

1 AN ACT relating to actuarial costs of annual leave payments in the Teachers'
2 Retirement System.

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

4 ➔Section 1. KRS 161.540 is amended to read as follows:

5 (1) (a) Each individual who becomes a contributing nonuniversity member prior to
6 January 1, 2022, shall contribute to the retirement system twelve and eight
7 hundred fifty-five thousandths percent (12.855%) of annual compensation, of
8 which:

- 9 1. Nine and one hundred five thousandths percent (9.105%) of annual
10 compensation shall be used to fund pension benefits; and
- 11 2. Three and three-quarters percent (3.75%) of annual compensation shall
12 be used to fund retiree health benefits.

13 (b) Each individual who becomes a contributing university member prior to
14 January 1, 2022, shall contribute to the retirement system ten and four-tenths
15 percent (10.4%) of annual compensation, of which:

- 16 1. Seven and six hundred twenty-five thousandths percent (7.625%) of
17 annual compensation shall be used to fund pension benefits; and
- 18 2. Two and seven hundred seventy-five thousandths percent (2.775%) of
19 annual compensation shall be used to fund retiree health benefits.

20 (c) Each individual who becomes a contributing nonuniversity member on or
21 after January 1, 2022, shall contribute to the retirement system fourteen and
22 three-quarters percent (14.75%) of annual compensation, of which:

- 23 1. Nine percent (9%) of annual compensation shall be used to fund pension
24 benefits in the foundational benefit component as described by KRS
25 161.633. The contribution provided by this subparagraph shall not be
26 used to fund the supplemental benefit account as provided by KRS
27 161.635;

- 1 2. Two percent (2%) of annual compensation shall fund the required
2 employee contribution in the supplemental benefit component in KRS
3 161.635, except that the board may direct these contributions on a
4 prospective basis into the pension and life insurance funds to contain
5 costs of the foundational benefit component within the provisions of
6 KRS 161.633; and
- 7 3. Three and three-quarters percent (3.75%) of annual compensation shall
8 be used to fund retiree health benefits.
- 9 (d) Each individual who becomes a contributing university member on or after
10 January 1, 2022, shall contribute to the retirement system nine and seven
11 hundred seventy-five thousandths percent (9.775%) of annual compensation,
12 of which:
 - 13 1. Five percent (5%) of annual compensation shall be used to fund pension
14 benefits in the foundational benefit component as described by KRS
15 161.634. The contribution provided by this subparagraph shall not be
16 used to fund the supplemental benefit account as provided by KRS
17 161.636;
 - 18 2. Two percent (2%) of annual compensation shall fund the required
19 employee contribution in the supplemental benefit component in KRS
20 161.636, except that the board may direct these contributions on a
21 prospective basis into the pension and life insurance funds to contain
22 costs of the foundational benefit component within the provisions of
23 KRS 161.634; and
 - 24 3. Two and seven hundred and seventy-five thousandths percent (2.775%)
25 of annual compensation shall be used to fund retiree health benefits.
- 26 (e) When the funds established to actuarially fund pension annuities and the
27 medical insurance fund established under KRS 161.420 become fully funded

1 as determined by the annual actuarial valuation, the board of trustees shall
2 recommend to the General Assembly that the contributions required under
3 paragraph (a)2., (b)2., (c)3., or (d)3. of this subsection shall, in an actuarially
4 accountable manner, be either decreased, suspended, or eliminated.

- 5 (f) 1. Payments authorized by statute that are made to retiring members, who
6 became members of the system before July 1, 2008, for not more than
7 sixty (60) days of unused accrued annual leave shall, subject to KRS
8 161.220(10), be considered as part of the member's annual
9 compensation, and shall be used only for the member's final year of
10 active service. Notwithstanding the provisions of this subsection or any
11 other statute to the contrary, for retirement calculation purposes,
12 members may only be credited for payment of annual leave under the
13 following conditions:

14 a.~~[1.]~~ Payment by an employer for annual leave shall be equally
15 available to all members serving under contracts requiring the
16 same number of worked days and greater; and

17 b.~~[2.]~~ At least two (2) members of the employer shall receive payment
18 for annual leave.

19 2. For purposes of this paragraph, the state shall pay the additional
20 actuarial costs of compensation attributable to actual unused annual
21 leave accrued as of July 31, 2026, and the last employer who is
22 compensating the unused annual leave shall pay the additional
23 actuarial costs of compensation attributable to actual unused annual
24 leave accrued on or after August 1, 2026. The additional actuarial
25 costs of the unused annual leave days shall be the amount payable for
26 unused annual leave days after the fixed statutory employee and
27 employer contributions have been paid as provided in this section and

KRS 161.550(1) and that is necessary to fund the benefit. The amount contributed by the state or the last employer to fund the benefit provided by this paragraph may be adjusted by the General Assembly if in its judgment the welfare of the Commonwealth so demands.

(g) The contribution of members shall not exceed the applicable percentages on annual compensation as set forth in this section or as where otherwise limited by statute. When a member retires, if it is determined that he or she has made contributions on a salary in excess of the amount to be included for the purpose of calculating his or her final average salary, any excess contribution shall be refunded in a lump sum to the member's employer for distribution to the member.

(2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for the purpose of compliance with Section 414(h) of the United States Internal Revenue Code, pick up the member contributions required by this section for all compensation earned after August 1, 1982, and the contributions so picked up shall be treated as employer contributions in determining tax treatment under the United States Internal Revenue Code and KRS 141.010. The picked-up member contribution shall satisfy all obligations to the retirement system satisfied prior to August 1, 1982, by the member contribution, and the picked-up member contribution shall be in lieu of a member contribution. Each employer shall pay these picked-up member contributions from the same source of funds which is used to pay earnings to the member. The member shall have no option to receive the contributed amounts directly instead of having them paid by the employer to the system. Member contributions picked-up after August 1, 1982, shall be treated for all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent as member contributions made prior to August 1, 1982.