



# TEACHERS' RETIREMENT SYSTEM

## of the State of Kentucky

**GARY L. HARBIN, CPA**  
*Executive Secretary*

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*Deputy Executive Secretary*  
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February 28, 2024

Katie Carney  
Office of Special Projects  
Legislative Research Commission  
Frankfort, KY 40601

RE: 24 RS SB 4 GA/BR 1563  
AA Statement 1 of 1

Dear Ms. Carney:

24 RS SB 4 GA, an Act relating to sick leave for the Teachers' Retirement System and declaring an emergency, would, in part, amend KRS 161.155 to limit sick leave days eligible for retirement calculation purposes under subsection (10) of that statute to the amount of sick leave accrued as of June 30, 2024, subject to annual adjustment thereafter to reflect sick leave used and to add new sick leave accruals at a maximum of ten (10) days per year. It would require each school district to report for the fiscal year ending June 30, 2024, and each fiscal year thereafter, the sick leave balances of each TRS member the district employs, including the amount of sick leave accrued at the beginning of the year, the amount used during the year, the amount accrued during the year, and the sick leave balance at the end of the year. This bill would require the annual actuarial valuation by the actuary to include the full actuarial cost of the sick leave program, including total actuarial liabilities, and the actuarial cost as a percentage of payroll and in a dollar amount. 24 RS SB 4 GA would require the Auditor of Public Accounts, as part of their audit of TRS every five (5) years, to include an audit of the sick leave program to ensure that sick leave payments for retirement purposes are within the ten (10) maximum and that school boards are appropriately reporting unused sick leave to TRS.

24 RS SB 4 GA would result in a slight decrease in the application of sick leave as salary credit on a prospective basis. As almost all districts currently provide no more than ten (10) sick leave for teachers (administrators on year contracts receive a few extra days) the actuary has confirmed that there would be some savings, but they would be slight. There would be no material impact the actuarial liability of the system. The approximate current cost of sick leave for retirement calculation purposes is approximately 1.24% of payroll or around \$52 million per year. A small portion of this cost reflects the application of sick leave as *service* credit, which is paid by employers rather than the state. The cost of sick leave for the state will trend downward over coming years because TRS 3 members (individuals who became members of TRS after June 30, 2008, but before January 1, 2022) are capped at 300 days and TRS 4 members (individuals who become members of TRS on or after January 1, 2022) cannot use sick leave as salary credit at all.

Given the foregoing, TRS has not requested a formal actuarial analysis from the independent actuary.

TRS certifies, in compliance with KRS 6.350(2)(c), as follows:

1. There are nearly 140,000 members of TRS.
2. There would be a slight decrease in benefits due to the limitation in the accrual of sick leave for salary credit purposes on a prospective basis.
3. There could be some very slight increase in school district administrative costs to comply with the reporting requirements.
4. There could be some increase in TRS administrative costs.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Barnes", with a long horizontal flourish extending to the right.

Robert B. Barnes  
Deputy Executive Secretary and  
General Counsel