

1 AN ACT relating to sick leave for school district personnel.

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) "Assault" shall mean an act that intentionally causes injury so significant that
6 the victim is determined to be, by certification of a physician or surgeon duly
7 qualified under KRS Chapter 342, incapable of performing the duties of his or
8 her job;

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

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

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

20 (e) "Teacher" shall mean any person for whom certification is required as a basis
21 of employment in the common schools of the state.

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.
2 *Teachers and employees of the school district may also use accumulated sick*
3 *leave for the observance of religious holidays not otherwise included in the*
4 *school calendar if the teacher or employee submits a personal statement*
5 *verifying the observance of the religious holiday and provides sufficient advance*
6 *notice as determined by the school district.* The ten (10) days of sick leave granted
7 in this subsection may be taken by a teacher or employee on any ten (10) days of
8 the school year and shall be granted in addition to accumulated sick leave days that
9 have been credited to the teacher or employee under the provisions of subsection
10 (4) of this section.

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

20 (a) The district shall pay the salary of the teacher or employee between the time
21 of the assault and the time the teacher's or employee's workers' compensation
22 income benefits take effect, or the time the teacher or employee is certified to
23 return to work by a physician or surgeon duly qualified under KRS Chapter
24 342, whichever is sooner;

25 (b) The district shall pay, for up to one (1) year from the time of the assault, the
26 difference between the salary of the teacher or employee and any workers'
27 compensation income benefits received by the teacher or employee resulting

1 from the assault. Payments by the district shall include payments for
2 intermittent work time missed as a result of the assault during the one (1) year
3 period. If the teacher's or employee's workers' compensation income benefits
4 cease during the one (1) year period after the assault, the district shall also
5 cease to make payments under this paragraph;

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

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

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

21 (4) (a) 1. *Except as otherwise provided in paragraph (b) of this subsection,* days
22 of sick leave not taken by an employee or a teacher during any school
23 year shall accumulate without limitation and be credited to that
24 employee or teacher. Accumulated sick leave may be taken in any
25 school year.

26 2. Any district board of education may, in its discretion, allow employees
27 or teachers in its common school system sick leave in excess of the

1 number of days prescribed in this section and may allow school district
2 employees and teachers to use up to three (3) days' sick leave per school
3 year for emergency leave pursuant to KRS 161.152(3).

4 3. Any accumulated sick leave days credited to an employee or a teacher
5 shall remain so credited in the event he or she transfers his or her place
6 of employment from one (1) school district to another within the state or
7 to the Kentucky Department of Education or transfers from the
8 Department of Education to a school district.

9 (b) 1. A school district may establish by policy a program to annually
10 compensate an employee or a teacher prior to retirement for each
11 unused sick leave day the teacher or employee has accrued in excess
12 of fifteen (15) days, provided the employee or teacher has elected to
13 receive compensation for the excess unused sick leave. The rate of
14 compensation for each unused sick leave day shall be based on a
15 percentage of the daily salary rate calculated from the employee's or
16 teacher's last annual salary, not to exceed thirty percent (30%). The
17 school district may establish additional requirements for payment of
18 unused sick leave days established under this paragraph, including
19 but not limited to limiting the number of unused sick leave days that
20 can be compensated annually and increasing the number of unused
21 sick leave days a teacher or employee must accrue before the school
22 district will provide compensation. Upon payment for compensation of
23 unused sick leave days, the employee's or teacher's sick leave balance
24 shall be reduced by the number of days compensated by the school
25 district.

26 2. The compensation for unused sick leave days established by this
27 paragraph shall not be considered compensation or creditable

1 compensation for purposes of any contributions payable to or for
2 computation of benefits payable by the Teachers' Retirement System
3 under KRS 161.220 to 161.716 or the County Employees Retirement
4 System under KRS 78.510 to 78.852.

5 3. Payments for compensation made by a district board of education
6 under this paragraph are presumed to be for services rendered and for
7 the benefit of the common schools, and the payments do not affect the
8 eligibility of any school district to participate in any public school
9 funding program established in KRS Chapter 157.

10 4. The Kentucky Department of Education shall annually report to the
11 Legislative Research Commission for referral to the appropriate
12 committee or committees information on school districts who have
13 established a program under this paragraph, including the name of
14 the school district, summary details of the individual district's
15 program, the number of teachers and employees electing to receive a
16 payment by school district, and the costs of payments made by each
17 school district.

18 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to
19 the opening day of the school year, a statement or a certificate of a physician is
20 presented to the district board of education, stating that the teacher or employee is
21 unable to commence his or her duties on the opening day of the school year, but
22 will be able to assume his or her duties within a period of time that the board
23 determines to be reasonable.

24 (6) Any school teacher or employee may repurchase previously used sick leave days
25 with the concurrence of the local school board by paying to the district an amount
26 equal to the total of all costs associated with the used sick leave. The provisions of
27 this subsection shall not apply to sick leave days compensated pursuant to

1 *subsection (4)(b) of this section.*

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

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

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

20 1. a. The teacher or employee or a member of his or her immediate
21 family suffers from a medically certified illness, injury,
22 impairment, or physical or mental condition that has caused or is
23 likely to cause the teacher or employee to be absent for at least ten
24 (10) days; or

25 b. The teacher or employee suffers from a catastrophic loss to his or
26 her personal or real property, due to either a natural disaster or fire,
27 that either has caused or will likely cause the employee to be

- 1 absent for at least ten (10) consecutive working days;
- 2 2. The teacher's or employee's need for the absence and use of leave are
3 certified by a licensed physician for leave requested under subparagraph
4 1.a. of this ~~paragraph~~^{subsection};
- 5 3. The teacher or employee has exhausted his or her accumulated sick
6 leave, personal leave, and any other leave granted by the school district;
7 and
- 8 4. The teacher or employee has complied with the school district's policies
9 governing the use of sick leave.
- 10 (c) While a teacher or employee is on sick leave provided by this section, he or
11 she shall be considered a school district employee, and his or her salary,
12 wages, and other employee benefits shall not be affected.
- 13 (d) Any sick leave that remains unused, is not needed by a teacher or employee,
14 and will not be needed in the future shall be returned to the teacher or
15 employee donating the sick leave.
- 16 (e) The board of education shall adopt policies and procedures necessary to
17 implement the sick leave donation program.
- 18 (9) (a) A teacher or employee may use up to thirty (30) days of sick leave following
19 the birth or adoption of a child or children. Additional days may be used when
20 the need is verified by a physician's statement.
- 21 (b) On or before July 1, 2030, each school district shall establish a policy to
22 provide up to thirty (30) paid maternity leave days for a teacher or employee
23 who gives birth to a child. The maternity leave days shall be used without
24 deduction of salary and shall be used prior to the teacher or employee using
25 any other leave. Any maternity leave days unused by the teacher or employee
26 shall not transfer into sick leave or be converted to any other leave type and
27 shall expire upon return to work. This paragraph shall not limit a school

1 district's authority to establish additional paid maternity benefits or to provide
2 paid parental leave benefits.

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

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

18 (c) For a teacher or employee who becomes a nonuniversity member of the
19 Teachers' Retirement System on or after January 1, 2022, as provided by KRS
20 161.220, payment for unused sick leave days under this subsection shall not
21 be incorporated into the annual compensation used to calculate the teacher's or
22 employee's retirement allowance in the foundational benefit component as
23 described by KRS 161.633 but may be deposited into the nonuniversity
24 member's supplemental benefit component as provided by KRS 161.635.

25 (d) For a teacher or employee who begins employment with a local school district
26 on or after July 1, 2008, the maximum amount of unused sick leave days a
27 district board of education may recognize in calculating the payment of

1 compensation to the teacher or employee under this subsection shall not
2 exceed three hundred (300) days.

- 3 (e) 1. Actuarial costs to the Teachers' Retirement System for the inclusion of
4 payment for unused sick leave days that are eligible for compensation
5 under paragraph (b) of this subsection shall be funded in accordance
6 with this paragraph.
- 7 2. The state shall pay the actuarial costs for the compensation attributable
8 to the actual unused sick leave accrued as of June 30, 2025, plus annual
9 adjustments to the sick leave balance each fiscal year thereafter, based
10 upon the sick leave accrued or used by the teacher or employee, not to
11 exceed thirteen (13) additional days per year. Unused sick leave payable
12 by the state shall not include any annual leave described by KRS
13 161.540(1)(f) or the cost of unused sick days for employees retiring
14 from agencies listed in KRS 161.220(4)(d) and (f).
- 15 3. The last employer who is compensating the unused sick day as provided
16 in paragraph (a) of this subsection shall pay the actuarial costs of
17 compensation for unused sick leave days not paid by the state under
18 subparagraph 2. of this paragraph. Upon the teacher's or employee's
19 retirement, the Teachers' Retirement System shall bill the last employer
20 for the cost of the unused sick days, and the employer shall pay the costs
21 within fifteen (15) days after receiving notification of the cost from the
22 system.
- 23 4. The actuarial costs of the unused sick days shall be the amount payable
24 for unused sick days after the fixed statutory employee and employer
25 contributions have been paid as provided in KRS 161.540 and
26 161.550(1) and that is necessary to fund the benefit.
- 27 (f) For the fiscal year ending June 30, 2025, and each fiscal year thereafter, each

1 school district shall annually report to the Teachers' Retirement System the
2 sick leave balances for each teacher and employee who is a member of the
3 Teachers' Retirement System. The report shall include for each teacher or
4 employee:

- 5 1. The sick leave days accrued at the beginning of the fiscal year;
- 6 2. The sick leave days accrued during the fiscal year;
- 7 3. Any other days of leave added to the sick leave balance during the fiscal
8 year by rollover, conversion, or any other method;
- 9 4. The sick leave days used during the fiscal year or compensated
10 pursuant to subsection (4)(b) of this section; and
- 11 5. The sick leave balance at the end of the fiscal year.

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

- 15 1. The number of sick leave days accrued annually under the sick leave
16 program established pursuant to subsection (2) of this section;
- 17 2. Any other types of leave and the amount of leave by type that may, prior
18 to retirement or at the time of retirement, be included by rollover,
19 conversion, or any other method, in an employee's sick leave balance
20 pursuant to any district policy or any contract entered into by the
21 district; and
- 22 3. Any other information required by the system.

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

26 (11) Any statute to the contrary notwithstanding, employees and teachers who
27 transferred from the Department of Education to a school district, from a school

1 district to the Department of Education, or from one (1) school district to another
2 school district after July 15, 1981, shall receive credit for any unused sick leave to
3 which the employee or teacher was entitled on the date of transfer. This credit shall
4 be for the purposes set forth in subsection (10) of this section.

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

7 ➔Section 2. KRS 78.616 is amended to read as follows:

8 (1) Any employer participating in the County Employees Retirement System which has
9 formally adopted a sick-leave program that is universally administered to its
10 employees may purchase service credit with the retirement system for up to six (6)
11 months of unused sick leave for each retiring employee.

12 (2) Participation under this section shall be at the option of each participating
13 employer. The election to participate shall be made by the governing authority of
14 the participating employer and shall be certified in writing to the system on forms
15 prescribed by the board. The certification shall provide for equal treatment of all
16 employees participating under this section.

17 (3) (a) Upon the member's notification of retirement as prescribed in KRS 61.590,
18 the employer shall certify the retiring employee's unused, accumulated sick-
19 leave balance to the system. The member's sick-leave balance, expressed in
20 days, shall be divided by the average number of working days per month in
21 county service and rounded to the nearest number of whole months. A
22 maximum of six (6) months of the member's sick-leave balance, expressed in
23 months, shall be added to his service credit for the purpose of determining his
24 annual retirement allowance under KRS 78.510 to 78.852 and for the purpose
25 of determining whether the member is eligible to receive a retirement
26 allowance under KRS 78.510 to 78.852, except as provided by paragraph (d)
27 of this subsection. Accumulated sick-leave in excess of six (6) months shall

1 be added to the member's service credit if the member or employer pays to the
2 retirement system the value of the additional service credit based on the
3 formula adopted by the board, subject to the restrictions provided by
4 paragraph (d) of this subsection.

5 (b) The employer may elect to pay fifty percent (50%) of the cost of the sick
6 leave in excess of six (6) months on behalf of its employees. The employee
7 shall pay the remaining fifty percent (50%). The payment by the employer
8 shall not be deposited to the member's account. Service credit shall not be
9 credited to the member's account until both the employer's and employee's
10 payments are received by the retirement system.

11 (c) Once the employer elects to pay all or fifty percent (50%) of the cost on
12 behalf of its employees, it shall continue to pay the same portion of the cost.

13 (d) For a member who begins participating in the retirement system on or after
14 September 1, 2008, but prior to January 1, 2014, whose employer has
15 established a sick-leave program under subsections (1) to (4) and (6) of this
16 section:

17 1. The member shall receive no more than twelve (12) months of service
18 credit upon retirement for accumulated unused sick leave accrued while
19 contributing to the retirement system from which the retirement benefit
20 is to be paid;

21 2. The service added to the member's service credit shall be used for
22 purposes of determining the member's annual retirement allowance
23 under KRS 78.510 to 78.852;

24 3. The service added to the member's service credit shall not be used to
25 determine whether a member is eligible to receive a retirement
26 allowance under KRS 78.510 to 78.852; and

27 4. The cost of the service provided by this paragraph shall be paid by the

1 employer.

2 (4) The system shall compute the cost of the sick-leave credit of each retiring employee
3 and bill each employer with whom the employee accrued sick leave accordingly.

4 The employer shall remit payment within thirty (30) days from receipt of the bill.

5 (5) (a) As an alternative to subsections (1), (3), (4), and (6) of this section, any
6 agency participating in the County Employees Retirement System which has
7 formally adopted a sick-leave program that is universally administered to its
8 employees, or administered to a majority of eligible employees in accordance
9 with subsection (6) of this section, shall, at the time of termination, or as
10 provided in subsection (10) of Section 1 of this Act [~~KRS 161.155~~] in the case
11 of school boards, compensate the employee for unused sick-leave days the
12 employee has accumulated which it is the uniform policy of the agency to
13 allow.

14 (b) The rate of compensation for each unused sick-leave day shall be based on the
15 daily salary rate calculated from the employee's current rate of pay. Payment
16 for unused sick-leave days shall be incorporated into the employee's final
17 compensation if the employee and employer make the regular employee and
18 employer contributions, respectively, on the sick-leave payment.

19 (c) The number of sick-leave days for which the employee is compensated shall
20 be divided by the average number of working days per month in county
21 service and rounded to the nearest number of whole months. This number of
22 months shall be added to the employee's total service credit and to the number
23 of months used to determine creditable compensation, pursuant to KRS
24 78.510, but no more than sixty (60) months shall be used to determine final
25 compensation. For an employee who begins participating on or after
26 September 1, 2008, but prior to January 1, 2014, the number of months added
27 to the employee's total service credit under this paragraph shall not exceed

1 twelve (12) months, and the additional service shall not be used to determine
2 whether a member is eligible to receive a retirement allowance under KRS
3 78.510 to 78.852.

4 (6) Any city of the first class that has two (2) or more sick-leave programs for its
5 employees may purchase service credit with the retirement system for up to six (6)
6 months of unused sick leave for each retiring employee who participates in the sick-
7 leave program administered to a majority of the eligible employees of the city. An
8 employee participating in a sick-leave program administered to a minority of the
9 eligible employees shall become eligible for the purchase of service credit under
10 this subsection when the employee commences participating in the sick-leave
11 program that is administered to a majority of the eligible employees of the city.

12 (7) The provisions of this section shall not apply to employees who begin participating
13 in the system on or after January 1, 2014, and no service credit shall be provided for
14 accumulated sick leave balances of those employees who begin participating in the
15 system on or after January 1, 2014.

16 ➔Section 3. KRS 161.220 is amended to read as follows:

17 As used in KRS 161.220 to 161.716 and 161.990:

18 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to
19 161.716 and 161.990 for payment of allowances to members;

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

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

24 (4) "Member" means the commissioner of education, deputy commissioners, associate
25 commissioners, and all division directors in the State Department of Education,
26 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any
27 full-time teacher or professional occupying a position requiring certification or

1 graduation from a four (4) year college or university, as a condition of employment,
2 and who is employed by public boards, institutions, or agencies as follows:

- 3 (a) Local boards of education and public charter schools if the public charter
4 school satisfies the criteria set by the Internal Revenue Service to participate
5 in a governmental retirement plan;
- 6 (b) Eastern Kentucky University, Kentucky State University, Morehead State
7 University, Murray State University, Western Kentucky University, and any
8 community colleges established under the control of these universities;
- 9 (c) State-operated secondary area vocational education or area technology
10 centers, Kentucky School for the Blind, and Kentucky School for the Deaf;
- 11 (d) Other public education agencies as created by the General Assembly and
12 those members of the administrative staff of the Teachers' Retirement System
13 of the State of Kentucky whom the board of trustees may designate by
14 administrative regulation;
- 15 (e) Regional cooperative organizations formed by local boards of education or
16 other public educational institutions listed in this subsection, for the purpose
17 of providing educational services to the participating organizations;
- 18 (f) All full-time members of the staffs of the Kentucky Association of School
19 Administrators, Kentucky Education Association, Kentucky Vocational
20 Association, Kentucky High School Athletic Association, Kentucky
21 Academic Association, and the Kentucky School Boards Association who
22 were members of the Kentucky Teachers' Retirement System or were
23 qualified for a position covered by the system at the time of employment by
24 the association in the event that the board of directors of the respective
25 association petitions to be included. The board of trustees of the Kentucky
26 Teachers' Retirement System may designate by resolution whether part-time
27 employees of the petitioning association are to be included. The state shall

1 make no contributions on account of these employees, either full-time or part-
2 time. The association shall make the employer's contributions, including any
3 contribution that is specified under KRS 161.550. The provisions of this
4 paragraph shall be applicable to persons in the employ of the associations on
5 or subsequent to July 1, 1972;

6 (g) Employees of the Council on Postsecondary Education who were employees
7 of the Department for Adult Education and Literacy and who were members
8 of the Kentucky Teachers' Retirement System at the time the department was
9 transferred to the council pursuant to Executive Order 2003-600;

10 (h) The Office of Career and Technical Education;

11 (i) The Office of Vocational Rehabilitation;

12 (j) The Kentucky Educational Collaborative for State Agency Children;

13 (k) The Governor's Scholars Program;

14 (l) Any person who is retired for service from the retirement system and is
15 reemployed by an employer identified in this subsection in a position that the
16 board of trustees deems to be a member, except that any person who becomes
17 a member on or after January 1, 2022, and subsequently draws a monthly
18 lifetime retirement allowance, shall upon reemployment after retirement not
19 earn a second retirement account;

20 (m) Employees of the former Cabinet for Workforce Development who are
21 transferred to the Kentucky Community and Technical College System and
22 who occupy positions covered by the Kentucky Teachers' Retirement System
23 shall remain in the Teachers' Retirement System. New employees occupying
24 these positions, as well as newly created positions qualifying for Teachers'
25 Retirement System coverage that would have previously been included in the
26 former Cabinet for Workforce Development, shall be members of the
27 Teachers' Retirement System;

- 1 (n) Effective January 1, 1998, employees of state community colleges who are
2 transferred to the Kentucky Community and Technical College System shall
3 continue to participate in federal old age, survivors, disability, and hospital
4 insurance, and a retirement plan other than the Kentucky Teachers' Retirement
5 System offered by Kentucky Community and Technical College System. New
6 employees occupying positions in the Kentucky Community and Technical
7 College System as referenced in KRS 164.5807(5) that would not have
8 previously been included in the former Cabinet for Workforce Development,
9 shall participate in federal old age, survivors, disability, and hospital
10 insurance and have a choice at the time of employment of participating in a
11 retirement plan provided by the Kentucky Community and Technical College
12 System, including participation in the Kentucky Teachers' Retirement System,
13 on the same basis as faculty of the state universities as provided in KRS
14 161.540 and 161.620;
- 15 (o) Employees of the Office of General Counsel, the Office of Budget and
16 Administrative Services, and the Office of Quality and Human Resources
17 within the Office of the Secretary of the former Cabinet for Workforce
18 Development and the commissioners of the former Department for Adult
19 Education and Literacy and the former Department for Technical Education
20 who were contributing to the Kentucky Teachers' Retirement System as of
21 July 15, 2000;
- 22 (p) Employees of the Kentucky Department of Education only who are graduates
23 of a four (4) year college or university, notwithstanding a substitution clause
24 within a job classification, and who are serving in a professional job
25 classification as defined by the department;
- 26 (q) The Governor's School for Entrepreneurs Program;
- 27 (r) Employees of the Office of Adult Education within the Department of

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

6 (s) Employees of the Education Professional Standards Board who were
7 members of the Kentucky Teachers' Retirement System at the time the
8 employees were transferred to the Kentucky Department of Education
9 pursuant to Executive Order 2020-590; and

10 (t) WeLeadCS, the virtual computer science career academy established in KRS
11 158.809;

12 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,
13 and became a member of the retirement system created by 1938 (1st Extra. Sess.)
14 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year
15 after that date, and any teacher who was a member of a local teacher retirement
16 system in the public elementary or secondary schools of the state on or before July
17 1, 1940, and continued to be a member of the system until he or she, with the
18 membership of the local retirement system, became a member of the state Teachers'
19 Retirement System or who becomes a member under the provisions of KRS
20 161.470(4);

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

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

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

27 (9) "Final average salary" means the average of the five (5) highest annual salaries

1 which the member has received for service in a covered position and on which the
2 member has made contributions, or on which the public board, institution, or
3 agency has picked-up member contributions pursuant to KRS 161.540(2), or the
4 average of the five (5) years of highest salaries as defined in KRS 61.680(2)(a),
5 which shall include picked-up member contributions. Additionally, the board of
6 trustees may approve a final average salary based upon the average of the three (3)
7 highest salaries for individuals who become members prior to January 1, 2022, who
8 are at least fifty-five (55) years of age and have a minimum of twenty-seven (27)
9 years of Kentucky service credit. However, if any of the five (5) or three (3) highest
10 annual salaries used to calculate the final average salary was paid within the three
11 (3) years immediately prior to the date of the member's retirement for individuals
12 who become members prior to January 1, 2022, or within the five (5) years
13 immediately prior to the date of the member's retirement for individuals who
14 become members on or after January 1, 2022, the amount of salary to be included
15 for each of those three (3) years or five (5) years, as applicable, for the purpose of
16 calculating the final average salary shall be limited to the lesser of:

- 17 (a) The member's actual salary; or
- 18 (b) The member's annual salary that was used for retirement purposes during each
19 of the prior three (3) years or five (5) years, as applicable, plus a percentage
20 increase equal to the percentage increase received by all other members
21 employed by the public board, institution, or agency, or for members of
22 school districts, the highest percentage increase received by members on any
23 one (1) rank and step of the salary schedule of the school district. The increase
24 shall be computed on the salary that was used for retirement purposes. The
25 board of trustees may promulgate an administrative regulation in accordance
26 with KRS Chapter 13A to establish a methodology for measuring the
27 limitation so that the combined increases in salary for each of the last three (3)

1 full years of salary prior to retirement shall not exceed the total permissible
2 percentage increase received by other members of the employer for the same
3 three (3) year period.

4 For individuals who became members of the retirement system prior to July 1,
5 2021, this limitation shall not apply if the member receives an increase in salary in a
6 percentage exceeding that received by the other members, and this increase was
7 accompanied by a corresponding change in position or in length of employment.
8 The board of trustees may promulgate an administrative regulation in accordance
9 with KRS Chapter 13A to provide definitions for a corresponding change in
10 position or in length of employment. This limitation shall also not apply to the
11 payment to a member for accrued annual leave if the individual becomes a member
12 before July 1, 2008, or accrued sick leave which is authorized by statute and which
13 shall, for individuals subject to KRS 161.155(10) who became nonuniversity
14 members of the system prior to January 1, 2022, be included as part of a retiring
15 member's annual compensation for the member's last year of active service;

16 (10) "Annual compensation" means the total salary received by a member as
17 compensation for all services performed in employment covered by the retirement
18 system during a fiscal year. Annual compensation shall not include payment for any
19 benefit or salary adjustments made by the public board, institution, or agency to the
20 member or on behalf of the member which is not available as a benefit or salary
21 adjustment to other members employed by that public board, institution, or agency.
22 Annual compensation shall not include the salary supplement received by a member
23 under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996, or
24 compensation paid pursuant to subsection (4)(b) of Section 1 of this Act. Under
25 no circumstances shall annual compensation include compensation that is earned by
26 a member while on assignment to an organization or agency that is not a public
27 board, institution, or agency listed in subsection (4) of this section. In the event that

1 federal law requires that a member continue membership in the retirement system
2 even though the member is on assignment to an organization or agency that is not a
3 public board, institution, or agency listed in subsection (4) of this section, the
4 member's annual compensation for retirement purposes shall be deemed to be the
5 annual compensation, as limited by subsection (9) of this section, last earned by the
6 member while still employed solely by and providing services directly to a public
7 board, institution, or agency listed in subsection (4) of this section. The board of
8 trustees shall determine if any benefit or salary adjustment qualifies as annual
9 compensation. For an individual who becomes a member on or after July 1, 2008,
10 annual compensation shall not include lump-sum payments upon termination of
11 employment for accumulated annual or compensatory leave;

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

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

22 (13) "Regular interest" means:

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

25 (b) For an individual who becomes a member on or after July 1, 2008, but prior to
26 January 1, 2022, interest at two and one-half percent (2.5%) per annum for
27 purposes of crediting interest to the teacher savings account or any other

1 contributions made by the employee that are refundable to the employee upon
2 termination of employment; and

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

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

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

16 (14) "Accumulated contributions" means the contributions of a member to the teachers'
17 savings fund, including picked-up member contributions as described in KRS
18 161.540(2), plus accrued regular interest;

19 (15) "Annuitant" means a person who receives a retirement allowance or a disability
20 allowance;

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

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

27 (18) "Public schools" means the schools and other institutions mentioned in subsection

- 1 (4) of this section;
- 2 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was
3 receiving, at the time of death of the member, at least one-half (1/2) of the support
4 from the member for maintenance, including board, lodging, medical care, and
5 related costs;
- 6 (20) "Active contributing member" means a member currently making contributions to
7 the Teachers' Retirement System, who made contributions in the immediate
8 preceding fiscal year, for whom picked-up member contributions are currently
9 being made, or for whom these contributions were made in the immediate
10 preceding fiscal year;
- 11 (21) "Full-time" means employment in a position that requires services on a continuing
12 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal
13 year basis;
- 14 (22) "Full actuarial cost," when used to determine the payment or payments that a
15 member must pay for service credit means the actuarial value of all costs associated
16 with the enhancement of a member's benefits or eligibility for benefit
17 enhancements, including health insurance supplement payments made by the
18 retirement system. The board may promulgate administrative regulations in
19 accordance with KRS Chapter 13A to provide the methodology for the assessment
20 of and procedures for the payment and collection of the full actuarial cost of the
21 purchased service. The actuary for the retirement system shall determine the full
22 actuarial value costs and actuarial cost factor tables as provided in KRS 161.400;
- 23 (23) "Last annual compensation" means the annual compensation, as defined by
24 subsection (10) of this section and as limited by subsection (9) of this section,
25 earned by the member during the most recent period of contributing service, either
26 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)
27 full year of service credit in the Kentucky Teachers' Retirement System, and which

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

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

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

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

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

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

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

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

23 (29) "Accumulated employer contribution" means the employer contribution deposited
24 to a member's account through the supplemental benefit component and regular
25 interest credited on such amounts as provided by KRS 161.635 for nonuniversity
26 members and KRS 161.636 for university members;

27 (30) "Accumulated account balance" means:

- 1 (a) For members who began participating in the system prior to January 1, 2022,
2 the member's accumulated contributions; or
- 3 (b) For members who began participating in the system on or after January 1,
4 2022, the combined sum of the member's accumulated contributions and the
5 member's accumulated employer contributions;
- 6 (31) "Foundational benefit component" means the benefits provided by KRS 161.220 to
7 161.716 to individuals who become members on or after January 1, 2022, except
8 for the supplemental benefit component and retiree health benefits set forth in KRS
9 161.675; and
- 10 (32) "Supplemental benefit component" means:
- 11 (a) The benefit established pursuant to KRS 161.635 for individuals who become
12 nonuniversity members on or after January 1, 2022; or
- 13 (b) The benefit established pursuant to KRS 161.636 for individuals who become
14 university members on or after January 1, 2022.