

1 AN ACT relating to teacher benefit provisions and declaring an emergency.

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

3 ➔Section 1. KRS 161.155 is amended to read as follows:

4 (1) As used in this section:

5 (a) "Teacher" shall mean any person for whom certification is required as a basis
6 of employment in the common schools of the state;

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

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

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

18 (e) "Assault" shall mean an act that intentionally causes injury so significant that
19 the victim is determined to be, by certification of a physician or surgeon duly
20 qualified under KRS Chapter 342, incapable of performing the duties of his or
21 her job.

22 (2) Each district board of education shall allow to each teacher and full-time employee
23 in its common school system not less than ten (10) days of sick leave during each
24 school year, without deduction of salary. Sick leave shall be granted to a teacher or
25 employee if he or she presents a personal statement or a certificate of a physician
26 stating that the teacher or employee was ill, that the teacher or employee was absent
27 for the purpose of attending to a member of his or her immediate family who was

1 ill, or for the purpose of mourning a member of his or her immediate family. The
2 ten (10) days of sick leave granted in this subsection may be taken by a teacher or
3 employee on any ten (10) days of the school year and shall be granted in addition to
4 accumulated sick leave days that have been credited to the teacher or employee
5 under the provisions of subsection (4) of this section.

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

15 (a) The district shall pay the salary of the teacher or employee between the time
16 of the assault and the time the teacher's or employee's workers' compensation
17 income benefits take effect, or the time the teacher or employee is certified to
18 return to work by a physician or surgeon duly qualified under KRS Chapter
19 342, whichever is sooner;

20 (b) The district shall pay, for up to one (1) year from the time of the assault, the
21 difference between the salary of the teacher or employee and any workers'
22 compensation income benefits received by the teacher or employee resulting
23 from the assault. Payments by the district shall include payments for
24 intermittent work time missed as a result of the assault during the one (1) year
25 period. If the teacher's or employee's workers' compensation income benefits
26 cease during the one (1) year period after the assault, the district shall also
27 cease to make payments under this paragraph;

- 1 (c) The Commonwealth, through the Kentucky Department of Education, shall
2 make the employer's health insurance contribution during the period that the
3 district makes payments under paragraphs (a) and (b) of this subsection;
- 4 (d) The Commonwealth, through the Kentucky Department of Education, shall
5 make the employer's contribution to the retirement system in which the
6 teacher or employee is a member during the period that the district makes
7 payments under paragraphs (a) and (b) of this subsection; and
- 8 (e) Payments to a teacher or employee under paragraphs (a) and (b) of this
9 subsection shall be coordinated with workers' compensation benefits under
10 KRS Chapter 342, disability retirement benefits for teachers under KRS
11 161.661 to 161.663, and disability retirement benefits for employees under
12 KRS 61.600 to 61.621 and 78.5522, 78.5524, 78.5526, 78.5528, and 78.5530
13 so that the teacher or employee receives income equivalent to his or her full
14 contracted salary, but in no event shall the combined payments exceed one
15 hundred percent (100%) of the teacher's or employee's full contracted salary.
- 16 (4) Days of sick leave not taken by an employee or a teacher during any school year
17 shall accumulate without limitation and be credited to that employee or teacher.
18 Accumulated sick leave may be taken in any school year. Any district board of
19 education may, in its discretion, allow employees or teachers in its common school
20 system sick leave in excess of the number of days prescribed in this section and
21 may allow school district employees and teachers to use up to three (3) days' sick
22 leave per school year for emergency leave pursuant to KRS 161.152(3). Any
23 accumulated sick leave days credited to an employee or a teacher shall remain so
24 credited in the event he or she transfers his or her place of employment from one (1)
25 school district to another within the state or to the Kentucky Department of
26 Education or transfers from the Department of Education to a school district.
- 27 (5) Accumulated days of sick leave shall be granted to a teacher or employee if, prior to

1 the opening day of the school year, a statement or a certificate of a physician is
2 presented to the district board of education, stating that the teacher or employee is
3 unable to commence his or her duties on the opening day of the school year, but
4 will be able to assume his or her duties within a period of time that the board
5 determines to be reasonable.

6 (6) Any school teacher or employee may repurchase previously used sick leave days
7 with the concurrence of the local school board by paying to the district an amount
8 equal to the total of all costs associated with the used sick leave.

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

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

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

27 1. a. The teacher or employee or a member of his or her immediate

- 1 family suffers from a medically certified illness, injury,
2 impairment, or physical or mental condition that has caused or is
3 likely to cause the teacher or employee to be absent for at least ten
4 (10) days; or
- 5 b. The teacher or employee suffers from a catastrophic loss to his or
6 her personal or real property, due to either a natural disaster or fire,
7 that either has caused or will likely cause the employee to be
8 absent for at least ten (10) consecutive working days;
- 9 2. The teacher's or employee's need for the absence and use of leave are
10 certified by a licensed physician for leave requested under subparagraph
11 1.a. of this subsection;
- 12 3. The teacher or employee has exhausted his or her accumulated sick
13 leave, personal leave, and any other leave granted by the school district;
14 and
- 15 4. The teacher or employee has complied with the school district's policies
16 governing the use of sick leave.
- 17 (c) While a teacher or employee is on sick leave provided by this section, he or
18 she shall be considered a school district employee, and his or her salary,
19 wages, and other employee benefits shall not be affected.
- 20 (d) Any sick leave that remains unused, is not needed by a teacher or employee,
21 and will not be needed in the future shall be returned to the teacher or
22 employee donating the sick leave.
- 23 (e) The board of education shall adopt policies and procedures necessary to
24 implement the sick leave donation program.
- 25 (9) (a) A teacher or employee may use up to thirty (30) days of sick leave following
26 the birth or adoption of a child or children. Additional days may be used when
27 the need is verified by a physician's statement.

1 (b) On or before July 1, 2030, each school district shall establish a policy to
2 provide up to thirty (30) paid maternity leave days for a teacher or employee
3 who gives birth to a child. The maternity leave days shall be used without
4 deduction of salary and shall be used prior to the teacher or employee using
5 any other leave. Any maternity leave days unused by the teacher or
6 employee shall not transfer into sick leave or be converted to any other leave
7 type and shall expire upon return to work. This paragraph shall not limit a
8 school district's authority to establish additional paid maternity benefits or
9 to provide paid parental leave benefits.

10 (10) (a) ~~[After July 1, 1982,]~~A district board of education may compensate, at the
11 time of retirement or upon the death of a member in active contributing status
12 at the time of death who was eligible to retire by reason of service, an
13 employee or a teacher, or the estate of an employee or teacher, for each
14 unused sick leave day. The rate of compensation for each unused sick leave
15 day shall be based on a percentage of the daily salary rate calculated from the
16 employee's or teacher's last annual salary, not to exceed thirty percent (30%).

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

25 (c) For a teacher or employee who becomes a nonuniversity member of the
26 Teachers' Retirement System on or after January 1, 2022, as provided by KRS
27 161.220, payment for unused sick leave days under this subsection shall not

1 be incorporated into the annual compensation used to calculate the teacher's or
2 employee's retirement allowance in the foundational benefit component as
3 described by KRS 161.633 but may be deposited into the nonuniversity
4 member's supplemental benefit component as provided by KRS 161.635.

- 5 (d) For a teacher or employee who begins employment with a local school district
6 on or after July 1, 2008, the maximum amount of unused sick leave days a
7 district board of education may recognize in calculating the payment of
8 compensation to the teacher or employee under this subsection shall not
9 exceed three hundred (300) days.

10 (e) 1. Actuarial costs to the Teachers' Retirement System for the inclusion of
11 payment for unused sick leave days that are eligible for compensation
12 under paragraph (b) of this subsection shall be funded in accordance
13 with this paragraph.

14 2. The state shall pay the actuarial costs for the compensation
15 attributable to the actual unused sick leave accrued as of June 30,
16 2025, plus annual adjustments to the sick leave balance each fiscal
17 year thereafter, based upon the sick leave accrued or used by the
18 teacher or employee, not to exceed thirteen (13) additional days per
19 year. Unused sick leave payable by the state shall not include any
20 annual leave described by KRS 161.540(1)(f) or the cost of unused
21 sick days for employees retiring from agencies listed in KRS
22 161.220(4)(d) and (f).

23 3. The last employer who is compensating the unused sick day as
24 provided in paragraph (a) of this subsection shall pay the actuarial
25 costs of compensation for unused sick leave days not paid by the state
26 under subparagraph 2. of this paragraph. Upon the teacher's or
27 employee's retirement, the Teachers' Retirement System shall bill the

1 last employer for the cost of the unused sick days, and the employer
2 shall pay the costs within fifteen (15) days after receiving notification
3 of the cost from the system.

4 4. The actuarial costs of the unused sick days shall be the amount
5 payable for unused sick days after the fixed statutory employee and
6 employer contributions have been paid as provided in KRS 161.540
7 and 161.550(1) and that is necessary to fund the benefit.

8 (f) For the fiscal year ending June 30, 2025, and each fiscal year thereafter,
9 each school district shall annually report to the Teachers' Retirement
10 System the sick leave balances for each teacher and employee who is a
11 member of the Teachers' Retirement System. The report shall include for
12 each teacher or employee:

- 13 1. The sick leave days accrued at the beginning of the fiscal year;
14 2. The sick leave days accrued during the fiscal year;
15 3. Any other days of leave added to the sick leave balance during the
16 fiscal year by rollover, conversion, or any other method;
17 4. The sick leave days used during the fiscal year; and
18 5. The sick leave balance at the end of the fiscal year.

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

- 22 1. The number of sick leave days accrued annually under the sick leave
23 program established pursuant to subsection (2) of this section;
24 2. Any other types of leave and the amount of leave by type that may,
25 prior to retirement or at the time of retirement, be included by rollover,
26 conversion, or any other method, in an employee's sick leave balance
27 pursuant to any district policy or any contract entered into by the

1 *district; and*

2 **3. Any other information required by the system.**

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

6 (11) Any statute to the contrary notwithstanding, employees and teachers who
7 transferred from the Department of Education to a school district, from a school
8 district to the Department of Education, or from one (1) school district to another
9 school district after July 15, 1981, shall receive credit for any unused sick leave to
10 which the employee or teacher was entitled on the date of transfer. This credit shall
11 be for the purposes set forth in subsection (10) of this section.

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

14 ➔Section 2. KRS 161.220 is amended to read as follows:

15 As used in KRS 161.220 to 161.716 and 161.990:

16 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to
17 161.716 and 161.990 for payment of allowances to members;

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

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

22 (4) "Member" means the commissioner of education, deputy commissioners, associate
23 commissioners, and all division directors in the State Department of Education,
24 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any
25 full-time teacher or professional occupying a position requiring certification or
26 graduation from a four (4) year college or university, as a condition of employment,
27 and who is employed by public boards, institutions, or agencies as follows:

- 1 (a) Local boards of education and public charter schools if the public charter
2 school satisfies the criteria set by the Internal Revenue Service to participate
3 in a governmental retirement plan;
- 4 (b) Eastern Kentucky University, Kentucky State University, Morehead State
5 University, Murray State University, Western Kentucky University, and any
6 community colleges established under the control of these universities;
- 7 (c) State-operated secondary area vocational education or area technology
8 centers, Kentucky School for the Blind, and Kentucky School for the Deaf;
- 9 (d) Other public education agencies as created by the General Assembly and
10 those members of the administrative staff of the Teachers' Retirement System
11 of the State of Kentucky whom the board of trustees may designate by
12 administrative regulation;
- 13 (e) Regional cooperative organizations formed by local boards of education or
14 other public educational institutions listed in this subsection, for the purpose
15 of providing educational services to the participating organizations;
- 16 (f) All full-time members of the staffs of the Kentucky Association of School
17 Administrators, Kentucky Education Association, Kentucky Vocational
18 Association, Kentucky High School Athletic Association, Kentucky
19 Academic Association, and the Kentucky School Boards Association who
20 were members of the Kentucky Teachers' Retirement System or were
21 qualified for a position covered by the system at the time of employment by
22 the association in the event that the board of directors of the respective
23 association petitions to be included. The board of trustees of the Kentucky
24 Teachers' Retirement System may designate by resolution whether part-time
25 employees of the petitioning association are to be included. The state shall
26 make no contributions on account of these employees, either full-time or part-
27 time. The association shall make the employer's contributions, including any

- 1 contribution that is specified under KRS 161.550. The provisions of this
2 paragraph shall be applicable to persons in the employ of the associations on
3 or subsequent to July 1, 1972;
- 4 (g) Employees of the Council on Postsecondary Education who were employees
5 of the Department for Adult Education and Literacy and who were members
6 of the Kentucky Teachers' Retirement System at the time the department was
7 transferred to the council pursuant to Executive Order 2003-600;
- 8 (h) The Office of Career and Technical Education;
- 9 (i) The Office of Vocational Rehabilitation;
- 10 (j) The Kentucky Educational Collaborative for State Agency Children;
- 11 (k) The Governor's Scholars Program;
- 12 (l) Any person who is retired for service from the retirement system and is
13 reemployed by an employer identified in this subsection in a position that the
14 board of trustees deems to be a member, except that any person who becomes
15 a member on or after January 1, 2022, and subsequently draws a monthly
16 lifetime retirement allowance, shall upon reemployment after retirement not
17 earn a second retirement account;
- 18 (m) Employees of the former Cabinet for Workforce Development who are
19 transferred to the Kentucky Community and Technical College System and
20 who occupy positions covered by the Kentucky Teachers' Retirement System
21 shall remain in the Teachers' Retirement System. New employees occupying
22 these positions, as well as newly created positions qualifying for Teachers'
23 Retirement System coverage that would have previously been included in the
24 former Cabinet for Workforce Development, shall be members of the
25 Teachers' Retirement System;
- 26 (n) Effective January 1, 1998, employees of state community colleges who are
27 transferred to the Kentucky Community and Technical College System shall

1 continue to participate in federal old age, survivors, disability, and hospital
2 insurance, and a retirement plan other than the Kentucky Teachers' Retirement
3 System offered by Kentucky Community and Technical College System. New
4 employees occupying positions in the Kentucky Community and Technical
5 College System as referenced in KRS 164.5807(5) that would not have
6 previously been included in the former Cabinet for Workforce Development,
7 shall participate in federal old age, survivors, disability, and hospital
8 insurance and have a choice at the time of employment of participating in a
9 retirement plan provided by the Kentucky Community and Technical College
10 System, including participation in the Kentucky Teachers' Retirement System,
11 on the same basis as faculty of the state universities as provided in KRS
12 161.540 and 161.620;

13 (o) Employees of the Office of General Counsel, the Office of Budget and
14 Administrative Services, and the Office of Quality and Human Resources
15 within the Office of the Secretary of the former Cabinet for Workforce
16 Development and the commissioners of the former Department for Adult
17 Education and Literacy and the former Department for Technical Education
18 who were contributing to the Kentucky Teachers' Retirement System as of
19 July 15, 2000;

20 (p) Employees of the Kentucky Department of Education only who are graduates
21 of a four (4) year college or university, notwithstanding a substitution clause
22 within a job classification, and who are serving in a professional job
23 classification as defined by the department;

24 (q) The Governor's School for Entrepreneurs Program;

25 (r) Employees of the Office of Adult Education within the Department of
26 Workforce Development in the Education and Labor Cabinet who were
27 employees of the Council on Postsecondary Education, Kentucky Adult

1 Education Program and who were members of the Kentucky Teachers'
2 Retirement System at the time the Program was transferred to the cabinet
3 pursuant to Executive Orders 2019-0026 and 2019-0027;~~and~~

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

8 (t) *WeLeadCS, the virtual computer science career academy established in*
9 *KRS 158.809;*

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

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

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

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

25 (9) "Final average salary" means the average of the five (5) highest annual salaries
26 which the member has received for service in a covered position and on which the
27 member has made contributions, or on which the public board, institution, or

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

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

1 three (3) year period.

2 For individuals who became members of the retirement system prior to July 1,
3 2021, this limitation shall not apply if the member receives an increase in salary in a
4 percentage exceeding that received by the other members, and this increase was
5 accompanied by a corresponding change in position or in length of employment.
6 The board of trustees may promulgate an administrative regulation in accordance
7 with KRS Chapter 13A to provide definitions for a corresponding change in
8 position or in length of employment. This limitation shall also not apply to the
9 payment to a member for accrued annual leave if the individual becomes a member
10 before July 1, 2008, or accrued sick leave which is authorized by statute and which
11 shall, for individuals subject to KRS 161.155(10) who became nonuniversity
12 members of the system prior to January 1, 2022, be included as part of a retiring
13 member's annual compensation for the member's last year of active service;

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

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

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

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

19 (13) "Regular interest" means:

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

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

27 (c) For an individual who becomes a member on or after January 1, 2022, the

1 rolling five (5) year yield on a thirty (30) year United States Treasury bond as
2 of the end of May prior to the most recently completed fiscal year, except
3 that:

- 4 1. Once the member has at least sixty (60) months of service in the system
5 it shall mean interest at two and one-half percent (2.5%) per annum for
6 purposes of crediting interest to employee contributions in the
7 foundational benefit component or any other contributions made by the
8 employee to the foundational benefit component that are refundable to
9 the employee upon termination of employment; and
- 10 2. The board shall have the authority to adjust the regular interest rate for
11 individuals who become members on or after January 1, 2022, in
12 accordance with KRS 161.633 and 161.634;

13 (14) "Accumulated contributions" means the contributions of a member to the teachers'
14 savings fund, including picked-up member contributions as described in KRS
15 161.540(2), plus accrued regular interest;

16 (15) "Annuitant" means a person who receives a retirement allowance or a disability
17 allowance;

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

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

24 (18) "Public schools" means the schools and other institutions mentioned in subsection
25 (4) of this section;

26 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was
27 receiving, at the time of death of the member, at least one-half (1/2) of the support

1 from the member for maintenance, including board, lodging, medical care, and
2 related costs;

3 (20) "Active contributing member" means a member currently making contributions to
4 the Teachers' Retirement System, who made contributions in the immediate~~[next]~~
5 preceding fiscal year, for whom picked-up member contributions are currently
6 being made, or for whom these contributions were made in the immediate~~[next]~~
7 preceding fiscal year;

8 (21) "Full-time" means employment in a position that requires services on a continuing
9 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal
10 year basis;

11 (22) "Full actuarial cost," when used to determine the payment or payments that a
12 member must pay for service credit means the actuarial value of all costs associated
13 with the enhancement of a member's benefits or eligibility for benefit
14 enhancements, including health insurance supplement payments made by the
15 retirement system. The board may promulgate administrative regulations in
16 accordance with KRS Chapter 13A to provide the methodology for the assessment
17 of and procedures for the payment and collection of the full actuarial cost of the
18 purchased service. The actuary for the retirement system shall determine the full
19 actuarial value costs and actuarial cost factor tables as provided in KRS 161.400;

20 (23) "Last annual compensation" means the annual compensation, as defined by
21 subsection (10) of this section and as limited by subsection (9) of this section,
22 earned by the member during the most recent period of contributing service, either
23 consecutive or nonconsecutive, that is sufficient to provide the member with one (1)
24 full year of service credit in the Kentucky Teachers' Retirement System, and which
25 compensation is used in calculating the member's initial retirement allowance,
26 excluding bonuses, retirement incentives, payments for accumulated sick leave,
27 annual, personal, and compensatory leave, and any other lump-sum payment. For

1 an individual who becomes a member on or after July 1, 2008, payments for annual
2 or compensatory leave shall not be included in determining the member's last
3 annual compensation;

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

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

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

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

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

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

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

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

24 (30) "Accumulated account balance" means:

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

27 (b) For members who began participating in the system on or after January 1,

1 2022, the combined sum of the member's accumulated contributions and the
2 member's accumulated employer contributions;

3 (31) "Foundational benefit component" means the benefits provided by KRS 161.220 to
4 161.716 to individuals who become members on or after January 1, 2022, except
5 for the supplemental benefit component and retiree health benefits set forth in KRS
6 161.675; and

7 (32) "Supplemental benefit component" means:

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

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

12 ➔Section 3. KRS 161.230 is amended to read as follows:

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

1 trustees.

2 ➔Section 4. KRS 161.250 is amended to read as follows:

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

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

- 9 1. The chief state school officer;
- 10 2. The State Treasurer;
- 11 3. Two (2) trustees, appointed by the Governor of the Commonwealth,
12 subject to Senate confirmation in accordance with KRS 11.160 for each
13 appointment or reappointment. These two (2) trustees shall have
14 investment experience. For purposes of this subparagraph, a trustee with
15 "investment experience" means an individual who does not have a
16 conflict of interest, as provided by KRS 161.460, and who has at least
17 ten (10) years of experience in one (1) of the following areas of
18 expertise:
 - 19 a. A portfolio manager acting in a fiduciary capacity;
 - 20 b. A professional securities analyst or investment consultant;
 - 21 c. A current or retired employee or principal of a trust institution,
22 investment or finance organization, or endowment fund acting in
23 an investment-related capacity;
 - 24 d. A chartered financial analyst in good standing as determined by
25 the CFA Institute; or
 - 26 e. A university professor, teaching investment-related studies; and
- 27 4. Seven (7) other trustees elected as provided in KRS 161.260. Four (4) of

1 the elective trustees shall be members of the retirement system, to be
2 known as teacher trustees, two (2) shall be persons who are not
3 members of the teaching profession, to be known as the lay trustees, and
4 one (1) shall be an annuitant of the retirement system to be known as the
5 retired teacher trustee. One (1) teacher trustee shall be elected annually
6 for a four-year term. The retired teacher trustee shall be elected every
7 four (4) years. The chief state school officer and the State Treasurer are
8 considered ex officio members of the board of trustees and may
9 designate in writing a person to represent them at board meetings.

10 (c) 1. Elective trustees shall not serve more than three (3) consecutive four (4)
11 year terms. An elective trustee who has served three (3) consecutive
12 terms may be elected again after an absence of four (4) years from the
13 board of trustees.

14 2. The term limits established by subparagraph 1. of this paragraph shall
15 apply to elective trustees serving on or after July 1, 2012, and all terms
16 of office served prior to July 1, 2012, shall be used to determine if the
17 elective trustee has exceeded the term limits provided by subparagraph
18 1. of this paragraph.

19 (d) 1. Each appointed trustee shall serve a term of four (4) years. An appointed
20 trustee shall not serve more than three (3) consecutive four (4) year
21 terms. An appointed trustee who has served three (3) consecutive terms
22 may be appointed again after an absence of four (4) years from the
23 board of trustees.

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

27 (2) A member, retired member, or designated beneficiary may appeal the retirement

1 system's decisions that materially affect the amount of service retirement allowance,
2 amount of service credit, eligibility for service retirement, or eligibility for
3 survivorship benefits to which that member, retired member, or designated
4 beneficiary claims to be entitled. All appeals must be in writing and filed with the
5 retirement system within thirty (30) days of the claimant's first notice of the
6 retirement system's decision. For purposes of this section, notice shall be complete
7 and effective upon the date of mailing of the retirement system's decision to the
8 claimant at the claimant's last known address. Failure by the claimant to file a
9 written appeal with the retirement system within the thirty (30) day period shall
10 result in the decision of the retirement system becoming permanent with the effect
11 of a final and unappealable order. *The deadline to file a written appeal shall not be*
12 *subject to the jurisdiction of any court or appeal process, nor shall it otherwise be*
13 *tolled or waived.* Appeals may include a request for an administrative hearing
14 which shall be conducted in accordance with the provisions of KRS Chapter 13B.
15 The board of trustees may establish an appeals committee whose members shall be
16 appointed by the chairperson and who shall have the authority to act upon the report
17 and recommendation of the hearing officer by issuing a final order on behalf of the
18 full board of trustees. A member, retired member, or designated beneficiary who
19 has filed a timely, written appeal of a decision of the retirement system may,
20 following the administrative hearing and issuance of the final order by the board of
21 trustees, appeal the final order of the board of trustees to the Franklin Circuit Court
22 in accordance with the provisions of KRS Chapter 13B.

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

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

27 1. Benefits and benefits administration;

- 1 2. Investment concepts, policies, and current composition and
- 2 administration of retirement system investments;
- 3 3. Laws, bylaws, and administrative regulations pertaining to the
- 4 retirement system and to fiduciaries; and
- 5 4. Actuarial and financial concepts pertaining to the retirement system.

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

11 (b) Annual required training for trustees on the administration, benefits,
12 financing, and investing of the retirement system. If a trustee fails to complete
13 the annual required training during the calendar or fiscal year, the retirement
14 system shall withhold payment of the per diem and travel expenses due to the
15 board member under KRS 161.290 until the board member has met the annual
16 training requirements; and

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

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

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

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

- 1 1. A general overview and update on the retirement system by the
- 2 executive secretary;
- 3 2. A listing of the board of trustees;
- 4 3. A listing of key staff;
- 5 4. An organizational chart;
- 6 5. Financial information, including a statement of plan net assets, a
- 7 statement of changes in plan net assets, an actuarial value of assets, a
- 8 schedule of investments, a statement of funded status and funding
- 9 progress, and other supporting data;
- 10 6. Investment information, including a general overview, a list of the
- 11 retirement system's professional consultants, a total net return on
- 12 retirement system investments over a historical period, an investment
- 13 summary, contracted investment management expenses, transaction
- 14 commissions, and a schedule of investments;
- 15 7. The annual actuarial valuation report on the pension benefit and the
- 16 medical insurance benefit; and
- 17 8. A general statistical section, including information on contributions,
- 18 benefit payouts, and retirement system demographic data;
- 19 (c) All external audits;
- 20 (d) All board minutes or other materials that require adoption or ratification by
- 21 the board of trustees. The items listed in this paragraph shall be posted within
- 22 seventy-two (72) hours of adoption or ratification of the board;
- 23 (e) All bylaws, policies, or procedures adopted or ratified by the board of
- 24 trustees;
- 25 (f) The retirement system's summary plan description;
- 26 (g) The retirement system's law book;
- 27 (h) A listing of the members of the board of trustees and membership on each

- 1 committee established by the board, including any investment committees;
- 2 (i) All investment holdings in aggregate, fees, and commissions for each fund
- 3 administered by the board, which shall be updated on a quarterly basis for
- 4 fiscal years beginning on or after July 1, 2017. The system shall request from
- 5 all managers, partnerships, and any other available sources all information
- 6 regarding fees and commissions and shall, based on the requested information
- 7 received:
- 8 1. Disclose the dollar value of fees or commissions paid to each individual
- 9 manager or partnership;
- 10 2. Disclose the dollar value of any profit sharing, carried interest, or any
- 11 other partnership incentive arrangements, partnership agreements, or
- 12 any other partnership expenses received by or paid to each manager or
- 13 partnership; and
- 14 3. As applicable, report each fee or commission by manager or partnership
- 15 consistent with standards established by the Institutional Limited
- 16 Partners Association (ILPA).
- 17 In addition to the requirements of this paragraph, the system shall also
- 18 disclose the name and address of all individual underlying managers or
- 19 partners in any fund of funds in which system assets are invested;
- 20 (j) An update of net of fees investment returns, asset allocations, and the
- 21 performance of the funds against benchmarks adopted by the board for each
- 22 fund, for each asset class administered by the board, and for each manager.
- 23 The update shall be posted on a quarterly basis for fiscal years beginning on
- 24 or after July 1, 2017;
- 25 (k) All contracts or offering documents for services, goods, or property purchased
- 26 or utilized by the system;
- 27 (l) A searchable database of the system's expenditures and a listing of each

1 individual employed by the system along with the employee's salary or wages.
2 In lieu of posting the information required by this paragraph to the system's
3 website, the system may provide the information through a website
4 established by the executive branch to inform the public about executive
5 branch agency expenditures and public employee salaries and wages; and

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

7 (5) Notwithstanding the requirements of subsection (4) of this section, the retirement
8 system shall not be required to furnish information that is protected under KRS
9 161.585, exempt under KRS 61.878, or that, if disclosed, would compromise the
10 retirement system's ability to competitively invest in real estate or other asset
11 classes, except that no provision of this section or KRS 61.878 shall exclude
12 disclosure and review of all contracts, including investment contracts, by the board,
13 the Auditor of Public Accounts, and the Government Contract Review Committee
14 established pursuant to KRS 45A.705 or the disclosure of investment fees and
15 commissions as provided by this section. If any public record contains material
16 which is not excepted under this section, the system shall separate the excepted
17 material by removal, segregation, or redaction, and make the nonexcepted material
18 available for examination.

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

23 ➔Section 5. KRS 161.400 is amended to read as follows:

24 (1) (a) The board of trustees shall designate as actuary a competent person who shall
25 be a fellow of the Conference of Consulting Actuaries or a member of the
26 American Academy of Actuaries. He or she shall be the technical adviser of
27 the board on matters regarding the operation of the funds of the system and

1 shall perform such other duties as are required in connection therewith.

2 (b) 1. At least once in each two (2) year period, the board shall cause an
3 actuarial investigation to be made of all of the economic experience
4 under the retirement system, including but not limited to the inflation
5 rate, investment return, and payroll growth assumptions, relative to the
6 economic assumptions and funding methods previously adopted by the
7 board.

8 2. At least once in each five (5) year period, the actuary shall make an
9 actuarial investigation into all of the demographic actuarial assumptions
10 used, including but not limited to mortality tables, withdrawal rates, and
11 retirement rate assumptions, relative to the demographic actuarial
12 assumptions previously adopted by the board.

13 3. Each actuarial investigation shall include at a minimum a summary of
14 the changes in actuarial assumptions and funding methods
15 recommended in the investigation and the projected impact of the
16 recommended changes on funding levels, unfunded liabilities, and
17 actuarially recommended contribution rates for employers over a thirty
18 (30) year period.

19 (c) At least annually the actuary shall make an actuarial valuation of the
20 retirement system. The valuation shall include:

21 1. A description of the actuarial assumptions used, and the assumptions
22 shall be reasonably related to the experience of the system and represent
23 the actuary's best estimate of anticipated experience;

24 2. A description of any funding methods utilized or required by state law in
25 the development of the actuarial valuation results;

26 3. A description of any changes in actuarial assumptions and methods from
27 the previous year's actuarial valuation;

- 1 4. The actuarially recommended contribution rate for employers for the
- 2 upcoming budget periods;
- 3 5. A thirty (30) year projection of the funding levels, unfunded liabilities,
- 4 and actuarially recommended contribution rates for employers based
- 5 upon the actuarial assumptions, funding methods, and experience of the
- 6 system as of the valuation date;~~[-and]~~
- 7 6. A sensitivity analysis that evaluates the impact of changes in system
- 8 assumptions, including but not limited to the investment return
- 9 assumption, payroll growth assumption, and medical inflation rates, on
- 10 employer contribution rates, funding levels, and unfunded liabilities~~[-]~~;
- 11 7. The full actuarial cost of the sick leave program established by
- 12 subsection (10) of Section 1 of this Act and the full actuarial costs of
- 13 annual leave program established by KRS 161.540(1)(f), including the
- 14 total actuarially accrued liabilities of the sick leave program and the
- 15 annual leave program determined and reported separately, and the
- 16 total actuarial costs to annually finance each program as a percentage
- 17 of payroll and in total dollars broken down by each funding source;
- 18 and
- 19 8. A breakdown of each individual employer's share of the actuarially
- 20 accrued liability as determined solely by the system's consulting
- 21 actuary and assigned to each employer based upon the last
- 22 participating employer of the member or annuitant as of the valuation
- 23 date. The breakdown shall include a value for each individual
- 24 employer, including but not limited to each individual school district,
- 25 each university, each state agency, and every other individual
- 26 employer who participates in the system.
- 27 (d) On the basis of the results of the valuations, the board of trustees shall make

1 necessary changes in the retirement system within the provisions of law and
2 shall establish the contributions payable by employers and the state specified
3 in KRS 161.550, including changes prescribed by KRS 161.633, 161.634,
4 161.635, and 161.636, as applicable.

5 (e) For any change in actuarial assumptions, funding methods, retiree health
6 insurance premiums and subsidies, or any other decisions made by the board
7 that impact system liabilities and actuarially recommended contribution rates
8 for employers and that are not made in conjunction with the actuarial
9 investigations required by paragraph (b) of this subsection, an actuarial
10 analysis shall be completed showing the projected impact of the changes on
11 funding levels, unfunded liabilities, and actuarially recommended contribution
12 rates for employers over a thirty (30) year period.

13 (2) Actuarial factors and actuarial cost factor tables in use by the retirement system for
14 all purposes shall be determined by the actuary of the retirement system and
15 approved by the board of trustees by resolution and implemented without the
16 necessity of an administrative regulation.

17 (3) A copy of each actuarial investigation, actuarial analysis, and valuation
18 required by subsection (1) of this section shall be forwarded electronically to the
19 Legislative Research Commission no later than ten (10) days after receipt by the board,
20 and the Legislative Research Commission shall distribute the information received to the
21 committee staff and co-chairs of any committee that has jurisdiction over the Teachers'
22 Retirement System. The actuarial valuation required by subsection (1)(c) of this section
23 shall be submitted no later than November 15 following the close of the fiscal year.

24 ➔Section 6. KRS 161.430 is amended to read as follows:

25 (1) (a) The board of trustees shall be the trustee of the funds of the retirement system
26 and shall have full power and responsibility for the purchase, sale, exchange,
27 transfer, or other disposition of the investments and moneys of the retirement

1 system. The board shall, by administrative regulation, establish investment
2 policies and procedures to carry out their responsibilities.

3 (b) 1. The board shall contract with experienced competent investment
4 managers to invest and manage assets of the system. The board may also
5 employ qualified investment staff to advise it on investment matters and
6 to invest and manage assets of the system not to exceed fifty percent
7 (50%) of the system's assets. The board may contract with one (1) or
8 more general investment consultants, as well as specialized investment
9 consultants, to advise it on investment matters.

10 2. All internal investment staff and investment consultants shall adhere to
11 the Code of Ethics and Standards of Professional Conduct, and all board
12 trustees shall adhere to the Code of Conduct for Members of a Pension
13 Scheme Governing Body, promulgated by the CFA Institute. Investment
14 managers shall comply with the federal Investment Advisers Act of
15 1940, as amended, and the rules and regulations promulgated thereunder
16 and shall comply with all other applicable federal securities statutes and
17 related rules and regulations that apply to investment managers.

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

20 (c) The board may appoint an investment committee to act for the board in all
21 matters of investment, subject to the approval of the board of trustees. The
22 board of trustees, in keeping with their responsibilities as trustees and
23 wherever consistent with their fiduciary responsibilities, shall give priority to
24 the investment of funds in obligations calculated to improve the industrial
25 development and enhance the economic welfare of the Commonwealth.
26 Toward this end, the board shall develop procedures for informing the
27 business community of the potential for in-state investments by the retirement

1 fund, accepting and evaluating applications for the in-state investment of
2 funds, and working with members of the business community in executing in-
3 state investments which are consistent with the board's fiduciary
4 responsibilities. The board shall include in the criteria it uses to evaluate in-
5 state investments their potential for creating new employment opportunities
6 and adding to the total job pool in Kentucky. The board may cooperate with
7 the board of trustees of Kentucky Retirement Systems in developing its
8 program and procedures, and shall report to the Legislative Research
9 Commission annually on its progress in placing in-state investments. The first
10 report shall be submitted by October 1, 1991, and subsequent reports shall be
11 submitted by October 1 of each year thereafter. The report shall include the
12 number of applications for in-state investment received, the nature of the
13 investments proposed, the amount requested, the amount invested, and the
14 percentage of applications which resulted in investments.

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

- 16 1. "Solely in the interest of the members and beneficiaries" shall be
17 determined using only pecuniary factors and shall not include any
18 purpose to further a nonpecuniary interest;
- 19 2. "Pecuniary factor" means a consideration having a direct and material
20 connection to the financial risk or financial return of an investment;
- 21 3. A "material connection" is established if there is a substantial likelihood
22 that a reasonable investor would consider it important in determining the
23 financial risk or the financial return of an investment;
- 24 4. "Nonpecuniary interest" includes but is not limited to an environmental,
25 social, political, or ideological interest which does not have a direct and
26 material connection to the financial risk or financial return of an
27 investment; and

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

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

8 1. For the exclusive purpose of providing benefits to members and
9 annuitants and defraying reasonable expenses of administering the
10 system;

11 2. With the care, skill, prudence, and diligence under the circumstances
12 then prevailing that a prudent person acting in a like capacity and
13 familiar with these matters would use in the conduct of an enterprise of
14 a like character and with like aims;

15 3. By diversifying the investments of the plan so as to minimize the risk of
16 large losses, unless under the circumstances it is clearly prudent not to
17 do so; and

18 4. In accordance with the federal, state, and common laws, administrative
19 regulations, and other instruments governing the system and fiduciaries.

20 (c) Evidence that a fiduciary has considered or acted on a nonpecuniary interest
21 shall include but is not limited to:

22 1. Statements, explanations, reports, or correspondence;

23 2. Communications with portfolio companies;

24 3. Statements of principles or policies, whether made individually or
25 jointly;

26 4. Votes of shares or proxies; or

27 5. Coalitions, initiatives, agreements, or commitments to which the

1 fiduciary is a participant, affiliate, or signatory.

2 (3) (a) In choosing and contracting for professional investment management and
3 consulting services, the board shall do so prudently and in the interest of the
4 members and annuitants. Any contract that the board makes with an
5 investment manager shall set forth policies and guidelines of the board with
6 reference to standard rating services and specific criteria for determining the
7 quality of investments. Expenses directly related to investment management
8 and consulting services shall be financed from the guarantee fund in amounts
9 approved by the board.

10 (b) An investment manager or consultant appointed under this section shall
11 acknowledge in writing his or her fiduciary responsibilities to the fund. To be
12 eligible for appointment, an investment manager, consultant, or an affiliate,
13 shall be:

- 14 1. Registered under the Federal Investment Advisers Act of 1940; or
15 2. A bank as defined by that Act; or
16 3. An insurance company qualified to perform investment services under
17 the laws of more than one (1) state.

18 (c) Proxy advisers and proxy voting services shall comply with all applicable
19 provisions of the Investment Advisers Act of 1940, as amended, and the rules
20 and regulations promulgated thereunder, and shall comply with all other
21 federal statutes and related rules and regulations that apply to proxy advisers
22 and proxy voting services.

23 (d) No contract or agreement, whether made in writing or not, shall in any
24 manner waive, restrict, or limit a fiduciary's liability as to any of the duties
25 imposed by this section. Any agreement shall specify that it is made in the
26 Commonwealth and governed by the laws of the Commonwealth, unless the
27 agreement is in commingled investments or real property outside the

1 *Commonwealth, in which case the agreements may be made in or governed*
2 *by laws outside of the Commonwealth provided that the other requirements*
3 *of this section are met.*

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

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

13 (6) Notwithstanding any other provision of KRS 161.220 to 161.716, no funds of the
14 Teachers' Retirement System, including fees and commissions paid to an
15 investment manager, private fund, or company issuing securities, who manages
16 systems assets, shall be used to pay fees and commissions to placement agents. For
17 purposes of this subsection, "placement agent" means a third-party individual, who
18 is not an employee, or firm, wholly or partially owned by the entity being hired,
19 who solicits investments on behalf of an investment manager, private fund, or
20 company issuing securities.

21 (7) All contracts for the investment or management of assets of the system shall not be
22 subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct the
23 following process to develop and adopt an investment procurement policy with
24 which all prospective contracts for the investment or management of assets of the
25 system shall comply:

26 (a) On or before July 1, 2017, the board shall consult with the secretary of the
27 Finance and Administration Cabinet or his or her designee to develop an

- 1 investment procurement policy, which shall be written to meet best practices
2 in investment management procurement;
- 3 (b) Thirty (30) days prior to adoption, the board shall tender the preliminary
4 investment procurement policy to the secretary of the Finance and
5 Administration Cabinet or his or her designee for review and comment;
- 6 (c) Upon receipt of comments from the secretary of the Finance and
7 Administration Cabinet or his or her designee, the board shall choose to adopt
8 or not adopt any recommended changes;
- 9 (d) Upon adoption, the board shall tender the final investment procurement policy
10 to the secretary of the Finance and Administration Cabinet or his or her
11 designee;
- 12 (e) No later than thirty (30) days after receipt of the investment procurement
13 policy, the secretary or his or her designee shall certify whether the board's
14 investment procurement policy meets or does not meet best practices for
15 investment management procurement; and
- 16 (f) Any amendments to the investment procurement policy shall adhere to the
17 requirements set forth by paragraphs (b) to (e) of this subsection.
- 18 (8) (a) The board shall adopt written proxy voting guidelines which are consistent
19 with the fiduciary duties and other requirements of this section.
- 20 (b) The board shall not adopt the recommendations of a proxy adviser or proxy
21 voting service and shall not allow such proxy adviser or proxy voting service
22 to vote on behalf of the system, unless the proxy adviser or proxy voting
23 service acknowledges in writing and accepts under contract its duties under
24 this section and commits to follow the board-adopted proxy voting guidelines
25 when voting the system's shares in order to comply with the board's fiduciary
26 duties and other responsibilities under this section.
- 27 (c) All shares held by or on behalf of the system, and which the system is entitled

1 to vote under state, federal, or common laws, shall be voted according to the
2 proxy voting guidelines adopted by the board and subject to the fiduciary
3 duties and other requirements of this section by:

- 4 1. The board, the investment committee of the board, or an employee or
5 employees of the system who are fiduciaries under this section and are
6 appointed or otherwise authorized by the board; or
- 7 2. A proxy adviser or proxy voting service that acknowledges in writing
8 and accepts under contract its duties under this section and commits to
9 follow the board-adopted proxy voting guidelines when voting the
10 system's shares in order to comply with the board's fiduciary duties and
11 other responsibilities under this section.

12 (d) All proxy votes shall be reported at least quarterly to the board. For each vote,
13 the report shall provide:

- 14 1. The vote caption;
- 15 2. The date of the vote;
- 16 3. The company's name;
- 17 4. The vote cast for the system;
- 18 5. The recommendation of the company's management; and
- 19 6. If applicable, the recommendation of the proxy adviser or proxy voting
20 service.

21 ➔Section 7. KRS 161.470 is amended to read as follows:

- 22 (1) The membership of the retirement system shall consist of all new members, all
23 present teachers, and all persons participating under the retirement system as of
24 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.
25 The board of trustees of the Teachers' Retirement System shall be responsible for
26 final determination of membership eligibility and may direct employers to take
27 whatever action that may be necessary to correct any error relating to membership.

- 1 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service
2 it shall be as a new member, except that any teacher who withdraws by claiming his
3 or her deposits may repay the system the amount withdrawn plus interest and
4 reestablish his or her service credit as provided in subsection (3) of this section.
- 5 (3) Effective July 1, 1988, and thereafter, an active contributing member of the
6 retirement system with contributing service equal to one (1) year may regain service
7 credit by depositing in the teachers' savings fund the amount withdrawn with
8 interest at the rate to be set by the board of trustees, and computed from the first of
9 the month of withdrawal and including the month of redeposit.
- 10 (4) Effective July 1, 1974, any active contributing member with at least two (2) years
11 of contributing service credit who declined membership as provided in Acts 1938
12 (1st Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and
13 for any subsequent service prior to date of membership, by depositing in the
14 teachers' savings fund contributions for each year of subsequent service prior to
15 date of membership, with interest at the rate of eight percent (8%) compounded
16 annually to the date of deposit.
- 17 (5) Membership in the retirement system shall be terminated:
- 18 (a) By retirement for service;
- 19 (b) By death;
- 20 (c) By withdrawal of the member's accumulated account balance;
- 21 (d) When a member, having less than five (5) years of Kentucky service is absent
22 from service for more than three (3) consecutive years; or
- 23 (e) For persons whose membership begins on or after August 1, 2000, when a
24 member is convicted, in any state or federal court of competent jurisdiction, of
25 a felony related to his or her employment as provided in subparagraphs 1. and
26 2. of this paragraph.
- 27 1. Notwithstanding any provision of law to the contrary, a person whose

1 membership begins on or after August 1, 2000, who is convicted, in any
2 state or federal court of competent jurisdiction, of a felony related to his
3 or her employment shall forfeit rights and benefits earned under the
4 retirement system, except for the return of his or her accumulated
5 contributions and interest credited on those contributions through the
6 date of conviction.

- 7 2. The payment of retirement benefits ordered forfeited shall be stayed
8 pending any appeal of the conviction. If the conviction is reversed on
9 final judgment, no retirement benefits shall be forfeited.

10 Except for paragraph (e) of this subsection, upon termination of member accounts
11 under this subsection, funds in the account shall be transferred to the guarantee
12 fund. Inactive members may apply for refunds of these funds at any time. The
13 terminated service shall be reinstated, if not withdrawn by the member, in the event
14 that the member returns to active contributing service.

- 15 (6) In case of withdrawal from service prior to eligibility for retirement, the board of
16 trustees shall on request of the member return all of his or her accumulated account
17 balance, including any payments made by the member to the state accumulation
18 fund, but the member shall have no claim on any contributions made by the state or
19 employer with a view to his or her retirement, except as provided by KRS 161.635
20 and 161.636, or to contributions made to the medical insurance fund. A member
21 who is withdrawing from service prior to retirement eligibility shall be entitled to a
22 refund following sixty (60) days after his or her last day of employment. If the
23 member is eligible for an immediate service retirement allowance as provided in
24 KRS 161.600, no withdrawal and refund shall be permitted, unless the allowance
25 would prohibit the member from qualifying for Social Security benefits or the
26 member elects to withdraw part or all of his or her service for the purpose of
27 obtaining service credit in another retirement plan. Requests for refund of

1 contributions by the member must be filed on forms prescribed by the Teachers'
2 Retirement System and the employer shall be financially responsible for all
3 information that is certified on the prescribed form. A member may not withdraw
4 any part of his or her accumulated account balance in the retirement system except
5 as provided by this subsection.

6 (7) Except as provided in KRS 161.520 and 161.525, in case of death prior to
7 retirement, the board of trustees shall pay to the estate of the deceased member,
8 unless a beneficiary was otherwise applicably designated by the deceased member,
9 then to the beneficiary, all of his or her accumulated account balance, including any
10 payments made by the member to the state accumulation fund, but the estate or
11 beneficiary shall have no claim on any contributions made by the state or employer
12 with a view to the retirement of the member, except as provided by KRS 161.635
13 and 161.636, or to contributions made to the medical insurance fund.

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

19 ➔Section 8. KRS 161.585 is amended to read as follows:

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

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

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

- 1 (c) 1. Upon request by any person, the system shall release the following
2 information from the accounts of any member or annuitant of the
3 Kentucky Teachers' Retirement System, if the member or annuitant is a
4 current or former officeholder in the Kentucky General Assembly:
- 5 a. The first and last name of the member or annuitant;
6 b. The status of the member or annuitant, including but not limited to
7 whether he or she is a contributing member, a member who is not
8 contributing but has not retired, a retiree receiving a monthly
9 retirement allowance, or a retiree who has returned to work
10 following retirement with an agency participating in the system;
11 c. If the individual is an annuitant, the monthly retirement allowance
12 that he or she was receiving at the end of the most recently
13 completed fiscal year;
14 d. If the individual is a member who has not yet retired, the estimated
15 monthly retirement allowance that he or she is eligible to receive
16 on the first date he or she would be eligible for an unreduced
17 retirement allowance, using his or her service credit, accumulated
18 account balance, and final average salary at the end of the most
19 recently completed fiscal year; and
20 e. The current or last participating employer of the member or
21 annuitant, if applicable.
- 22 2. No information shall be disclosed under this paragraph from an account
23 that is paying benefits to a beneficiary due to the death of a member or
24 annuitant.
- 25 (2) The release of information under subsection (1)(c) of this section shall not
26 constitute a violation of the Open Records Act, KRS 61.870 to 61.884.
- 27 (3) Medical records which are included in a member's or annuitant's file maintained by

1 the Teachers' Retirement System are confidential and shall not be released unless
2 authorized by the member or annuitant in writing or as otherwise provided by law
3 or in response to a lawful subpoena or order issued by a court of law. **A member**
4 **appealing the denial of a disability retirement application and his or her legal**
5 **counsel shall be entitled to all written recommendations and reports submitted by**
6 **the medical review committee to the Teachers' Retirement System under**
7 **subsection (14) of Section 15 of this Act. Such recommendations and reports**
8 **shall otherwise be maintained in a confidential manner and shall not be subject**
9 **to release under any conditions, including in response to a subpoena or order**
10 **issued by a court of law notwithstanding any other statute to the contrary.**

11 (4) (a) When a subpoena is served upon any employee of the Kentucky Teachers'
12 Retirement System requiring the production of any data, information, or
13 records, it is sufficient if the employee of the Kentucky Teachers' Retirement
14 System charged with the responsibility of being custodian of the original, or
15 his or her designated staff, delivers ~~within five (5) working days by certified~~
16 ~~mail or by personal delivery to the person specified in the subpoena~~ either of
17 the following:

- 18 1. Legible and durable copies of records certified by the employee or
19 designated staff; or
- 20 2. An affidavit stating the information required by the subpoena.

21 (b) The production of records or an affidavit shall be in lieu of any personal
22 testimony of any employee of the Kentucky Teachers' Retirement System
23 unless, after the production of records or an affidavit, a separate subpoena is
24 served upon the retirement system specifically directing the testimony of an
25 employee of the retirement system. When a subpoena is served on any
26 employee of the retirement system requiring the employee to give testimony
27 or produce records for any purpose, in the absence of a court order requiring

1 the testimony of or production of records by a specific employee, the system
2 may designate an employee to give testimony or produce records upon the
3 matter referred to in the subpoena. The board of trustees may promulgate an
4 administrative regulation for the recovery of reasonable travel and
5 administrative expenses for those occasions when an employee of the
6 retirement system is required to travel from his or her home or office to
7 provide testimony or records. Recoverable expenses may include the travel
8 expenses, wages, salary, and overtime paid to the employee by the retirement
9 system for the period of time that the employee is away from the office. The
10 cost of these expenses shall be borne by the party issuing the subpoena
11 compelling the employee's travel. The board of trustees may also promulgate
12 an administrative regulation establishing a reasonable fee for the copying,
13 compiling, and mailing of requested records.

14 (c) The certification required by this subsection shall be signed before a notary
15 public by the employee and shall include the full name of the member or
16 annuitant, the last four digits of the Social Security number of the member or
17 annuitant~~[identification number assigned to the member or annuitant by the~~
18 ~~retirement system]~~, and a legend substantially to the following effect: "The
19 records are true and complete reproductions of the original, microfiched, or
20 electronically stored records which are housed in the retirement system's
21 office. This certification is given in lieu of the undersigned's personal
22 appearance."

23 ~~(d) When an affidavit or copies of records are personally delivered, a receipt shall~~
24 ~~be presented to the person receiving the records for his or her signature and~~
25 ~~shall be immediately signed and returned to the person delivering the records.~~
26 ~~When an affidavit or copies of records are sent via certified mail, the receipt~~
27 ~~used by the postal authorities shall be sufficient to prove receipt of the~~

1 ~~affidavit or copies of records.~~

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

6 ~~(e)(f)~~ Upon completion of delivery by the retirement system of copies of
7 records by their deposit in the mail or by their personal delivery to the
8 requesting party, the retirement system shall cease to have any responsibility
9 or liability for the records and their continued maintenance in a confidential
10 manner.

11 ~~(f)(g)~~ Records of the Kentucky Teachers' Retirement System that are
12 susceptible to reproduction may be proved as to foundation, identity, and
13 authenticity without preliminary testimony, by use of legible and durable
14 copies, certified in accordance with the provisions of this subsection.

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

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

23 ➔Section 9. KRS 161.600 is amended to read as follows:

24 (1) An individual who becomes a member of the retirement system prior to January 1,
25 2022, may qualify for service retirement by meeting one (1) of the following
26 requirements:

27 (a) Attainment of age sixty (60) years and completion of five (5) years of

1 Kentucky service;

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

9 2. For an individual who becomes a member on or after July 1, 2008,
10 attainment of age fifty-five (55) years and completion of a minimum of
11 ten (10) years of Kentucky service with an actuarial reduction of the
12 basic retirement allowance of six percent (6%) for each year the
13 member's age is less than sixty (60) years or for each year the member's
14 years of Kentucky service credit is less than twenty-seven (27),
15 whichever is the lesser number;

16 (c) Completion of twenty-seven (27) years of Kentucky service. Out-of-state
17 service earned in accordance with the provisions of KRS 161.515(2) may be
18 used to meet this requirement; or

19 (d) Completion of the necessary years of service under provisions of KRS
20 61.559(2)(c) if the member is retiring under the reciprocity provisions of KRS
21 61.680. A member retiring under this paragraph who has not attained age
22 fifty-five (55) shall incur an actuarial reduction of the basic allowance
23 determined by the system's actuary for each year the member's service credit
24 is less than twenty-seven (27).

25 (2) An individual who becomes a member of the retirement system on or after January
26 1, 2022, shall, except as adjusted by the board pursuant to KRS 161.633 or 161.634,
27 as applicable, be eligible to retire upon attainment of:

- 1 (a) Age sixty-five (65) and completion of a minimum of five (5) years of
2 Kentucky service;
- 3 (b) Age sixty (60) and completion of a minimum of ten (10) years of Kentucky
4 service;
- 5 (c) Age fifty-seven (57) and completion of a minimum of thirty (30) years of
6 Kentucky service; or
- 7 (d) Age fifty-seven (57) and completion of a minimum of ten (10) years of
8 Kentucky service with an actuarial reduction of the basic retirement allowance
9 of six percent (6%) for each year the member's age is less than sixty (60)
10 years or for each year the member's years of Kentucky service credit is less
11 than thirty (30), whichever is the lesser number.
- 12 (3) Any person who has been a member in Kentucky for twenty-seven (27) years or
13 more and who withdraws from covered employment may continue to pay into the
14 fund each year until the end of the fiscal year in which he or she reaches the age of
15 sixty-five (65) years, the current contribution rate based on the annual
16 compensation received during the member's last full year in covered employment,
17 less any payment received for accrued sick leave or accrued leave from an
18 employer. The member shall be entitled to receive a retirement allowance as
19 provided in KRS 161.620 at any time after withdrawing from covered employment
20 and payment of contributions under this subsection. No member shall make
21 contributions as provided for in this subsection if the member is at the same time
22 making contributions to another retirement system in Kentucky supported wholly or
23 in part by public funds.
- 24 (4) Service credit in the Kentucky Employees Retirement System, the State Police
25 Retirement System, the Legislators' Retirement Plan, the County Employees
26 Retirement System, or the Judicial Retirement System may be used in meeting the
27 service requirements of subsections (1)(a) to (c) and (2) of this section, provided the

1 service is subsequent to July 1, 1956.

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

9 (6) No retirement annuity shall be effective until written application and option election
10 forms are filed with the retirement office in accordance with administrative
11 regulations of the board of trustees. A member may withdraw his or her retirement
12 application, postpone his or her effective retirement date, or change his or her
13 retirement option if these elections are made no later than the fifteenth day of the
14 month in which the member has made application for retirement. *The deadline for*
15 *making these changes shall not be subject to the jurisdiction of any court or*
16 *appeal process, nor shall it otherwise be tolled or waived.*

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

20 ➔Section 10. KRS 161.624 is amended to read as follows:

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

27 ➔Section 11. KRS 161.630 is amended to read as follows:

- 1 (1) (a) A member, upon retirement, shall receive a retirement allowance in the form
2 of a life annuity, with refundable balance, as provided in KRS 161.620, unless
3 an election is made before the effective date of retirement to receive
4 actuarially equivalent benefits under options which the board of trustees
5 approves.
- 6 (b) An individual who is participating in the supplemental benefit component as
7 provided by KRS 161.635 or 161.636 may, before the effective date of
8 retirement, elect to receive his or her accumulated account balance accrued in
9 the supplemental benefit component annuitized into a monthly payment under
10 one (1) of the actuarial equivalent payment options approved by the board of
11 trustees.
- 12 (c) No option shall provide for a benefit with an actuarial value at the age of
13 retirement greater than that provided in KRS 161.620, 161.635(5)(a), or
14 161.636(5)(a), as applicable. This section does not apply to disability
15 allowances as provided in KRS 161.661(1).
- 16 (2) The retirement option chosen by a retiree at the time of service retirement shall
17 remain in force unless the retiree elects to make a change under the following
18 conditions:
- 19 (a) A divorce, annulment, or marriage dissolution following retirement shall, at
20 the election of the retiree, cancel any optional plan selected at retirement that
21 provides indefinitely continuing benefits to a spousal beneficiary and return
22 the retiree to a single lifetime benefit equivalent as determined by the board;
23 or
- 24 (b) Following marriage or remarriage, or the death of the designated beneficiary,
25 a retiree may elect a new optional plan of payment based on the actuarial
26 equivalent of a single lifetime benefit at the time of the election, as
27 determined by the board. The plan shall become effective the first of the

1 month following receipt of an application on a form approved by the board.

2 (3) Except as otherwise provided in this section, a beneficiary designation shall not be
3 changed after the effective date of retirement except for retirees who elect the life
4 annuity with refundable balance or the predetermined years certain and life
5 thereafter option. A member may remove a beneficiary at any time, but shall not
6 designate a substitute beneficiary. If a member elects to remove a beneficiary, the
7 member's retirement allowance shall not change regardless of the retirement option
8 selected by the member, even if the removed beneficiary predeceases the member.
9 *A member who is subject to the beneficiary designation restriction of this*
10 *subsection shall only be allowed to name a new beneficiary when experiencing a*
11 *qualifying event under subsection (2) of this section, and shall make this change*
12 *within the deadline established in subsection (4) of this section.*

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

18 ➔Section 12. KRS 161.635 is amended to read as follows:

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

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

26 (a) Mandatory contributions made by the member as provided by KRS
27 161.540(1)(c)2.;

- 1 (b) Voluntary contributions made by the member, which may include lump-sum
2 payments;
- 3 (c) Mandatory contributions made by the employer as provided by KRS
4 161.550(1)(d)2.;
- 5 (d) Voluntary employer contributions at the option of the employer, which may
6 include but not be limited to a voluntary employer contribution to attract
7 and retain new teachers of one thousand dollars (\$1,000) for each of the
8 first five (5) years of contributing service to the system; and
- 9 (e) Regular interest, which shall be credited to the member's account annually on
10 June 30 of each fiscal year, by multiplying the member's accumulated account
11 balance in the supplemental benefit component on June 30 of the preceding
12 fiscal year by the regular interest rate.
- 13 (3) (a) Member contributions and employer contributions as provided by subsection
14 (2)(a) to (d) of this section shall be credited to the member's account at least
15 monthly as contributions are reported and posted to the system in accordance
16 with KRS 161.560.
- 17 (b) No employer contributions or interest shall be provided to a member who has
18 taken a refund of his or her accumulated account balance as provided by KRS
19 161.470 or who has retired and annuitized his or her accumulated account
20 balance as authorized by this section.
- 21 (4) (a) Upon termination of employment, a member who has less than five (5) years
22 of service credited under KRS 161.500, who elects to take a refund of his or
23 her accumulated account balance as provided by KRS 161.470, shall forfeit
24 the accumulated employer contribution, and shall only receive a refund of his
25 or her accumulated contributions.
- 26 (b) Upon termination of employment, a member who has five (5) or more years
27 of service credited under KRS 161.500, who elects to take a refund of his or

1 her accumulated account balance as provided by KRS 161.470, shall receive a
2 full refund of his or her accumulated account balance.

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

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

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

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

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

17 A member participating in the supplemental benefit component shall not be
18 required to take a distribution or annuitize his or her accumulated account balance
19 in the supplemental benefit component when he or she begins drawing a retirement
20 allowance from the foundational benefit component and may instead choose to
21 begin drawing a distribution or annuitize his or her accumulated account balance in
22 the supplemental benefit component at any date following his or her retirement date
23 from the foundational benefit component.

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

26 (7) The board of trustees shall have the authority to utilize or establish any plan or
27 plans authorized under the Internal Revenue Code to provide the benefits set forth

1 in this section.

2 ➔Section 13. KRS 161.636 is amended to read as follows:

- 3 (1) An individual who becomes a university member of the Teachers' Retirement
4 System on or after January 1, 2022, shall receive the retirement benefits provided
5 by this section in addition to the retirement benefits provided under KRS 161.620.
6 The retirement benefits provided by this section shall be known as the supplemental
7 benefit component.
- 8 (2) The supplemental benefit component shall provide a benefit based upon a member's
9 accumulated account balance which shall include:
- 10 (a) Mandatory contributions made by the member as provided by KRS
11 161.540(1)(d)2.;
- 12 (b) Voluntary contributions made by the member, which may include lump-sum
13 payments;
- 14 (c) Mandatory contributions made by the employer as provided by KRS
15 161.550(1)(e)2.;
- 16 (d) Voluntary employer contributions; and
- 17 (e) Regular interest, which shall be credited to the member's account annually on
18 June 30 of each fiscal year, by multiplying the member's accumulated account
19 balance in the supplemental benefit component on June 30 of the preceding
20 fiscal year by the regular interest rate.
- 21 (3) (a) Member contributions and employer contributions as provided by subsection
22 (2)(a) to (d) of this section shall be credited to the member's account at least
23 monthly as contributions are reported and posted to the system in accordance
24 with KRS 161.560.
- 25 (b) No employer contributions or interest shall be provided to a member who has
26 taken a refund of his or her accumulated account balance as provided by KRS
27 161.470 or who has retired and annuitized his or her accumulated account

1 balance as authorized by this section.

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

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

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

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

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

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

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

25 A member participating in the supplemental benefit component shall not be
26 required to take a distribution or annuitize his or her accumulated account balance
27 in the supplemental benefit component when he or she begins drawing a retirement

1 allowance from the foundational benefit component and may instead choose to
2 begin drawing a distribution or annuitize his or her accumulated account balance in
3 the supplemental benefit component at any date following his or her retirement date
4 from the foundational benefit component.

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

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

10 ➔Section 14. KRS 161.643 is amended to read as follows:

11 (1) Each school district, institution, and agency employing annuitants of the retirement
12 system shall have on file at the retirement system's office an annual summary report
13 of the days employed and the compensation paid to each annuitant, the sick leave
14 reporting requirements established by subsection (10)(f) of Section 1 of this Act,
15 and other data as required by administrative regulation of the board of trustees no
16 later than August 1, following the completion of each fiscal year.

17 (2) The retirement system may impose a penalty on the employer not to exceed one
18 thousand dollars (\$1,000) when the employer does not meet the August 1 filing date
19 or fails to provide the information required for employment of annuitants of the
20 retirement system. However, the retirement system may waive the penalty for good
21 cause.

22 (3) The retirement system may promulgate administrative regulations in accordance
23 with KRS Chapter 13A to require employers to report more frequently than on an
24 annual basis.

25 ➔Section 15. KRS 161.661 is amended to read as follows:

26 (1) (a) Any member who is accredited by the Teachers' Retirement System for five
27 (5) or more years of service in Kentucky after July 1, 1941, may retire for

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

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

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

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

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

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

- 1 (4) A member retired by reason of disability shall continue to earn service credit at the
2 rate of one (1) year for each year retired for disability. This service shall be credited
3 to the member's account at the expiration of entitlement as defined in subsection (3)
4 of this section, or when the member's eligibility for disability benefits is terminated
5 upon recommendation of a medical review committee, and this service shall be
6 used in calculating benefits as provided in subsection (5) of this section, but under
7 no circumstances shall this service be used to provide the member with more than
8 twenty-seven (27) years of total service credit. The service credit shall be valued at
9 the same level as service earned by active members as provided under KRS 161.600
10 or 161.620.
- 11 (5) Any member retired by reason of disability and remaining disabled at the expiration
12 of the entitlement period shall have his or her disability benefits recalculated using
13 the service retirement formula with service credit earned as set out in subsection (4)
14 of this section. The retirement allowance shall be calculated as set forth in KRS
15 161.620, except that those persons less than sixty (60) years of age shall be
16 considered as sixty (60) years of age. Members having their disability benefits
17 recalculated under this subsection shall not be entitled to a benefit based upon an
18 average of their three (3) highest salaries as set forth in KRS 161.220(9), unless
19 approved otherwise by the board of trustees.
- 20 (6) Members who have their disability retirement allowance recalculated at the
21 expiration of the entitlement period shall continue to have coverage under the post-
22 retirement medical insurance program. Restrictions on employment shall remain in
23 effect until the member attains age seventy (70) or until the member's eligibility is
24 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability
25 retirees whose retirement allowances have been recalculated at the expiration of the
26 entitlement period. Members who have their disability retirement allowance
27 recalculated at the expiration of their entitlement period shall be entitled to a

- 1 minimum monthly allowance of five hundred dollars (\$500) as the basic straight
2 life annuity. The minimum allowance shall be effective July 1, 1992, and shall
3 apply to those members who have had their allowance recalculated prior to that date
4 and to disability retirees who will have their benefit allowance recalculated on or
5 after that date. For individuals who become members on or after July 1, 2021,
6 disability retirement payments and any other recurring payments payable by any
7 other state-administered retirement system shall be applied to reduce, on a dollar-
8 for-dollar basis, the minimum monthly disability retirement allowance payable
9 under this subsection.
- 10 (7) Effective July 1, 1992, members retired for disability prior to July 1, 1964, shall be
11 entitled to a minimum monthly allowance of five hundred dollars (\$500) as their
12 basic straight life annuity and their surviving spouse shall be eligible for survivor
13 benefits as provided in KRS 161.520(1)(a) and (b).
- 14 (8) Any member retired by reason of disability may voluntarily waive disability
15 benefits and ~~return to teaching or~~ any member, who is immediately eligible for
16 service retirement ~~[age sixty (60) years or older]~~, may elect to waive disability
17 benefits and retire for service on the basis of service credited to the member on the
18 effective date of the disability retirement.
- 19 (9) In order to qualify for retirement by reason of disability a member must suffer from
20 a physical or mental condition presumed to be permanent in duration and of a
21 nature as to render the member incapable of being gainfully employed in a covered
22 position. The incapability must be revealed by a competent examination by a
23 licensed physician or physicians and must be approved by a majority of a medical
24 review committee.
- 25 (10) A member retired by reason of disability shall be required to undergo periodic
26 examinations at the discretion of the board of trustees to determine whether the
27 disability allowance shall be continued. When examination and recommendation of

1 a medical review committee indicate the disability no longer exists, the allowance
2 shall be discontinued. *Failure to undergo examinations and provide the Teachers'*
3 *Retirement System with requested medical documentation shall result in a*
4 *suspension of disability benefits.*

5 (11) Eligibility for payment shall begin on the first day of the month following receipt of
6 the application in the Teachers' Retirement System office, or the first of the month
7 next following the last payment of salary or sick leave benefits by the employer,
8 whichever is the later date.

9 (12) No person who receives a disability allowance may be employed in a position that
10 entails duties or qualification requirements similar to positions subject to
11 participation in the retirement system either within or without the State of
12 Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the
13 allowance from the first date of this service. For purposes of this subsection and
14 subsection (13) of this section, "employment" and "occupation," and derivatives
15 thereof, mean any activity engaged in by the member receiving disability allowance
16 from which income is earned. A member who applies for and is approved for
17 disability retirement on or after July 1, 2002, and whose annual disability benefit is
18 less than forty thousand dollars (\$40,000) may earn income in any occupation other
19 than covered employment only to the extent that the annual income from the other
20 employment when added to the annual disability benefit does not exceed forty
21 thousand dollars (\$40,000). For any member who exceeds this limit as a result of
22 income from other employment, the Kentucky Teachers' Retirement System shall
23 reduce the member's disability benefit on a dollar-for-dollar basis for each dollar
24 that the member's combined annual disability benefit and annual income from other
25 employment exceeds forty thousand dollars (\$40,000). The board of trustees may
26 annually increase the forty thousand dollar (\$40,000) limit by the percentage
27 increase in the annual average of the consumer price index for all urban consumers

1 for the most recent calendar year as published by the Federal Bureau of Labor
2 Statistics, not to exceed five percent (5%). The retirement system may require
3 income and employment verification from the member, including but not limited to
4 copies of tax returns and federal forms W-2 and W-4P. Failure to provide the
5 Teachers' Retirement System with requested income and employment verification
6 documentation shall result in a suspension of disability benefits. Submission of
7 false or fraudulent documentation shall, in addition to criminal penalties, result
8 in disqualification of all disability benefits from the date the fraudulent
9 documentation was submitted.

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

26 (14) The board of trustees shall designate medical review committees, each consisting of
27 three (3) licensed physicians. A medical review committee shall pass upon all

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

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

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

1 will be processed in the same manner as new applications for benefits.

2 (17) No person who is receiving disability benefits under this section may be employed
3 in a position which qualifies the person for membership in a retirement system
4 financed wholly or in part with public funds. Employment in a position prohibited
5 by this subsection shall result in disqualification for those disability benefits from
6 the date of employment in the prohibited position.

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

21 (19) Notwithstanding any other provision of this section to the contrary, individuals who
22 become members on or after January 1, 2022, shall be eligible for an actuarially
23 determined disability benefit as prescribed by the board of trustees via
24 administrative regulations promulgated by the board. The board of trustees shall
25 arrange by appropriate contract or on a self-insured basis a disability plan to
26 provide the disability benefits and may adjust the benefits in accordance with KRS
27 161.633(3) or 161.634(3).

1 ➔Section 16. KRS 161.680 is amended to read as follows:

- 2 (1) If any change or error in a record results in any individual receiving from the
3 retirement system more or less than the individual was entitled to receive as
4 determined by the board of trustees or staff of the Teachers' Retirement System,
5 the board of trustees or staff shall, when the error is discovered, correct the error,
6 and as far as practicable adjust the payments so that the actuarial equivalent of the
7 benefit to which the individual was entitled shall be paid.
- 8 (2) The Teachers' Retirement System shall take all practicable and cost-effective steps
9 to collect overpayments from a member's or retiree's account. Methods of
10 correction of overpayments from any member's or retiree's account shall include but
11 are not limited to reclamation of the overpayment from the member's or retiree's
12 account at the depository bank, the deduction of moneys from account refunds,
13 deduction from the retirement allowance or joint and survivor annuity payable from
14 the account, and deduction of moneys from the life insurance benefit. Collection of
15 overpayments shall be initiated regardless of the designated beneficiary for any
16 amounts payable from the account.

17 ➔Section 17. KRS 56.8605 is amended to read as follows:

18 As used in KRS 56.860 to 56.869:

- 19 (1) "Authorized project" means:
- 20 (a) Any project approved by the General Assembly and included in an enacted
21 budget; or
- 22 (b) Any project approved by the General Assembly that is certified by the
23 secretary of the Finance and Administration Cabinet in accordance with the
24 provisions of KRS 56.870, to be of a type that will independently produce
25 revenues or will be payable from receipts of federal transportation funds that
26 are projected by the commission to be sufficient to fully meet debt service,
27 issuance costs, reserve fund requirements, insurance premiums, or any other

1 expenditures necessary for financing so that no appropriation of state funds is
2 required;

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

4 (3) "Commercial paper" means obligations that by their terms mature not more than
5 three hundred sixty-six (366) days from the date of their issuance and that may be
6 refunded;

7 (4) "Commission" means the Kentucky Asset/Liability Commission;

8 (5) "Estimated revenues" means the official revenue estimates established pursuant to
9 KRS 48.120 on or before the dates on which tax and revenue anticipation notes are
10 awarded to the purchaser;

11 (6) "Financial agreements" means interest rate swaps, options, or other agreements
12 between two (2) parties to exchange or have the conditional right to exchange
13 interest rate exposure from fixed rate to variable rate or from variable rate to fixed
14 rate, or to provide other economic benefit to an issuance of notes or a portfolio of
15 notes, or to hedge the net interest margin of the Commonwealth;

16 (7) "Financing agreement" means an agreement between the commission and the
17 cabinet, or between the cabinet and a state agency, relating to the funding of
18 projects or items associated with projects as described in KRS 56.867(3), a
19 judgment against a state agency or the Commonwealth, or the finance or refinance
20 of obligations owed under KRS 161.550(2)~~[or 161.553(2)]~~. The provisions of a
21 financing agreement shall require either the cabinet to make payments to the
22 commission relating to the commission's issuance of notes, or the state agency to
23 make payments to the cabinet reimbursing the cabinet for its payments to the
24 commission on the agency's behalf. The obligations of the cabinet or the state
25 agency under a financing agreement shall be contingent upon appropriations by the
26 General Assembly to the cabinet or to the agency for the payment of those
27 obligations;

- 1 (8) "Fixed-rate obligations" means obligations on which the interest rate remains
2 constant to maturity;
- 3 (9) "Funding notes" means notes issued under the provisions of KRS 56.860 to 56.869
4 by the commission for the purpose of funding:
- 5 (a) Judgments, with a final maturity of not more than ten (10) years; and
6 (b) The finance or refinance of obligations owed under KRS 161.550(2)~~161.553(2)}~~
7 ~~161.553(2)}~~;
- 8 (10) "Interest-sensitive assets" means tangible and intangible property held by the
9 Commonwealth whose market value is dependent upon the level of interest rates;
- 10 (11) "Interest-sensitive liabilities" means interest-bearing debts or other obligations of
11 the Commonwealth or a state agency;
- 12 (12) "Multimodal obligations" means obligations for which the time period for
13 establishing the rate of interest may be selectively determined and altered;
- 14 (13) "Net interest margin" means the net income or expense associated with the
15 difference between the Commonwealth's interest-sensitive assets and interest-
16 sensitive liabilities;
- 17 (14) "Project notes" means notes issued under the provisions of KRS 56.860 to 56.869
18 by the commission with a final maturity of not more than twenty (20) years for the
19 purpose of funding authorized projects, which may include bond anticipation notes;
- 20 (15) "State agency" means any state administrative body, agency, department, or
21 division as defined in KRS 42.005, and set out in KRS Chapter 12, or any board,
22 commission, institution, state university, or division exercising any function of the
23 Commonwealth;
- 24 (16) "Tax and revenue anticipation notes" means notes that are issued under the
25 provisions of KRS 56.860 to 56.869 by the commission with a final maturity that is
26 no later than the last day of the fiscal year during which the tax and revenue
27 anticipation notes are issued and that are issued in anticipation of estimated

1 revenues to be received in that fiscal year; and

2 (17) "Variable-rate demand obligations" means obligations on which the rate of interest
3 is set by reference to a predetermined index or formula, by auction, by an agent
4 that, in the sole judgment of the commission, has the financial expertise to establish
5 market interest rates, or by similar means.

6 ➔Section 18. KRS 56.868 is amended to read as follows:

7 (1) The commission may issue and sell funding notes for the purposes of funding
8 judgments against the Commonwealth or any state agency and financing or
9 refinancing obligations owed under KRS 161.550(2)~~[or 161.553(2)]~~. Funding notes
10 may be sold and issued in a manner and have terms relating to the payment of
11 interest, principal, and premiums or discounts as market conditions warrant.

12 (2) Appropriations requests for payment of principal and interest on funding notes shall
13 be made by the state agency against which a judgment has been rendered or, in the
14 case of financing or refinancing obligations owed under KRS 161.550(2)~~[or~~
15 ~~161.553(2)]~~, to the Kentucky Teachers' Retirement System. Funding notes, together
16 with interest thereon, shall be repaid from payments received by the commission
17 from the cabinet under a financing agreement.

18 (3) Funding notes may be issued for the following purposes:

19 (a) To pay for judgments, which shall include legal settlements, court-ordered
20 actions against the Commonwealth or any state agency, and any part of any
21 expense or cost incidental to legal settlements or court-ordered actions against
22 the Commonwealth or any state agency;

23 (b) To finance or refinance obligations owed under KRS 161.550(2)~~[or~~
24 ~~161.553(2)]~~; and

25 (c) To refund outstanding issues of funding notes.

26 (4) The issuance of funding notes shall be subject to KRS 56.870, to approval by the
27 State Property and Buildings Commission, and to review by the Capital Projects

1 and Bond Oversight Committee pursuant to KRS 45.810.

2 (5) The cabinet, in providing for the expenditure of funds for any of the purposes
3 mentioned in this section, may provide by a financing agreement with the state
4 agency so affected for the funding of the Commonwealth's or that state agency's
5 judgment, and the state agency so affected is authorized to enter into a financing
6 agreement with the cabinet for that purpose.

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

11 ➔Section 19. KRS 161.550 is amended to read as follows:

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

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

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

21 2. Three-quarters of a percent (0.75%) of annual compensation shall be
22 used to provide funding to the medical insurance fund as provided under
23 KRS 161.420(5). If the board of trustees establishes a trust fund under
24 26 U.S.C. sec. 115, the board may deposit the employer contribution
25 provided in this subparagraph in that trust fund;

26 (b) Fourteen and one hundred five thousandths percent (14.105%) of the total
27 annual compensation of nonuniversity members who become members on or

1 after July 1, 2008, but prior to January 1, 2022. Of this permanent employer
2 contribution rate:

- 3 1. Thirteen and three hundred fifty-five thousandths percent (13.355%) of
4 the total annual compensation shall be used to fund pension and life
5 insurance benefits; and
- 6 2. Three-quarters of a percent (0.75%) of annual compensation shall be
7 used to provide funding to the medical insurance fund as provided under
8 KRS 161.420(5). If the board of trustees establishes a trust fund under
9 26 U.S.C. sec. 115, the board may deposit the employer contribution
10 provided in this subparagraph in that trust fund;

11 (c) Thirteen and sixty-five hundredths percent (13.65%) of the total annual
12 compensation of university members who become members prior to January
13 1, 2022. Of this permanent employer contribution rate:

- 14 1. Ten and eight hundred seventy-five thousandths percent (10.875%) of
15 the total annual compensation shall be used to fund pension and life
16 insurance benefits; and
- 17 2. Two and seven hundred seventy-five thousandths percent (2.775%) of
18 annual compensation shall be used to provide funding to the medical
19 insurance fund as provided under KRS 161.420(5). If the board of
20 trustees establishes a trust fund under 26 U.S.C. sec. 115, the board may
21 deposit the employer contribution provided in this subparagraph in that
22 trust fund;

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

- 26 1. Eight percent (8%) of the total annual compensation shall be used to
27 fund pension and life insurance benefits. The contribution provided by

- 1 this subparagraph shall not be used to fund the supplemental benefit
2 account as provided by KRS 161.635;
- 3 2. Two percent (2%) of the total annual compensation shall be used to fund
4 the mandatory employer contribution of the supplemental benefit
5 component, except that the board may direct these contributions on a
6 prospective basis into the pension and life insurance funds to contain
7 costs within the provisions of KRS 161.633; and
- 8 3. Three-quarters of one percent (0.75%) of annual compensation shall be
9 used to provide funding to the medical insurance fund as provided under
10 KRS 161.420(5). If the board of trustees establishes a trust fund under
11 26 U.S.C. sec. 115, the board may deposit the employer contribution
12 provided in this subdivision in that trust fund; and
- 13 (e) Nine and seven hundred seventy-five thousandths percent (9.775%) of total
14 annual compensation of university members who become members on or after
15 January 1, 2022. Of this permanent employer contribution rate:
- 16 1. Five and seven hundred seventy-five thousandths percent (5.775%) of
17 the total annual compensation shall be used to fund pension and life
18 insurance benefits. The contribution provided by this subparagraph shall
19 not be used to fund the supplemental benefit account as provided by
20 KRS 161.636;
- 21 2. Two percent (2%) of the total annual compensation shall be used to fund
22 the mandatory employer contribution of the supplemental benefit
23 component, except that the board may direct these contributions on a
24 prospective basis into the pension and life insurance funds to contain
25 costs within the provisions of KRS 161.634; and
- 26 3. Two percent (2%) of annual compensation shall be used to provide
27 funding to the medical insurance fund as provided under KRS

1 161.420(5). If the board of trustees establishes a trust fund under 26
2 U.S.C. sec. 115, the board may deposit the employer contribution
3 provided in this subparagraph in that trust fund.

4 (2) In addition to the required contributions in subsection (1) of this section, the state
5 shall contribute annually to the Teachers' Retirement System a percentage of the
6 total salaries of the state-funded and federally funded members it employs to pay
7 the cost of health insurance coverage for retirees who are not eligible for Medicare
8 and who retire on or after July 1, 2010, less the amounts that are otherwise required
9 to be paid by the retirees under KRS 161.675. The board shall deposit funds in the
10 medical insurance fund unless the board of trustees has established a trust fund
11 under 26 U.S.C. sec. 115 for this purpose. In this case, the board may deposit the
12 employer contribution in that trust fund. This contribution shall be known as the
13 state medical insurance fund stabilization contribution. The percentage to be
14 contributed by the state under this subsection:

15 (a) Shall be determined by the retirement system's actuary for each biennial
16 budget period;

17 (b) May be suspended or adjusted by the General Assembly if in its judgment the
18 welfare of the Commonwealth so demands; and

19 (c) Shall not exceed the lesser of the actual benefit cost for retirees not eligible
20 for Medicare who retire on or after July 1, 2010, or the amount contributed by
21 employers under subsection (3) of this section.

22 (3) All employers who employ nonuniversity members shall make a contribution for
23 each payroll on behalf of their active employees who participate in the Teachers'
24 Retirement System in an amount equal to three percent (3%) of payroll of those
25 active employees. The contribution specified by this subsection shall be used to
26 fund retiree health benefits.

27 (4) When the medical insurance fund established under KRS 161.420(5) achieves a

1 sufficient prefunded status as determined by the Teachers' Retirement System's
2 actuary, the board of trustees shall recommend to the General Assembly that the
3 contributions required under subsections (1)(c)2. and (e)3. and (3) of this section
4 shall, in an actuarially accountable manner, be either decreased, suspended, or
5 eliminated. The decrease, suspension, or elimination in contributions required
6 under subsection (1)(c)2. of this section shall not exceed two and twenty-five
7 thousandths percent (2.025%) of annual compensation. The decrease, suspension,
8 or elimination in contributions required under subsection (1)(e)3. of this section
9 shall not exceed one and twenty-five hundredths percent (1.25%) of annual
10 compensation.

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

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

24 161.553 Funding of past statutory benefit improvements -- Schedules for appropriations
25 -- Cost-of-living increases.

26 ➔Section 21. The Auditor of Public Accounts shall perform a special audit of
27 benefit programs provided by the Teachers' Retirement System which shall be paid by the

1 Teachers' Retirement System as part of its normal administrative expenses. The special
2 audit shall be limited to:

3 (1) An audit of the sick leave program established by Section 1 of this Act as it
4 relates to the Teachers' Retirement System and the sick leave reported by local school
5 districts to the Teachers' Retirement System as of June 30, 2025, to ensure that only the
6 sick leave that is eligible for payment under Section 1 of this Act and inclusion in a
7 retiring employee's final average salary as defined in Section 2 of this Act is being
8 reported correctly according to Section 1 of this Act and that the cost of the sick leave
9 program is being reported correctly according to Section 5 of this Act;

10 (2) An audit of the employers listed in subsection (4) of Section 2 of this Act to
11 determine if any listed employers are providing coverage in the Teachers' Retirement
12 System for other entities on a contract basis, through a memorandum of agreement, or
13 other method. The audit shall provide a listing of each employer providing the retirement
14 coverage, a listing of entities for which retirement coverage is being provided through the
15 employer and the number of employees covered for each entity, and any estimated costs
16 to the state for providing the Teachers' Retirement System coverage to these entities; and

17 (3) An audit of the Teachers' Retirement System's annual leave program
18 established by KRS 161.540(1)(f) to report the agencies that are including annual leave
19 payments in a retiring employee's final average salary as defined in Section 2 of this Act,
20 to report the policies of each agency participating in the annual leave program and the
21 number of employees covered by the policy of each agency, to evaluate how annual leave
22 is reported to the system and whether changes should be made to annual leave reporting
23 process to the system to ensure proper cost estimates, and a review of the cost of the
24 annual leave program that is required to be disclosed in the annual valuation as required
25 by Section 5 of this Act.

26 ➔Section 22. Whereas ensuring the accuracy of data and costs of the sick leave
27 programs provided by the Teachers' Retirement System will ensure the reliability of

- 1 future pension costs, an emergency is declared to exist, and this Act takes effect upon its
- 2 passage and approval by the Governor or upon its otherwise becoming a law.