

1 AN ACT relating to the Teachers' Retirement System.

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

3 ➔Section 1. KRS 161.220 is amended to read as follows:

4 As used in KRS 161.220 to 161.716 and 161.990:

- 5 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to
6 161.716 and 161.990 for payment of allowances to members;
- 7 (2) "Retirement allowance" means the amount annually payable during the course of
8 his or her natural life to a member who has been retired by reason of service;
- 9 (3) "Disability allowance" means the amount annually payable to a member retired by
10 reason of disability;
- 11 (4) "Member" means the commissioner of education, deputy commissioners, associate
12 commissioners, and all division directors in the State Department of Education,
13 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any
14 full-time teacher or professional occupying a position requiring certification or
15 graduation from a four (4) year college or university, as a condition of employment,
16 and who is employed by public boards, institutions, or agencies as follows:
- 17 (a) Local boards of education and public charter schools if the public charter
18 school satisfies the criteria set by the Internal Revenue Service to participate
19 in a governmental retirement plan;
- 20 (b) Eastern Kentucky University, Kentucky State University, Morehead State
21 University, Murray State University, Western Kentucky University, and any
22 community colleges established under the control of these universities;
- 23 (c) State-operated secondary area vocational education or area technology
24 centers, Kentucky School for the Blind, and Kentucky School for the Deaf;
- 25 (d) Other public education agencies as created by the General Assembly and
26 those members of the administrative staff of the Teachers' Retirement System
27 of the State of Kentucky whom the board of trustees may designate by

- 1 administrative regulation;
- 2 (e) Regional cooperative organizations formed by local boards of education or
3 other public educational institutions listed in this subsection, for the purpose
4 of providing educational services to the participating organizations;
- 5 (f) All full-time members of the staffs of the Kentucky Association of School
6 Administrators, Kentucky Education Association, Kentucky Vocational
7 Association, Kentucky High School Athletic Association, Kentucky
8 Academic Association, and the Kentucky School Boards Association who
9 were members of the Kentucky Teachers' Retirement System or were
10 qualified for a position covered by the system at the time of employment by
11 the association in the event that the board of directors of the respective
12 association petitions to be included. The board of trustees of the Kentucky
13 Teachers' Retirement System may designate by resolution whether part-time
14 employees of the petitioning association are to be included. The state shall
15 make no contributions on account of these employees, either full-time or part-
16 time. The association shall make the employer's contributions, including any
17 contribution that is specified under KRS 161.550. The provisions of this
18 paragraph shall be applicable to persons in the employ of the associations on
19 or subsequent to July 1, 1972;
- 20 (g) Employees of the Council on Postsecondary Education who were employees
21 of the Department for Adult Education and Literacy and who were members
22 of the Kentucky Teachers' Retirement System at the time the department was
23 transferred to the council pursuant to Executive Order 2003-600;
- 24 (h) The Office of Career and Technical Education;
- 25 (i) The Office of Vocational Rehabilitation;
- 26 (j) The Kentucky Educational Collaborative for State Agency Children;
- 27 (k) The Governor's Scholars Program;

- 1 (l) Any person who is retired for service from the retirement system and is
2 reemployed by an employer identified in this subsection in a position that the
3 board of trustees deems to be a member, except that any person who becomes
4 a member on or after January 1, 2022, and subsequently draws a monthly
5 lifetime retirement allowance, shall upon reemployment after retirement not
6 earn a second retirement account;
- 7 (m) Employees of the former Cabinet for Workforce Development who are
8 transferred to the Kentucky Community and Technical College System and
9 who occupy positions covered by the Kentucky Teachers' Retirement System
10 shall remain in the Teachers' Retirement System. New employees occupying
11 these positions, as well as newly created positions qualifying for Teachers'
12 Retirement System coverage that would have previously been included in the
13 former Cabinet for Workforce Development, shall be members of the
14 Teachers' Retirement System;
- 15 (n) Effective January 1, 1998, employees of state community colleges who are
16 transferred to the Kentucky Community and Technical College System shall
17 continue to participate in federal old age, survivors, disability, and hospital
18 insurance, and a retirement plan other than the Kentucky Teachers' Retirement
19 System offered by Kentucky Community and Technical College System. New
20 employees occupying positions in the Kentucky Community and Technical
21 College System as referenced in KRS 164.5807(5) that would not have
22 previously been included in the former Cabinet for Workforce Development,
23 shall participate in federal old age, survivors, disability, and hospital
24 insurance and have a choice at the time of employment of participating in a
25 retirement plan provided by the Kentucky Community and Technical College
26 System, including participation in the Kentucky Teachers' Retirement System,
27 on the same basis as faculty of the state universities as provided in KRS

- 1 161.540 and 161.620;
- 2 (o) Employees of the Office of General Counsel, the Office of Budget and
3 Administrative Services, and the Office of Quality and Human Resources
4 within the Office of the Secretary of the former Cabinet for Workforce
5 Development and the commissioners of the former Department for Adult
6 Education and Literacy and the former Department for Technical Education
7 who were contributing to the Kentucky Teachers' Retirement System as of
8 July 15, 2000;
- 9 (p) Employees of the Kentucky Department of Education only who are graduates
10 of a four (4) year college or university, notwithstanding a substitution clause
11 within a job classification, and who are serving in a professional job
12 classification as defined by the department;
- 13 (q) The Governor's School for Entrepreneurs Program;
- 14 (r) Employees of the Office of Adult Education within the Department of
15 Workforce Development in the Education and Labor Cabinet who were
16 employees of the Council on Postsecondary Education, Kentucky Adult
17 Education Program and who were members of the Kentucky Teachers'
18 Retirement System at the time the Program was transferred to the cabinet
19 pursuant to Executive Orders 2019-0026 and 2019-0027;~~[-and]~~
- 20 (s) Employees of the Education Professional Standards Board who were
21 members of the Kentucky Teachers' Retirement System at the time the
22 employees were transferred to the Kentucky Department of Education
23 pursuant to Executive Order 2020-590; and
- 24 (t) WeLeadCS, the virtual computer science career academy established in
25 KRS 158.809;
- 26 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,
27 and became a member of the retirement system created by 1938 (1st Extra. Sess.)

- 1 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year
2 after that date, and any teacher who was a member of a local teacher retirement
3 system in the public elementary or secondary schools of the state on or before July
4 1, 1940, and continued to be a member of the system until he or she, with the
5 membership of the local retirement system, became a member of the state Teachers'
6 Retirement System or who becomes a member under the provisions of KRS
7 161.470(4);
- 8 (6) "New teacher" means any member not a present teacher;
- 9 (7) "Prior service" means the number of years during which the member was a teacher
10 in Kentucky prior to July 1, 1941, except that not more than thirty (30) years' prior
11 service shall be allowed or credited to any teacher;
- 12 (8) "Subsequent service" means the number of years during which the teacher is a
13 member of the Teachers' Retirement System after July 1, 1941;
- 14 (9) "Final average salary" means the average of the five (5) highest annual salaries
15 which the member has received for service in a covered position and on which the
16 member has made contributions, or on which the public board, institution, or
17 agency has picked-up member contributions pursuant to KRS 161.540(2), or the
18 average of the five (5) years of highest salaries as defined in KRS 61.680(2)(a),
19 which shall include picked-up member contributions. Additionally, the board of
20 trustees may approve a final average salary based upon the average of the three (3)
21 highest salaries for individuals who become members prior to January 1, 2022, who
22 are at least fifty-five (55) years of age and have a minimum of twenty-seven (27)
23 years of Kentucky service credit. However, if any of the five (5) or three (3) highest
24 annual salaries used to calculate the final average salary was paid within the three
25 (3) years immediately prior to the date of the member's retirement for individuals
26 who become members prior to January 1, 2022, or within the five (5) years
27 immediately prior to the date of the member's retirement for individuals who

1 become members on or after January 1, 2022, the amount of salary to be included
2 for each of those three (3) years or five (5) years, as applicable, for the purpose of
3 calculating the final average salary shall be limited to the lesser of:

- 4 (a) The member's actual salary; or
- 5 (b) The member's annual salary that was used for retirement purposes during each
6 of the prior three (3) years or five (5) years, as applicable, plus a percentage
7 increase equal to the percentage increase received by all other members
8 employed by the public board, institution, or agency, or for members of
9 school districts, the highest percentage increase received by members on any
10 one (1) rank and step of the salary schedule of the school district. The increase
11 shall be computed on the salary that was used for retirement purposes. The
12 board of trustees may promulgate an administrative regulation in accordance
13 with KRS Chapter 13A to establish a methodology for measuring the
14 limitation so that the combined increases in salary for each of the last three (3)
15 full years of salary prior to retirement shall not exceed the total permissible
16 percentage increase received by other members of the employer for the same
17 three (3) year period.

18 For individuals who became members of the retirement system prior to July 1,
19 2021, this limitation shall not apply if the member receives an increase in salary in a
20 percentage exceeding that received by the other members, and this increase was
21 accompanied by a corresponding change in position or in length of employment.
22 The board of trustees may promulgate an administrative regulation in accordance
23 with KRS Chapter 13A to provide definitions for a corresponding change in
24 position or in length of employment. This limitation shall also not apply to the
25 payment to a member for accrued annual leave if the individual becomes a member
26 before July 1, 2008, or accrued sick leave which is authorized by statute and which
27 shall, for individuals subject to KRS 161.155(10) who became nonuniversity

- 1 members of the system prior to January 1, 2022, be included as part of a retiring
2 member's annual compensation for the member's last year of active service;
- 3 (10) "Annual compensation" means the total salary received by a member as
4 compensation for all services performed in employment covered by the retirement
5 system during a fiscal year. Annual compensation shall not include payment for any
6 benefit or salary adjustments made by the public board, institution, or agency to the
7 member or on behalf of the member which is not available as a benefit or salary
8 adjustment to other members employed by that public board, institution, or agency.
9 Annual compensation shall not include the salary supplement received by a member
10 under KRS 157.197(2)(c), 158.6455, or 158.782 on or after July 1, 1996. Under no
11 circumstances shall annual compensation include compensation that is earned by a
12 member while on assignment to an organization or agency that is not a public
13 board, institution, or agency listed in subsection (4) of this section. In the event that
14 federal law requires that a member continue membership in the retirement system
15 even though the member is on assignment to an organization or agency that is not a
16 public board, institution, or agency listed in subsection (4) of this section, the
17 member's annual compensation for retirement purposes shall be deemed to be the
18 annual compensation, as limited by subsection (9) of this section, last earned by the
19 member while still employed solely by and providing services directly to a public
20 board, institution, or agency listed in subsection (4) of this section. The board of
21 trustees shall determine if any benefit or salary adjustment qualifies as annual
22 compensation. For an individual who becomes a member on or after July 1, 2008,
23 annual compensation shall not include lump-sum payments upon termination of
24 employment for accumulated annual or compensatory leave;
- 25 (11) "Age of member" means the age attained on the first day of the month immediately
26 following the birthdate of the member. This definition is limited to retirement
27 eligibility and does not apply to tenure of members;

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

8 (13) "Regular interest" means:

9 (a) For an individual who becomes a member prior to July 1, 2008, interest at
10 three percent (3%) per annum;~~[-]~~

11 (b) For an individual who becomes a member on or after July 1, 2008, but prior to
12 January 1, 2022, interest at two and one-half percent (2.5%) per annum for
13 purposes of crediting interest to the teacher savings account or any other
14 contributions made by the employee that are refundable to the employee upon
15 termination of employment; and

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

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

26 2. The board shall have the authority to adjust the regular interest rate for
27 individuals who become members on or after January 1, 2022, in

- 1 accordance with KRS 161.633 and 161.634;
- 2 (14) "Accumulated contributions" means the contributions of a member to the teachers'
- 3 savings fund, including picked-up member contributions as described in KRS
- 4 161.540(2), plus accrued regular interest;
- 5 (15) "Annuitant" means a person who receives a retirement allowance or a disability
- 6 allowance;
- 7 (16) "Local retirement system" means any teacher retirement or annuity system created
- 8 in any public school district in Kentucky in accordance with the laws of Kentucky;
- 9 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The
- 10 retirement plan year is concurrent with this fiscal year. A contract for a member
- 11 employed by a local board of education may not exceed two hundred sixty-one
- 12 (261) days in the fiscal year;
- 13 (18) "Public schools" means the schools and other institutions mentioned in subsection
- 14 (4) of this section;
- 15 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was
- 16 receiving, at the time of death of the member, at least one-half (1/2) of the support
- 17 from the member for maintenance, including board, lodging, medical care, and
- 18 related costs;
- 19 (20) "Active contributing member" means a member currently making contributions to
- 20 the Teachers' Retirement System, who made contributions in the immediate~~next~~
- 21 preceding fiscal year, for whom picked-up member contributions are currently
- 22 being made, or for whom these contributions were made in the immediate~~next~~
- 23 preceding fiscal year;
- 24 (21) "Full-time" means employment in a position that requires services on a continuing
- 25 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal
- 26 year basis;
- 27 (22) "Full actuarial cost," when used to determine the payment or payments that a

1 member must pay for service credit means the actuarial value of all costs associated
2 with the enhancement of a member's benefits or eligibility for benefit
3 enhancements, including health insurance supplement payments made by the
4 retirement system. The board may promulgate administrative regulations in
5 accordance with KRS Chapter 13A to provide the methodology for the assessment
6 of and procedures for the payment and collection of the full actuarial cost of the
7 purchased service. The actuary for the retirement system shall determine the full
8 actuarial value costs and actuarial cost factor tables as provided in KRS 161.400;

9 (23) "Last annual compensation" means the annual compensation, as defined by
10 subsection (10) of this section and as limited by subsection (9) of this section,
11 earned by the member during the most recent period of contributing service, either
12 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)
13 full year of service credit in the Kentucky Teachers' Retirement System, and which
14 compensation is used in calculating the member's initial retirement allowance,
15 excluding bonuses, retirement incentives, payments for accumulated sick leave,
16 annual, personal, and compensatory leave, and any other lump-sum payment. For
17 an individual who becomes a member on or after July 1, 2008, payments for annual
18 or compensatory leave shall not be included in determining the member's last
19 annual compensation;

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

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

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

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

27 (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a

1 participant, who is designated to be paid retirement benefits in a qualified domestic
2 relations order;

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

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

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

13 (30) "Accumulated account balance" means:

14 (a) For members who began participating in the system prior to January 1, 2022,
15 the member's accumulated contributions; or

16 (b) For members who began participating in the system on or after January 1,
17 2022, the combined sum of the member's accumulated contributions and the
18 member's accumulated employer contributions;

19 (31) "Foundational benefit component" means the benefits provided by KRS 161.220 to
20 161.716 to individuals who become members on or after January 1, 2022, except
21 for the supplemental benefit component and retiree health benefits set forth in KRS
22 161.675; and

23 (32) "Supplemental benefit component" means:

24 (a) The benefit established pursuant to KRS 161.635 for individuals who become
25 nonuniversity members on or after January 1, 2022; or

26 (b) The benefit established pursuant to KRS 161.636 for individuals who become
27 university members on or after January 1, 2022.

1 ➔Section 2. KRS 161.230 is amended to read as follows:

2 The Teachers' Retirement System is established as of July 1, 1940, for the purpose of
3 providing retirement allowances for teachers, their beneficiaries, and survivors under the
4 provisions of KRS 161.155 and 161.220 to 161.714. The Teachers' Retirement System of
5 the State of Kentucky shall be an independent agency and instrumentality of the
6 Commonwealth and this status shall only be amended or changed by the General
7 Assembly. It shall have the powers and the privileges of a corporation and shall be known
8 as the "Teachers' Retirement System of the State of Kentucky." Its business shall be
9 transacted, its funds invested, and its cash and securities held in that name, or in the name
10 of its nominee or title holding organization provided that its nominee or title holding
11 organization is authorized by board of trustees' resolution solely for the purpose of
12 facilitating the transfer of securities or acquiring and holding title to real property. The
13 board of trustees may designate a nominee as provided in KRS 286.3-225; or it may
14 name as nominee a partnership composed of selected trustees and employees of the
15 system, and formed for the sole purpose of holding legal or registered title of such
16 securities, and for the transfer of securities in accordance with directions of the board of
17 trustees.

18 ➔Section 3. KRS 161.250 is amended to read as follows:

19 (1) (a) The general administration and management of the retirement system, and the
20 responsibility for its proper operation and for making effective provisions of
21 KRS 161.155 and 161.220 to 161.714 are vested in a board of trustees to be
22 known as the "Board of Trustees of the Teachers' Retirement System of the
23 State of Kentucky."

24 (b) The board of trustees shall consist of the following:

- 25 1. The chief state school officer;
- 26 2. The State Treasurer;
- 27 3. Two (2) trustees, appointed by the Governor of the Commonwealth,

1 subject to Senate confirmation in accordance with KRS 11.160 for each
2 appointment or reappointment. These two (2) trustees shall have
3 investment experience. For purposes of this subparagraph, a trustee with
4 "investment experience" means an individual who does not have a
5 conflict of interest, as provided by KRS 161.460, and who has at least
6 ten (10) years of experience in one (1) of the following areas of
7 expertise:

- 8 a. A portfolio manager acting in a fiduciary capacity;
- 9 b. A professional securities analyst or investment consultant;
- 10 c. A current or retired employee or principal of a trust institution,
11 investment or finance organization, or endowment fund acting in
12 an investment-related capacity;
- 13 d. A chartered financial analyst in good standing as determined by
14 the CFA Institute; or
- 15 e. A university professor, teaching investment-related studies; and

- 16 4. Seven (7) other trustees elected as provided in KRS 161.260. Four (4) of
17 the elective trustees shall be members of the retirement system, to be
18 known as teacher trustees, two (2) shall be persons who are not
19 members of the teaching profession, to be known as the lay trustees, and
20 one (1) shall be an annuitant of the retirement system to be known as the
21 retired teacher trustee. One (1) teacher trustee shall be elected annually
22 for a four-year term. The retired teacher trustee shall be elected every
23 four (4) years. The chief state school officer and the State Treasurer are
24 considered ex officio members of the board of trustees and may
25 designate in writing a person to represent them at board meetings.

- 26 (c) 1. Elective trustees shall not serve more than three (3) consecutive four (4)
27 year terms. An elective trustee who has served three (3) consecutive

1 terms may be elected again after an absence of four (4) years from the
2 board of trustees.

3 2. The term limits established by subparagraph 1. of this paragraph shall
4 apply to elective trustees serving on or after July 1, 2012, and all terms
5 of office served prior to July 1, 2012, shall be used to determine if the
6 elective trustee has exceeded the term limits provided by subparagraph
7 1. of this paragraph.

8 (d) 1. Each appointed trustee shall serve a term of four (4) years. An appointed
9 trustee shall not serve more than three (3) consecutive four (4) year
10 terms. An appointed trustee who has served three (3) consecutive terms
11 may be appointed again after an absence of four (4) years from the
12 board of trustees.

13 2. Any vacancy that occurs in an appointed position shall be filled in the
14 same manner that provides for the selection of the trustee; however, any
15 vacancy shall be filled only for the duration of the unexpired term.

16 (2) A member, retired member, or designated beneficiary may appeal the retirement
17 system's decisions that materially affect the amount of service retirement allowance,
18 amount of service credit, eligibility for service retirement, or eligibility for
19 survivorship benefits to which that member, retired member, or designated
20 beneficiary claims to be entitled. All appeals must be in writing and filed with the
21 retirement system within thirty (30) days of the claimant's first notice of the
22 retirement system's decision. For purposes of this section, notice shall be complete
23 and effective upon the date of mailing of the retirement system's decision to the
24 claimant at the claimant's last known address. Failure by the claimant to file a
25 written appeal with the retirement system within the thirty (30) day period shall
26 result in the decision of the retirement system becoming permanent with the effect
27 of a final and unappealable order. **The deadline to file a written appeal shall not be**

1 subject to the jurisdiction of any court or appeal process, nor shall it otherwise be
2 tolled or waived. Appeals may include a request for an administrative hearing

3 which shall be conducted in accordance with the provisions of KRS Chapter 13B.

4 The board of trustees may establish an appeals committee whose members shall be
5 appointed by the chairperson and who shall have the authority to act upon the report
6 and recommendation of the hearing officer by issuing a final order on behalf of the
7 full board of trustees. A member, retired member, or designated beneficiary who
8 has filed a timely, written appeal of a decision of the retirement system may,
9 following the administrative hearing and issuance of the final order by the board of
10 trustees, appeal the final order of the board of trustees to the Franklin Circuit Court
11 in accordance with the provisions of KRS Chapter 13B.

12 (3) The board of trustees shall establish a formal trustee education program for all
13 trustees of the board. The program shall include but not be limited to the following:

14 (a) A required orientation program for all new trustees to the board. The
15 orientation program shall include training on:

- 16 1. Benefits and benefits administration;
- 17 2. Investment concepts, policies, and current composition and
18 administration of retirement system investments;
- 19 3. Laws, bylaws, and administrative regulations pertaining to the
20 retirement system and to fiduciaries; and
- 21 4. Actuarial and financial concepts pertaining to the retirement system.

22 If a trustee fails to complete the orientation program within one (1) year from
23 the beginning of his or her first term on the board, the retirement system shall
24 withhold payment of the per diem and travel expenses due to the board
25 member under KRS 161.290 until the trustee has completed the orientation
26 program;

27 (b) Annual required training for trustees on the administration, benefits,

1 financing, and investing of the retirement system. If a trustee fails to complete
2 the annual required training during the calendar or fiscal year, the retirement
3 system shall withhold payment of the per diem and travel expenses due to the
4 board member under KRS 161.290 until the board member has met the annual
5 training requirements; and

6 (c) The retirement system shall incorporate by reference in an administrative
7 regulation, pursuant to KRS 13A.2251, the trustee education program.

8 (4) In order to improve public transparency regarding the administration of the system,
9 the board of trustees shall adopt a best practices model by posting the following
10 information to the retirement system's website and shall make available to the
11 public:

12 (a) Meeting notices and agendas for all meetings of the board. Notices and
13 agendas shall be posted to the retirement system's website at least seventy-two
14 (72) hours in advance of the board or committee meetings, except in the case
15 of special or emergency meetings as provided by KRS 61.823;

16 (b) The Annual Comprehensive Financial Report with the information as follows:

- 17 1. A general overview and update on the retirement system by the
18 executive secretary;
- 19 2. A listing of the board of trustees;
- 20 3. A listing of key staff;
- 21 4. An organizational chart;
- 22 5. Financial information, including a statement of plan net assets, a
23 statement of changes in plan net assets, an actuarial value of assets, a
24 schedule of investments, a statement of funded status and funding
25 progress, and other supporting data;
- 26 6. Investment information, including a general overview, a list of the
27 retirement system's professional consultants, a total net return on

- 1 retirement system investments over a historical period, an investment
2 summary, contracted investment management expenses, transaction
3 commissions, and a schedule of investments;
- 4 7. The annual actuarial valuation report on the pension benefit and the
5 medical insurance benefit; and
- 6 8. A general statistical section, including information on contributions,
7 benefit payouts, and retirement system demographic data;
- 8 (c) All external audits;
- 9 (d) All board minutes or other materials that require adoption or ratification by
10 the board of trustees. The items listed in this paragraph shall be posted within
11 seventy-two (72) hours of adoption or ratification of the board;
- 12 (e) All bylaws, policies, or procedures adopted or ratified by the board of
13 trustees;
- 14 (f) The retirement system's summary plan description;
- 15 (g) The retirement system's law book;
- 16 (h) A listing of the members of the board of trustees and membership on each
17 committee established by the board, including any investment committees;
- 18 (i) All investment holdings in aggregate, fees, and commissions for each fund
19 administered by the board, which shall be updated on a quarterly basis for
20 fiscal years beginning on or after July 1, 2017. The system shall request from
21 all managers, partnerships, and any other available sources all information
22 regarding fees and commissions and shall, based on the requested information
23 received:
- 24 1. Disclose the dollar value of fees or commissions paid to each individual
25 manager or partnership;
- 26 2. Disclose the dollar value of any profit sharing, carried interest, or any
27 other partnership incentive arrangements, partnership agreements, or

1 any other partnership expenses received by or paid to each manager or
2 partnership; and

3 3. As applicable, report each fee or commission by manager or partnership
4 consistent with standards established by the Institutional Limited
5 Partners Association (ILPA).

6 In addition to the requirements of this paragraph, the system shall also
7 disclose the name and address of all individual underlying managers or
8 partners in any fund of funds in which system assets are invested;

9 (j) An update of net of fees investment returns, asset allocations, and the
10 performance of the funds against benchmarks adopted by the board for each
11 fund, for each asset class administered by the board, and for each manager.
12 The update shall be posted on a quarterly basis for fiscal years beginning on
13 or after July 1, 2017;

14 (k) All contracts or offering documents for services, goods, or property purchased
15 or utilized by the system;

16 (l) A searchable database of the system's expenditures and a listing of each
17 individual employed by the system along with the employee's salary or wages.
18 In lieu of posting the information required by this paragraph to the system's
19 website, the system may provide the information through a website
20 established by the executive branch to inform the public about executive
21 branch agency expenditures and public employee salaries and wages; and

22 (m) All proxy vote reports as provided by KRS 161.430(8).

23 (5) Notwithstanding the requirements of subsection (4) of this section, the retirement
24 system shall not be required to furnish information that is protected under KRS
25 161.585, exempt under KRS 61.878, or that, if disclosed, would compromise the
26 retirement system's ability to competitively invest in real estate or other asset
27 classes, except that no provision of this section or KRS 61.878 shall exclude

1 disclosure and review of all contracts, including investment contracts, by the board,
2 the Auditor of Public Accounts, and the Government Contract Review Committee
3 established pursuant to KRS 45A.705 or the disclosure of investment fees and
4 commissions as provided by this section. If any public record contains material
5 which is not excepted under this section, the system shall separate the excepted
6 material by removal, segregation, or redaction, and make the nonexcepted material
7 available for examination.

- 8 (6) For any benefit improvements the General Assembly has authorized the board of
9 trustees to establish under KRS 161.220 to 161.716 and that require formal
10 adoption by the board, the board shall establish the benefits by promulgation of
11 administrative regulations in accordance with KRS Chapter 13A.

12 ➔Section 4. KRS 161.430 is amended to read as follows:

- 13 (1) (a) The board of trustees shall be the trustee of the funds of the retirement system
14 and shall have full power and responsibility for the purchase, sale, exchange,
15 transfer, or other disposition of the investments and moneys of the retirement
16 system. The board shall, by administrative regulation, establish investment
17 policies and procedures to carry out their responsibilities.
- 18 (b) 1. The board shall contract with experienced competent investment
19 managers to invest and manage assets of the system. The board may also
20 employ qualified investment staff to advise it on investment matters and
21 to invest and manage assets of the system not to exceed fifty percent
22 (50%) of the system's assets. The board may contract with one (1) or
23 more general investment consultants, as well as specialized investment
24 consultants, to advise it on investment matters.
- 25 2. All internal investment staff and investment consultants shall adhere to
26 the Code of Ethics and Standards of Professional Conduct, and all board
27 trustees shall adhere to the Code of Conduct for Members of a Pension

1 Scheme Governing Body, promulgated by the CFA Institute. Investment
2 managers shall comply with the federal Investment Advisers Act of
3 1940, as amended, and the rules and regulations promulgated thereunder
4 and shall comply with all other applicable federal securities statutes and
5 related rules and regulations that apply to investment managers.

6 3. No investment manager shall manage more than forty percent (40%) of
7 the funds of the retirement system.

8 (c) The board may appoint an investment committee to act for the board in all
9 matters of investment, subject to the approval of the board of trustees. The
10 board of trustees, in keeping with their responsibilities as trustees and
11 wherever consistent with their fiduciary responsibilities, shall give priority to
12 the investment of funds in obligations calculated to improve the industrial
13 development and enhance the economic welfare of the Commonwealth.
14 Toward this end, the board shall develop procedures for informing the
15 business community of the potential for in-state investments by the retirement
16 fund, accepting and evaluating applications for the in-state investment of
17 funds, and working with members of the business community in executing in-
18 state investments which are consistent with the board's fiduciary
19 responsibilities. The board shall include in the criteria it uses to evaluate in-
20 state investments their potential for creating new employment opportunities
21 and adding to the total job pool in Kentucky. The board may cooperate with
22 the board of trustees of Kentucky Retirement Systems in developing its
23 program and procedures, and shall report to the Legislative Research
24 Commission annually on its progress in placing in-state investments. The first
25 report shall be submitted by October 1, 1991, and subsequent reports shall be
26 submitted by October 1 of each year thereafter. The report shall include the
27 number of applications for in-state investment received, the nature of the

1 investments proposed, the amount requested, the amount invested, and the
2 percentage of applications which resulted in investments.

3 (2) (a) For the purposes of this subsection:

4 1. "Solely in the interest of the members and beneficiaries" shall be
5 determined using only pecuniary factors and shall not include any
6 purpose to further a nonpecuniary interest;

7 2. "Pecuniary factor" means a consideration having a direct and material
8 connection to the financial risk or financial return of an investment;

9 3. A "material connection" is established if there is a substantial likelihood
10 that a reasonable investor would consider it important in determining the
11 financial risk or the financial return of an investment;

12 4. "Nonpecuniary interest" includes but is not limited to an environmental,
13 social, political, or ideological interest which does not have a direct and
14 material connection to the financial risk or financial return of an
15 investment; and

16 5. "Investment manager" and "investment consultant" shall have the same
17 definition attributed to "investment adviser" under the federal
18 Investment Advisers Act of 1940, 15 U.S.C. sec. 80b-2.

19 (b) The board members, investment managers, investment consultants, or other
20 fiduciaries, and proxy advisers shall discharge their duties with respect to the
21 assets of the system solely in the interests of the active contributing members
22 and annuitants and:

23 1. For the exclusive purpose of providing benefits to members and
24 annuitants and defraying reasonable expenses of administering the
25 system;

26 2. With the care, skill, prudence, and diligence under the circumstances
27 then prevailing that a prudent person acting in a like capacity and

- 1 familiar with these matters would use in the conduct of an enterprise of
2 a like character and with like aims;
- 3 3. By diversifying the investments of the plan so as to minimize the risk of
4 large losses, unless under the circumstances it is clearly prudent not to
5 do so; and
- 6 4. In accordance with the federal, state, and common laws, administrative
7 regulations, and other instruments governing the system and fiduciaries.
- 8 (c) Evidence that a fiduciary has considered or acted on a nonpecuniary interest
9 shall include but is not limited to:
- 10 1. Statements, explanations, reports, or correspondence;
11 2. Communications with portfolio companies;
12 3. Statements of principles or policies, whether made individually or
13 jointly;
14 4. Votes of shares or proxies; or
15 5. Coalitions, initiatives, agreements, or commitments to which the
16 fiduciary is a participant, affiliate, or signatory.
- 17 (3) (a) In choosing and contracting for professional investment management and
18 consulting services, the board shall do so prudently and in the interest of the
19 members and annuitants. Any contract that the board makes with an
20 investment manager shall set forth policies and guidelines of the board with
21 reference to standard rating services and specific criteria for determining the
22 quality of investments. Expenses directly related to investment management
23 and consulting services shall be financed from the guarantee fund in amounts
24 approved by the board.
- 25 (b) An investment manager or consultant appointed under this section shall
26 acknowledge in writing his or her fiduciary responsibilities to the fund. To be
27 eligible for appointment, an investment manager, consultant, or an affiliate,

1 shall be:

2 1. Registered under the Federal Investment Advisers Act of 1940; or

3 2. A bank as defined by that Act; or

4 3. An insurance company qualified to perform investment services under
5 the laws of more than one (1) state.

6 (c) Proxy advisers and proxy voting services shall comply with all applicable
7 provisions of the Investment Advisers Act of 1940, as amended, and the rules
8 and regulations promulgated thereunder, and shall comply with all other
9 federal statutes and related rules and regulations that apply to proxy advisers
10 and proxy voting services.

11 (d) No contract or agreement, whether made in writing or not, shall in any
12 manner waive, restrict, or limit a fiduciary's liability as to any of the duties
13 imposed by this section. Any agreement shall specify that it is made in the
14 Commonwealth and governed by the laws of the Commonwealth, unless the
15 agreement is in commingled investments or real property outside the
16 Commonwealth, in which case the agreements may be made in or governed
17 by laws outside of the Commonwealth provided that the other requirements
18 of this section are met.

19 (4) No investment or disbursement of funds shall be made unless authorized by the
20 board of trustees, except that the board, in order to ensure timely market
21 transactions, shall establish investment guidelines and may permit its staff and
22 investment managers who are employed or under contract with the board pursuant
23 to this section to execute purchases and sales of investment instruments within
24 those guidelines without prior board approval.

25 (5) In discharging his or her administrative duties under this section, a trustee shall
26 strive to administer the retirement system in an efficient and cost-effective manner
27 for the taxpayers of the Commonwealth of Kentucky.

- 1 (6) Notwithstanding any other provision of KRS 161.220 to 161.716, no funds of the
2 Teachers' Retirement System, including fees and commissions paid to an
3 investment manager, private fund, or company issuing securities, who manages
4 systems assets, shall be used to pay fees and commissions to placement agents. For
5 purposes of this subsection, "placement agent" means a third-party individual, who
6 is not an employee, or firm, wholly or partially owned by the entity being hired,
7 who solicits investments on behalf of an investment manager, private fund, or
8 company issuing securities.
- 9 (7) All contracts for the investment or management of assets of the system shall not be
10 subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct the
11 following process to develop and adopt an investment procurement policy with
12 which all prospective contracts for the investment or management of assets of the
13 system shall comply:
- 14 (a) On or before July 1, 2017, the board shall consult with the secretary of the
15 Finance and Administration Cabinet or his or her designee to develop an
16 investment procurement policy, which shall be written to meet best practices
17 in investment management procurement;
- 18 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary
19 investment procurement policy to the secretary of the Finance and
20 Administration Cabinet or his or her designee for review and comment;
- 21 (c) Upon receipt of comments from the secretary of the Finance and
22 Administration Cabinet or his or her designee, the board shall choose to adopt
23 or not adopt any recommended changes;
- 24 (d) Upon adoption, the board shall tender the final investment procurement policy
25 to the secretary of the Finance and Administration Cabinet or his or her
26 designee;
- 27 (e) No later than thirty (30) days after receipt of the investment procurement

- 1 policy, the secretary or his or her designee shall certify whether the board's
2 investment procurement policy meets or does not meet best practices for
3 investment management procurement; and
- 4 (f) Any amendments to the investment procurement policy shall adhere to the
5 requirements set forth by paragraphs (b) to (e) of this subsection.
- 6 (8) (a) The board shall adopt written proxy voting guidelines which are consistent
7 with the fiduciary duties and other requirements of this section.
- 8 (b) The board shall not adopt the recommendations of a proxy adviser or proxy
9 voting service and shall not allow such proxy adviser or proxy voting service
10 to vote on behalf of the system, unless the proxy adviser or proxy voting
11 service acknowledges in writing and accepts under contract its duties under
12 this section and commits to follow the board-adopted proxy voting guidelines
13 when voting the system's shares in order to comply with the board's fiduciary
14 duties and other responsibilities under this section.
- 15 (c) All shares held by or on behalf of the system, and which the system is entitled
16 to vote under state, federal, or common laws, shall be voted according to the
17 proxy voting guidelines adopted by the board and subject to the fiduciary
18 duties and other requirements of this section by:
- 19 1. The board, the investment committee of the board, or an employee or
20 employees of the system who are fiduciaries under this section and are
21 appointed or otherwise authorized by the board; or
- 22 2. A proxy adviser or proxy voting service that acknowledges in writing
23 and accepts under contract its duties under this section and commits to
24 follow the board-adopted proxy voting guidelines when voting the
25 system's shares in order to comply with the board's fiduciary duties and
26 other responsibilities under this section.
- 27 (d) All proxy votes shall be reported at least quarterly to the board. For each vote,

1 the report shall provide:

- 2 1. The vote caption;
- 3 2. The date of the vote;
- 4 3. The company's name;
- 5 4. The vote cast for the system;
- 6 5. The recommendation of the company's management; and
- 7 6. If applicable, the recommendation of the proxy adviser or proxy voting
- 8 service.

9 ➔Section 5. KRS 161.470 is amended to read as follows:

- 10 (1) The membership of the retirement system shall consist of all new members, all
11 present teachers, and all persons participating under the retirement system as of
12 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.
13 The board of trustees of the Teachers' Retirement System shall be responsible for
14 final determination of membership eligibility and may direct employers to take
15 whatever action that may be necessary to correct any error relating to membership.
- 16 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service
17 it shall be as a new member, except that any teacher who withdraws by claiming his
18 or her deposits may repay the system the amount withdrawn plus interest and
19 reestablish his or her service credit as provided in subsection (3) of this section.
- 20 (3) Effective July 1, 1988, and thereafter, an active contributing member of the
21 retirement system with contributing service equal to one (1) year may regain service
22 credit by depositing in the teachers' savings fund the amount withdrawn with
23 interest at the rate to be set by the board of trustees, and computed from the first of
24 the month of withdrawal and including the month of redeposit.
- 25 (4) Effective July 1, 1974, any active contributing member with at least two (2) years
26 of contributing service credit who declined membership as provided in Acts 1938
27 (1st Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and

1 for any subsequent service prior to date of membership, by depositing in the
2 teachers' savings fund contributions for each year of subsequent service prior to
3 date of membership, with interest at the rate of eight percent (8%) compounded
4 annually to the date of deposit.

5 (5) Membership in the retirement system shall be terminated:

6 (a) By retirement for service;

7 (b) By death;

8 (c) By withdrawal of the member's accumulated account balance;

9 (d) When a member, having less than five (5) years of Kentucky service is absent
10 from service for more than three (3) consecutive years; or

11 (e) For persons whose membership begins on or after August 1, 2000, when a
12 member is convicted, in any state or federal court of competent jurisdiction, of
13 a felony related to his or her employment as provided in subparagraphs 1. and
14 2. of this paragraph.

15 1. Notwithstanding any provision of law to the contrary, a person whose
16 membership begins on or after August 1, 2000, who is convicted, in any
17 state or federal court of competent jurisdiction, of a felony related to his
18 or her employment shall forfeit rights and benefits earned under the
19 retirement system, except for the return of his or her accumulated
20 contributions and interest credited on those contributions through the
21 date of conviction.

22 2. The payment of retirement benefits ordered forfeited shall be stayed
23 pending any appeal of the conviction. If the conviction is reversed on
24 final judgment, no retirement benefits shall be forfeited.

25 Except for paragraph (e) of this subsection, upon termination of member accounts
26 under this subsection, funds in the account shall be transferred to the guarantee
27 fund. Inactive members may apply for refunds of these funds at any time. The

1 terminated service shall be reinstated, if not withdrawn by the member, in the event
2 that the member returns to active contributing service.

3 (6) In case of withdrawal from service prior to eligibility for retirement, the board of
4 trustees shall on request of the member return all of his or her accumulated account
5 balance, including any payments made by the member to the state accumulation
6 fund, but the member shall have no claim on any contributions made by the state or
7 employer with a view to his or her retirement, except as provided by KRS 161.635
8 and 161.636, or to contributions made to the medical insurance fund. A member
9 who is withdrawing from service prior to retirement eligibility shall be entitled to a
10 refund following sixty (60) days after his or her last day of employment. If the
11 member is eligible for an immediate service retirement allowance as provided in
12 KRS 161.600, no withdrawal and refund shall be permitted, unless the allowance
13 would prohibit the member from qualifying for Social Security benefits or the
14 member elects to withdraw part or all of his or her service for the purpose of
15 obtaining service credit in another retirement plan. Requests for refund of
16 contributions by the member must be filed on forms prescribed by the Teachers'
17 Retirement System and the employer shall be financially responsible for all
18 information that is certified on the prescribed form. A member may not withdraw
19 any part of his or her accumulated account balance in the retirement system except
20 as provided by this subsection.

21 (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to
22 retirement, the board of trustees shall pay to the estate of the deceased member,
23 unless a beneficiary was otherwise applicably designated by the deceased member,
24 then to the beneficiary, all of his or her accumulated account balance, including any
25 payments made by the member to the state accumulation fund, but the estate or
26 beneficiary shall have no claim on any contributions made by the state or employer
27 with a view to the retirement of the member, except as provided by KRS 161.635

1 and 161.636, or to contributions made to the medical insurance fund.

2 (8) Any active contributing member of the Kentucky Employees Retirement System,
3 the County Employees Retirement System, the State Police Retirement System, or
4 the Judicial Retirement System may use service, under that retirement system for
5 the purpose of meeting the service requirement of subsections (3) and (4) of this
6 section.

7 ➔Section 6. KRS 161.585 is amended to read as follows:

8 (1) Each member's or annuitant's account shall be administered in a confidential
9 manner, and specific data regarding a member or annuitant shall not be released for
10 publication, except that:

11 (a) The member or annuitant may authorize the release of his or her account
12 information;

13 (b) The board of trustees may release member or annuitant account information to
14 the employer or to other state and federal agencies as it deems necessary or in
15 response to a lawful subpoena or order issued by a court of law; or

16 (c) 1. Upon request by any person, the system shall release the following
17 information from the accounts of any member or annuitant of the
18 Kentucky Teachers' Retirement System, if the member or annuitant is a
19 current or former officeholder in the Kentucky General Assembly:

20 a. The first and last name of the member or annuitant;

21 b. The status of the member or annuitant, including but not limited to
22 whether he or she is a contributing member, a member who is not
23 contributing but has not retired, a retiree receiving a monthly
24 retirement allowance, or a retiree who has returned to work
25 following retirement with an agency participating in the system;

26 c. If the individual is an annuitant, the monthly retirement allowance
27 that he or she was receiving at the end of the most recently

1 completed fiscal year;

2 d. If the individual is a member who has not yet retired, the estimated
3 monthly retirement allowance that he or she is eligible to receive
4 on the first date he or she would be eligible for an unreduced
5 retirement allowance, using his or her service credit, accumulated
6 account balance, and final average salary at the end of the most
7 recently completed fiscal year; and

8 e. The current or last participating employer of the member or
9 annuitant, if applicable.

10 2. No information shall be disclosed under this paragraph from an account
11 that is paying benefits to a beneficiary due to the death of a member or
12 annuitant.

13 (2) The release of information under subsection (1)(c) of this section shall not
14 constitute a violation of the Open Records Act, KRS 61.870 to 61.884.

15 (3) Medical records which are included in a member's or annuitant's file maintained by
16 the Teachers' Retirement System are confidential and shall not be released unless
17 authorized by the member or annuitant in writing or as otherwise provided by law
18 or in response to a lawful subpoena or order issued by a court of law. **A member**
19 **appealing the denial of a disability retirement application and his or her legal**
20 **counsel shall be entitled to all written recommendations and reports submitted by**
21 **the medical review committee to the Teachers' Retirement System under KRS**
22 **161.661(14). Such recommendations and reports shall otherwise be maintained in**
23 **a confidential manner and shall not be subject to release under any conditions,**
24 **including in response to a subpoena or order issued by a court of law**
25 **notwithstanding any other statute to the contrary.**

26 (4) (a) When a subpoena is served upon any employee of the Kentucky Teachers'
27 Retirement System requiring the production of any data, information, or

1 records, it is sufficient if the employee of the Kentucky Teachers' Retirement
2 System charged with the responsibility of being custodian of the original, or
3 his or her designated staff, delivers~~[within five (5) working days by certified~~
4 ~~mail or by personal delivery to the person specified in the subpoena]~~ either of
5 the following:

- 6 1. Legible and durable copies of records certified by the employee or
7 designated staff; or
 - 8 2. An affidavit stating the information required by the subpoena.
- 9 (b) The production of records or an affidavit shall be in lieu of any personal
10 testimony of any employee of the Kentucky Teachers' Retirement System
11 unless, after the production of records or an affidavit, a separate subpoena is
12 served upon the retirement system specifically directing the testimony of an
13 employee of the retirement system. When a subpoena is served on any
14 employee of the retirement system requiring the employee to give testimony
15 or produce records for any purpose, in the absence of a court order requiring
16 the testimony of or production of records by a specific employee, the system
17 may designate an employee to give testimony or produce records upon the
18 matter referred to in the subpoena. The board of trustees may promulgate an
19 administrative regulation for the recovery of reasonable travel and
20 administrative expenses for those occasions when an employee of the
21 retirement system is required to travel from his or her home or office to
22 provide testimony or records. Recoverable expenses may include the travel
23 expenses, wages, salary, and overtime paid to the employee by the retirement
24 system for the period of time that the employee is away from the office. The
25 cost of these expenses shall be borne by the party issuing the subpoena
26 compelling the employee's travel. The board of trustees may also promulgate
27 an administrative regulation establishing a reasonable fee for the copying,

1 compiling, and mailing of requested records.

2 (c) The certification required by this subsection shall be signed before a notary
3 public by the employee and shall include the full name of the member or
4 annuitant, the last four digits of the Social Security number of the member or
5 annuitant~~[identification number assigned to the member or annuitant by the~~
6 ~~retirement system]~~, and a legend substantially to the following effect: "The
7 records are true and complete reproductions of the original, microfiched, or
8 electronically stored records which are housed in the retirement system's
9 office. This certification is given in lieu of the undersigned's personal
10 appearance."

11 ~~(d) When an affidavit or copies of records are personally delivered, a receipt shall~~
12 ~~be presented to the person receiving the records for his or her signature and~~
13 ~~shall be immediately signed and returned to the person delivering the records.~~
14 ~~When an affidavit or copies of records are sent via certified mail, the receipt~~
15 ~~used by the postal authorities shall be sufficient to prove receipt of the~~
16 ~~affidavit or copies of records.]~~

17 ~~(d)~~~~(e)~~ When the affidavit or copies of records are delivered to a requesting
18 party for use in deposition they shall, after termination of the deposition, be
19 delivered by the requesting party personally or by certified mail to the clerk
20 of the court or other body before which the action or proceeding is pending.

21 ~~(e)~~~~(f)~~ Upon completion of delivery by the retirement system of copies of
22 records by their deposit in the mail or by their personal delivery to the
23 requesting party, the retirement system shall cease to have any responsibility
24 or liability for the records and their continued maintenance in a confidential
25 manner.

26 ~~(f)~~~~(g)~~ Records of the Kentucky Teachers' Retirement System that are
27 susceptible to reproduction may be proved as to foundation, identity, and

1 authenticity without preliminary testimony, by use of legible and durable
2 copies, certified in accordance with the provisions of this subsection.

3 ~~(g)(4)~~ The provisions of this subsection shall not be construed to prohibit the
4 Kentucky Teachers' Retirement System from asserting any exemption,
5 exception, or relief provided under the Kentucky Rules of Civil Procedure or
6 other applicable law.

7 (5) For purposes of this section, "records" includes retirement estimates, affidavits, and
8 other documents prepared by or in the possession of the Kentucky Teachers'
9 Retirement System in response to information requested in a lawful subpoena or
10 order issued by a court of law.

11 ➔Section 7. KRS 161.600 is amended to read as follows:

12 (1) An individual who becomes a member of the retirement system prior to January 1,
13 2022, may qualify for service retirement by meeting one (1) of the following
14 requirements:

15 (a) Attainment of age sixty (60) years and completion of five (5) years of
16 Kentucky service;

17 (b) 1. For an individual who becomes a member before July 1, 2008,
18 attainment of age fifty-five (55) years and completion of a minimum of
19 five (5) years of Kentucky service with an actuarial reduction of the
20 basic allowance of five percent (5%) for each year the member's age is
21 less than sixty (60) years or for each year the member's years of
22 Kentucky service credit is less than twenty-seven (27), whichever is the
23 lesser number; and

24 2. For an individual who becomes a member on or after July 1, 2008,
25 attainment of age fifty-five (55) years and completion of a minimum of
26 ten (10) years of Kentucky service with an actuarial reduction of the
27 basic retirement allowance of six percent (6%) for each year the

- 1 member's age is less than sixty (60) years or for each year the member's
2 years of Kentucky service credit is less than twenty-seven (27),
3 whichever is the lesser number;
- 4 (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state
5 service earned in accordance with the provisions of KRS 161.515(2) may be
6 used to meet this requirement; or
- 7 (d) Completion of the necessary years of service under provisions of KRS
8 61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS
9 61.680. A member retiring under this paragraph who has not attained age
10 fifty-five (55) shall incur an actuarial reduction of the basic allowance
11 determined by the system's actuary for each year the member's service credit
12 is less than twenty-seven (27).
- 13 (2) An individual who becomes a member of the retirement system on or after January
14 1, 2022, shall, except as adjusted by the board pursuant to KRS 161.633 or 161.634,
15 as applicable, be eligible to retire upon attainment of:
- 16 (a) Age sixty-five (65) and completion of a minimum of five (5) years of
17 Kentucky service;
- 18 (b) Age sixty (60) and completion of a minimum of ten (10) years of Kentucky
19 service;
- 20 (c) Age fifty-seven (57) and completion of a minimum of thirty (30) years of
21 Kentucky service; or
- 22 (d) Age fifty-seven (57) and completion of a minimum of ten (10) years of
23 Kentucky service with an actuarial reduction of the basic retirement allowance
24 of six percent (6%) for each year the member's age is less than sixty (60)
25 years or for each year the member's years of Kentucky service credit is less
26 than thirty (30), whichever is the lesser number.
- 27 (3) Any person who has been a member in Kentucky for twenty-seven (27) years or

1 more and who withdraws from covered employment may continue to pay into the
2 fund each year until the end of the fiscal year in which he or she reaches the age of
3 sixty-five (65) years, the current contribution rate based on the annual
4 compensation received during the member's last full year in covered employment,
5 less any payment received for accrued sick leave or accrued leave from an
6 employer. The member shall be entitled to receive a retirement allowance as
7 provided in KRS 161.620 at any time after withdrawing from covered employment
8 and payment of contributions under this subsection. No member shall make
9 contributions as provided for in this subsection if the member is at the same time
10 making contributions to another retirement system in Kentucky supported wholly or
11 in part by public funds.

12 (4) Service credit in the Kentucky Employees Retirement System, the State Police
13 Retirement System, the Legislators' Retirement Plan, the County Employees
14 Retirement System, or the Judicial Retirement System may be used in meeting the
15 service requirements of subsections (1)(a) to (c) and (2) of this section, provided the
16 service is subsequent to July 1, 1956.

17 (5) Upon death, disability, or service retirement, a member's accounts under all state
18 supported retirement systems shall be consolidated, as provided by this section and
19 by KRS 61.680, for the purpose of determining eligibility and amount of benefits,
20 which shall include medical benefits. Upon determination of benefits, each system
21 shall pay the applicable percentage of total benefits. The effective date of retirement
22 under this subsection shall be determined by each retirement system for the portion
23 of the payments that will be made.

24 (6) No retirement annuity shall be effective until written application and option election
25 forms are filed with the retirement office in accordance with administrative
26 regulations of the board of trustees. A member may withdraw his or her retirement
27 application, postpone his or her effective retirement date, or change his or her

1 retirement option if these elections are made no later than the fifteenth day of the
2 month in which the member has made application for retirement. *The deadline for*
3 *making these changes shall not be subject to the jurisdiction of any court or*
4 *appeal process, nor shall it otherwise be tolled or waived.*

- 5 (7) The surviving spouse of an active contributing member, if named as beneficiary of
6 the member's account, may purchase retirement credit that the member was eligible
7 to purchase prior to the member's death.

8 ➔Section 8. KRS 161.624 is amended to read as follows:

9 The employees of the Teachers' Retirement System shall endeavor to provide full and
10 complete information to all inquiries presented by members or beneficiaries of members.
11 The members or beneficiaries of the members shall assume full responsibility for
12 obtaining adequate and sufficient information concerning their eligibility for retirement
13 benefits, for selection of the type of benefit available to them, *filing and other deadlines,*
14 and for adherence to the employment restrictions applicable to retired members.

15 ➔Section 9. KRS 161.630 is amended to read as follows:

- 16 (1) (a) A member, upon retirement, shall receive a retirement allowance in the form
17 of a life annuity, with refundable balance, as provided in KRS 161.620, unless
18 an election is made before the effective date of retirement to receive
19 actuarially equivalent benefits under options which the board of trustees
20 approves.
- 21 (b) An individual who is participating in the supplemental benefit component as
22 provided by KRS 161.635 or 161.636 may, before the effective date of
23 retirement, elect to receive his or her accumulated account balance accrued in
24 the supplemental benefit component annuitized into a monthly payment under
25 one (1) of the actuarial equivalent payment options approved by the board of
26 trustees.
- 27 (c) No option shall provide for a benefit with an actuarial value at the age of

1 retirement greater than that provided in KRS 161.620, 161.635(5)(a), or
2 161.636(5)(a), as applicable. This section does not apply to disability
3 allowances as provided in KRS 161.661(1).

4 (2) The retirement option chosen by a retiree at the time of service retirement shall
5 remain in force unless the retiree elects to make a change under the following
6 conditions:

7 (a) A divorce, annulment, or marriage dissolution following retirement shall, at
8 the election of the retiree, cancel any optional plan selected at retirement that
9 provides indefinitely continuing benefits to a spousal beneficiary and return
10 the retiree to a single lifetime benefit equivalent as determined by the board;
11 or

12 (b) Following marriage or remarriage, or the death of the designated beneficiary,
13 a retiree may elect a new optional plan of payment based on the actuarial
14 equivalent of a single lifetime benefit at the time of the election, as
15 determined by the board. The plan shall become effective the first of the
16 month following receipt of an application on a form approved by the board.

17 (3) Except as otherwise provided in this section, a beneficiary designation shall not be
18 changed after the effective date of retirement except for retirees who elect the life
19 annuity with refundable balance or the predetermined years certain and life
20 thereafter option. A member may remove a beneficiary at any time, but shall not
21 designate a substitute beneficiary. If a member elects to remove a beneficiary, the
22 member's retirement allowance shall not change regardless of the retirement option
23 selected by the member, even if the removed beneficiary predeceases the member.

24 *A member who is subject to the beneficiary designation restriction of this*
25 *subsection shall only be allowed to name a new beneficiary when experiencing a*
26 *qualifying event under subsection (2) of this section, and shall make this change*
27 *within the deadline established in subsection (4) of this section.*

(4) A member who experiences a qualifying event under subsection (2) of this section and who elects a new optional plan of payment shall make that election within sixty (60) days of the qualifying event. *The deadline for electing a new optional plan of payment or for changing a beneficiary shall not be subject to the jurisdiction of any court or appeal process, nor shall it otherwise be tolled or waived.*

➔Section 10. KRS 161.635 is amended to read as follows:

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

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

- (a) Mandatory contributions made by the member as provided by KRS 161.540(1)(c)2.;
- (b) Voluntary contributions made by the member, which may include lump-sum payments;
- (c) Mandatory contributions made by the employer as provided by KRS 161.550(1)(d)2.;
- (d) Voluntary employer contributions; and
- (e) Regular interest, which shall be credited to the member's account annually on June 30 of each fiscal year, by multiplying the member's accumulated account balance in the supplemental benefit component on June 30 of the preceding fiscal year by the regular interest rate.

(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

1 with KRS 161.560.

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

6 (4) (a) Upon termination of employment, a member who has less than five (5) 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 forfeit
9 the accumulated employer contribution, and shall only receive a refund of his
10 or her accumulated contributions.

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

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

17 (a) Have all or a portion of his or her accumulated account balance in the
18 supplemental benefit component annuitized into a lifetime monthly retirement
19 allowance by the system in accordance with the actuarial assumptions and
20 actuarial methods adopted by the board for the supplemental benefit
21 component and in effect on the member's retirement date;

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.

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

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

14 ➔Section 11. KRS 161.636 is amended to read as follows:

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

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

22 (a) Mandatory contributions made by the member as provided by KRS
23 161.540(1)(d)2.;

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

26 (c) Mandatory contributions made by the employer as provided by KRS
27 161.550(1)(e)2.;

- 1 (d) Voluntary employer contributions; and
- 2 (e) Regular interest, which shall be credited to the member's account annually on
- 3 June 30 of each fiscal year, by multiplying the member's accumulated account
- 4 balance in the supplemental benefit component on June 30 of the preceding
- 5 fiscal year by the regular interest rate.
- 6 (3) (a) Member contributions and employer contributions as provided by subsection
- 7 (2)(a) to (d) of this section shall be credited to the member's account at least
- 8 monthly as contributions are reported and posted to the system in accordance
- 9 with KRS 161.560.
- 10 (b) No employer contributions or interest shall be provided to a member who has
- 11 taken a refund of his or her accumulated account balance as provided by KRS
- 12 161.470 or who has retired and annuitized his or her accumulated account
- 13 balance as authorized by this section.
- 14 (4) (a) Upon termination of employment, a member who has less than five (5) years
- 15 of service credited under KRS 161.500, who elects to take a refund of his or
- 16 her accumulated account balance as provided by KRS 161.470, shall forfeit
- 17 the accumulated employer contribution, and shall only receive a refund of his
- 18 or her accumulated contributions.
- 19 (b) Upon termination of employment, a member who has five (5) or more years
- 20 of service credited under KRS 161.500, who elects to take a refund of his or
- 21 her accumulated account balance as provided by KRS 161.470, shall receive a
- 22 full refund of his or her accumulated account balance.
- 23 (5) A university member eligible to retire under KRS 161.600(2) may upon retirement,
- 24 in addition to the other benefits provided by KRS 161.620, elect to:
- 25 (a) Have all or a portion of his or her accumulated account balance in the
- 26 supplemental benefit component annuitized into a lifetime monthly retirement
- 27 allowance by the system in accordance with the actuarial assumptions and

1 actuarial methods adopted by the board for the supplemental benefit
2 component and in effect on the member's retirement date;

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

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

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

10 A member participating in the supplemental benefit component shall not be
11 required to take a distribution or annuitize his or her accumulated account balance
12 in the supplemental benefit component when he or she begins drawing a retirement
13 allowance from the foundational benefit component and may instead choose to
14 begin drawing a distribution or annuitize his or her accumulated account balance in
15 the supplemental benefit component at any date following his or her retirement date
16 from the foundational benefit component.

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

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

22 ➔Section 12. KRS 161.661 is amended to read as follows:

23 (1) (a) Any member who is accredited by the Teachers' Retirement System for five
24 (5) or more years of service in Kentucky after July 1, 1941, may retire for
25 disability and be granted a disability allowance if found to be eligible as
26 provided in this section. Application for disability benefits shall be made
27 within one (1) year of the last contributing service in Kentucky, and the

1 disability must have occurred during the most recent period of employment in
2 a position covered by the Teachers' Retirement System and subsequent to the
3 accreditation by the Teachers' Retirement System of five (5) years of
4 retirement system service credit in Kentucky. The deadline for filing an
5 application for disability benefits shall not be subject to the jurisdiction of
6 any court or appeal process, nor shall it otherwise be tolled or waived. A
7 disability occurring during the regular vacation immediately following the last
8 period of active service in Kentucky or during an official leave for which the
9 member is entitled to make regular contributions to the retirement system,
10 shall be considered as having occurred during a period of active service.

11 (b) The annual disability allowance shall be equal to sixty percent (60%) of the
12 member's final average salary.

13 (c) The following individuals shall not be eligible for disability benefits under
14 this section:

- 15 1. Members with twenty-seven (27) or more years of service credit; and
- 16 2. Individuals who become members on or after July 1, 2021, who are
17 eligible for an unreduced benefit under KRS 161.600(1)(b)2. or (d).

18 (2) The provisions of KRS 161.520, 161.525, and subsections (3), (4), and (5) of this
19 section shall not apply to disability retirees whose benefits were calculated on the
20 service retirement formula nor to survivors of these members.

21 (3) Members shall earn one (1) year of entitlement to disability retirement, at sixty
22 percent (60%) of the member's final average salary, for each four (4) years of
23 service in a covered position, but any member meeting the service requirement for
24 disability retirement shall be credited with no less than five (5) years of eligibility.

25 (4) A member retired by reason of disability shall continue to earn service credit at the
26 rate of one (1) year for each year retired for disability. This service shall be credited
27 to the member's account at the expiration of entitlement as defined in subsection (3)

1 of this section, or when the member's eligibility for disability benefits is terminated
2 upon recommendation of a medical review committee, and this service shall be
3 used in calculating benefits as provided in subsection (5) of this section, but under
4 no circumstances shall this service be used to provide the member with more than
5 twenty-seven (27) years of total service credit. The service credit shall be valued at
6 the same level as service earned by active members as provided under KRS 161.600
7 or 161.620.

8 (5) Any member retired by reason of disability and remaining disabled at the expiration
9 of the entitlement period shall have his or her disability benefits recalculated using
10 the service retirement formula with service credit earned as set out in subsection (4)
11 of this section. The retirement allowance shall be calculated as set forth in KRS
12 161.620, except that those persons less than sixty (60) years of age shall be
13 considered as sixty (60) years of age. Members having their disability benefits
14 recalculated under this subsection shall not be entitled to a benefit based upon an
15 average of their three (3) highest salaries as set forth in KRS 161.220(9), unless
16 approved otherwise by the board of trustees.

17 (6) Members who have their disability retirement allowance recalculated at the
18 expiration of the entitlement period shall continue to have coverage under the post-
19 retirement medical insurance program. Restrictions on employment shall remain in
20 effect until the member attains age seventy (70) or until the member's eligibility is
21 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability
22 retirees whose retirement allowances have been recalculated at the expiration of the
23 entitlement period. Members who have their disability retirement allowance
24 recalculated at the expiration of their entitlement period shall be entitled to a
25 minimum monthly allowance of five hundred dollars (\$500) as the basic straight
26 life annuity. The minimum allowance shall be effective July 1, 1992, and shall
27 apply to those members who have had their allowance recalculated prior to that date

1 and to disability retirees who will have their benefit allowance recalculated on or
2 after that date. For individuals who become members on or after July 1, 2021,
3 disability retirement payments and any other recurring payments payable by any
4 other state-administered retirement system shall be applied to reduce, on a dollar-
5 for-dollar basis, the minimum monthly disability retirement allowance payable
6 under this subsection.

7 (7) Effective July 1, 1992, members retired for disability prior to July 1, 1964, shall be
8 entitled to a minimum monthly allowance of five hundred dollars (\$500) as their
9 basic straight life annuity and their surviving spouse shall be eligible for survivor
10 benefits as provided in KRS 161.520(1)(a) and (b).

11 (8) Any member retired by reason of disability may voluntarily waive disability
12 benefits and ~~return to teaching or~~ any member, who is **immediately eligible for**
13 **service retirement**~~[age sixty (60) years or older]~~, may elect to waive disability
14 benefits and retire for service on the basis of service credited to the member on the
15 effective date of the disability retirement.

16 (9) In order to qualify for retirement by reason of disability a member must suffer from
17 a physical or mental condition presumed to be permanent in duration and of a
18 nature as to render the member incapable of being gainfully employed in a covered
19 position. The incapability must be revealed by a competent examination by a
20 licensed physician or physicians and must be approved by a majority of a medical
21 review committee.

22 (10) A member retired by reason of disability shall be required to undergo periodic
23 examinations at the discretion of the board of trustees to determine whether the
24 disability allowance shall be continued. When examination and recommendation of
25 a medical review committee indicate the disability no longer exists, the allowance
26 shall be discontinued. **Failure to undergo examinations and provide the Teachers'**
27 **Retirement System with requested medical documentation shall result in a**

1 **suspension of disability benefits.**

- 2 (11) Eligibility for payment shall begin on the first day of the month following receipt of
3 the application in the Teachers' Retirement System office, or the first of the month
4 next following the last payment of salary or sick leave benefits by the employer,
5 whichever is the later date.
- 6 (12) No person who receives a disability allowance may be employed in a position that
7 entails duties or qualification requirements similar to positions subject to
8 participation in the retirement system either within or without the State of
9 Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the
10 allowance from the first date of this service. For purposes of this subsection and
11 subsection (13) of this section, "employment" and "occupation," and derivatives
12 thereof, mean any activity engaged in by the member receiving disability allowance
13 from which income is earned. A member who applies for and is approved for
14 disability retirement on or after July 1, 2002, and whose annual disability benefit is
15 less than forty thousand dollars (\$40,000) may earn income in any occupation other
16 than covered employment only to the extent that the annual income from the other
17 employment when added to the annual disability benefit does not exceed forty
18 thousand dollars (\$40,000). For any member who exceeds this limit as a result of
19 income from other employment, the Kentucky Teachers' Retirement System shall
20 reduce the member's disability benefit on a dollar-for-dollar basis for each dollar
21 that the member's combined annual disability benefit and annual income from other
22 employment exceeds forty thousand dollars (\$40,000). The board of trustees may
23 annually increase the forty thousand dollar (\$40,000) limit by the percentage
24 increase in the annual average of the consumer price index for all urban consumers
25 for the most recent calendar year as published by the Federal Bureau of Labor
26 Statistics, not to exceed five percent (5%). The retirement system may require
27 income **and employment** verification from the member, including but not limited to

1 copies of tax returns and federal forms W-2 and W-4P. Failure to provide the
2 Teachers' Retirement System with requested income and employment verification
3 documentation shall result in a suspension of disability benefits. Submission of
4 false or fraudulent documentation shall, in addition to criminal penalties, result
5 in disqualification of all disability benefits from the date the fraudulent
6 documentation was submitted.

7 (13) All members who applied for disability retirement before July 1, 2002, and were
8 approved as a result of that application shall be subject to the income limitations as
9 they existed on June 30, 2002, until July 1, 2006. Effective July 1, 2006, the
10 twenty-seven thousand dollar (\$27,000) limitation shall be increased to forty
11 thousand dollars (\$40,000) and may be adjusted by the board of trustees by the
12 consumer price index in the manner described in subsection (12) of this section.
13 The recipient of a disability allowance who engages in any gainful occupation other
14 than covered employment must make a report of the duties involved, compensation
15 received, and any other pertinent information required by the board of trustees. The
16 retirement system may require income and employment verification from the
17 member, including but not limited to copies of tax returns and federal forms W-2
18 and W-4P. Failure to provide the Teachers' Retirement System with requested
19 income and employment verification documentation shall result in a suspension
20 of disability benefits. Submission of false or fraudulent documentation shall, in
21 addition to criminal penalties, result in disqualification of all disability benefits
22 from the date the fraudulent documentation was submitted.

23 (14) The board of trustees shall designate medical review committees, each consisting of
24 three (3) licensed physicians. A medical review committee shall pass upon all
25 applications for disability retirement and upon all applicant statements, medical
26 certifications, and examinations submitted in connection with disability
27 applications. The disposition of each case shall be recommended by a medical

1 review committee in writing to the retirement system. Members of a medical review
2 committee shall follow administrative regulations regarding procedures as the board
3 of trustees may enact and shall be paid reasonable fees and expenses as authorized
4 by the board of trustees in compliance with the provisions of KRS 161.330 and
5 161.340. The retirement system may secure additional medical examinations and
6 information as it deems necessary. A member may appeal any final agency decision
7 denying his or her disability retirement application pursuant to the provisions of
8 KRS 161.250(2). *In the event of such an appeal, the member and his or her legal*
9 *counsel shall be entitled to all written recommendations and reports submitted by*
10 *the medical review committee to the Teachers' Retirement System. Such*
11 *recommendations and reports shall otherwise be maintained in a confidential*
12 *manner and shall not be subject to release under any conditions including in*
13 *response to a subpoena or order issued by a court of law notwithstanding any*
14 *other statute to the contrary.*

15 (15) A disability may be presumed to be permanent if the condition creating the
16 disability may be reasonably expected to continue for one (1) year or more from the
17 date of application for disability benefits.

18 (16) Any member who has voluntarily waived disability benefits or whose disability
19 benefits have been discontinued on recommendation of a medical review
20 committee, may apply for reinstatement of disability benefits. The application for
21 reinstatement must be made to the retirement system within twelve (12) months of
22 the date disability benefits terminated. If the termination of benefits were voluntary,
23 the reinstatement may be made without medical examination if application is made
24 within three (3) months of the termination date. Other applications for reinstatement
25 will be processed in the same manner as new applications for benefits.

26 (17) No person who is receiving disability benefits under this section may be employed
27 in a position which qualifies the person for membership in a retirement system

1 financed wholly or in part with public funds. Employment in a position prohibited
2 by this subsection shall result in disqualification for those disability benefits from
3 the date of employment in the prohibited position.

4 (18) Any person who is receiving benefits and becomes disqualified from receiving
5 those benefits under this section, or becomes disqualified from receiving a portion
6 of those benefits due to income from other than covered employment, shall
7 immediately notify the Teachers' Retirement System of this disqualification in
8 writing and shall return all benefits paid after the date of disqualification. Failure to
9 comply with these provisions shall create an indebtedness of that person to the
10 Teachers' Retirement System. Interest at the rate of eight percent (8%) per annum,
11 beginning on the date the written notice of disqualification is sent, shall be
12 charged if the debt is not repaid within sixty (60) days after the date of written
13 notice of disqualification. Failure to repay this debt creates a lien in favor of the
14 Teachers' Retirement System upon all property of the person who improperly
15 receives benefits and does not repay those benefits. The Teachers' Retirement
16 System may, in order to collect an outstanding debt, reduce or terminate any benefit
17 that a member is otherwise entitled to receive.

18 (19) Notwithstanding any other provision of this section to the contrary, individuals who
19 become members on or after January 1, 2022, shall be eligible for an actuarially
20 determined disability benefit as prescribed by the board of trustees via
21 administrative regulations promulgated by the board. The board of trustees shall
22 arrange by appropriate contract or on a self-insured basis a disability plan to
23 provide the disability benefits and may adjust the benefits in accordance with KRS
24 161.633(3) or 161.634(3).

25 ➔Section 13. KRS 161.680 is amended to read as follows:

26 (1) If any change or error in a record results in any individual receiving from the
27 retirement system more or less than the individual was entitled to receive as

1 determined by the board of trustees or staff of the Teachers' Retirement System,
2 the board of trustees or staff shall, when the error is discovered, correct the error,
3 and as far as practicable adjust the payments so that the actuarial equivalent of the
4 benefit to which the individual was entitled shall be paid.

5 (2) The Teachers' Retirement System shall take all practicable and cost-effective steps
6 to collect overpayments from a member's or retiree's account. Methods of
7 correction of overpayments from any member's or retiree's account shall include but
8 are not limited to reclamation of the overpayment from the member's or retiree's
9 account at the depository bank, the deduction of moneys from account refunds,
10 deduction from the retirement allowance or joint and survivor annuity payable from
11 the account, and deduction of moneys from the life insurance benefit. Collection of
12 overpayments shall be initiated regardless of the designated beneficiary for any
13 amounts payable from the account.

14 ➔Section 14. KRS 56.8605 is amended to read as follows:

15 As used in KRS 56.860 to 56.869:

16 (1) "Authorized project" means:

17 (a) Any project approved by the General Assembly and included in an enacted
18 budget; or

19 (b) Any project approved by the General Assembly that is certified by the
20 secretary of the Finance and Administration Cabinet in accordance with the
21 provisions of KRS 56.870, to be of a type that will independently produce
22 revenues or will be payable from receipts of federal transportation funds that
23 are projected by the commission to be sufficient to fully meet debt service,
24 issuance costs, reserve fund requirements, insurance premiums, or any other
25 expenditures necessary for financing so that no appropriation of state funds is
26 required;

27 (2) "Cabinet" means the Finance and Administration Cabinet;

- 1 (3) "Commercial paper" means obligations that by their terms mature not more than
2 three hundred sixty-six (366) days from the date of their issuance and that may be
3 refunded;
- 4 (4) "Commission" means the Kentucky Asset/Liability Commission;
- 5 (5) "Estimated revenues" means the official revenue estimates established pursuant to
6 KRS 48.120 on or before the dates on which tax and revenue anticipation notes are
7 awarded to the purchaser;
- 8 (6) "Financial agreements" means interest rate swaps, options, or other agreements
9 between two (2) parties to exchange or have the conditional right to exchange
10 interest rate exposure from fixed rate to variable rate or from variable rate to fixed
11 rate, or to provide other economic benefit to an issuance of notes or a portfolio of
12 notes, or to hedge the net interest margin of the Commonwealth;
- 13 (7) "Financing agreement" means an agreement between the commission and the
14 cabinet, or between the cabinet and a state agency, relating to the funding of
15 projects or items associated with projects as described in KRS 56.867(3), a
16 judgment against a state agency or the Commonwealth, or the finance or refinance
17 of obligations owed under KRS 161.550(2)~~or 161.553(2)~~. The provisions of a
18 financing agreement shall require either the cabinet to make payments to the
19 commission relating to the commission's issuance of notes, or the state agency to
20 make payments to the cabinet reimbursing the cabinet for its payments to the
21 commission on the agency's behalf. The obligations of the cabinet or the state
22 agency under a financing agreement shall be contingent upon appropriations by the
23 General Assembly to the cabinet or to the agency for the payment of those
24 obligations;
- 25 (8) "Fixed-rate obligations" means obligations on which the interest rate remains
26 constant to maturity;
- 27 (9) "Funding notes" means notes issued under the provisions of KRS 56.860 to 56.869

1 by the commission for the purpose of funding:

2 (a) Judgments, with a final maturity of not more than ten (10) years; and

3 (b) The finance or refinance of obligations owed under KRS 161.550(2)~~[-or~~
4 ~~161.553(2)]~~;

5 (10) "Interest-sensitive assets" means tangible and intangible property held by the
6 Commonwealth whose market value is dependent upon the level of interest rates;

7 (11) "Interest-sensitive liabilities" means interest-bearing debts or other obligations of
8 the Commonwealth or a state agency;

9 (12) "Multimodal obligations" means obligations for which the time period for
10 establishing the rate of interest may be selectively determined and altered;

11 (13) "Net interest margin" means the net income or expense associated with the
12 difference between the Commonwealth's interest-sensitive assets and interest-
13 sensitive liabilities;

14 (14) "Project notes" means notes issued under the provisions of KRS 56.860 to 56.869
15 by the commission with a final maturity of not more than twenty (20) years for the
16 purpose of funding authorized projects, which may include bond anticipation notes;

17 (15) "State agency" means any state administrative body, agency, department, or
18 division as defined in KRS 42.005, and set out in KRS Chapter 12, or any board,
19 commission, institution, state university, or division exercising any function of the
20 Commonwealth;

21 (16) "Tax and revenue anticipation notes" means notes that are issued under the
22 provisions of KRS 56.860 to 56.869 by the commission with a final maturity that is
23 no later than the last day of the fiscal year during which the tax and revenue
24 anticipation notes are issued and that are issued in anticipation of estimated
25 revenues to be received in that fiscal year; and

26 (17) "Variable-rate demand obligations" means obligations on which the rate of interest
27 is set by reference to a predetermined index or formula, by auction, by an agent

1 that, in the sole judgment of the commission, has the financial expertise to establish
2 market interest rates, or by similar means.

3 ➔Section 15. KRS 56.868 is amended to read as follows:

- 4 (1) The commission may issue and sell funding notes for the purposes of funding
5 judgments against the Commonwealth or any state agency and financing or
6 refinancing obligations owed under KRS 161.550(2)~~[or 161.553(2)]~~. Funding notes
7 may be sold and issued in a manner and have terms relating to the payment of
8 interest, principal, and premiums or discounts as market conditions warrant.
- 9 (2) Appropriations requests for payment of principal and interest on funding notes shall
10 be made by the state agency against which a judgment has been rendered or, in the
11 case of financing or refinancing obligations owed under KRS 161.550(2)~~[or~~
12 ~~161.553(2)]~~, to the Kentucky Teachers' Retirement System. Funding notes, together
13 with interest thereon, shall be repaid from payments received by the commission
14 from the cabinet under a financing agreement.
- 15 (3) Funding notes may be issued for the following purposes:
- 16 (a) To pay for judgments, which shall include legal settlements, court-ordered
17 actions against the Commonwealth or any state agency, and any part of any
18 expense or cost incidental to legal settlements or court-ordered actions against
19 the Commonwealth or any state agency;
- 20 (b) To finance or refinance obligations owed under KRS 161.550(2)~~[or~~
21 ~~161.553(2)]~~; and
- 22 (c) To refund outstanding issues of funding notes.
- 23 (4) The issuance of funding notes shall be subject to KRS 56.870, to approval by the
24 State Property and Buildings Commission, and to review by the Capital Projects
25 and Bond Oversight Committee pursuant to KRS 45.810.
- 26 (5) The cabinet, in providing for the expenditure of funds for any of the purposes
27 mentioned in this section, may provide by a financing agreement with the state

1 agency so affected for the funding of the Commonwealth's or that state agency's
2 judgment, and the state agency so affected is authorized to enter into a financing
3 agreement with the cabinet for that purpose.

- 4 (6) Funding notes shall not constitute a debt of the Commonwealth or any political
5 subdivision thereof or a pledge of the faith and credit of the Commonwealth or any
6 political subdivision, but the notes shall be payable solely from payments received
7 under the financing agreement relating to the funding notes.

8 ➔Section 16. KRS 161.550 is amended to read as follows:

- 9 (1) Each employer, except as provided under KRS 161.555, shall contribute annually to
10 the Teachers' Retirement System a permanent employer contribution rate on behalf
11 of each employee it employs equal to:

- 12 (a) Thirteen and one hundred five thousandths percent (13.105%) of the total
13 annual compensation of nonuniversity members who become members prior
14 to July 1, 2008. Of this permanent employer contribution rate:

- 15 1. Twelve and three hundred fifty-five thousandths percent (12.355%) of
16 the total annual compensation shall be used to fund pension and life
17 insurance benefits; and

- 18 2. Three-quarters of a percent (0.75%) of annual compensation shall be
19 used to provide funding to the medical insurance fund as provided under
20 KRS 161.420(5). If the board of trustees establishes a trust fund under
21 26 U.S.C. sec. 115, the board may deposit the employer contribution
22 provided in this subparagraph in that trust fund;

- 23 (b) Fourteen and one hundred five thousandths percent (14.105%) of the total
24 annual compensation of nonuniversity members who become members on or
25 after July 1, 2008, but prior to January 1, 2022. Of this permanent employer
26 contribution rate:

- 27 1. Thirteen and three hundred fifty-five thousandths percent (13.355%) of

1 the total annual compensation shall be used to fund pension and life
2 insurance benefits; and

3 2. Three-quarters of a percent (0.75%) of annual compensation shall be
4 used to provide funding to the medical insurance fund as provided under
5 KRS 161.420(5). If the board of trustees establishes a trust fund under
6 26 U.S.C. sec. 115, the board may deposit the employer contribution
7 provided in this subparagraph in that trust fund;

8 (c) Thirteen and sixty-five hundredths percent (13.65%) of the total annual
9 compensation of university members who become members prior to January
10 1, 2022. Of this permanent employer contribution rate:

11 1. Ten and eight hundred seventy-five thousandths percent (10.875%) of
12 the total annual compensation shall be used to fund pension and life
13 insurance benefits; and

14 2. Two and seven hundred seventy-five thousandths percent (2.775%) of
15 annual compensation shall be used to provide funding to the medical
16 insurance fund as provided under KRS 161.420(5). If the board of
17 trustees establishes a trust fund under 26 U.S.C. sec. 115, the board may
18 deposit the employer contribution provided in this subparagraph in that
19 trust fund;

20 (d) Ten and three-quarters percent (10.75%) of the total annual compensation of
21 nonuniversity members who become members on or after January 1, 2022. Of
22 this permanent employer contribution rate:

23 1. Eight percent (8%) of the total annual compensation shall be used to
24 fund pension and life insurance benefits. The contribution provided by
25 this subparagraph shall not be used to fund the supplemental benefit
26 account as provided by KRS 161.635;

27 2. Two percent (2%) of the total annual compensation shall be used to fund

- 1 the mandatory employer contribution of the supplemental benefit
2 component, except that the board may direct these contributions on a
3 prospective basis into the pension and life insurance funds to contain
4 costs within the provisions of KRS 161.633; and
- 5 3. Three-quarters of one percent (0.75%) of annual compensation shall be
6 used to provide funding to the medical insurance fund as provided under
7 KRS 161.420(5). If the board of trustees establishes a trust fund under
8 26 U.S.C. sec. 115, the board may deposit the employer contribution
9 provided in this subdivision in that trust fund; and
- 10 (e) Nine and seven hundred seventy-five thousandths percent (9.775%) of total
11 annual compensation of university members who become members on or after
12 January 1, 2022. Of this permanent employer contribution rate:
- 13 1. Five and seven hundred seventy-five thousandths percent (5.775%) of
14 the total annual compensation shall be used to fund pension and life
15 insurance benefits. The contribution provided by this subparagraph shall
16 not be used to fund the supplemental benefit account as provided by
17 KRS 161.636;
- 18 2. Two percent (2%) of the total annual compensation shall be used to fund
19 the mandatory employer contribution of the supplemental benefit
20 component, except that the board may direct these contributions on a
21 prospective basis into the pension and life insurance funds to contain
22 costs within the provisions of KRS 161.634; and
- 23 3. Two percent (2%) of annual compensation shall be used to provide
24 funding to the medical insurance fund as provided under KRS
25 161.420(5). If the board of trustees establishes a trust fund under 26
26 U.S.C. sec. 115, the board may deposit the employer contribution
27 provided in this subparagraph in that trust fund.

- 1 (2) In addition to the required contributions in subsection (1) of this section, the state
2 shall contribute annually to the Teachers' Retirement System a percentage of the
3 total salaries of the state-funded and federally funded members it employs to pay
4 the cost of health insurance coverage for retirees who are not eligible for Medicare
5 and who retire on or after July 1, 2010, less the amounts that are otherwise required
6 to be paid by the retirees under KRS 161.675. The board shall deposit funds in the
7 medical insurance fund unless the board of trustees has established a trust fund
8 under 26 U.S.C. sec. 115 for this purpose. In this case, the board may deposit the
9 employer contribution in that trust fund. This contribution shall be known as the
10 state medical insurance fund stabilization contribution. The percentage to be
11 contributed by the state under this subsection:
- 12 (a) Shall be determined by the retirement system's actuary for each biennial
13 budget period;
- 14 (b) May be suspended or adjusted by the General Assembly if in its judgment the
15 welfare of the Commonwealth so demands; and
- 16 (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible
17 for Medicare who retire on or after July 1, 2010, or the amount contributed by
18 employers under subsection (3) of this section.
- 19 (3) All employers who employ nonuniversity members shall make a contribution for
20 each payroll on behalf of their active employees who participate in the Teachers'
21 Retirement System in an amount equal to three percent (3%) of payroll of those
22 active employees. The contribution specified by this subsection shall be used to
23 fund retiree health benefits.
- 24 (4) When the medical insurance fund established under KRS 161.420(5) achieves a
25 sufficient prefunded status as determined by the Teachers' Retirement System's
26 actuary, the board of trustees shall recommend to the General Assembly that the
27 contributions required under subsections (1)(c)2. and (e)3. and (3) of this section

1 shall, in an actuarially accountable manner, be either decreased, suspended, or
2 eliminated. The decrease, suspension, or elimination in contributions required
3 under subsection (1)(c)2. of this section shall not exceed two and twenty-five
4 thousandths percent (2.025%) of annual compensation. The decrease, suspension,
5 or elimination in contributions required under subsection (1)(e)3. of this section
6 shall not exceed one and twenty-five hundredths percent (1.25%) of annual
7 compensation.

8 (5) Each employer shall remit the required employer contributions to the retirement
9 system under the terms and conditions specified for member contributions under
10 KRS 161.560. The state shall provide annual appropriations based upon estimated
11 funds needed to meet the requirements of KRS 161.155, 161.168, 161.507(4),
12 161.515, 161.545, ~~161.553,~~ 161.605, 161.612, and 161.620(1), (3), (5), (6), and
13 (7). In the event an annual appropriation is less than the amount of these
14 requirements, the state shall make up the deficit in the next biennium budget
15 appropriation to the retirement system. Employer contributions to the retirement
16 system are for the exclusive purpose of providing benefits to members and
17 annuitants and these contributions shall be considered deferred compensation to the
18 members. This subsection shall not apply to costs applicable to individuals who
19 become members on or after January 1, 2022.

20 ➔Section 17. The following KRS section is repealed:

21 161.553 Funding of past statutory benefit improvements -- Schedules for appropriations
22 -- Cost-of-living increases.