

1 AN ACT relating to the Teachers' Retirement System.

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

3 ➔SECTION 1. A NEW SECTION OF KRS 161.220 TO 161.716 IS CREATED  
4 TO READ AS FOLLOWS:

5 *(1) Notwithstanding any provision of KRS 161.220 to 161.716 to the contrary, the*  
6 *Teachers' Retirement System may, when it deems appropriate, use and accept*  
7 *electronic signatures on any retirement system document, and for any reason that*  
8 *the retirement system would otherwise require a signature, if the electronic*  
9 *signatures are submitted using technology that the board of trustees of the*  
10 *retirement system deems sufficient to protect their integrity, security, and*  
11 *authenticity.*

12 *(2) If deemed appropriate for use and acceptance under this section, an electronic*  
13 *signature shall have the same force and effect as a handwritten signature.*

14 *(3) The board of trustees of the retirement system may promulgate an administrative*  
15 *regulation in accordance with KRS Chapter 13A to establish guidelines for the*  
16 *use and acceptance of electronic signatures.*

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

18 As used in KRS 161.220 to 161.716 and 161.990:

19 (1) "Retirement system" means the arrangement provided for in KRS 161.220 to  
20 161.716 and 161.990 for payment of allowances to members;

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

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

25 (4) "Member" means the commissioner of education, deputy commissioners, associate  
26 commissioners, and all division directors in the State Department of Education,  
27 employees participating in the system pursuant to KRS 196.167(3)(b)1., and any

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

1 association shall make the employer's contributions, including any  
2 contribution that is specified under KRS 161.550. The provisions of this  
3 paragraph shall be applicable to persons in the employ of the associations on  
4 or subsequent to July 1, 1972;

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

9 (h) The Office of Career and Technical Education, except that the executive  
10 director shall not be a member;

11 (i) The Office of Vocational Rehabilitation;

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

13 (k) The Governor's Scholars Program;

14 (l) Any person who is retired for service from the retirement system and is  
15 reemployed by an employer identified in this subsection in a position that the  
16 board of trustees deems to be a member;

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

25 (n) Effective January 1, 1998, employees of state community colleges who are  
26 transferred to the Kentucky Community and Technical College System shall  
27 continue to participate in federal old age, survivors, disability, and hospital

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

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

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

23 (q) The Governor's School for Entrepreneurs Program.

24 (5) "Present teacher" means any teacher who was a teacher on or before July 1, 1940,  
25 and became a member of the retirement system created by 1938 (1st Extra. Sess.)  
26 Ky. Acts ch. 1, on the date of the inauguration of the system or within one (1) year  
27 after that date, and any teacher who was a member of a local teacher retirement

1 system in the public elementary or secondary schools of the state on or before July  
2 1, 1940, and continued to be a member of the system until he, with the membership  
3 of the local retirement system, became a member of the state Teachers' Retirement  
4 System or who becomes a member under the provisions of KRS 161.470(4);

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

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

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

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

25 (a) The member's actual salary; or

26 (b) The member's annual salary that was used for retirement purposes during each  
27 of the prior three (3) years, plus a percentage increase equal to the percentage

1           increase received by all other members employed by the public board,  
2           institution, or agency, or for members of school districts, the highest  
3           percentage increase received by members on any one (1) rank and step of the  
4           salary schedule of the school district. The increase shall be computed on the  
5           salary that was used for retirement purposes.

6           This limitation shall not apply if the member receives an increase in salary in a  
7           percentage exceeding that received by the other members, and this increase was  
8           accompanied by a corresponding change in position or in length of employment.

9           This limitation shall also not apply to the payment to a member for accrued annual  
10          leave if the individual becomes a member before July 1, 2008, or accrued sick leave  
11          which is authorized by statute and which shall be included as part of a retiring  
12          member's annual compensation for the member's last year of active service;

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

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

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

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

18 (13) "Regular interest" means interest at three percent (3%) per annum, except for an  
19 individual who becomes a member on or after July 1, 2008, "regular interest" means  
20 interest at two and one-half percent (2.5%) per annum for purposes of crediting  
21 interest to the teacher savings account or any other contributions made by the  
22 employee that are refundable to the employee upon termination of employment;

23 (14) "Accumulated contributions" means the contributions of a member to the teachers'  
24 savings fund, including picked-up member contributions as described in KRS  
25 161.540(2), plus accrued regular interest;

26 (15) "Annuitant" means a person who receives a retirement allowance or a disability  
27 allowance;

- 1 (16) "Local retirement system" means any teacher retirement or annuity system created  
2 in any public school district in Kentucky in accordance with the laws of Kentucky;
- 3 (17) "Fiscal year" means the twelve (12) month period from July 1 to June 30. The  
4 retirement plan year is concurrent with this fiscal year. A contract for a member  
5 employed by a local board of education may not exceed two hundred sixty-one  
6 (261) days in the fiscal year;
- 7 (18) "Public schools" means the schools and other institutions mentioned in subsection  
8 (4) of this section;
- 9 (19) "Dependent" as used in KRS 161.520 and 161.525 means a person who was  
10 receiving, at the time of death of the member, at least one-half (1/2) of the support  
11 from the member for maintenance, including board, lodging, medical care, and  
12 related costs;
- 13 (20) "Active contributing member" means a member currently making contributions to  
14 the Teachers' Retirement System, who made contributions in the next preceding  
15 fiscal year, for whom picked-up member contributions are currently being made, or  
16 for whom these contributions were made in the next preceding fiscal year;
- 17 (21) "Full-time" means employment in a position that requires services on a continuing  
18 basis equal to at least seven-tenths (7/10) of normal full-time service on a fiscal year  
19 basis;
- 20 (22) "Full actuarial cost," when used to determine the payment that a member must pay  
21 for service credit means the actuarial value of all costs associated with the  
22 enhancement of a member's benefits or eligibility for benefit enhancements,  
23 including health insurance supplement payments made by the retirement system.  
24 The actuary for the retirement system shall determine the full actuarial value costs  
25 and actuarial cost factor tables as provided in KRS 161.400;
- 26 (23) "Last annual compensation" means the annual compensation, as defined by  
27 subsection (10) of this section and as limited by subsection (9) of this section,



1       earned by the member during the most recent period of contributing service, either  
2       consecutive or nonconsecutive, that is sufficient to provide the member with one (1)  
3       full year of service credit in the ~~the Kentucky~~ Teachers' Retirement System, and  
4       which compensation is used in calculating the member's initial retirement  
5       allowance, excluding bonuses, retirement incentives, payments for accumulated  
6       sick, annual, personal and compensatory leave, and any other lump-sum payment.  
7       For an individual who becomes a member on or after July 1, 2008, payments for  
8       annual or compensatory leave shall not be included in determining the member's  
9       last annual compensation;

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

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

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

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

17   (26) "Alternate payee" means a spouse, former spouse, child, or other dependent of a  
18       participant, who is designated to be paid retirement benefits in a qualified domestic  
19       relations order.

20       ➔Section 3. KRS 161.290 is amended to read as follows:

21   (1) The board of trustees shall meet on the third Monday during the months of March,  
22       June, September, and December of each year. Special meetings may be called by the  
23       chairperson upon giving adequate notice to each member of the board of trustees.  
24       The business to be transacted at special meetings shall be specified in the notice of  
25       the meeting.

26   (2) The members of the board of trustees shall serve without compensation, except that  
27       elective trustees shall receive ninety dollars (\$90) for each day the board is in

1 session and all elected trustees shall be reimbursed from the expense fund for all  
2 necessary expenses they incur through service to the board without limitation of the  
3 provisions of KRS Chapters 44 and 45.

4 (3) The board of trustees may authorize a per diem, not to exceed ninety dollars (\$90)  
5 per day, for trustees representing the system on committees or commissions  
6 established by statute or for service as an official representative of the board of  
7 trustees.

8 (4) The school district *or other public agency or entity of the state* which employs a  
9 teacher trustee who is required to attend regular or special meetings of the board of  
10 trustees, represent the system on committees or commissions, or serve as an official  
11 representative of the board of trustees shall provide the teacher trustee with special  
12 leave with pay and pay the compensation for a substitute for the teacher trustee  
13 during periods of absence upon certification by the teacher trustee that the trustee is  
14 performing these duties for the system.

15 ➔Section 4. KRS 161.310 is amended to read as follows:

16 (1) The board of trustees shall from time to time promulgate administrative regulations  
17 for the administration of the funds of the retirement system and for the transaction  
18 of business.

19 (2) All rules, regulations, or policies adopted by school districts, universities, or other  
20 employers participating in the Teachers' Retirement System that pertain to the  
21 retirement system shall conform to this chapter.

22 (3) All rules, regulations, or policies adopted, or decisions made, by school districts,  
23 universities, or other employers participating in the Teachers' Retirement System  
24 that pertain to retirement incentives for members as defined in KRS 161.220(4)  
25 shall contain provisions for the school district, university, or other employer to  
26 make full payment to the retirement system at the time a member retires for all  
27 actuarial obligations that occur to the retirement system as a result of retirement

1 incentive payments. Any retirement incentive provided~~[payment made]~~ by the  
2 employer to a member on the condition that the member terminate employment  
3 with the employer shall be deemed a retirement incentive for purposes of this  
4 subsection if the member retires within six (6) months following the member's  
5 termination in employment. Retirement incentives include remuneration of any  
6 kind and any tangible or intangible benefit provided to or on behalf of the  
7 member before, after, or at the member's date of retirement. This subsection shall  
8 not apply to retirement incentive plans adopted by local boards of education prior to  
9 December 31, 1997, and to those employees of local school districts who retired on  
10 or before July 1, 1998.

11 ➔Section 5. KRS 161.340 is amended to read as follows:

- 12 (1) (a) The board of trustees shall elect from its membership a chairperson and a vice  
13 chairperson on an annual basis as prescribed by the administrative regulations  
14 of the board of trustees. The chairperson shall not serve more than four (4)  
15 consecutive years as chairperson or vice chairperson of the board. The vice  
16 chairperson shall not serve more than four (4) consecutive years as  
17 chairperson or vice chairperson of the board. A trustee who has served four  
18 (4) consecutive years as chairperson or vice chairperson of the board may be  
19 elected chairperson or vice chairperson of the board after an absence of two  
20 (2) years from the position.
- 21 (b) The board of trustees shall employ an executive secretary by means of a  
22 contract not to exceed a period of four (4) years and fix the compensation and  
23 other terms of employment for this position without limitation of the  
24 provisions of KRS Chapters 18A, 45A, 56, and KRS 64.640. The executive  
25 secretary shall be the chief administrative officer of the board. The executive  
26 secretary, at the time of employment, shall be a graduate of a four (4) year  
27 college or university, and shall possess qualifications as the board of trustees

1           may require. The executive secretary shall not have held by appointment or  
2           election an elective public office within the five (5) year period next preceding  
3           the date of employment.

4       (2) The board shall employ clerical, administrative, and other personnel as are required  
5       to transact the business of the retirement system. The compensation of all persons  
6       employed by the board shall be paid at the rates and in amounts as the board  
7       approves. Anything in the Kentucky Revised Statutes to the contrary  
8       notwithstanding, the power over and the control of determining and maintaining an  
9       adequate complement of employees in the system shall be under the exclusive  
10      jurisdiction of the board of trustees.

11     (3) The board shall contract for actuarial, auditing, legal, medical, investment  
12     counseling, and other professional or technical services, insurance, and  
13     commodities, as are required to carry out the obligations of the board in accordance  
14     with the provisions of this chapter without limitations, including KRS Chapters 12,  
15     13B, 45, 45A, 56, and 57, and shall provide for legal counsel and other legal  
16     services as may be required in defense of trustees, officers, and employees of the  
17     system who may be subjected to civil action arising from the performance of their  
18     legally assigned duties if counsel and services are not provided by the Attorney  
19     General.

20     (4) ~~{The board shall require the trustees, executive secretary, and employees it~~  
21     ~~determines proper to execute bonds for the faithful performance of their duties~~  
22     ~~notwithstanding the limitations of KRS Chapter 62.~~

23     (5) ~~]~~The board of trustees may expend funds from the expense fund as necessary to  
24     insure the trustees, employees, and officials of the Teachers' Retirement System  
25     against any liability arising out of an act or omission committed in the scope and  
26     course of performing legal duties. Insurance may be obtained or provided by  
27     contracting with an insurance carrier, by self-insurance, by indemnification, or

1 by any combination thereof.

2 ~~(5)~~~~(6)~~ Notwithstanding any statute to the contrary, employees shall not be considered  
3 legislative agents as defined in KRS 6.611.

4 ~~(6)~~~~(7)~~ Notwithstanding any statute to the contrary, the executive branch of  
5 government shall accept from the ~~the Kentucky~~ Teachers' Retirement System all  
6 accrued annual and sick leave balances and service credits of employees leaving  
7 the ~~the Kentucky~~ Teachers' Retirement System and accepting appointments within the  
8 executive branch. These leave balances shall be attested to by the ~~the Kentucky~~  
9 Teachers' Retirement System and shall not exceed those limits established by statute  
10 or administrative regulation for employees of the executive branch.

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

12 (1) (a) The board of trustees shall be the trustee of the funds of the retirement system  
13 and shall have full power and responsibility for the purchase, sale, exchange,  
14 transfer, or other disposition of the investments and moneys of the retirement  
15 system. The board shall, by administrative regulation, establish investment  
16 policies and procedures to carry out their responsibilities.

17 (b) 1. The board shall contract with~~employ~~ experienced competent money  
18 managers~~investment counselors~~ to advise it on all matters pertaining  
19 to investment, except the board may employ qualified internal  
20 investment staff~~personnel~~ to advise it on investment matters not to  
21 exceed fifty percent (50%) of the ~~the book value of the~~ system's assets.  
22 The board may also contract with one (1) or more general investment  
23 consultants, as well as specialized investment consultants.

24 2. All individuals associated with the investment and management of  
25 retirement system assets, whether contracted money managers or  
26 investment consultants~~advisors~~ or staff employees, shall adhere to  
27 "The Code of Ethics~~"~~ and ~~the~~ Standards of Professional Conduct"

1 promulgated by the CFA Institute~~[Association for Investment~~  
2 ~~Management and Research]~~.

3 3. ~~[Effective July 1, 1991, ]~~No money manager~~[investment counselor]~~  
4 shall manage more than forty percent (40%) of the funds of the  
5 retirement system.

6 (c) The board may appoint an investment committee~~[consisting of the executive~~  
7 ~~secretary and two (2) trustees]~~ to act for the board in all matters of investment,  
8 subject to the approval of the board of trustees.

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

1 percentage of applications which resulted in investments.

2 (2) The board members, staff, investment consultants, and money  
3 managers~~[investment counselor]~~ shall discharge their duties with respect to the  
4 assets of the system solely in the interests of the active contributing members and  
5 annuitants and:

6 (a) For the exclusive purpose of providing benefits to members and annuitants  
7 and defraying reasonable expenses of administering the system;

8 (b) With the care, skill, prudence, and diligence under the circumstances then  
9 prevailing that a prudent person acting in a like capacity and familiar with  
10 these matters would use in the conduct of an enterprise of a like character and  
11 with like aims;

12 (c) By diversifying the investments of the plan so as to minimize the risk of large  
13 losses, unless under the circumstances it is clearly prudent not to do so; and

14 (d) In accordance with the laws, administrative regulations, and other instruments  
15 governing the system.

16 (3) (a) In choosing and contracting for professional investment management and  
17 consulting services, the board shall~~[must]~~ do so prudently and in the interest  
18 of the members and annuitants. Any contract that the board makes with a  
19 money manager~~[an investment counselor]~~ shall set forth policies and  
20 guidelines of the board with reference to standard rating services and specific  
21 criteria for determining the quality of investments. Expenses directly related to  
22 investment management and consulting services shall be financed from the  
23 guarantee fund in amounts approved by the board.

24 (b) An investment consultant or money manager~~[counselor]~~ appointed under  
25 this section shall acknowledge in writing his fiduciary responsibilities to the  
26 fund. To be eligible for appointment, an investment consultant or money  
27 manager shall~~[counselor must]~~ be:

- 1           1. Registered under the federal Investment ~~Advisors~~Advisers Act of  
2           1940; or
- 3           2. A bank as defined by that Act; or
- 4           3. An insurance company qualified to perform investment services under  
5           the laws of more than one (1) state.
- 6 (4) No investment or disbursement of funds shall be made unless authorized by the  
7 board of trustees, except that the board, in order to ensure timely market  
8 transactions, shall establish investment guidelines, by administrative regulation, and  
9 may permit its staff and money managers whom it has~~investment counselors~~  
10 employed or contracted with pursuant to this section to execute purchases and sales  
11 of investment instruments within those guidelines without prior board approval.
- 12 (5) In discharging his or her administrative duties under this section, a trustee shall  
13 strive to administer the retirement system in an efficient and cost-effective manner  
14 for the taxpayers of the Commonwealth of Kentucky.
- 15 (6) Notwithstanding any other provision of KRS 161.220 to 161.716, no funds of the  
16 ~~Kentucky~~ Teachers' Retirement System, including fees and commissions paid to a  
17 money~~an investment~~ manager, private fund, or company issuing securities, who  
18 manages systems assets, shall be used to pay fees and commissions to ~~unregulated~~  
19 placement agents. For purposes of this subsection, ~~an "unregulated"~~ placement  
20 agent" means a third-party~~an~~ individual, who is not an employee, or firm, wholly  
21 or partially owned by the entity being hired, who solicits investments on behalf of  
22 a money~~an investment~~ manager, private fund, or company issuing securities, who  
23 is prohibited by federal securities laws and regulations promulgated thereunder from  
24 receiving compensation for soliciting a government agency.
- 25 ➔Section 7. KRS 161.470 is amended to read as follows:
- 26 (1) The membership of the retirement system shall consist of all new members, all  
27 present teachers, and all persons participating under the retirement system as of



1 June 30, 1986, except as provided in Acts 1938 (1st Ex. Sess.), Ch. 1, paragraph 29.

2 The board of trustees of the Teachers' Retirement System shall be responsible for  
3 final determination of membership eligibility and may direct employers to take  
4 whatever action that may be necessary to correct any error relating to membership.

5 (2) Service credit shall be forfeited upon withdrawal. If a member again enters service  
6 it shall be as a new member, except that any teacher who withdraws by claiming his  
7 deposits may repay the system the amount withdrawn plus interest and reestablish  
8 his service credit as provided in subsection (3) of this section.

9 (3) Effective July 1, 1988, and thereafter, an active contributing member of the  
10 retirement system with contributing service equal to one (1) year may regain service  
11 credit by depositing in the teachers' savings fund the amount withdrawn with  
12 interest at the rate to be set by the board of trustees, and computed from the first of  
13 the month of withdrawal and including the month of redeposit.

14 (4) Effective July 1, 1974, any active contributing member with at least two (2) years of  
15 contributing service credit who declined membership as provided in Acts 1938 (1st  
16 Ex. Sess.), Ch. 1, paragraph 29, may secure service credit for prior service, and for  
17 any subsequent service prior to date of membership, by depositing in the teachers'  
18 savings fund contributions for each year of subsequent service prior to date of  
19 membership, with interest at the rate of eight percent (8%) compounded annually to  
20 the date of deposit.

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

22 (a) By retirement for service;

23 (b) By death;

24 (c) By withdrawal of the member's accumulated contributions;

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

27 (e) For persons whose membership begins~~hired~~ on or after August 1, 2000,

1 when a member is convicted, in any state or federal court of competent  
 2 jurisdiction, of a felony related to his employment as provided in  
 3 subparagraphs 1. and 2. of this paragraph.

4 1. Notwithstanding any provision of law to the contrary, a **person whose**  
 5 **membership begins**~~[member hired]~~ on or after August 1, 2000, who is  
 6 convicted, in any state or federal court of competent jurisdiction, of a  
 7 felony related to his employment shall forfeit rights and benefits earned  
 8 under the retirement system, except for the return of his accumulated  
 9 contributions and interest credited on those contributions.

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

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

18 (6) In case of withdrawal from service prior to eligibility for retirement, the board of  
 19 trustees shall on request of the member return all of his accumulated contributions  
 20 with regular interest, including any payments made by the member to the state  
 21 accumulation fund, but the member shall have no claim on any contributions made  
 22 by the state **or the employer** with a view to his retirement or to contributions made  
 23 to the medical insurance fund. **A member who is retiring from a position of full-**  
 24 **time employment shall be entitled to a refund following sixty (60) days after his or**  
 25 **her last day of employment.** If the member is eligible for an immediate service  
 26 retirement allowance as provided in KRS 161.600, no withdrawal and refund shall  
 27 be permitted, unless the allowance would **diminish the member's**~~[prohibit the~~

1 ~~member from qualifying for~~ Social Security benefits or the member elects to  
 2 withdraw part or all of his service for the purpose of obtaining service credit in  
 3 another retirement plan. Requests for refund of contributions by the member must  
 4 be filed on forms prescribed by the Teachers' Retirement System and the employer  
 5 shall be financially responsible for all information that is certified on the prescribed  
 6 form. A member may not withdraw any part of his or her contributions to the  
 7 retirement system except as provided by this subsection.

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

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

21 ➔Section 8. KRS 161.480 is amended to read as follows:

22 (1) (a) Each person, upon becoming a member of the retirement system, shall file a  
 23 detailed statement as required by the board of trustees and shall designate a  
 24 primary beneficiary or two (2) or more cobeneficiaries to receive any benefits  
 25 accruing from the death of the member.

26 (b) A contingent beneficiary may be designated in addition to the primary  
 27 beneficiary or cobeneficiaries. The member may name more than one (1)

1 contingent beneficiary.

2 **(c)** Any beneficiary designation made by the member, including the estate should  
3 the estate become the beneficiary by default, shall remain in effect until  
4 changed by the member on forms prescribed by the ~~the Kentucky~~ Teachers'  
5 Retirement System, except in the event of subsequent marriage or divorce.  
6 Subsequent marriage by the member shall void the primary beneficiary and  
7 any cobeneficiary designation, even that of a trust, and the spouse of the  
8 member at death shall be considered as the primary beneficiary, unless the  
9 member subsequent to marriage designates another beneficiary. **An individual**  
10 **who is married prior to becoming a member of the retirement system and**  
11 **remains married at the time of becoming a member shall have his or her**  
12 **spouse considered the primary beneficiary, unless the member designates**  
13 **another beneficiary.** A final divorce decree shall terminate an ex-spouse's  
14 status as either primary beneficiary, cobeneficiary, or contingent beneficiary,  
15 unless subsequent to divorce the member redesignates the former spouse as  
16 primary beneficiary, cobeneficiary, or contingent beneficiary.

17 **(d)** To the extent permitted by the Internal Revenue Code, a trust may be  
18 designated as beneficiary for receipt of a member's contributions to the  
19 retirement system as provided under KRS 161.470(7). A final divorce decree  
20 shall not terminate the designation of a trust as beneficiary regardless of who  
21 is designated as beneficiary of the trust.

22 **(e)** In the event that a member fails to designate a beneficiary, or all designated  
23 beneficiaries predecease the member, the member's estate shall be deemed to  
24 be the beneficiary **unless the member is married at the time of his or her**  
25 **death, in which case the spouse shall be deemed the beneficiary.**

26 **(f)** Members may designate as beneficiaries only presently identifiable and  
27 existing individuals, or trusts where otherwise permitted, without contingency

1 instructions, on forms prescribed by the retirement system.

2 **(2)** The provisions of this section shall be retroactive as they relate to election of  
3 beneficiaries by members still in active status on the effective date of this section.  
4 The provisions of this section shall not apply to any account from which a member  
5 is drawing a retirement allowance or to the life insurance benefit available under  
6 KRS 161.655.

7 ➔Section 9. KRS 161.500 is amended to read as follows:

8 (1) At the close of each fiscal year, the retirement system shall add service credit to the  
9 account of each member who made contributions to his or her account during the  
10 year. Members shall be entitled to a full year of service credit if their total paid days  
11 were not less than one hundred eighty (180) days of a one hundred eighty-five (185)  
12 day contract for a regular school or fiscal year. In the event a member is paid for  
13 less than one hundred eighty (180) days, the member may purchase credit according  
14 to administrative regulations established by the board of trustees. **Members**  
15 **employed under contracts requiring a work schedule other than one hundred**  
16 **eighty-five (185) days, but not less than one hundred eighty-five (185) days, shall**  
17 **be entitled to a full year of service credit if they have no more than five (5) unpaid**  
18 **days during a regular school or fiscal year, except that members employed in**  
19 **teaching positions by an employer described in subsection(4)(b) or (n) of Section**  
20 **2 of this Act under contracts requiring a work schedule other than one hundred**  
21 **eighty (180) days, but not less than one hundred eighty (180) days, shall be**  
22 **entitled to a full year of service credit if they have no more than five (5) unpaid**  
23 **days during a regular school or fiscal year.** In no case shall more than one (1) year  
24 of service be credited for all service performed in one (1) fiscal year. Members who  
25 complete their employment contract prior to the close of a fiscal year and elect to  
26 retire prior to the close of a fiscal year shall have their service credit reduced by  
27 eight percent (8%) for each calendar month that the retirement becomes effective

1 prior to July 1.

2 (2) Members who are employed and paid for less than the number of days required in  
3 their normal employment year shall be entitled to pro rata service credit for the  
4 fractional service. Such credit shall be based upon the number of days employed  
5 and the number of days in the member's annual employment agreement or normal  
6 employment year.

7 (3) Service credit may not exceed the ratio between the school or fiscal year and the  
8 number of months or fraction of a month the member is employed during that year.

9 (4) No service credit shall be granted in the Teachers' Retirement System for service  
10 that has been or will be used in qualifying for annuity benefit payments from  
11 another retirement system financed wholly or in part by public funds.

12 ➔Section 10. KRS 161.515 is amended to read as follows:

13 (1) For the purposes of this section, "out-of-state service" shall mean service in any  
14 state in a comparable position on a full-time basis, which would be covered if in  
15 Kentucky.

16 (2) (a) An active contributing member who has been a contributing member of the  
17 retirement system for at least one (1) full scholastic year subsequent to the  
18 latest out-of-state service, may present for credit service rendered out of state,  
19 not to exceed ten (10) years actually taught as a certified or licensed teacher.  
20 All members who elect to purchase this service shall pay to the retirement  
21 system the full actuarial cost as provided under KRS 161.220(22). For each  
22 year of which the retirement system shall accept payment, one (1) year of  
23 service credit shall be given. For members who purchased this service under  
24 the cost formula as it existed under this subsection on June 30, 2005, this  
25 credit may not be used to meet the service requirements of KRS 161.525,  
26 161.600, or 161.661, except as provided in subsection (2)(c) of this section.  
27 No credit shall be granted for service which has been or will be used in

1           qualifying for annuity benefit payments from another retirement system  
2           financed wholly or in part by public funds.

3           (b) A member of the retirement system having teaching service in the elementary  
4           or secondary schools operated by the United States overseas or in this country,  
5           or in a public college or university in Kentucky, not included in the Teachers'  
6           Retirement System of the State of Kentucky, may present this service for  
7           credit in the retirement system on the same basis as provided above for out-of-  
8           state service credit; however, no service may be presented which shall be used  
9           as a basis for retirement benefits in any program supported wholly or in part  
10          by a public institution or governmental agency. This service when added to  
11          service credited under subsection (2)(a) of this section shall not exceed a total  
12          of ten (10) years' service credit.

13          (c) A member having service referred to in subsection (2)(a) or (2)(b) of this  
14          section who purchased this service under the cost formula as it existed under  
15          those subsections on June 30, 2005, may elect to use this service for meeting  
16          the requirements of KRS 161.600(1)(c) by making an additional contribution  
17          to the state accumulation fund equal to a member contribution rate of eight  
18          percent (8%) for each year so used. These payments shall not be picked up as  
19          described in KRS 161.540(2). The salary base to be used in determining this  
20          additional contribution shall be the final average salary which is used in  
21          calculating the member's regular retirement annuity.

22          (3) Members entering the Teachers' Retirement System for the first time, July 1, 1976,  
23          and after this date, shall not receive credit for service defined in subsections (2)(a)  
24          or (2)(b) of this section in excess of one (1) year of credit for each two (2) years of  
25          Kentucky service in a covered position or ten (10) years, whichever is the lesser  
26          number.

27          (4) A member, having completed service as a volunteer in the Kentucky Peace Corps

1 created by KRS 154.1-720, may purchase service credit for the time served in the  
 2 corps on the same basis as provided in this section for the purchase of out-of-state  
 3 service credit. A member, having completed service as a federal Peace Corps  
 4 volunteer, may purchase up to two (2) years of service credit for time served in the  
 5 Peace Corps on the same basis as provided in this section for the purchase of out-of-  
 6 state service credit.

7 (5) **(a)** Service purchased under this section by members who at the time of purchase  
 8 are employed by employers other than those described in KRS 161.220(4)(b)  
 9 or (n) shall be credited **with the retirement factor in effect for members of**  
 10 **the Teachers' Retirement System for the year that the out-of-state service**  
 11 **was worked and as set forth in subsection(1)(a), (b), and (d) of Section 21 of**  
 12 **this Act for members who were not employed by employers described in**  
 13 **subsection(4)(b) or (n) of Section 2 of this Act**~~, as described in KRS~~  
 14 ~~161.620(1)(a) and (b), with a retirement factor of two and one half percent~~  
 15 ~~(2.5%) for each year of service that was originally performed on or after July~~  
 16 ~~1, 1983, and two percent (2.0%) for each year of service performed before~~  
 17 ~~July 1, 1983].~~

18 **(b)** Service purchased under this section by members who at the time of purchase  
 19 are employed by employers described in KRS 161.220(4)(b) or (n) shall be  
 20 credited **with the retirement factor in effect for members of the Teachers'**  
 21 **Retirement System for the year that the out-of-state service was worked and**  
 22 **as set forth in subsection(1)(a) and (e) of Section 21 of this Act for members**  
 23 **who were employed by employers described in subsection(4)(b) or (n) of**  
 24 **Section 2 of this Act**~~, as described in KRS 161.620(1)(a), with a retirement~~  
 25 ~~factor of two percent (2.0%) for each year of service, regardless of when the~~  
 26 ~~service was performed].~~

27 ➔Section 11. KRS 161.520 is amended to read as follows:



1 Upon the death of an active contributing member or upon the death of a member retired  
2 for disability, except as provided in KRS 161.661(6), the survivors of the deceased  
3 member in the following named order, may elect to receive a survivor's benefit payable as  
4 follows:

5 (1) Where there is a surviving widow or widower who is named as the primary  
6 beneficiary of the member's retirement account, the benefit shall be:

7 (a) One hundred eighty dollars (\$180) per month with no restriction on other  
8 income;

9 (b) Two hundred forty dollars (\$240) per month when the surviving widow or  
10 widower's total income from all sources does not exceed six thousand six  
11 hundred dollars (\$6,600) per year or five hundred fifty dollars (\$550) per  
12 month; or

13 (c) If the deceased member has a minimum of ten (10) years of service credit with  
14 the Teachers' Retirement System, the surviving widow or widower may apply  
15 for an annuity actuarially equivalent to the annuity that would have been paid  
16 to the deceased member when eligibility conditions were met. Eligibility for  
17 payments would begin at the time the age of the deceased member would have  
18 met the requirements of KRS 161.600(1). In exercising this right, the  
19 surviving widow or widower shall be entitled to receive an annuity for life,  
20 except as provided in subsection (6) of this section. This subsection applies to  
21 surviving spouses of members who die on or after July 1, 1978. A surviving  
22 widow or widower of a member who dies after July 1, 1978, shall be eligible  
23 for benefit payments provided under paragraphs (a) and (b) of this subsection  
24 until they begin receiving payments under this provision;

25 (2) (a) Where there are surviving unmarried children under age eighteen (18) or  
26 under age nineteen (19) if a full-time student in high school, the benefit shall  
27 be two hundred dollars (\$200) per month in the case of one (1) child, three

1           hundred forty dollars (\$340) per month in the case of two (2) children, four  
2           hundred dollars (\$400) per month in the case of three (3) children, and four  
3           hundred forty dollars (\$440) per month in the case of four (4) or more  
4           children. Benefits under this subsection shall apply in addition to benefits  
5           which may be payable under subsections (1) and (3) of this section.

6           (b) Notwithstanding any provision of law to the contrary, the surviving spouse  
7           may elect to receive a lump-sum refund of the member's account in lieu of the  
8           survivorship benefits payable under this subsection and subsection (1) of this  
9           section only if the surviving spouse is designated as the primary beneficiary  
10          and:

11          1. Is a biological or adoptive parent of all children eligible for a benefit  
12             under this subsection and has not had his or her parental rights  
13             terminated; or  
14          2. Has been appointed as legal guardian of all of the children eligible under  
15             paragraph (a) of this subsection.

16          (c) To elect a lump-sum refund of the member's account under paragraph (b) of  
17             this subsection, the surviving spouse who is designated as the primary  
18             beneficiary must sign a waiver on forms prescribed by the retirement system  
19             of his or her rights and the member's children's rights to the survivorship  
20             benefits payable under this subsection and subsection (1) of this section. The  
21             surviving spouse shall not waive the survivorship benefits available under this  
22             subsection or subsections (1) and (6) of this section if any of the member's  
23             children have attained age eighteen (18) or older unless all of those children  
24             consent in writing on forms prescribed by the retirement system to waive their  
25             survivorship benefits available under this subsection;

26          (3) (a) Where the survivor is a child age eighteen (18) or older whose mental or  
27             physical condition is sufficient to cause his dependency on the deceased

1 member at the time of the member's death, the benefit shall be two hundred  
2 dollars (\$200) per month, payable for the life of the child or until the time as  
3 the mental or physical condition creating the dependency no longer exists or  
4 the child marries. The mental or physical condition of the adult child shall be  
5 revealed by a competent examination by a licensed physician and shall be  
6 approved by a majority of a medical review committee as defined in KRS  
7 161.661(14). Benefits under this subsection shall apply in addition to benefits  
8 which may be payable under subsections (1) and (2) of this section.

9 (b) Notwithstanding any provision of law to the contrary, the surviving spouse  
10 shall not elect to receive a lump-sum refund of the member's account in lieu of  
11 the survivorship benefits payable under this subsection and subsection (1) of  
12 this section unless:

- 13 1. The surviving spouse is designated as the primary beneficiary;
- 14 2. The surviving spouse has been appointed by the court as guardian,  
15 conservator, or other fiduciary with sufficient general or specific  
16 authority to waive the survivorship benefits available under this  
17 subsection for any child or children age eighteen (18) or older who have  
18 been adjudicated incompetent to make decisions on their own behalf by  
19 a court of law; and
- 20 3. Any child or children age eighteen (18) or older who ~~are mentally~~  
21 ~~competent to make decisions on their own behalf as attested to by two~~  
22 ~~(2) physicians' statements~~ consent in writing on forms prescribed by the  
23 retirement system to waive their survivorship benefits available under  
24 this subsection.

25 (c) If eligible to elect a lump-sum refund of the member's account, the surviving  
26 spouse shall sign a waiver on forms prescribed by the retirement system of his  
27 or her rights and the member's children's rights to the survivorship benefits

1 payable under this subsection and subsections (1) and (2) of this section;

2 (4) Where the sole eligible survivors are dependent parents aged sixty-five (65) or over,  
3 the benefit shall be two hundred dollars (\$200) per month for one (1) parent or two  
4 hundred ninety dollars (\$290) per month for two (2) parents. Dependency of a  
5 parent shall be established as of the date of the death of the member;

6 (5) Where the sole eligible survivor is a dependent brother or sister, the benefit shall be  
7 one hundred sixty five dollars (\$165) per month. In order to qualify the brother or  
8 sister must have been a resident of the deceased member's household for at least one  
9 (1) full year prior to the member's death or must have been receiving care in a  
10 hospital, nursing home, or other institution at the member's expense for same  
11 period;

12 (6) The benefit to a child as defined in subsection (2) of this section shall terminate  
13 upon the attainment of age eighteen (18) or upon reaching age nineteen (19), if a  
14 full-time student in high school, or upon marriage, except that benefits shall  
15 continue until the attainment of age twenty-three (23) for an unmarried child who is  
16 a full-time student in a recognized educational program beyond the high school  
17 level. The benefit to a widow, widower, dependent parent, or dependent brother or  
18 sister or dependent child age eighteen (18) or older shall terminate upon marriage,  
19 or upon termination of the condition creating the dependency;

20 (7) The board of trustees shall be the sole judge of eligibility or dependency of any  
21 beneficiary, and may require formal application or information relating to eligibility  
22 or dependency, including proof of annual income satisfactory to the board. The  
23 board of trustees may subpoena records and individuals whenever it deems this  
24 action necessary;

25 (8) No payment of benefits shall be made unless the board of trustees authorizes the  
26 payment. The board shall promulgate administrative regulations for the  
27 administration of the provisions in this section and in every case the decision of the

1 board of trustees shall be final as to eligibility, dependency, or disability, and the  
2 amount of benefits payable;

3 (9) In the event that there are no eligible survivors as defined in subsections (1) to (5)  
4 of this section, or in the event that the surviving spouse elects not to receive  
5 survivorship benefits on his or her own behalf or on behalf of any of the member's  
6 children as permitted under subsections (2) and (3) of this section, the board of  
7 trustees shall pay to the estate or the designated beneficiaries of the deceased  
8 member a refund of his accumulated contributions as provided in KRS 161.470(7).  
9 If the benefits paid or payable under subsections (1) to (5) of this section and KRS  
10 161.661 shall amount to a sum less than the member's accumulated contributions at  
11 the time of death, the board of trustees shall pay to the estate or designated  
12 beneficiaries of the deceased member the balance of the accumulated contributions;

13 (10) Any person who is receiving benefits and becomes disqualified from receiving  
14 those benefits under this section shall immediately notify the Teachers' Retirement  
15 System of this disqualification in writing and shall return all benefits paid after the  
16 date of disqualification. Failure to comply with these provisions shall create an  
17 indebtedness of that person to the Teachers' Retirement System. Interest at the rate  
18 of eight percent (8%) per annum shall be charged if the debt is not repaid within  
19 sixty (60) days after the date of disqualification. Failure to repay this debt creates a  
20 lien in favor of the Teachers' Retirement System upon all property of the person  
21 who improperly receives benefits and does not repay those benefits; and

22 (11) Benefits under subsections (2) and (3) of this section shall apply to a child who is a  
23 legally adopted survivor at the time of the death of the member. This provision shall  
24 be retroactive to include a child who was born after January 1, 1990, and is a legally  
25 adopted survivor of a member whose death occurred prior to July 15, 2008.

26 ➔Section 12. KRS 161.540 is amended to read as follows:

27 (1) (a) Effective July 1, 1988, each individual who first becomes a member before

1 July 1, 2008, shall contribute to the retirement system nine and eight hundred  
 2 fifty-five thousandths percent (9.855%) of annual compensation, except that  
 3 university employees who participate in the ~~the Kentucky~~ Teachers' Retirement  
 4 System shall contribute eight and three hundred seventy-five thousandths  
 5 percent (8.375%) of annual compensation.

6 (b) Each individual who first becomes a member on or after July 1, 2008, shall  
 7 contribute to the retirement system ten and eight hundred fifty-five  
 8 thousandths percent (10.855%) of annual compensation, except that university  
 9 employees who participate in the ~~the Kentucky~~ Teachers' Retirement System  
 10 shall contribute nine and three hundred seventy-five thousandths percent  
 11 (9.375%) of annual compensation.

12 (c) 1. Effective July 1, 2010, members shall, in addition to those contributions  
 13 required under paragraphs (a) and (b) of this subsection, make a  
 14 contribution to the medical insurance fund established under KRS  
 15 161.420(5) according to the following schedule:

16 a. For each individual who first became a member of the retirement  
 17 system before July 1, 2008, a total amount of annual compensation  
 18 equal to and effective on:

- 19 July 1, 2010.....Twenty-five hundredths percent (.25%)
- 20 July 1, 2011.....One-half percent (0.50%)
- 21 July 1, 2012.....One percent (1.0%)
- 22 July 1, 2013.....One and one-half percent (1.5%)
- 23 July 1, 2014.....Two and twenty-five hundredths percent (2.25%)
- 24 July 1, 2015,

25 and thereafter.....Three percent (3.0%) for a total of three and  
 26 seventy-five hundredths percent (3.75%)  
 27 when added to the contributions required

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under KRS 161.420(5)(a); or

b. For each individual who first becomes a member of the retirement system on or after July 1, 2008, a total amount of annual compensation equal to and effective on:

July 1, 2013.....One-half percent (0.50%)

July 1, 2014.....One and twenty-five hundredths percent (1.25%)

July 1, 2015,

and thereafter.....Two percent (2.0%) for a total of three and seventy-five hundredths percent (3.75%)

when added to the contributions required under KRS 161.420(5)(a)

2. Notwithstanding subparagraph 1. of this paragraph, members employed by any employer identified in KRS 161.220(4)(b) or (n) shall contribute, as a percentage of their total annual compensation, the actuarial equivalent of the percentage contributed by members under subparagraph 1. of this paragraph, not to exceed the percentages established under the schedules set forth in subparagraph 1. of this paragraph. The actuarial equivalent to be contributed under this subsection shall be determined by the retirement system's actuary. These contributions shall be in lieu of those contributions required under subparagraph 1. of this paragraph.

3. When the medical insurance fund established under KRS 161.420(5) achieves a sufficient prefunded status as determined by the retirement system's actuary, the board of trustees shall recommend to the General Assembly that the contributions required under subparagraphs 1. and 2. of this paragraph shall, in an actuarially accountable manner, be either decreased, suspended, or eliminated.

1 (d) Payments authorized by statute that are made to retiring members, who  
 2 became members of the system before July 1, 2008, for not more than sixty  
 3 (60) days of unused accrued annual leave shall, subject to subsection (10) of  
 4 Section 2 of this Act, be considered as part of the member's annual  
 5 compensation, and shall be used only for the member's final year of active  
 6 service. Notwithstanding the provisions of this subsection or any other  
 7 statute to the contrary, for retirement calculation purposes, members  
 8 employed under year-round contracts may only be credited for payment of  
 9 annual leave under the following conditions:

10 1. Payment by an employer for annual leave shall be equally available to  
 11 all members serving under contracts requiring the same number of  
 12 worked days and greater;

13 2. At least two (2) members of the employer shall receive payment for  
 14 annual leave; and

15 3. The contract requires at least two hundred forty (240) worked days of  
 16 service.

17 (e) The contribution of members shall not exceed ~~the~~<sup>[these]</sup> applicable  
 18 percentages on annual compensation as set forth in this section or as where  
 19 otherwise limited by statute. When a member retires, if it is determined that  
 20 he has made contributions on a salary in excess of the amount to be included  
 21 for the purpose of calculating his final average salary, any excess contribution  
 22 shall be refunded in lump sum to the member's employer for distribution to  
 23 the member~~[to him in a lump sum at the time of the payment of his first~~  
 24 ~~retirement allowance. In the event a member is awarded a court-ordered back~~  
 25 ~~salary payment the employer shall deduct and remit the member contribution~~  
 26 ~~on the salary payment, plus interest to be paid by the employer, to the~~  
 27 ~~retirement system unless otherwise specified by the court order].~~



1 (2) Each public board, institution, or agency listed in KRS 161.220(4) shall, solely for  
2 the purpose of compliance with Section 414(h) of the United States Internal  
3 Revenue Code, pick up the member contributions required by this section for all  
4 compensation earned after August 1, 1982, and the contributions so picked up shall  
5 be treated as employer contributions in determining tax treatment under the United  
6 States Internal Revenue Code and KRS 141.010(10). The picked-up member  
7 contribution shall satisfy all obligations to the retirement system satisfied prior to  
8 August 1, 1982, by the member contribution, and the picked-up member  
9 contribution shall be in lieu of a member contribution. Each employer shall pay  
10 these picked-up member contributions from the same source of funds which is used  
11 to pay earnings to the member. The member shall have no option to receive the  
12 contributed amounts directly instead of having them paid by the employer to the  
13 system. Member contributions picked-up after August 1, 1982, shall be treated for  
14 all purposes of KRS 161.220 to 161.714 in the same manner and to the same extent  
15 as member contributions made prior to August 1, 1982.

16 ➔Section 13. KRS 161.545 is amended to read as follows:

17 (1) Members may make contributions and receive service credit for substitute, part-  
18 time, or any service other than regular full-time teaching as provided in the  
19 administrative regulations of the board of trustees if contributions were not  
20 otherwise made as a result of the service. Members placed on leave of absence  
21 during a period of full-time employment as defined in KRS 161.220(21) may make  
22 contributions and receive service credit for this leave only if contributions are made  
23 by the end of the fiscal year next succeeding the year in which the leave was  
24 effective as provided in administrative regulations promulgated by the board of  
25 trustees. Contributions permitted after August 1, 1982, shall not be picked-up  
26 pursuant to KRS 161.540(2).

27 (2) Active contributing members of the Teachers' Retirement System, or former

1 members who are currently participating in a state-administered retirement system,  
2 who were granted leaves of absence during a period of full-time employment as  
3 defined in KRS 161.220(21) since July 1, 1964, for reasons of health as defined  
4 under the Federal Family Medical Leave Act of 1993, 29 U.S.C. secs. 2601 et seq.,  
5 child rearing, or to improve their educational qualifications, and did not purchase  
6 the leave of absence as provided in subsection (1) of this section may obtain credit  
7 for the leave of absence as provided under the administrative regulations of the  
8 board of trustees and under the following conditions:

- 9 (a) The leave of absence shall be verified by a copy of the board of education  
10 minutes which granted the leave of absence or by other documentation that  
11 was generated contemporaneously with the leave that is determined by the  
12 retirement system to reasonably establish that a leave of absence was granted;  
13 and
- 14 (b) The member shall contribute the required percentage based on the salary  
15 received for the year immediately preceding the leave of absence plus interest  
16 at the rate of eight percent (8%) compounded annually from the beginning of  
17 the school year following the year of the leave of absence, and by depositing  
18 the appropriate contributions in the state accumulation fund and medical  
19 insurance fund~~[an amount equal to this total]~~.
- 20 (c) The member shall receive credit for no more than two (2) years under the  
21 provisions of this subsection.
- 22 (3) Sabbatical leaves of absence granted by any one (1) of the five (5) universities  
23 identified in subsection (4)(b) of Section 2 of this Act for which the university  
24 employee is provided full pay at the rate he or she was provided as a full-time  
25 employee immediately preceding the sabbatical leave shall be deemed as full-time  
26 employment provided for the university and employee and employer contributions  
27 shall be made in accordance with Sections 12 and 28 of this Act.

1 (4) Contributions permitted under this section after August 1, 1982, shall not be picked-  
2 up pursuant to KRS 161.540(2).

3 ~~(5)~~~~(4)~~ Notwithstanding any other provisions of this section to the contrary, purchase  
4 of service credit under subsection (2) of this section for individuals who become  
5 members on or after July 1, 2008, shall be purchasable only at the full actuarial cost.

6 ➔Section 14. KRS 161.553 is amended to read as follows:

7 (1) The cost of providing statutory benefit improvements for annuitants may be funded  
8 by annual appropriations from the state on an actuarial amortized basis over the  
9 lifetime of the annuitants. The schedules in paragraphs (a), (b), and (c) of this  
10 subsection are the annual appropriations which shall be made by the state for benefit  
11 improvements approved in the respective fiscal years or biennia~~bienniums~~ prior to  
12 July 1, 2017~~[2010]~~:

13	(a) Cost-of-Living	<u>2017-2018</u> <del>[2010-2011]</del>	Each Succeeding Fiscal Year
14	Allowance		
15		<del>[— 1994-1996</del>	
16		<del>— 1996-1998</del>	<del>— \$4,459,000 —</del>
17		<del>— 1998-2000</del>	<del>— \$15,333,900 — \$15,333,900 through 2012-2013</del>
18			<del>— \$7,938,600 in 2013-2014</del>
19		<del>— 2000-2002</del>	<del>— \$12,511,400 — \$12,511,400 through 2014-2015</del>
20			<del>— and</del>
21			<del>— \$7,227,700 in 2015-2016]</del>
22	2002-2004	\$21,405,700	\$21,405,700 through 2021-2022
23			and
24			\$11,204,100 in 2022-2023
25	2004-2006	\$15,413,700	\$15,413,700 through 2023-2024
26			and
27			\$7,421,400 in 2024-2025



1	2008-2010	<del>\$4,926,000</del>	<del>[\$8,969,000]</del>	<del>\$4,926,000</del>	<del>[\$8,969,000]</del>	through
2						2027-2028
3						and
4				<del>\$2,355,000</del>	<del>[\$6,281,300]</del>	in 2028-
5						2029[-]
6	2010-2012	<del>\$5,198,100</del>	<del>[\$6,516,600]</del>	<del>\$5,198,100</del>	<del>[\$13,674,800]</del>	
7						through 2029-2030
8						and
9				<del>\$2,723,900</del>	<del>[\$7,158,200]</del>	in 2030-
10						2031
11	<u>2012-2014</u>	<u>\$6,726,200</u>		<u>\$6,726,200</u>		<u>through 2031-2032</u>
12				<u>and</u>		
13						<u>\$3,357,900 in 2032-2033</u>
14	<u>2014-2016</u>	<u>\$9,476,400</u>		<u>\$7,206,200</u>		<u>through 2033-2034</u>
15				<u>and</u>		
16						<u>\$3,279,700 in 2034-2035</u>
17	<u>2016-2018</u>	<u>\$11,660,200</u>		<u>\$11,660,200</u>		<u>through 2035-2036</u>
18				<u>and</u>		
19						<u>\$6,036,700 in 2036-2037</u>

(2) The cost of providing the transitional funding for the state medical insurance fund stabilization contribution as provided by KRS 160.550(2) may be funded by annual appropriations from the state on an amortized basis. The schedule in this subsection is the annual appropriation which shall be made by the state in the respective fiscal years or biennia~~biennium~~ prior to July 1, 2017~~2010~~:

25	<del>{Amortization of</del>	<del>2010-2011</del>	<del>Each Succeeding Fiscal Year</del>
26	<del>Transitional Funding</del>		
27	<del>2004-2006</del>	<del>\$13,325,100</del>	<del>\$13,325,100 through 2014-2015</del>

1 \_\_\_\_\_ and  
 2 \_\_\_\_\_ \$9,075,500 in 2015-2016  
 3 ~~2006-2008~~ \$28,487,400 ~~through 2016-2017~~  
 4 \_\_\_\_\_ and  
 5 \_\_\_\_\_ \$18,280,000 in 2017-2018  
 6 ~~2008-2010~~ \$36,554,100 ~~through 2018-2019~~  
 7 \_\_\_\_\_ and  
 8 \_\_\_\_\_ \$18,266,100 in 2019-2020]

9 Amortization of 2017-2018~~[2010-2011~~ ] Each Succeeding  
 10 Fiscal Year  
 11 Medical Subsidy  
 12 2008-2010 \$2,574,100 \$2,574,100 through 2018-2019  
 13 and  
 14 \$1,345,200 in 2019-2020  
 15 2010-2012 \$3,363,200 \$3,363,200 through 2020-2021  
 16 \_\_\_\_\_ and  
 17 \_\_\_\_\_ \$1,798,700 in 2021-2022

18 (3) The present values of providing statutory cost-of-living increases for annuitants not  
 19 included in subsection (1) of this section are to be assigned to the unfunded  
 20 obligations of the retirement system and are identified as follows:

21	1986-1988	\$34,689,893
22	1990-1992	\$68,107,473
23	1992-1994	\$15,749,976

24 ➔Section 15. KRS 161.560 is amended to read as follows:

25 (1) (a) Each school district, institution, and agency employing members of the  
 26 retirement system shall deduct from the compensation of each member for  
 27 each payroll period subsequent to the date the individual became a member,

1 the percentage of his compensation due under the rates prescribed in KRS  
2 161.540. No later than fifteen (15) days following the end of each payroll  
3 period, the employer~~[agency]~~ shall have on file at the retirement system's  
4 office~~[forward]~~ all amounts deducted to the Teachers' Retirement System. The  
5 retirement system may~~[shall]~~ charge the employer~~[employing agency]~~ interest  
6 at an annual rate not to exceed twelve percent (12%) for deductions not  
7 filed~~[remitted]~~ within the specified fifteen (15) days. However, the retirement  
8 system may waive the interest penalty for good cause.

9 (b) Each employer employing members of the retirement system shall have on  
10 file at the retirement system's office no later than fifteen (15) days following  
11 the end of each payroll period payroll reports, contributions lists, and other  
12 data required by administrative regulation of the board of trustees~~[shall be~~  
13 ~~submitted]~~. The retirement system may impose a penalty on the employer  
14 not to exceed one thousand dollars (\$1,000) when the employer does not  
15 meet the reporting date. However, the retirement system may waive the  
16 penalty for good cause.

17 (c) Each employer employing members of the retirement system shall have on  
18 file at the retirement system's office an annual summary report~~[Employers~~  
19 ~~shall submit an annual report, in compliance with requirements of the~~  
20 ~~retirement system,]~~ of member contributions and periods employed to the  
21 retirement system no later than August 1 following the completion of each  
22 fiscal year. The retirement system may impose a penalty on the employer not  
23 to exceed one thousand dollars (\$1,000) when the employer does not meet the  
24 August 1 reporting date. However, the retirement system may waive the  
25 penalty for good cause.

26 (d) The deductions described by paragraph (a) of this subsection shall be made  
27 notwithstanding the fact that the salary as a result may be less than the

1 minimum compensation provided by law. Every member shall be deemed to  
2 consent and agree to the deductions, and the deductions shall be considered as  
3 having been paid to the member. After August 1, 1982, member contributions  
4 shall be picked up by the agency pursuant to KRS 161.540(2).

5 (2) If an employer fails to deduct the correct retirement contribution from a member's  
6 compensation, the member may make the contribution that should have been  
7 deducted by the employer and receive retirement credit for the payment. For  
8 correction of omitted member contributions that occur more than one (1) year after  
9 the year in which the error was made, the employer shall be responsible for paying  
10 interest to the retirement system at a rate of eight percent (8%) from the end of the  
11 year in which the service was performed to the date of payment.

12 ➔Section 16. KRS 161.568 is amended to read as follows:

13 (1) Eligibility to participate in the optional retirement plan shall be determined by the  
14 board of regents of each of the state public postsecondary education institutions  
15 identified in KRS 161.220(4)(b). The employees of these institutions of higher  
16 education who are initially employed on or after the implementation date of the  
17 optional retirement plan may make an election to participate in the optional  
18 retirement plan within thirty (30) days after their employment date. This election  
19 shall be irrevocable except as otherwise provided in this subsection. No member of  
20 the ~~the Kentucky~~ Teachers' Retirement System who terminates employment and is  
21 subsequently reemployed by the same or another public postsecondary education  
22 institution which participates in the ~~the Kentucky~~ Teachers' Retirement System may  
23 be eligible to elect to participate in the optional retirement plan unless the date of  
24 reemployment is at least six (6) months after the date of termination. All elections  
25 made under this subsection shall be in writing and shall be filed with the  
26 appropriate officer of the employer institution. Persons who originally elected to  
27 participate in the optional retirement plan may later change their elections only as



1 follows:

- 2 (a) Any person otherwise eligible for membership in the ~~the Kentucky~~ Teachers'  
3 Retirement System may irrevocably elect one (1) time during his or her  
4 lifetime to change his or her election and to prospectively participate in the ~~the~~  
5 ~~Kentucky~~ Teachers' Retirement System. This election to change from the  
6 optional retirement plan to ~~the Kentucky~~ Teachers' Retirement System shall be  
7 effective beginning on the first day of the first month immediately following  
8 the date that written application for the election is received in the retirement  
9 system's office on forms prescribed by the system. Any person exercising this  
10 election shall not be entitled to purchase as service credit in the ~~the Kentucky~~  
11 Teachers' Retirement System any prior service with his or her postsecondary  
12 education institution employer;
- 13 (b) Any person otherwise eligible for membership in the ~~the Kentucky~~ Teachers'  
14 Retirement System who previously elected to participate in the optional  
15 retirement plan may irrevocably elect one (1) time within his or her first six  
16 (6) years and six (6) months of continuous service in any one (1) or more of  
17 the institutions identified in KRS 161.220(4)(b), to change his or her election  
18 and to prospectively participate in the ~~the Kentucky~~ Teachers' Retirement  
19 System and also become eligible to purchase as service credit his or her prior  
20 service with his or her postsecondary education employer. This election to  
21 change from the optional retirement plan to the ~~the Kentucky~~ Teachers'  
22 Retirement System shall be effective beginning on the first day of the first  
23 month immediately following the date that written application for the election  
24 is received in the retirement system's office on forms prescribed by the  
25 retirement system. Persons electing to change from the optional retirement  
26 plan to the ~~the Kentucky~~ Teachers' Retirement System may purchase service  
27 credit only for their prior years of service for a postsecondary education

1 institution identified in KRS 161.220(4)(b) during which they participated in  
2 the optional retirement plan. The election to purchase prior service as service  
3 credit shall be received in the retirement system's office on forms prescribed  
4 by the retirement system within the six (6) year and six (6) month period  
5 provided to make the election to begin participation in the ~~the Kentucky~~  
6 Teachers' Retirement System. The cost of purchasing this service shall be  
7 calculated by adding both the employer and member contributions that would  
8 have been paid to the ~~the Kentucky~~ Teachers' Retirement System had the  
9 individual purchasing this service participated in the ~~the Kentucky~~ Teachers'  
10 Retirement System instead of the optional retirement plan, less the amount  
11 contributed to the ~~the Kentucky~~ Teachers' Retirement System by the  
12 postsecondary education institution as provided by KRS 161.569(5) ~~or KRS~~  
13 ~~161.569(5)(a)2.~~ as it existed on June 30, 2007. Interest at ~~the Kentucky~~  
14 Teachers' Retirement System's actuarially assumed rate shall be paid on these  
15 net contributions by the person electing to change to the ~~the Kentucky~~ Teachers'  
16 Retirement System from the optional retirement plan. These payments shall  
17 not be picked up as described in KRS 161.540(2). Persons who elect to  
18 change from the optional retirement plan to the ~~the Kentucky~~ Teachers'  
19 Retirement System may elect to purchase as service credit, beginning with the  
20 most recent years, any portion of their prior years of service during which time  
21 they participated in the optional retirement plan, or none of those years.  
22 Members may purchase service credit for prior years of service by rolling over  
23 funds from their optional retirement plan account as provided under KRS  
24 161.5461, or by rolling over or transferring other plan funds as permitted by  
25 the rules set forth in the Internal Revenue Code, or by making an after-tax  
26 lump-sum cash payment;

27 (c) Effective July 1, 2008, persons otherwise eligible for membership in the ~~the~~

1           ~~Kentucky~~ Teachers' Retirement System may irrevocably elect one (1) time to  
2           change their election and to prospectively participate in the ~~the~~ ~~Kentucky~~  
3           Teachers' Retirement System and purchase service credit for their prior years  
4           of service during which they participated in the optional retirement plan. This  
5           election shall be filed in writing with the ~~the~~ ~~Kentucky~~ Teachers' Retirement  
6           System no later than December 31, 2008. Persons who change their election  
7           prior to July 1, 2008, to prospectively participate in the ~~the~~ ~~Kentucky~~ Teachers'  
8           Retirement System may purchase service credit for their prior years of service  
9           during which they participated in the optional retirement plan. The purchase  
10          of prior years of service under this paragraph shall be subject to the same  
11          conditions and purchase costs as described in paragraph (b) of this subsection,  
12          except that the election to purchase service credit shall be on file with the ~~the~~  
13          ~~Kentucky~~ Teachers' Retirement System no later than December 31, 2008; and

- 14          (d) Persons electing to change to the ~~the~~ ~~Kentucky~~ Teachers' Retirement System  
15          under paragraphs (a), (b), and (c) of this subsection shall be eligible to  
16          participate, based upon their age and allowable service credit, in the disability,  
17          survivorship, and medical insurance programs under the conditions and in the  
18          degree as they exist on the date that they file their election with the retirement  
19          system, but shall be subject to any changes to those programs from that date  
20          forward, including any changes that may affect their eligibility for or degree of  
21          participation in those programs. Prior service purchased as service credit as  
22          permitted under paragraphs (b) and (c) of this subsection shall not be  
23          considered for meeting eligibility requirements or determining the extent of  
24          participation in these programs. Persons electing to change to the ~~the~~ ~~Kentucky~~  
25          Teachers' Retirement System shall not be eligible for the survivorship or  
26          disability programs based upon medical conditions that existed prior to the  
27          filing of their elections.

1 (2) Elections of eligible employees hired on or after the implementation date of the  
2 optional retirement plan at their employer institution shall be effective on the date  
3 of their employment. If an eligible employee hired subsequent to the  
4 implementation date at the employer institution fails to make the election provided  
5 for in this section, the employee shall become a member of the regular retirement  
6 plan of the ~~the Kentucky~~ Teachers' Retirement System.

7 ➔Section 17. KRS 161.597 is amended to read as follows:

8 (1) A member in active contributing status may purchase any service credit which the  
9 member is authorized to purchase by making installment payments in lieu of a  
10 lump-sum payment.

11 (2) To initiate an installment payment plan, a member shall make a written request to  
12 the retirement system for an estimate to purchase service credit by making  
13 installment payments.

14 (3) To qualify for installment payments, the total cost of the service purchase, including  
15 any chargeable interest, shall exceed one thousand dollars (\$1,000).

16 (4) Installment payments shall be at least fifty dollars (\$50) per month and shall be  
17 made for a period of time which is not less than twelve (12) months nor more than  
18 sixty (60) months. Interest at eight percent (8%) per annum, unless the board  
19 specifies in an administrative regulation a different interest rate, shall be charged on  
20 all installment payment purchases of service credit that are purchasable at less than  
21 full actuarial cost.

22 (5) Installment payments shall be made on a monthly basis by payroll deduction or  
23 electronic fund transfer and forwarded separately to the Teachers' Retirement  
24 System on forms or by computer format not later than fifteen (15) days following  
25 the end of each month. The payments shall be considered accumulated contributions  
26 and shall not be picked up as provided in KRS 161.560, except that subject to  
27 approval by the Internal Revenue Service and only as permitted by the Internal

1 Revenue Code, installment payments by payroll deduction shall be made on a tax-  
2 deferred basis.

3 (6) A member may elect to terminate payroll deductions at any time and purchase the  
4 remaining service credit by lump-sum payment. A member on a leave of absence  
5 may make personal installment payments. Termination of employment in a covered  
6 position shall terminate installment payments. If the member is later employed by a  
7 different employer in a covered position, the member may request a new estimate  
8 and reinstate installment payments. A member that misses two (2) consecutive  
9 installment payments shall be in default. A member in default shall receive **a refund**  
10 **of all prior installment payments and the member's** service credit **shall be reduced**  
11 **accordingly** ~~[on a pro-rata basis for the total amount of contributions made by~~  
12 ~~installment payments]~~. A member in default may not reinstate installment payments  
13 for twelve (12) months from the date the member was in default.

14 (7) If a member dies before completing scheduled installment payments, the named  
15 beneficiary of the member's retirement account may pay the remaining balance due  
16 by a lump-sum payment within thirty (30) days of the death of the member.

17 ➔Section 18. KRS 161.605 is amended to read as follows:

18 Any member retired by reason of service may return to work in a position covered by the ~~[~~  
19 ~~Kentucky]~~ Teachers' Retirement System and continue to receive his or her retirement  
20 allowance under the following conditions:

21 (1) Any member who is retired with thirty (30) or more years of service may return to  
22 work in a full-time or a part-time position, **or in a position providing substitute**  
23 **teaching services**, covered by the ~~[Kentucky]~~ Teachers' Retirement System and earn  
24 up to a maximum of seventy-five percent (75%) of the member's last annual  
25 compensation measured on a daily rate to be determined by the board of trustees.  
26 For purposes of determining whether the salary of a member returning to work is  
27 seventy-five percent (75%) or less of the member's last annual compensation, all

1 remuneration paid and benefits provided to the member, on an actual dollar or fair  
2 market value basis as determined by the retirement system, **excluding employer-**  
3 **provided medical insurance required under subsection (5) of this section,** shall be  
4 considered. Members who were retired on or before June 30, 2002, shall be entitled  
5 to return to work under the provisions of this section as if they had retired with  
6 thirty (30) years of service. Nonqualified service credit purchased under the  
7 provisions of KRS 161.5465 or elsewhere with any state-administered retirement  
8 system shall not be used to meet the thirty (30) year requirement set forth in this  
9 subsection. Out-of state teaching service provided in public schools for kindergarten  
10 through grade twelve (12) may count toward the thirty (30) year requirement set  
11 forth in this subsection even if it is not purchased as service credit, if the member  
12 obtains from his or her out-of-state employer certification of this service on forms  
13 prescribed by the retirement system;

14 (2) Any member who is retired with less than thirty (30) years of service after June 30,  
15 2002, may return to work in a full-time or part-time position, **or in a position**  
16 **providing substitute teaching services,** covered by the ~~Kentucky~~ Teachers'  
17 Retirement System and earn up to a maximum of sixty-five percent (65%) of the  
18 member's last annual compensation measured on a daily rate to be determined by  
19 the board of trustees. For purposes of determining whether the salary of a member  
20 returning to work is sixty-five percent (65%) or less of the member's last annual  
21 compensation, all remuneration paid and benefits provided to the member, on an  
22 actual dollar or fair market value basis as determined by the retirement system,  
23 **excluding employer-provided medical insurance required under subsection (5) of**  
24 **this section,** shall be considered;

25 (3) Reemployment of a retired member under subsection (1) or (2) of this section in a  
26 full-time teaching or nonteaching position in a local school district shall be  
27 permitted only if the employer certifies to the ~~Kentucky~~ Teachers' Retirement

1 System that there are no other qualified applicants available to fill the teaching or  
2 nonteaching position. The employer may use any source considered reliable  
3 including but not limited to data provided by the Education Professional Standards  
4 Board and the Department of Education to determine whether other qualified  
5 applicants are available to fill the teaching or nonteaching position. The Kentucky  
6 Board of Education shall promulgate administrative regulations to establish  
7 procedures to determine whether other qualified applicants are available to fill a  
8 teaching or nonteaching position and, if not, for filling the position with a retired  
9 member who will then be permitted to return to work in that position under  
10 subsection (1) or (2) of this section. The administrative regulations shall assure that  
11 a retired member shall not be hired in a teaching or nonteaching position by a local  
12 school district until the superintendent of the school district assures the ~~the Kentucky~~  
13 Teachers' Retirement System that every reasonable effort has been made to recruit  
14 other qualified applicants for the position on an annual basis;

15 (4) Under this section, an employer may employ full-time a number of retired members  
16 not to exceed three percent (3%) of the membership actively employed full-time by  
17 that employer. The board of trustees may reduce this three percent (3%) cap upon  
18 recommendation of the retirement system's actuary if a reduction is necessary to  
19 maintain the actuarial soundness of the retirement system. The board of trustees  
20 may increase the three percent (3%) cap upon a determination that an increase is  
21 warranted to help address a shortage in the number of available teachers and upon  
22 the determination of the retirement system's actuary that the proposed cap increase  
23 allows the actuarial soundness of the retirement system to be maintained. For  
24 purposes of this subsection, "full-time" means the same as defined by KRS  
25 161.220(21). A local school district may exceed the quota established by this  
26 subsection by making an annual written request to the Kentucky Department of  
27 Education which the department may approve on a year-by-year basis if the

1 statewide quota has not been met. A district's written request to exceed its quota  
2 shall be submitted no sooner than two (2) weeks after the start of the school year;

3 (5) A member returning to work in a full-time or part-time position, or in a position  
4 providing substitute teaching services, under subsection (1) or (2) of this section  
5 shall~~will~~ contribute to an account with the retirement system that will be  
6 administered independently from and with no reciprocal impact with the member's  
7 original retirement account, or any other account from which the member is eligible  
8 to draw a retirement allowance. A member returning to work under subsection (1)  
9 or (2) of this section shall make contributions to the retirement system at the rate  
10 provided under KRS 161.540. The new account shall independently meet all~~the~~  
11 ~~five (5) year~~ vesting requirements~~requirement~~ as well as all other conditions set  
12 forth in KRS 161.600(1) before any retirement allowance is payable from this  
13 account. The retirement allowance accruing under this new account shall be  
14 calculated pursuant to KRS 161.620(1)(b). This new account shall not entitle the  
15 member to a duplication of the benefits offered under KRS 161.620~~(6)~~~~(7)~~ or  
16 161.675, nor shall this new account provide the benefits offered by KRS 161.520,  
17 161.525, 161.620(3), 161.655, 161.661, or 161.663. A member returning to work  
18 under subsection (1) or (2) of this section shall waive his or her medical insurance  
19 with the ~~Kentucky~~ Teachers' Retirement System during the period of  
20 reemployment and shall receive the medical insurance coverage that is generally  
21 provided by the member's active employer to the other members of the retirement  
22 system that the active employer employs. If medical insurance coverage is not  
23 available from the employer, the ~~Kentucky~~ Teachers' Retirement System may  
24 provide coverage for the member. A member returning to work under subsection (1)  
25 or (2) of this section shall not be eligible to purchase service credit for any service  
26 provided after the member's effective date of retirement but prior to the date that the  
27 member returns to work. A member returning to work under subsection (1) or (2) of



1 this section shall not be eligible to purchase service credit that the member would  
2 have otherwise been eligible to purchase prior to the member's ~~initial~~ retirement.  
3 A member who returns to work under subsection (1) or (2) of this section, or in the  
4 event of the death of the member, the member's estate or applicably designated  
5 beneficiary, shall be entitled, within ninety (90) days of the posting of the annual  
6 report submitted by the employer, to a refund of contributions as permitted and  
7 limited by KRS 161.470;

8 (6) The board of trustees may annually, on July 1, adjust the current daily rate of a  
9 member's last annual compensation, for each full twelve (12) month period that has  
10 elapsed subsequent to the member earning his or her last annual compensation, by  
11 the percentage increase in the annual average of the consumer price index for all  
12 urban consumers for the calendar year preceding the adjustment as published by the  
13 Federal Bureau of Labor Statistics, not to exceed five percent (5%) annually. Each  
14 annual adjustment shall become part of the member's daily rate base. Failure to  
15 comply with the salary limitations set forth in subsections (1) and (2) of this section  
16 as may be adjusted by this subsection shall result in a reduction of the member's  
17 retirement allowance or any other benefit to which the member would otherwise be  
18 entitled on a dollar-for-dollar basis for each dollar that the member exceeds these  
19 salary limitations, **and the member shall be refunded his or her retirement**  
20 **contributions made on the compensation that exceeds these salary limitations.**

21 Notwithstanding any other provision of law to the contrary, a member retiring from  
22 a local school district who returns to work for a local school district under  
23 subsection (1) or (2) of this section shall be entitled, without any reduction to his or  
24 her retirement allowance or any other retirement benefit, to earn a minimum amount  
25 equal to one hundred seventy dollars (\$170) per day;

26 (7) (a) A retired member returning to work under subsection (1) or (2) of this section  
27 shall have separated from service for a period of at least one (1) year if

1           returning to work for the same employer on a full-time basis, and at least three  
2           (3) months if returning to work for a different employer on a full-time basis. A  
3           retired member returning to work under subsection (1) or (2) of this section on  
4           a part-time basis shall have separated from service for a period of at least three  
5           (3) months before returning to work for any employer.

6           (b) As an alternative to the separation-from-service requirements in paragraph (a)  
7           of this subsection, a retired member who is returning to work for the same  
8           employer in a full-time position under subsections (1) and (2) of this section  
9           may elect a separation-from-service of not less than two (2) months followed  
10          by a forfeiture of the retired member's retirement allowance on a month-to-  
11          month basis for each month that the member has separated from service for  
12          less than twelve (12) full months. A retired member returning to work for the  
13          same employer in a part-time position, or for a different employer in a full-  
14          time position, may elect an alternative separation-from-service requirement of  
15          at least two (2) months followed by a forfeiture of the member's retirement  
16          allowance for one (1) month. During the period that the member forfeits his or  
17          her retirement allowance and thereafter, member and employer contributions  
18          shall be made to the retirement system as a result of employment in any  
19          position subject to membership in the retirement system. The member shall  
20          contribute to an account with the retirement system subject to the conditions  
21          set forth in subsection (5) of this section.~~[ For purposes of measuring the~~  
22          ~~separation from service requirements set forth throughout this section, a~~  
23          ~~member's separation from service begins on the first day following the last~~  
24          ~~day of paid employment for the member prior to retirement.]~~

25          (c) *A retired member under age sixty (60) who is returning to work for an*  
26          *employer that has employees who participate in the Teachers' Retirement*  
27          *System shall comply with the separation-from-service requirements in this*

1 subsection before performing any service for the employer, regardless of  
 2 whether the retired member is providing service in a position covered by the  
 3 Teachers' Retirement System.

4 (d) The starting date for any separation-from-service required under this  
 5 subsection shall be the effective date of the member's retirement.

6 (e) The separation-from-service requirements of this subsection are not met if  
 7 there is a prearranged agreement between the member and the member's  
 8 employer prior to retirement for the member to return to work for the  
 9 employer after retirement.

10 (f) The Teachers' Retirement System may require the member and the  
 11 member's employer to certify in writing on a form prescribed by the  
 12 retirement system that no prearranged agreement as described in paragraph  
 13 (e) of this subsection has been or will be entered into.

14 (g) Failure to comply with the separation-from-service requirements in this  
 15 subsection voids a member's retirement and the member shall be required to  
 16 return all the retirement benefits he or she received, with interest, for the  
 17 period of time that the member returned to work without a sufficient  
 18 separation from service;

19 (8) (a) Effective July 1, 2004, local school districts may employ retired members in  
 20 full-time or part-time teaching or administrative positions without limitation  
 21 on the compensation of the retired members that is otherwise required by  
 22 subsections (1) and (2) of this section. Under provisions of this subsection, a  
 23 local school district may only employ retired members to fill critical shortage  
 24 positions for which there are no other qualified applicants as determined by  
 25 the local superintendent. The number of retired members that a local school  
 26 district may employ under this subsection shall be no more than two (2)  
 27 members per local school district or one percent (1%) of the total active

1 members employed by the local school district on a full-time basis as defined  
2 under KRS 161.220(21), whichever number is greater. Retired members  
3 returning to work under this subsection shall be subject to the separation-  
4 from-service requirements set forth in subsection (7) of this section. Retired  
5 members returning to work under this subsection shall waive their medical  
6 insurance coverage with the retirement system during their period of  
7 reemployment and receive medical insurance coverage that is offered to other  
8 full-time members employed by the local school district. **If medical insurance**  
9 **coverage is not available from the employer, the Teachers' Retirement**  
10 **System may provide coverage for the member.** Retired members returning to  
11 work under this subsection shall contribute to an account subject to the  
12 conditions set forth in subsection (5) of this section. Retired members  
13 returning to work under this subsection shall make contributions to the  
14 retirement system at the rate provided under KRS 161.540. The employer  
15 shall make contributions at the rate provided under KRS 161.550. Local  
16 school districts shall make annual payments to the retirement system on the  
17 compensation paid to the reemployed retirees at the rates determined by the  
18 retirement system's actuary that reflect any accrued liability resulting from the  
19 reemployment of these members.

- 20 (b) **1.** The Department of Education may employ retired members in full-time  
21 or part-time teaching or nonteaching positions without the limitations on  
22 compensation otherwise required by subsections (1) and (2) of this  
23 section to fill critical shortage areas in the schools it operates, including  
24 the Kentucky School for the Blind, the Kentucky School for the Deaf,  
25 and the Kentucky Virtual High School, and to serve on audit teams.

26 **2. Specific individuals approved by the commissioner of education as**  
27 **having the necessary experience to provide services and support from**

1                   *the Department of Education to persistently low-achieving schools in*  
2                   *accordance with KRS 160.346 may be employed without the*  
3                   *limitations on compensation otherwise required by subsections (1) and*  
4                   *(2) of this section.*

5           3. The department shall be subject to the same requirements as local school  
6           districts as provided in paragraph (a) of this subsection, except the  
7           ~~Kentucky~~ Teachers' Retirement System shall determine the maximum  
8           number of employees that may be employed under this paragraph;

9   (9) The return to work limitations set forth in this section shall apply to retired  
10       members who are returning to work in the same position from which they retired, or  
11       a position substantially similar to the one from which they retired, or a position  
12       described in KRS 161.046 or any position listed in KRS 161.220(4) which requires  
13       membership in the retirement system. Positions which generally require certification  
14       or graduation from a four (4) year college or university as a condition of  
15       employment which are created, or changed to remove the position from coverage  
16       under KRS 161.220(4) are also subject to the return to work limitations set forth in  
17       this section. The board of trustees shall determine whether employment in a  
18       nonteaching position is subject to this subsection;

19   (10) The provisions of subsections (1) to (8) of this section are not subject to KRS  
20       161.714;

21   (11) Any member retired by reason of service may waive his or her annuity and return to  
22       full-time employment in a position covered by the ~~Kentucky~~ Teachers' Retirement  
23       System under the following conditions:

24       (a) The member shall receive no annuity payments while employed in a covered  
25       position, shall waive his or her medical insurance coverage with the  
26       ~~Kentucky~~ Teachers' Retirement System during the period of reemployment,  
27       and shall receive the medical insurance coverage that is generally offered by

1 the member's active employer to the other members of the retirement system  
2 employed by the active employer. The member's estate or, if there is a  
3 beneficiary applicably designated by the member, then the beneficiary, shall  
4 continue to be eligible for life insurance benefits as provided in KRS 161.655.  
5 Service subsequent to retirement shall not be used to improve an annuity,  
6 except as provided in paragraphs (b) and (c) of this subsection;

7 (b) Any member who waives regular annuity benefits and returns to teaching or  
8 covered employment shall be entitled to make contributions on the salaries  
9 received for this service and have his retirement annuity recalculated as  
10 provided in the regular retirement formula in KRS 161.620(1), less any  
11 applicable actuarial discount applied to the original retirement allowance due  
12 to the election of a joint and last survivor option. Retirement option and  
13 beneficiary designation on original retirement shall not be altered by  
14 postretirement employment, and dependents and spouses of the members shall  
15 not become eligible for benefits under KRS 161.520, 161.525, or 161.661  
16 because of postretirement employment;

17 (c) When a member returns to full-time teaching or covered employment as  
18 provided in subsection (b) of this section, the employer is required to withhold  
19 and remit regular retirement contributions. The member must be employed  
20 full-time for at least one (1) consecutive contract year to be eligible to  
21 improve an annuity. The member shall be returned to the annuity rolls on July  
22 1 following completion of the contract year or on the first day of the month  
23 following the month of termination of service if full-time employment  
24 exceeds one (1) consecutive contract year. **A member shall not be returned to**  
25 **the annuity rolls until after he or she has filed a retirement application in**  
26 **compliance with KRS 161.600(4).** Any discounts applied at the time of the  
27 original retirement due to service or age may be reduced or eliminated due to

1 additional employment if full-time employment is for one (1) consecutive  
2 contract year or longer; and

3 (d) A member retired by reason of service who has been employed the equivalent  
4 of twenty-five (25) days or more during a school year under KRS 161.605  
5 may waive the member's retirement annuity and return to regular employment  
6 covered by the ~~Kentucky~~ Teachers' Retirement System during that school  
7 year a maximum of one (1) time during any five (5) year period, beginning  
8 with that school year;

9 (12) Retired members may be employed in a part-time teaching capacity by an agency  
10 described in KRS 161.220(4)(b) or (n), not to exceed the equivalent of twelve (12)  
11 teaching hours in any one (1) fiscal year. Retired members may be employed for a  
12 period not to exceed the equivalent of one hundred (100) days in any one (1) fiscal  
13 year in a part-time administrative or nonteaching capacity by an agency described in  
14 KRS 161.220(4)(b) or (n) in a position that would otherwise be covered by the  
15 retirement system. **Except as otherwise provided by this subsection,** the return to  
16 work provisions set forth in subsections (1) to (8) of this section shall not apply to  
17 retired members who return to work solely for an agency described in KRS  
18 161.220(4)(b) or (n). Calculation of the number of days and teaching hours for part-  
19 time teaching, substitute teaching, or part-time employment in a nonteaching  
20 capacity under this section shall not exceed the ratio between a school year and the  
21 actual months of retirement for the member during that school year. The board of  
22 trustees by administrative regulation may establish fractional equivalents of a day of  
23 teaching service. Any member who exceeds the twelve (12) hour or one hundred  
24 (100) day limitations of this subsection shall be subject to having his or her  
25 retirement voided and be required to return all retirement allowances and other  
26 benefits paid to the member or on the member's behalf since the effective date of  
27 retirement. In lieu of voiding a member's retirement, the system may reduce the

1 member's retirement allowance or any other benefit to which the member would  
 2 otherwise be entitled on a dollar-for-dollar basis for each dollar of compensation  
 3 that the member earns in employment exceeding twelve (12) hours, one hundred  
 4 (100) days, or any apportionment of the two (2) combined. **Effective July 1, 2018,**  
 5 **retired members under age sixty (60) returning to work for an employer described**  
 6 **in subsection (4)(b) or (n) of Section 2 of this Act shall comply with the**  
 7 **separation-from-service requirements of subsection (7) of this section;**

8 (13) When a retired member returns to employment in a part-time teaching capacity or in  
 9 a nonteaching capacity as provided in subsection (12) of this section, the employer  
 10 shall contribute annually to the retirement system on the compensation paid to the  
 11 retired member at rates determined by the retirement system actuary that reflect  
 12 accrued liability for retired members who return to work under subsection (12) of  
 13 this section; and

14 (14) For retired members who return to work during any one (1) fiscal year in both a  
 15 position described in KRS 161.220(4)(b) or (n) and in a position described under  
 16 another provision under KRS 161.220(4), and for retired members who return to  
 17 work in a position described under KRS 161.220(4)(b) or (n) in both a teaching and  
 18 an administrative or nonteaching capacity, the board of trustees shall adopt a  
 19 methodology for a pro rata apportionment of days and hours that the retired member  
 20 may work in each position.

21 ➔Section 19. KRS 161.612 is amended to read as follows:

22 Effective July 1, 2002, any individual occupying a position on a part-time basis that  
 23 requires certification or graduation from a four (4) year college or university as a  
 24 condition of employment and any individual providing part-time or substitute teaching  
 25 services that are the same or similar to those teaching services provided by certified, full-  
 26 time teachers shall be a member of the ~~the Kentucky~~ Teachers' Retirement System,  
 27 according to the conditions and only to the extent set forth in this section, if the individual



1 is employed by one (1) of the public boards, institutions, or agencies set forth in KRS  
2 161.220, excluding those public boards, institutions, and agencies described in KRS  
3 161.220(4)(b) and (n). Members providing part-time and substitute services shall  
4 participate in the retirement system as follows:

5 (1) Members providing part-time and substitute services shall accrue service credit as  
6 provided under KRS 161.500 and be entitled to a retirement allowance upon  
7 meeting the service retirement conditions of KRS 161.600. The board of trustees  
8 shall adopt a methodology for accrediting service credit to these members on a pro  
9 rata basis. The methodology adopted by the board of trustees may be amended as  
10 necessary to ensure its actuarial soundness. The retirement allowance for members  
11 providing part-time and substitute services shall be calculated pursuant to KRS  
12 161.620, except that the provisions of KRS 161.620(3) shall not apply. Members  
13 providing part-time and substitute services who meet the service retirement  
14 conditions of KRS 161.600 may also be eligible to participate as approved by the  
15 board of trustees in the medical insurance program provided by the retirement  
16 system under KRS 161.675. Members providing part-time and substitute services  
17 shall make contributions to the ~~the Kentucky~~ Teachers' Retirement System at the rate  
18 provided under KRS 161.540. A member who provides part-time or substitute  
19 services, or in the event of the death of the member, the member's estate or  
20 applicably designated beneficiary, will be entitled, within ninety (90) days of the  
21 posting of the annual report submitted by the member's employer, to a refund of  
22 contributions as permitted and limited by KRS 161.470;

23 (2) (a) 1. The board of trustees shall adopt eligibility conditions under which  
24 members providing part-time and substitute services may participate in  
25 the benefits provided under KRS 161.520, 161.655, 161.661, and  
26 161.663.

27 2. For all disability retirement applications filed with the Teachers'

1                   Retirement System on or after July 1, 2017, disability retirement  
2                   payments and any other recurring payments payable by a state-  
3                   administered retirement system to members providing part-time or  
4                   substitute services shall be applied to reduce, on a dollar-for-dollar  
5                   basis, the minimum monthly disability retirement allowance of five  
6                   hundred dollars (\$500) provided for under subsection (6) of Section 26  
7                   of this Act.

8                   3. Members providing part-time or substitute services shall not be  
9                   eligible to apply for a disability retirement allowance if they are  
10                   eligible for a service retirement allowance that is not subject to an  
11                   actuarial reduction required under KRS 161.600(1)(b) or (d).

12           **(b)** The board of trustees may permit members providing part-time or substitute  
13           services to participate in other benefits offered by the retirement system by  
14           promulgating administrative regulations that establish eligibility conditions  
15           for participation in these benefits. All eligibility conditions adopted by the  
16           board of trustees pursuant to this subsection may be amended as necessary to  
17           ensure their actuarial soundness;

18           (3) In addition to the pro rata methodology adopted by the board of trustees under  
19           subsection (1) of this section, members providing part-time and substitute services  
20           shall be subject to all limitations and conditions regarding the accrual, retention,  
21           accreditation, and use of service credit that apply to members providing full-time  
22           services. In addition to the eligibility conditions set forth by the board of trustees  
23           under subsection (2) of this section, members providing part-time and substitute  
24           services shall be subject to all limitations and conditions regarding both the  
25           eligibility to participate and the extent of participation in any benefit offered under  
26           KRS 161.220 to 161.716 that apply to members providing full-time services;

27           (4) Notwithstanding any other provisions of this section to the contrary, instructional

1 assistants who provide teaching services in the local school districts on a full-time  
2 basis in positions covered by the County Employees Retirement System who are  
3 used as substitute teachers on an emergency basis for five (5) days or less during  
4 any one (1) fiscal year shall not be considered members of the Teachers' Retirement  
5 System during that period in which they are serving as substitute teachers for five  
6 (5) days or less;

7 (5) The board of trustees may adopt a pro rata methodology to determine the annual  
8 compensation of members providing part-time and substitute services in order to  
9 determine benefits provided under KRS 161.661 and 161.663. Members providing  
10 part-time and substitute services who had retirement contributions posted to their  
11 accounts during the previous fiscal year and who have not had those contributions  
12 refunded to them are eligible to vote for the board of trustees;

13 (6) The board of trustees of the Teachers' Retirement System shall be responsible for  
14 final determination of membership eligibility and may direct employers to take  
15 whatever action that may be necessary to correct any error relating to membership;  
16 and

17 (7) The provisions of this section are not subject to KRS 161.714.

18 ➔Section 20. KRS 161.614 is amended to read as follows:

19 A court order awarding additional back salary to or reinstating a member as a result of  
20 employment in a position covered by the ~~the Kentucky~~ Teachers' Retirement System shall  
21 entitle the member to additional salary or service credit, or both, under the following  
22 circumstances:

23 (1) Members shall make contributions to the ~~the Kentucky~~ Teachers' Retirement System  
24 at the rate set forth in KRS 161.540 and members' employers shall make  
25 contributions at the rate set forth in KRS 161.550, with interest accruing on all  
26 contributions at the rate of eight percent (8%) per annum from the end of each fiscal  
27 year that back salary or the reinstatement was ordered. Contributions, plus interest,

- 1 shall be made for each year that back salary or reinstatement was ordered. No  
2 service or salary credit shall be credited to a member's account unless full  
3 contributions are paid to the ~~the~~ Kentucky Teachers' Retirement System;
- 4 (2) The member may have court-ordered back salary credited to his or her account only  
5 to the extent that the member actually received payment for the back salary and only  
6 to the extent that the court-ordered back salary is within the salary scale that was  
7 available to the member in the covered position for the years that the back salary  
8 was awarded. Court-ordered back salary can be credited to the member's account  
9 only as permitted under KRS 161.220(9) and (10). The member may have court-  
10 ordered service credited to his or her account only after the retirement system has  
11 received the contributions and interest on the full compensation that would  
12 normally be earned in the position that is the subject of the litigation;
- 13 (3) The member's employer ordered to pay back salary or to reinstate the member by a  
14 court of competent jurisdiction shall provide the retirement system with a  
15 breakdown of the back salary awarded to the member on a year-by-year basis;
- 16 (4) The calculations of the contributions and interest required to be paid for court-  
17 ordered back salary or reinstatement shall be provided by the retirement system to  
18 the member or the member's employer at the member's or employer's request.  
19 Requests for these calculations shall be made with at least two (2) weeks of advance  
20 notice to the retirement system to provide these calculations. The retirement system  
21 will calculate accrued interest as of the last day of the month during which payment  
22 of the full contributions are made;
- 23 (5) For purposes of this section, a settlement agreement that provides back salary or  
24 reinstatement, and is adopted by order or judgment of a court of competent  
25 jurisdiction or is referenced in an order dismissing the action as settled shall have  
26 the same effect as a court order adjudicating the matter. Orders entered by a  
27 government board or agency as a result of litigation conducted on an administrative

1 hearing level and legally binding arbitration and mediation awards shall be  
2 considered as court orders for the purposes of this section; and

3 (6) Under no circumstances shall a member be entitled to service credit as a result of  
4 court-ordered reinstatement that is in violation of the provisions of KRS 161.500.

5 ➔Section 21. KRS 161.620 is amended to read as follows:

6 (1) The retirement allowance, in the form of a life annuity with refundable balance, of a  
7 member retiring for service shall be calculated as follows:

8 (a) For retirements effective July 1, 1998, and thereafter, except as otherwise  
9 provided by this section, the annual allowance for each year of service shall be  
10 two percent (2%) of the final average salary for service performed prior to  
11 July 1, 1983, and two and one-half percent (2.5%) of the final average salary  
12 for service performed after July 1, 1983, for all members not employed by a  
13 state college or university. The annual retirement allowance for each year of  
14 service performed by members of the Teachers' Retirement System who are  
15 members under the provisions of KRS 161.220(4)(b) or (n) shall be two  
16 percent (2%) of the final average salary. Actuarial discounts due to age or  
17 service credit at retirement may be applied as provided in this section;

18 (b) For individuals who become members of the ~~Kentucky~~ Teachers' Retirement  
19 System on or after July 1, 2002, and before July 1, 2008, except those persons  
20 who become members under KRS 161.220(4)(b) or (n), and who upon  
21 retirement have earned less than ten (10) full years of service credit, the  
22 retirement allowance shall be two percent (2%) of the member's final average  
23 salary for each year of service. For individuals who become members of the ~~Kentucky~~  
24 ~~Kentucky~~ Teachers' Retirement System on or after July 1, 2002, and before  
25 July 1, 2008, except those persons who become members under KRS  
26 161.220(4)(b) or (n), and who upon retirement have earned at least ten (10)  
27 full years of service credit, the annual allowance for each year of service shall

- 1           be two and one-half percent (2.5%) of the member's final average salary;
- 2           (c) The board of trustees may approve for members who initially retire on or after
- 3           July 1, 2004, and who become members before July 1, 2008, except those
- 4           persons who are members under KRS 161.220(4)(b) or (n), a retirement
- 5           allowance of three percent (3%) of the member's final average salary for each
- 6           year or partial year of service credit earned in excess of thirty (30) years. This
- 7           three percent (3%) factor shall be in lieu of the two and one-half percent
- 8           (2.5%) factor provided for in paragraph (b) of this subsection for every year or
- 9           fraction of a year of service in excess of thirty (30) years. Upon approval of
- 10          this three percent (3%) retirement factor, the board of trustees may establish
- 11          conditions of eligibility regarding the type of service credit that will qualify
- 12          for meeting the requirements of this subsection. This subsection is optional
- 13          with the board of trustees and shall not be subject to KRS 161.714;
- 14          (d) For individuals who become members of the ~~Kentucky~~ Teachers' Retirement
- 15          System on or after July 1, 2008, except those persons who become members
- 16          under KRS 161.220(4)(b) or (n), the retirement allowance shall be:
- 17           1.    a.    One and seven-tenths percent (1.7%) of the member's final average
- 18                   salary for each year of service if the member has earned ten (10) or
- 19                   less years of service at retirement;
- 20                   b.    Two percent (2%) of the member's final average salary for each
- 21                   year of service if the member has earned greater than ten (10) but
- 22                   no more than twenty (20) years of service at retirement;
- 23                   c.    Two and three-tenths percent (2.3%) of the member's final average
- 24                   salary for each year of service if the member has earned greater
- 25                   than twenty (20) but no more than twenty-six (26) years of service
- 26                   at retirement; or
- 27                   d.    Two and one-half percent (2.5%) of the member's final average

- 1 salary for each year of service if the member has earned greater  
2 than twenty-six (26) but no more than thirty (30) years of service at  
3 retirement; and
- 4 2. Three percent (3%) of the member's final average salary for each year ***or***  
5 ***partial year*** of service earned in excess of thirty (30) years of service at  
6 retirement subject to the same terms and conditions as set forth in  
7 paragraph (c) of this subsection;
- 8 (e) For individuals who become members of the ~~Kentucky~~ Teachers' Retirement  
9 System on or after July 1, 2008, who are members under KRS 161.220(4)(b)  
10 or (n), the retirement allowance shall be:
- 11 1. One and one-half percent (1.5%) of the member's final average salary for  
12 each year of service if the member has earned ten (10) or less years of  
13 service at retirement;
- 14 2. One and seven-tenths percent (1.7%) of the member's final average  
15 salary for each year of service if the member has earned greater than ten  
16 (10) but no more than twenty (20) years of service at retirement;
- 17 3. One and eighty-five hundredths percent (1.85%) of the member's final  
18 average salary for each year of service if the member has earned greater  
19 than twenty (20) but less than twenty-seven (27) years of service at  
20 retirement; or
- 21 4. Two percent (2%) of the member's final average salary for each year of  
22 service if the member has earned twenty-seven (27) or more years of  
23 service at retirement; and
- 24 (f) The retirement allowance of a member at retirement, as measured on a life  
25 annuity, shall not exceed the member's last yearly salary or the member's final  
26 average salary, whichever is the greater amount. For purposes of this section,  
27 "yearly salary" means the compensation earned by a member during the most

1 recent period of contributing service, either consecutive or nonconsecutive,  
2 preceding the member's effective retirement date and shall be subject to the  
3 provisions of KRS 161.220(9) and (10).

4 (2) Effective July 1, 2002, and annually on July 1 thereafter, the retirement allowance  
5 of each retired member, of each recipient of a straight life annuity with a  
6 refundable balance, and of each recipient~~[beneficiary]~~ of a retirement option shall  
7 be increased in the amount of one and one-half percent (1.5%), provided the retired  
8 member had been retired for at least the full twelve (12) months immediately  
9 preceding the date that the increase is effective. In the event that the retired member  
10 had been retired for less than the full twelve (12) months immediately preceding the  
11 date that the increase is effective, then the increase shall be reduced on a pro rata  
12 basis by each month that the retired member had not been retired for the full twelve  
13 (12) months immediately preceding the effective date of the increase.

14 (3) Any member qualifying for retirement under a life annuity with refundable balance  
15 shall be entitled to receive an annual allowance amounting to not less than four  
16 hundred dollars (\$400) effective July 1, 2002, and not less than four hundred forty  
17 dollars (\$440) effective July 1, 2003, multiplied by the service credit years of the  
18 member. These minimums shall apply to the retired members receiving annuity  
19 payments and to those members retiring on or subsequent to the effective dates  
20 listed in this subsection, except the following:

21 (a) Individuals who become members of the ~~[Kentucky]~~ Teachers' Retirement  
22 System on or after July 1, 2008; or

23 (b) Members whose retirement allowance payment is reduced below the  
24 minimum allowance as a result of its division in a qualified domestic relations  
25 order or any other provision permitted under KRS 161.700.

26 (4) The minimum retirement allowance provided in this section shall apply in the case  
27 of members retired or retiring under an option other than a life annuity with



1 refundable balance in the same proportion to the benefits of the member and his  
2 beneficiary or beneficiaries as provided in the duly-adopted option tables at the time  
3 of the member's retirement.

4 (5) (a) *The Teachers' Retirement System may in its biennial budget request*  
5 *funding to provide an increase in the monthly allowance of each retired*  
6 *member, each recipient of a straight life annuity with a refundable balance,*  
7 *and each recipient of a retirement option in order to help their monthly*  
8 *allowances keep up with the costs of inflation.*

9 (b) *If funding is available, each retired member, each recipient of a straight life*  
10 *annuity with a refundable balance, and each recipient of a retirement*  
11 *option shall receive the full increase provided by the funding if the retired*  
12 *member, recipient of a straight life annuity with a refundable balance, or*  
13 *recipient of a retirement option has*~~Effective July 1, 2008, the monthly~~  
14 ~~allowance of each retired member and each recipient of a retirement option of~~  
15 ~~the retired member may be increased in an amount not to exceed three and~~  
16 ~~one-half percent (3.5%) of the monthly allowance in effect the previous~~  
17 ~~month, provided the retired member had} been retired for at least the full~~  
18 ~~twelve (12) months immediately preceding the date that the increase is~~  
19 ~~effective.~~

20 (c) In the event that the retired member, *the recipient of a straight life annuity*  
21 *with a refundable balance, or the recipient of a retirement option has*~~had}~~  
22 ~~been retired for less than the full twelve (12) months immediately preceding~~  
23 ~~the date that the increase is effective, then the increase shall be reduced on a~~  
24 ~~pro rata basis by each month that the retired member had not been retired for~~  
25 ~~the full twelve (12) months immediately preceding the effective date of the~~  
26 ~~increase.~~

27 (d) The level of increase provided for in this subsection shall be determined by

1 the funding provided in the~~[2008-2010]~~ biennium budget appropriation.

2 (6) ~~[Effective July 1, 2009, the monthly allowance of each retired member and each~~  
3 ~~recipient of a retirement option of the retired member may be increased in an~~  
4 ~~amount not to exceed seven tenths of one percent (0.7%) of the monthly allowance~~  
5 ~~in effect the previous month, provided the retired member had been retired for at~~  
6 ~~least the full twelve (12) months immediately preceding the date that the increase is~~  
7 ~~effective. In the event that the retired member had been retired for less than the full~~  
8 ~~twelve (12) months immediately preceding the date that the increase is effective,~~  
9 ~~then the increase shall be reduced on a pro rata basis by each month that the retired~~  
10 ~~member had not been retired for the full twelve (12) months immediately preceding~~  
11 ~~the effective date of the increase. The level of increase provided for in this~~  
12 ~~subsection shall be determined by the funding provided in the 2008-2010 biennium~~  
13 ~~budget appropriation.~~

14 ~~(7)~~ Effective July 1, 1990, monthly payments of two hundred dollars (\$200) shall be  
15 payable for the benefit of an adult child of a member retired for service when the  
16 child's mental or physical condition is sufficient to cause dependency on the  
17 member at the time of retirement. Eligibility for this payment shall continue for the  
18 life of the child or until the time the mental or physical condition creating the  
19 dependency no longer exists or the child marries. Benefits under this subsection  
20 shall apply to legally adopted survivors provided the proceedings for the adoption  
21 were initiated at least one (1) year prior to the death of the member. The board of  
22 trustees shall be the sole judge of eligibility or dependency and may require formal  
23 application or information relating thereto.

24 ~~(7)~~~~(8)~~ Members of the Teachers' Retirement System shall be subject to the annuity  
25 income limitations imposed by Section 415 of the Internal Revenue Service Code.

26 ~~(8)~~~~(9)~~ Compensation in excess of the limitations imposed by Section 401(a)(17) of  
27 the Internal Revenue Code shall not be used in determining a member's retirement

1 annuity. The limitation on compensation for eligible members shall not be less than  
2 the amount which was allowed to be taken into account by the retirement system in  
3 effect on July 1, 1993. For this purpose, an eligible member is an individual who  
4 was a member of the retirement system before the first plan year beginning after  
5 December 31, 1995.

6 ➔Section 22. KRS 161.630 is amended to read as follows:

7 (1) A member, upon retirement, shall receive a retirement allowance in the form of a  
8 life annuity, with refundable balance, as provided in KRS 161.620, unless an  
9 election is made before the effective date of retirement to receive actuarially  
10 equivalent benefits under options which the board of trustees approves. No option  
11 shall provide for a benefit with an actuarial value at the age of retirement greater  
12 than that provided in KRS 161.620. This section does not apply to disability  
13 allowances as provided in KRS 161.661(1).

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

17 (a) A divorce, annulment, or marriage dissolution following retirement shall, at  
18 the election of the retiree, cancel any optional plan selected at retirement that  
19 provides *indefinitely* continuing benefits to a spousal beneficiary and return  
20 the retiree to a single lifetime benefit equivalent as determined by the board;  
21 or

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

27 (3) Except as otherwise provided in this section, a beneficiary designation shall not be

1 changed after the effective date of retirement except for retirees who elect the life  
 2 annuity with refundable balance or the predetermined years certain and life  
 3 thereafter option. A member may remove a beneficiary at any time, but shall not  
 4 designate a substitute beneficiary. If a member elects to remove a beneficiary, the  
 5 member's retirement allowance shall not change regardless of the retirement option  
 6 selected by the member, even if the removed beneficiary predeceases the member.

7 (4) A member who experiences a qualifying event under subsection (2) of this section  
 8 and who elects a new optional plan of payment shall make that election within sixty  
 9 (60) days of the qualifying event.

10 ➔Section 23. 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**  
 13 **report**~~maintain a record~~ of the days employed and the compensation paid to each  
 14 annuitant and **other data as required by administrative regulation of the board of**  
 15 **trustees**~~submit an annual report on forms prescribed by the retirement system~~ 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  
 19 **filing**~~reporting~~ date or fails to provide the information required for employment of  
 20 annuitants of the retirement system. **However, the retirement system may waive the**  
 21 **penalty for good 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 24. KRS 161.650 is amended to read as follows:

26 (1) In the case of death of a member who has retired by reason of service or disability,  
 27 any portion of the member's accumulated contributions, including member

1 contributions to the state accumulation fund and regular interest to the date of  
2 retirement, that has not, and will not be paid as an allowance or benefit shall be paid  
3 to the member's beneficiary in such manner as the board of trustees elects.

4 (2) (a) The member may designate a primary beneficiary or two (2) or more  
5 cobeneficiaries to receive any remaining accumulated member contributions  
6 payable under this section.

7 (b) A contingent beneficiary may be designated in addition to the primary  
8 beneficiary or the cobeneficiaries. The member may designate two (2) or more  
9 contingent beneficiaries.

10 (c) To the extent permitted by the Internal Revenue Code, a trust may be  
11 designated as beneficiary for receipt of any remaining accumulated member  
12 contributions.

13 (d) Members may designate as beneficiaries only presently identifiable and  
14 existing individuals, or trusts where otherwise permitted, without contingency  
15 instructions, on forms prescribed by the retirement system. Cobeneficiaries  
16 shall be composed of a single class of individuals, or trusts where permitted,  
17 who will share in equal proportions in any payment that may become available  
18 under this section.

19 (e) 1. Any beneficiary designation made by the member shall remain in effect  
20 until changed by the member on forms prescribed by the retirement  
21 system, except in the event of subsequent marriage or divorce.

22 2. Subsequent marriage by the member shall void the primary  
23 beneficiary and any cobeneficiary designation, even that of a trust,  
24 and the spouse of the member at death shall be considered as the  
25 primary beneficiary, unless the member subsequent to marriage  
26 designates another beneficiary. An individual who is married prior to  
27 becoming a retired member of the retirement system and remains

1                   *married at the time of becoming a retired member shall have his or*  
 2                   *her spouse considered the primary beneficiary, unless the member*  
 3                   *designates another beneficiary for any amounts payable under*  
 4                   *subsection (1) of this section.*

5           3. A final divorce decree shall terminate the beneficiary status of an ex-  
 6           spouse unless, subsequent to divorce, the member redesignates the  
 7           former spouse as a beneficiary. A final divorce decree shall not  
 8           terminate the designation of a trust as beneficiary regardless of who is  
 9           designated as beneficiary of the trust.

10          (f) In the event that the member fails to designate a beneficiary or all designated  
 11          beneficiaries predecease the member, any remaining accumulated member  
 12          contributions shall be payable to the member's estate, *unless the member is*  
 13          *married at the time of his or her death, in which case any remaining*  
 14          *contributions shall be payable to his or her spouse.*

15          ➔Section 25. KRS 161.655 is amended to read as follows:

16          (1) Effective July 1, 2000, the Teachers' Retirement System shall:

17               (a) Provide a life insurance benefit in a minimum amount of five thousand dollars  
 18               (\$5,000) for its members who are retired for service or disability. This life  
 19               insurance benefit shall be payable upon the death of a member retired for  
 20               service or disability to the member's estate or to a party designated by the  
 21               member on a form prescribed by the retirement system; and

22               (b) Provide a life insurance benefit in a minimum amount of two thousand dollars  
 23               (\$2,000) for its active contributing members. This life insurance benefit shall  
 24               be payable upon the death of an active contributing member to the member's  
 25               estate or to a party designated by the member on a form prescribed by the  
 26               retirement system.

27          (2) (a) The member may name one (1) primary and one (1) contingent beneficiary for

1 receipt of the life insurance benefit. To the extent permitted by the Internal  
2 Revenue Code, a trust may be designated as beneficiary for receipt of the life  
3 insurance benefit.

4 **(b)** Members may designate as beneficiaries only presently identifiable and  
5 existing individuals, or trusts where otherwise permitted, without contingency  
6 instructions, on forms prescribed by the retirement system.

7 **(c)** In the event that a member fails to designate a beneficiary, or all designated  
8 beneficiaries predecease the member, the member's estate shall be deemed to  
9 be the beneficiary, **unless the member is married at the time of his or her**  
10 **death, in which case the spouse shall be deemed the beneficiary.**

11 **(d)** **1.** Any beneficiary designation made by the member, including the estate  
12 should the estate become the beneficiary by default, shall remain in  
13 effect until changed by the member on forms prescribed by the  
14 retirement system, except in the event of subsequent marriage or  
15 divorce.

16 **2.** A valid marriage license shall terminate any previously designated  
17 beneficiary, even that of a trust, and establish the spouse as beneficiary  
18 unless, subsequent proof of the marriage, the member or retired member  
19 redesignates someone other than the new spouse as the beneficiary.

20 **3.** **An individual who is married prior to becoming an active member or a**  
21 **retired member of the retirement system and remains married at the**  
22 **time of becoming an active or retired member of the retirement system**  
23 **shall have his or her spouse considered the primary beneficiary,**  
24 **unless the member designates another beneficiary.**

25 **4.** A final divorce decree shall terminate the beneficiary status of an ex-  
26 spouse unless, subsequent to divorce, the member redesignates the  
27 former spouse as a beneficiary. A final divorce decree shall not

1 terminate the designation of a trust as beneficiary regardless of who is  
2 designated as beneficiary of the trust.

3 (3) Application for payment of life insurance proceeds shall be made to the Teachers'  
4 Retirement System together with acceptable evidence of death and eligibility. The  
5 reciprocal provisions of KRS 61.680(2)(a) shall not apply to the coverage and  
6 payment of proceeds by the life insurance benefit under this section.

7 (4) Suit or civil action shall not be required for the collection of the proceeds of the life  
8 insurance benefit provided for by this section, but nothing in this section shall  
9 prevent the maintenance of suit or civil action against the beneficiary or legal  
10 representative receiving the proceeds of the life insurance benefit.

11 (5) Upon the death of a member of the Teachers' Retirement System, the life insurance  
12 provided pursuant to subsection (1) of this section may be assigned by the  
13 designated beneficiary to a bank or licensed funeral home.

14 ➔Section 26. KRS 161.661 is amended to read as follows:

15 (1) (a) Any member who is accredited by the retirement system~~has completed~~ five  
16 (5) or more years of ~~accredited~~ service credit in ~~the public schools of~~  
17 Kentucky after July 1, 1941, may retire for disability and be granted a  
18 disability allowance if found to be eligible as provided in this section.  
19 Application for disability benefits shall be made within one (1) year of the last  
20 contributing service in Kentucky, and the disability must have occurred during  
21 the most recent period of employment in a position covered by the Teachers'  
22 Retirement System and subsequent to the accreditation by the retirement  
23 system~~completion~~ of five (5) years of retirement system~~teaching~~  
24 credit in Kentucky. A disability occurring during the regular vacation  
25 immediately following the last period of active service in Kentucky or during  
26 an official leave for which the member is entitled to make regular  
27 contributions to the retirement system, shall be considered as having occurred



1 during a period of active service.

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

4 **(c) The following individuals shall not be eligible for disability benefits as**  
5 **provided by this section:**

6 **1.** Members with twenty-seven (27) or more years of service credit; **and**  
7 ~~[are eligible for service retirement only.]~~

8 **2. Individuals who become members on or after July 1, 2017, who are**  
9 **eligible for an unreduced benefit as provided by KRS 161.600(1)(a).**

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

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

17 (4) A member retired by reason of disability shall continue to earn service credit at the  
18 rate of one (1) year for each year retired for disability. This service shall be credited  
19 to the member's account at the expiration of entitlement as defined in subsection (3)  
20 of this section, or when the member's eligibility for disability benefits is terminated  
21 upon recommendation of a medical review committee, and this service shall be used  
22 in calculating benefits as provided in subsection (5) of this section, but under no  
23 circumstances shall this service be used to provide the member with more than  
24 twenty-seven (27) years of total service credit. The service credit shall be valued at  
25 the same level as service earned by active members as provided under KRS 161.600  
26 and 161.620.

27 (5) Any member retired by reason of disability and remaining disabled at the expiration

1 of the entitlement period shall have his disability benefits recalculated using the  
2 service retirement formula with service credit as set out in subsection (4) of this  
3 section. The retirement allowance shall be calculated as set forth in KRS 161.620,  
4 except that those persons less than sixty (60) years of age shall be considered as  
5 sixty (60) years of age. Members having their disability benefits recalculated under  
6 this subsection shall not be entitled to a benefit based upon an average of their three  
7 (3) highest salaries as set forth in KRS 161.220(9), unless approved otherwise by  
8 the board of trustees.

9 (6) Members who have their disability retirement allowance recalculated at the  
10 expiration of the entitlement period shall continue to have coverage under the post-  
11 retirement medical insurance program. Restrictions on employment shall remain in  
12 effect until the member attains age seventy (70) or until the member's eligibility is  
13 discontinued. KRS 161.520 and 161.525 shall not apply to survivors of disability  
14 retirees whose retirement allowances have been recalculated at the expiration of the  
15 entitlement period. Members who have their disability retirement allowance  
16 recalculated at the expiration of their entitlement period shall be entitled to a  
17 minimum monthly allowance of five hundred dollars (\$500) as the basic straight life  
18 annuity. The minimum allowance shall be effective July 1, 1992, and shall apply to  
19 those members who have had their allowance recalculated prior to that date and to  
20 disability retirees who will have their benefit allowance recalculated on or after that  
21 date. *For individuals who become members on or after July 1, 2017, disability*  
22 *retirement payments and any other recurring payments payable by any state-*  
23 *administered retirement system shall be applied to reduce, on a dollar-for-dollar*  
24 *basis, the minimum monthly disability retirement allowance payable under this*  
25 *subsection.*

26 (7) Effective July 1, 1992, members retired for disability prior to July 1, 1964, shall be  
27 entitled to a minimum monthly allowance of five hundred dollars (\$500) as their

1 basic straight life annuity and their surviving spouse shall be eligible for survivor  
2 benefits as provided in KRS 161.520(1)(a) and (b).

3 (8) Any member retired by reason of disability may voluntarily waive disability benefits  
4 and return to teaching or any member, who is age sixty (60) years or older, may  
5 elect to waive disability benefits and retire for service on the basis of service  
6 credited to the member on the effective date of the disability retirement.

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

13 (10) A member retired by reason of disability shall be required to undergo periodic  
14 examinations at the discretion of the board of trustees to determine whether the  
15 disability allowance shall be continued. When examination and recommendation of  
16 a medical review committee indicate the disability no longer exists, the allowance  
17 shall be discontinued.

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

22 (12) No person who receives a disability allowance may be employed in a position that  
23 entails duties or qualification requirements similar to positions subject to  
24 participation in the retirement system either within or without the State of  
25 Kentucky. So doing shall constitute a misdemeanor and shall result in loss of the  
26 allowance from the first date of this service. A member who applies for and is  
27 approved for disability retirement on or after July 1, 2002, and whose annual

1 disability benefit is less than forty thousand dollars (\$40,000) may earn income in  
2 any occupation other than covered employment only to the extent that the annual  
3 income from the other employment when added to the annual disability benefit does  
4 not exceed forty thousand dollars (\$40,000). For any member who exceeds this  
5 limit as a result of income from other employment, the ~~the Kentucky~~ Teachers'  
6 Retirement System shall reduce the member's disability benefit on a dollar-for-  
7 dollar basis for each dollar that the member's combined annual disability benefit and  
8 annual income from other employment exceeds forty thousand dollars (\$40,000).  
9 The board of trustees may annually increase the forty thousand dollar (\$40,000)  
10 limit by the percentage increase in the annual average of the consumer price index  
11 for all urban consumers for the most recent calendar year as published by the  
12 Federal Bureau of Labor Statistics, not to exceed five percent (5%).

13 (13) All members who applied for disability retirement before July 1, 2002, and were  
14 approved as a result of that application shall be subject to the income limitations as  
15 they existed on June 30, 2002, until July 1, 2006. Effective July 1, 2006, the twenty-  
16 seven thousand dollar (\$27,000) limitation shall be increased to forty thousand  
17 dollars (\$40,000) and may be adjusted by the board of trustees by the consumer  
18 price index in the manner described in subsection (12) of this section. The recipient  
19 of a disability allowance who engages in any gainful occupation other than covered  
20 employment must make a report of the duties involved, compensation received, and  
21 any other pertinent information required by the board of trustees.

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

1 committee shall follow administrative regulations regarding procedures as the board  
2 of trustees may enact and shall be paid reasonable fees and expenses as authorized  
3 by the board of trustees in compliance with the provisions of KRS 161.330 and  
4 161.340. The retirement system may secure additional medical examinations and  
5 information as it deems necessary. A member may appeal any final agency decision  
6 denying his or her disability retirement application pursuant to the provisions of  
7 KRS 161.250(2).

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

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

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

24 (18) Any person who is receiving benefits and becomes disqualified from receiving  
25 those benefits under this section, or becomes disqualified from receiving a portion  
26 of those benefits due to income from other than covered employment, shall  
27 immediately notify the Teachers' Retirement System of this disqualification in

1 writing and shall return all benefits paid after the date of disqualification. Failure to  
 2 comply with these provisions shall create an indebtedness of that person to the  
 3 Teachers' Retirement System. Interest at the rate of eight percent (8%) per annum  
 4 shall be charged if the debt is not repaid within sixty (60) days after the date of  
 5 disqualification. Failure to repay this debt creates a lien in favor of the Teachers'  
 6 Retirement System upon all property of the person who improperly receives benefits  
 7 and does not repay those benefits. The ~~Kentucky~~ Teachers' Retirement System  
 8 may, in order to collect an outstanding debt, reduce or terminate any benefit that a  
 9 member is otherwise entitled to receive.

10 ➔Section 27. KRS 161.680 is amended to read as follows:

11 **(1)** If any change or error in a record results in any individual receiving from the  
 12 retirement system more or less than the individual was entitled to receive, the board  
 13 of trustees shall, when the error is discovered, correct the error, and as far as  
 14 practicable adjust the payments so that the actuarial equivalent of the benefit to  
 15 which the individual was entitled shall be paid.

16 **(2) The Teachers' Retirement System shall take all practicable and cost-effective**  
 17 **steps to collect overpayments from a member's or retiree's account. Methods of**  
 18 **correction of overpayments from any member's or retiree's account shall include**  
 19 **but are not limited to reclamation of the overpayment from the member's or**  
 20 **retiree's account at the depository bank, the deduction of moneys from account**  
 21 **refunds, deduction from the retirement allowance or joint and survivor annuity**  
 22 **payable from the account, and deduction of moneys from the life insurance**  
 23 **benefit. Collection of overpayments shall be initiated regardless of the designated**  
 24 **beneficiary for any amounts payable from the account.**

25 ➔Section 28. KRS 161.550 is amended to read as follows:

26 (1) Beginning with July 1, each employer, except as provided under KRS 161.555,  
 27 shall contribute annually to the ~~Kentucky~~ Teachers' Retirement System a

1 permanent amount equal to that contributed by members of the retirement system it  
2 employs less the amount contributed by employees under KRS 161.540(1)(c), plus  
3 an additional three and one-fourths percent (3.25%) of the total of salaries of  
4 members of the retirement system it employs to discharge the system's unfunded  
5 obligations with interest assumed by the state and to provide funding to the medical  
6 insurance fund as provided under KRS 161.420(5). If the board of trustees  
7 establishes a trust fund under 26 U.S.C. sec. 115, the board may deposit the  
8 employer contribution dedicated to retiree health in that trust fund.

9 (2) In addition to the required contributions in subsection (1) of this section, the state  
10 shall contribute annually to the ~~the Kentucky~~ Teachers' Retirement System a  
11 percentage of the total salaries of the state-funded and federally funded members it  
12 employs to pay the cost of health insurance coverage for retirees who are not  
13 eligible for Medicare and who retire on or after July 1, 2010, less the amounts that  
14 are otherwise required to be paid by the retirees under KRS 161.675. The ~~the~~  
15 ~~Kentucky~~ Teachers' Retirement System may also request an additional amount  
16 necessary to ensure payment of medical insurance costs through fiscal year 2015-  
17 2016 which shall not be subject to the limitations of paragraph (c) of this  
18 subsection. The board shall deposit funds in the medical insurance fund unless the  
19 board of trustees has established a trust fund under 26 U.S.C. sec. 115 for this  
20 purpose. In this case, the board may deposit the employer contribution in that trust  
21 fund. This contribution shall be known as the state medical insurance fund  
22 stabilization contribution. The percentage to be contributed by the state under this  
23 subsection:

- 24 (a) Shall be determined by the retirement system's actuary for each biennial  
25 budget period;
- 26 (b) May be suspended or adjusted by the General Assembly if in its judgment the  
27 welfare of the Commonwealth so demands; and

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

4 (3) Effective July 1, 2010, all local boards of education, agencies, and organizations  
5 identified in KRS 161.220(4), with the exception of those institutions identified  
6 under paragraphs (b) and (n) of KRS 161.220(4), shall make a contribution for each  
7 payroll on behalf of their active employees who participate in the ~~the Kentucky~~  
8 Teachers' Retirement System in an amount equal to the percentage of payroll of  
9 those active employees, according to the schedule as follows:

10	July 1, 2010.....	Twenty-five hundredths percent (.25%)
11	July 1, 2011.....	One-half percent (.50%)
12	July 1, 2012.....	One percent (1.0%)
13	July 1, 2013.....	One and one-half percent (1.5%)
14	July 1, 2014.....	Two and twenty-five hundredths percent (2.25%)
15	July 1, 2015, and thereafter.....	Three percent (3.0%)

16 (4) Institutions identified under KRS 161.220(4)(b) and (n) shall make a contribution  
17 for each payroll on behalf of their active employees who participate in the ~~the~~  
18 ~~Kentucky~~ Teachers' Retirement System of an amount equal to a percentage of these  
19 employees' payroll that is actuarially equivalent to the percentage contributed by  
20 local boards of education, agencies, and organizations identified under subsection  
21 (3) of this section, not to exceed the percentages established under the schedule set  
22 forth in subsection (3) of this section. The actuarial equivalent to be contributed  
23 under this subsection shall be determined by the ~~the Kentucky~~ Teachers' Retirement  
24 System's actuary.

25 (5) When the medical insurance fund established under KRS 161.420(5) achieves a  
26 sufficient prefunded status as determined by the ~~the Kentucky~~ Teachers' Retirement  
27 System's actuary, the board of trustees shall recommend to the General Assembly



1           that the contributions required under subsections (3) and (4) of this section shall, in  
2           an actuarially accountable manner, be either decreased, suspended, or eliminated.

3       (6) Each employer shall remit the required employer contributions to the retirement  
4           system under the terms and conditions specified for member contributions under  
5           KRS 161.560. The state shall provide annual appropriations based upon estimated  
6           funds needed to meet the requirements of KRS 161.155; 161.168; 161.507(4);  
7           161.515; 161.545; 161.553; 161.605; 161.612; and 161.620(1), (3), (5), and (6)~~,  
8           and (7)~~. In the event an annual appropriation is less than the amount of these  
9           requirements, the state shall make up the deficit in the next biennium budget  
10          appropriation to the retirement system. Employer contributions to the retirement  
11          system are for the exclusive purpose of providing benefits to members and  
12          annuitants and these contributions shall be considered deferred compensation to the  
13          members.