraph (b) of this subsection, the surviving spouse who is designated
21 as the primary beneficiary must sign a waiver on forms prescribed by the
22 retirement system of his or her rights and the member's children's rights to the
23 survivorship benefits payable under this subsection and subsection (1) of this
24 section. The surviving spouse shall not waive the survivorship benefits
25 available under this subsection or subsections (1) and (6) of this section if any
26 of the member's children have attained age eighteen (18) or older unless all of
27 those children consent in writing on forms prescribed by the retirement

1 system to waive their survivorship benefits available under this subsection;

2 (3) (a) Where the survivor is a child age eighteen (18) or older whose mental or
3 physical condition is sufficient to cause his or her dependency on the deceased
4 member at the time of the member's death, the benefit shall be two hundred
5 dollars (\$200) per month, payable for the life of the child or until the time as
6 the mental or physical condition creating the dependency no longer exists or
7 the child marries. The mental or physical condition of the adult child shall be
8 revealed by a competent examination by a licensed physician~~and shall be~~
9 ~~approved by a majority of a medical review committee as defined in KRS~~
10 ~~461.661(14)]~~. Benefits under this subsection shall apply in addition to benefits
11 which may be payable under subsections (1) and (2) of this section.

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

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

27 (c) If eligible to elect a lump-sum refund of the member's accumulated account

1 balance, the surviving spouse shall sign a waiver on forms prescribed by the
2 retirement system of his or her rights and the member's children's rights to the
3 survivorship benefits payable under this subsection and subsections (1) and
4 (2) of this section;

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

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

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

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

- 1 (8) No payment of benefits shall be made unless the board of trustees authorizes the
2 payment. The board shall promulgate administrative regulations for the
3 administration of the provisions in this section and in every case the decision of the
4 board of trustees shall be final as to eligibility, dependency, or disability, and the
5 amount of benefits payable;
- 6 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)
7 of this section, or in the event that the surviving spouse elects not to receive
8 survivorship benefits on his or her own behalf or on behalf of any of the member's
9 children as permitted under subsections (2) and (3) of this section, the board of
10 trustees shall pay to the estate or the designated beneficiaries of the deceased
11 member a refund of his or her accumulated account balance as provided in KRS
12 161.470(7). If the benefits paid or payable under subsections (1) to (5) of this
13 section and KRS 161.661 shall amount to a sum less than the member's
14 accumulated account balance at the time of death, the board of trustees shall pay to
15 the estate or designated beneficiaries of the deceased member the balance of the
16 accumulated account balance;
- 17 (10) Any person who is receiving benefits and becomes disqualified from receiving
18 those benefits under this section shall immediately notify the Teachers' Retirement
19 System of this disqualification in writing and shall return all benefits paid after the
20 date of disqualification. Failure to comply with these provisions shall create an
21 indebtedness of that person to the Teachers' Retirement System. Interest at the rate
22 of eight percent (8%) per annum shall be charged if the debt is not repaid within
23 sixty (60) days after the date of disqualification. Failure to repay this debt creates a
24 lien in favor of the Teachers' Retirement System upon all property of the person
25 who improperly receives benefits and does not repay those benefits; and
- 26 (11) Benefits under subsections (2) and (3) of this section shall apply to a child who is a
27 legally adopted survivor at the time of the death of the member. This provision shall

1 be retroactive to include a child who was born after January 1, 1990, and is a legally
2 adopted survivor of a member whose death occurred prior to July 15, 2008.

3 ➔Section 2. KRS 161.605 is amended to read as follows:

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

7 (1) Any member who is retired with thirty (30) or more years of service may return to
8 work in a full-time or a part-time position, or in a position providing substitute
9 teaching service, covered by the Teachers' Retirement System and earn up to a
10 maximum of seventy-five percent (75%) of the member's last annual compensation
11 measured on a daily rate to be determined by the board of trustees. For purposes of
12 determining whether the salary of a member returning to work is seventy-five
13 percent (75%) or less of the member's last annual compensation, all remuneration
14 paid and benefits provided to the member, on an actual dollar or fair market value
15 basis as determined by the retirement system, excluding employer-provided medical
16 insurance required under subsection (4) of this section, shall be considered.
17 Members who were retired on or before June 30, 2002, shall be entitled to return to
18 work under the provisions of this section as if they had retired with thirty (30) years
19 of service. Nonqualified service credit purchased under the provisions of KRS
20 161.5465 or elsewhere with any state-administered retirement system shall not be
21 used to meet the thirty (30) year requirement set forth in this subsection. Out-of
22 state teaching service provided in public schools for kindergarten through grade
23 twelve (12) may count toward the thirty (30) year requirement set forth in this
24 subsection even if it is not purchased as service credit, if the member obtains from
25 his or her out-of-state employer certification of this service on forms prescribed by
26 the retirement system;

27 (2) Any member who is retired with less than thirty (30) years of service after June 30,

2002, may return to work in a full-time or part-time position, or in a position providing substitute teaching service, covered by the Teachers' Retirement System and earn up to a maximum of sixty-five percent (65%) of the member's last annual compensation measured on a daily rate to be determined by the board of trustees. For purposes of determining whether the salary of a member returning to work is sixty-five percent (65%) or less of the member's last annual compensation, all remuneration paid and benefits provided to the member, on an actual dollar or fair market value basis as determined by the retirement system, excluding employer-provided medical insurance required under subsection (4) of this section, shall be considered;

(3) Under this section, an employer may employ full-time a number of retired members not to exceed ten percent (10%) of the membership actively employed full-time by that employer. The board of trustees may reduce this ten percent (10%) cap upon recommendation of the retirement system's actuary if a reduction is necessary to maintain the actuarial soundness of the retirement system. The board of trustees may increase the ten percent (10%) cap upon a determination that an increase is warranted to help address a shortage in the number of available teachers and upon the determination of the retirement system's actuary that the proposed cap increase allows the actuarial soundness of the retirement system to be maintained. For purposes of this subsection, "full-time" means the same as defined by KRS 161.220(21). A local school district may exceed the quota established by this subsection by making an annual written request to the Kentucky Department of Education which the department may approve on a year-by-year basis;

(4) (a) Except as provided by subsection (9) of this section, a retired member returning to work in a full-time or part-time position, or in a position providing substitute teaching service~~[-]~~ under subsection (1) or (2) of this section, shall contribute to an account with the retirement system that shall be

1 administered independently from and with no reciprocal impact with the
2 member's original retirement account, or any other account from which the
3 member is eligible to draw a retirement allowance.

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

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

25 (d) A **retired** member returning to work under subsection (1) or (2) of this section
26 shall not be eligible to purchase service credit for any service provided after
27 the 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 retired member who returns to work under subsection (1) or (2) of this
6 section, or in the event of the death of the member, the member's estate or
7 applicably designated beneficiary, shall be entitled, within ninety (90) days of
8 the posting of the annual report submitted by the employer, to a refund of
9 contributions as permitted and limited by KRS 161.470;

10 (5) 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 two~~one~~ hundred ~~seventy~~ dollars (\$200)~~(\$170)~~ per day;

1 (6) (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~~
9 ~~(a) 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 (4) 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 ~~(c)(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 ~~(d)(e)~~ The separation-from-service requirements of this subsection are not met
6 if 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 ~~(e)(f)~~ The Teachers' Retirement System may require the member and the
10 employer for which the member is returning to work to certify in writing on a
11 form prescribed by the Teachers' Retirement System that no prearranged
12 agreement was or will be entered into between the member and employer
13 prior to retirement for the member to work for the employer after retirement.

14 ~~(f)(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 (7) (a) Effective July 1, 2004, local school districts may employ retired members in
20 full-time or part-time teaching or administrative positions in critical shortage
21 areas without limitation on the compensation of the retired members that is
22 otherwise required by subsections (1) and (2) of this section. The number of
23 retired members that a local school district may employ under this subsection
24 shall be no more than four (4) members per local school district or ten percent
25 (10%) of the total active members employed by the local school district on a
26 full-time basis as defined under KRS 161.220(21), whichever number is
27 greater. Retired members returning to work under this subsection shall be

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

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

26 (8) The return-to-work limitations set forth in this section shall apply to retired
27 members who are returning to work in the same position from which they retired, or

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

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

16 (b) The provisions of subsections (1) to (7) of this section are not subject to KRS
17 161.714;

18 (10) Retired members may be employed in a part-time teaching capacity by an agency
19 described in KRS 161.220(4)(b) or (n), not to exceed the equivalent of twelve (12)
20 teaching hours in any one (1) fiscal year. Retired members may be employed for a
21 period not to exceed the equivalent of one hundred (100) days in any one (1) fiscal
22 year in a part-time administrative or nonteaching capacity by an agency described
23 in KRS 161.220(4)(b) or (n) in a position that would otherwise be covered by the
24 retirement system. Except as otherwise provided by this subsection, the return to
25 work provisions set forth in subsections (1) to (7) of this section shall not apply to
26 retired members who return to work solely for an agency described in KRS
27 161.220(4)(b) or (n). Calculation of the number of days and teaching hours for part-

1 time teaching, substitute teaching, or part-time employment in a nonteaching
2 capacity under this section shall not exceed the ratio between a school year and the
3 actual months of retirement for the member during that school year. The board of
4 trustees by administrative regulation may establish fractional equivalents of a day
5 of teaching service. Any member who exceeds the twelve (12) hour or one hundred
6 (100) day limitations of this subsection shall be subject to having his or her
7 retirement voided and be required to return all retirement allowances and other
8 benefits paid to the member or on the member's behalf since the effective date of
9 retirement. In lieu of voiding a member's retirement, the system may reduce the
10 member's retirement allowance or any other benefit to which the member would
11 otherwise be entitled on a dollar-for-dollar basis for each dollar of compensation
12 that the member earns in employment exceeding twelve (12) hours, one hundred
13 (100) days, or any apportionment of the two (2) combined. Retired members
14 returning to work for an employer described in KRS 161.220(4)(b) or (n) shall
15 comply with the separation-from-service requirements of subsection (6) of this
16 section;

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

23 (12) For retired members who return to work during any one (1) fiscal year in both a
24 position described in KRS 161.220(4)(b) or (n) and in a position described under
25 another provision under KRS 161.220(4), and for retired members who return to
26 work in a position described under KRS 161.220(4)(b) or (n) in both a teaching and
27 an administrative or nonteaching capacity, the board of trustees shall adopt a

1 methodology for a pro rata apportionment of days and hours that the retired
2 member may work in each position.

3 (13) Notwithstanding any other provision of KRS 161.220 to 161.716 to the contrary, an
4 annuitant who has returned to work following retirement with an employer that
5 does not participate in the state-administered retirement systems shall not be
6 required to take health insurance coverage through the employer and the system
7 shall continue to provide health insurance coverage and benefits to the annuitant
8 during the period of employment, except as may be required by the Medicare
9 Secondary Payer Act under 42 U.S.C. sec. 1395y(b).

10 (14) Any member retired by reason of service may waive his or her annuity and return
11 to full-time employment in a Teachers' Retirement System-covered teaching
12 position or a nonadministrative position under which the contract requires two
13 hundred (200) work days or fewer that is on the certified salary schedule under
14 the following conditions:

15 (a) The member shall receive no annuity payments while employed in a full-
16 time position described in this subsection, shall waive his or her medical
17 insurance coverage with the Teachers' Retirement System during the period
18 of reemployment, and shall receive the medical insurance coverage that is
19 generally offered by the member's active employer to the other members of
20 the retirement system employed by the active employer. The member's estate
21 or, if there is a beneficiary applicably designated by the member, then the
22 beneficiary, shall continue to be eligible for life insurance benefits as
23 provided in KRS 161.655. Service subsequent to retirement shall not be used
24 to improve an annuity, except as provided in paragraphs (b) and (c) of this
25 subsection;

26 (b) Any member who waives regular annuity benefits and returns to a full-time
27 position described in this subsection shall be entitled to make contributions

1 on the salaries received for this service and have his or her retirement
2 annuity recalculated as provided in the regular retirement formula in
3 subsection (1) of Section 4 of this Act, less any applicable actuarial discount
4 applied to the original retirement allowance due to the election of a joint
5 and last survivor option. Retirement option, plan account type, and
6 beneficiary designation on original retirement shall not be altered by
7 postretirement employment, and dependents and spouses of the members
8 shall not become eligible for benefits under KRS 161.525 or 161.661 or
9 Section 1 of this Act because of postretirement employment;

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

23 (d) A member retired by reason of service who has been employed the
24 equivalent of twenty-five (25) days or more during a school year under
25 Section 2 of this Act may waive the member's retirement annuity and return
26 to a position described in this subsection during that school year a
27 maximum of one (1) time during any five (5) year period, beginning with

1 that school year.

2 ➔Section 3. KRS 161.608 is amended to read as follows:

3 The provisions of KRS 61.680 are hereby recognized and shall be followed in
4 calculating~~[computing]~~ benefits of any member of the Teachers' Retirement System who
5 also has an account with the Kentucky Employees Retirement System, County
6 Employees Retirement System, or State Police Retirement System. The benefits shall be
7 calculated using a membership date as follows:

8 (1) Teachers' Retirement System shall use the other state-administered
9 retirement systems' membership entry date to establish eligibility for and
10 participation in benefits if it is the earlier membership entry date between
11 the systems, and this date shall not be subsequently changed once entered in
12 the member's record; and

13 (2) For individuals who begin participation in the Teacher's Retirement System
14 on or after July 1, 2026, service subsequently reinstated or established in
15 another system for an earlier period or date shall not change the
16 individual's continued participation in the Teachers' Retirement System
17 account type in which they participated prior to the reinstatement.

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

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

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

1 System who are university members shall be two percent (2%) of the final
2 average salary. Actuarial discounts due to age or service credit at retirement
3 may be applied as provided in this section;

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

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

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

27 1. a. One and seven-tenths percent (1.7%) of the member's final

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

1 average salary for each year of service if the member has earned greater
2 than twenty (20) but less than twenty-seven (27) years of service at
3 retirement; or

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

7 (f) For individuals who become nonuniversity members of the Teachers'
8 Retirement System on or after January 1, 2022, the retirement allowance shall,
9 except as adjusted by the board pursuant to KRS 161.633, be the following
10 percentage of the member's final average salary for each year 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. *This payment may be applied for and*
27 *managed by the parent who is the retired member without necessity of court order*

1 or other legal authority.

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

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

11 ➔Section 5. KRS 161.635 is amended to read as follows:

12 (1) An individual who becomes a nonuniversity member of the Teachers' Retirement
13 System on or after January 1, 2022, shall receive the retirement benefits provided
14 by this section in addition to the retirement benefits provided under KRS 161.620.
15 The retirement benefits provided by this section shall be known as the supplemental
16 benefit component.

17 (2) The supplemental benefit component shall provide a benefit based upon a member's
18 accumulated account balance which shall include:

19 (a) Mandatory contributions made by the member as provided by KRS
20 161.540(1)(c)2.;

21 (b) Voluntary contributions made by the member, which may include lump-sum
22 payments;

23 (c) Mandatory contributions made by the employer as provided by KRS
24 161.550(1)(d)2.;

25 (d) Voluntary employer contributions at the option of the employer, which may
26 include but not be limited to a voluntary employer contribution to attract and
27 retain new teachers of one thousand dollars (\$1,000) for each of the first five

1 (5) years of contributing service to the system; and

2 (e) 1. Regular interest, which shall be credited to the member's account
3 annually on June 30 of each fiscal year, by multiplying the member's
4 accumulated account balance in the supplemental benefit component on
5 June 30 of the preceding fiscal year by the regular interest rate.

6 2. The board is authorized, in lieu of regular interest, to offer members
7 who so elect, participation in equity index funds provided and
8 administered by the retirement system. The board may authorize the
9 member to make this election at any time during the member's
10 participation in the retirement system. The election by the member to
11 participate in any equity index fund and any gains therefrom shall be
12 prospective from the date of election only, and any contributions to the
13 member's account prior to the date of election for and conversion to
14 an equity index fund or funds shall continue to accrue regular interest
15 as described in subparagraph 1. of this paragraph. The board may
16 promulgate administrative regulations in accordance with KRS
17 Chapter 13A to establish the framework and rules for equity index
18 funds, including the degree of participation in returns generated by
19 any index funds, accreditation or returns to member accounts, and
20 procedures for disbursements from such funds. Notwithstanding any
21 other provision of KRS 161.220 to 161.716 to the contrary, the
22 conditions established for members' participation in index funds,
23 including annuitization of index funds upon retirement as permitted
24 under subsection (5)(a) of this section, may be prospectively adjusted
25 by statute or as permitted by administrative regulation.

26 (3) (a) Member contributions and employer contributions as provided by subsection
27 (2)(a) to (d) of this section shall be credited to the member's account at least

1 monthly as contributions are reported and posted to the system in accordance
2 with KRS 161.560.

3 (b) No employer contributions or interest shall be provided to a member who has
4 taken a refund of his or her accumulated account balance as provided by KRS
5 161.470 or who has retired and annuitized his or her accumulated account
6 balance as authorized by this section.

7 (4) (a) Upon termination of employment, a member who has less than five (5) years
8 of service credited under KRS 161.500, who elects to take a refund of his or
9 her accumulated account balance as provided by KRS 161.470, shall forfeit
10 the accumulated employer contribution, and shall only receive a refund of his
11 or her accumulated contributions.

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

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

18 (a) Have all or a portion of his or her accumulated account balance in the
19 supplemental benefit component annuitized into a lifetime monthly retirement
20 allowance by the system in accordance with the actuarial assumptions and
21 actuarial methods adopted by the board for the supplemental benefit
22 component and in effect on the member's retirement date, however, the
23 actuarially assumed investment rate of return applied to the funds in a
24 member's supplemental benefit component in calculating an annuity shall
25 not exceed six and one-tenth percent (6.1%) if the cost of living adjustment
26 under subsection (2) of Section 4 of this Act is not provided, and four and
27 sixth-tenths percent (4.6%) if the cost of living adjustment is provided;

- 1 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
2 under paragraph (a) of this subsection payable under one (1) of the options
3 established by the board pursuant to KRS 161.630;
- 4 (c) Take a distribution of the accumulated account balance in the supplemental
5 benefit component over a period certain as authorized by the board; or
- 6 (d) Take a full or partial refund of his or her accumulated account balance as
7 provided by KRS 161.470.

8 A member participating in the supplemental benefit component shall not be
9 required to take a distribution or annuitize his or her accumulated
10 account balance in the supplemental benefit component when he or she
11 begins drawing a retirement allowance from the foundational benefit
12 component and may instead choose to begin drawing a distribution or
13 annuitize his or her accumulated account balance in the supplemental
14 benefit component at any date following his or her retirement date from
15 the foundational benefit component. The board may promulgate
16 administrative regulations in accordance with KRS Chapter 13A to
17 establish procedures for disbursements from the supplemental benefit
18 component.

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

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

- 24 (8) Neither the retirement system nor its board or staff shall be liable for any losses
25 or claims due to a member's election of an index fund or the United States
26 Treasury Bond yield provided under KRS 161.220(13)(c). The retirement system,
27 board, and staff shall have no duty or obligation to monitor, review, or provide

1 specific investment advice. The member shall have the sole responsibility for
2 evaluation, selection, and monitoring of investments held in the member's
3 supplemental benefit component and shall at all times be and remain responsible
4 and liable for the performance of and any losses in the member's supplemental
5 benefit component. The board's provision of investment options in the
6 supplemental benefit component creates no presumption that the board has any
7 obligation or duty to monitor, review, or provide investment advice.

8 ➔Section 6. KRS 161.636 is amended to read as follows:

9 (1) An individual who becomes a university member of the Teachers' Retirement
10 System on or after January 1, 2022, shall receive the retirement benefits provided
11 by this section in addition to the retirement benefits provided under KRS 161.620.
12 The retirement benefits provided by this section shall be known as the supplemental
13 benefit component.

14 (2) The supplemental benefit component shall provide a benefit based upon a member's
15 accumulated account balance which shall include:

16 (a) Mandatory contributions made by the member as provided by KRS
17 161.540(1)(d)2.;

18 (b) Voluntary contributions made by the member, which may include lump-sum
19 payments;

20 (c) Mandatory contributions made by the employer as provided by KRS
21 161.550(1)(e)2.;

22 (d) Voluntary employer contributions; and

23 (e) 1. Regular interest, which shall be credited to the member's account
24 annually on June 30 of each fiscal year, by multiplying the member's
25 accumulated account balance in the supplemental benefit component on
26 June 30 of the preceding fiscal year by the regular interest rate.

27 2. The board is authorized, in lieu of regular interest, to offer members

who so elect, participation in an equity index funds provided and administered by the retirement system. The board may authorize the member to make this election at any time during the member's participation in the retirement system. The election by the member to participate in any index fund and any gains therefrom shall be prospective from the date of election only, and any contributions to the member's account prior to the date of election for and conversion to an equity index fund or funds shall continue to accrue regular interest as described in subparagraph 1. of this paragraph. The board may promulgate administrative regulations in accordance with KRS Chapter 13A to establish the framework and rules for equity index funds, including the degree of participation in returns generated by any index funds, accreditation of returns to member accounts and procedures for disbursements from such funds. Notwithstanding any other provision of KRS 161.220 to 161.716 to the contrary, the conditions established for members' participation in index funds, including annuitization of index funds upon retirement as permitted under subsection (5)(a) of this section, may be prospectively adjusted by statute or as permitted by administrative regulation.

(3) (a) Member contributions and employer contributions as provided by subsection (2)(a) to (d) of this section shall be credited to the member's account at least monthly as contributions are reported and posted to the system in accordance with KRS 161.560.

(b) No employer contributions or interest shall be provided to a member who has taken a refund of his or her accumulated account balance as provided by KRS 161.470 or who has retired and annuitized his or her accumulated account balance as authorized by this section.

- 1 (4) (a) Upon termination of employment, a member who has less than five (5) years
2 of service credited under KRS 161.500, who elects to take a refund of his or
3 her accumulated account balance as provided by KRS 161.470, shall forfeit
4 the accumulated employer contribution, and shall only receive a refund of his
5 or her accumulated contributions.
- 6 (b) Upon termination of employment, a member who has five (5) or more years
7 of service credited under KRS 161.500, who elects to take a refund of his or
8 her accumulated account balance as provided by KRS 161.470, shall receive a
9 full refund of his or her accumulated account balance.
- 10 (5) A university member eligible to retire under KRS 161.600(2) may upon retirement,
11 in addition to the other benefits provided by KRS 161.620, elect to:
- 12 (a) Have all or a portion of his or her accumulated account balance in the
13 supplemental benefit component annuitized into a lifetime monthly retirement
14 allowance by the system in accordance with the actuarial assumptions and
15 actuarial methods adopted by the board for the supplemental benefit
16 component and in effect on the member's retirement date, however, the
17 actuarially assumed investment rate of return applied to the funds in a
18 member's supplemental benefit component in calculating an annuity shall
19 not exceed six and one-tenth percent (6.1%,) if the cost of living adjustment
20 under subsection (2) of Section 4 of this Act is not provided, and four and
21 six-tenths percent (4.6%) if the cost of living adjustment is provided;
- 22 (b) Receive the actuarial equivalent of his or her retirement allowance calculated
23 under paragraph (a) of this subsection payable under one (1) of the options
24 established by the board pursuant to KRS 161.630;
- 25 (c) Take a distribution of the accumulated account balance in the supplemental
26 benefit component over a period certain as authorized by the board; or
- 27 (d) Take a full or partial refund of his or her accumulated account balance as

1 provided by KRS 161.470.

2 A member participating in the supplemental benefit component shall not be
3 required to take a distribution or annuitize his or her accumulated account balance
4 in the supplemental benefit component when he or she begins drawing a retirement
5 allowance from the foundational benefit component and may instead choose to
6 begin drawing a distribution or annuitize his or her accumulated account balance in
7 the supplemental benefit component at any date following his or her retirement date
8 from the foundational benefit component. The board may promulgate
9 administrative regulations in accordance with KRS Chapter 13A to establish
10 procedures for disbursements from the supplemental benefit component.

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

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

16 (8) Neither the retirement system nor its board or staff shall be liable for any losses
17 or claims due to a member's election of an index fund or the United States
18 Treasury Bond yield provided under KRS 161.220(13)(c). The retirement system,
19 board, and staff shall have no duty or obligation to monitor, review, or provide
20 specific investment advice. The member shall have the sole responsibility for
21 evaluation, selection, and monitoring of investments held in the member's
22 supplemental benefit component and shall at all times be and remain responsible
23 and liable for the performance of and any losses in the member's supplemental
24 benefit component. The board's provision of investment options in the
25 supplemental benefit component creates no presumption that the board has any
26 obligation or duty to monitor, review, or provide investment advice.