

(CORRECTED)
As Amended by House Committee

Session of 2014

HOUSE BILL No. 2533

By Committee on Pensions and Benefits

1-29

1 AN ACT concerning retirement and benefits; relating to the Kansas public
2 employees retirement system act of 2015; interest credits on annuity
3 savings and retirement annuity accounts; ~~distribution of member's~~
4 ~~mandatory contributions upon termination or death~~; payment of annuity
5 upon retirement; amending K.S.A. 2013 Supp. 74-49,306, 74-49,308,
6 ~~74-49,310, 74-49,311~~ and 74-49,313 and repealing the existing
7 sections.

8
9 *Be it enacted by the Legislature of the State of Kansas:*

10 Section 1. K.S.A. 2013 Supp. 74-49,306 is hereby amended to read as
11 follows: 74-49,306. (a) A member's annuity savings account is the sum of
12 the member's mandatory contributions plus the interest credits on those
13 contributions, which shall be credited no less frequently than quarterly
14 based on the account balances as of the last day of the preceding quarter.
15 Effective January 1, 2015, the interest credits are ~~5.25%~~ 4% per annum.
16 The legislature may from time to time prospectively change the interest
17 credits, and expressly reserves the right to do so.

18 (b) ~~The board may, in the board's discretion, from time to time~~
19 ~~provide for an additional interest credit, subject to the following~~
20 ~~conditions: (1) The additional interest credit may not exceed 4% per~~
21 ~~annum;~~

22 (2) ~~if the funding ratio of the system as a whole is equal to or more~~
23 ~~than 80% as certified by the board, the board shall provide for an~~
24 ~~additional interest credit which may not exceed the lesser of 4% or a~~
25 ~~percentage of the rate of return on the system's assets that is above 8% for~~
26 ~~a fiscal year which such percentage is equal to the funding ratio of the~~
27 ~~system as a whole for each fiscal year;~~

28 (3) ~~the additional interest credit for a fiscal year shall not be granted~~
29 ~~unless the rate of return on the system's assets is at least 10% for that fiscal~~
30 ~~year; and~~

31 (4) ~~if the funding ratio of the system as a whole is less than 80% as~~
32 ~~certified by the board, the board shall consider the funding of the system,~~
33 ~~market conditions, investment returns and other related factors specified~~
34 ~~by the board. The board shall provide for an annual additional interest~~
35 ~~credit which such credit shall be. The additional interest credit shall be~~

1 posted to the member's annuity savings account on March 31 or as
2 soon thereafter as practicable, based on the member's account value
3 as of December 31 of the preceding year. The additional interest credit
4 shall be determined as follows:

5 ~~(1) For calendar year 2016,~~ **the additional interest credit based on**
6 **the member's annuity savings account balance as of December 31,**
7 **2015, the dividend shall be equal to 75% of the average net rate of return**
8 **as determined by the board for calendar year ~~2016~~ 2015 on the market**
9 **value of the system's assets that is above 6%, except that such additional**
10 **interest credit shall not exceed 1.5%;**

11 ~~(2) for calendar year 2017,~~ **the additional interest credit based on**
12 **the member's annuity savings account balance as of December 31,**
13 **2016, the dividend shall be equal to 75% of the average net rate of return**
14 **as determined by the board for calendar years ~~2016 and 2017~~ 2015 and**
15 **2016 on the market value of the system's assets that is above 6%, except**
16 **that such additional interest credit shall not exceed 1.5%;**

17 ~~(3) for calendar year 2018,~~ **the additional interest credit based on**
18 **the member's annuity savings account balance as of December 31,**
19 **2017, the dividend shall be equal to 75% of the average net rate of return**
20 **as determined by the board for calendar years ~~2016, 2017 and 2018~~ 2015,**
21 **2016 and 2017 on the market value of the system's assets that is above**
22 **6%, except that such additional interest credit shall not exceed 1.5%;**

23 ~~(4) for calendar year 2019,~~ **the additional interest credit based on**
24 **the member's annuity savings account balance as of December 31,**
25 **2018, the dividend shall be equal to 75% of the average net rate of return**
26 **as determined by the board for calendar years ~~2016, 2017, 2018 and 2019~~**
27 **2015, 2016, 2017 and 2018 on the market value of the system's assets that**
28 **is above 6%, except that such additional interest credit shall not exceed**
29 **1.5%; and**

30 ~~(5) for calendar year 2020~~ **the additional interest credit based on**
31 **the member's annuity savings account balance as of December 31,**
32 **2019, and all calendar years thereafter, the dividend shall be equal to**
33 **75% of the five-year average net compound rate of return as determined**
34 **by the board for that calendar year and the previous four calendar years**
35 **on the market value of the system's assets that is above 6%.**

36 (c) The member's annuity savings account is vested from the date that
37 the employee becomes a member of the plan.

38 (d) Interest credits under subsections (a) and (b) shall not be granted
39 on the member's annuity savings account following the end of the second
40 plan year following the member's termination of employment under the
41 plan without vesting in the retirement annuity account as provided in
42 K.S.A. 2013 Supp. 74-49,312, and amendments thereto.

43 (e) For a member to be eligible for an additional interest credit, the

1 member shall have an account balance at the time the interest credit is
2 posted to the account.

3 Sec. 2. K.S.A. 2013 Supp. 74-49,308 is hereby amended to read as
4 follows: 74-49,308. (a) A member's retirement annuity account is the sum
5 of all employer credits to the account plus the interest credits on the
6 account, which shall be credited no less frequently than quarterly, based on
7 the account balances as of the last day of the preceding quarter. Effective
8 January 1, 2015, the interest credits are ~~5.25%~~ 4% per annum. The
9 legislature may from time to time prospectively change the interest credits,
10 and expressly reserves the right to do so.

11 (b) ~~The board may, in the board's discretion, from time to time~~
12 ~~provide for an additional interest credit, subject to the following~~
13 ~~conditions: (1) The additional interest credit may not exceed 4% per~~
14 ~~annum;~~

15 ~~(2) if the funding ratio of the system as a whole, is equal to or more~~
16 ~~than 80% as certified by the board, the board shall provide for an~~
17 ~~additional interest credit which may not exceed the lesser of 4% or a~~
18 ~~percentage of the rate of return on the system's assets that is above 8% for~~
19 ~~a fiscal year which such percentage is equal to the overall funded ratio of~~
20 ~~the system as a whole for each fiscal year;~~

21 ~~(3) the additional interest credit for a fiscal year shall not be granted~~
22 ~~unless the rate of return on the system's assets is at least 10% for that fiscal~~
23 ~~year; and~~

24 ~~(4) if the funding ratio of the system as a whole is less than 80% as~~
25 ~~certified by the board, the board shall consider the funding of the system,~~
26 ~~market conditions, investment returns and other related factors specified~~
27 ~~by the board. The board shall provide for an annual additional interest~~
28 ~~credit which such credit shall be. The additional interest credit shall be~~
29 **posted to the member's retirement annuity account on March 31 or as**
30 **soon as practicable, based on the member's account value as of**
31 **December 31 of the preceding year. The additional interest credit shall**
32 **be determined as follows:**

33 *(1) For calendar year 2016, the annual additional interest credit*
34 *based on the member's retirement annuity account balance as of*
35 *December 31, 2015, the dividend shall be equal to 75% of the average*
36 *net rate of return as determined by the board for calendar year 2016*
37 *on the market value of the system's assets that is above 6%, except that*
38 *such additional interest credit shall not exceed 1.5%;*

39 *(2) for calendar year 2017, the annual additional interest credit*
40 *based on the member's retirement annuity account balance as of*
41 *December 31, 2016, the dividend shall be equal to 75% of the average*
42 *net rate of return as determined by the board for calendar years 2016 and*
43 *2017 2015 and 2016 on the market value of the system's assets that is*

1 above 6%, except that such additional interest credit shall not exceed
2 1.5%;

3 (3) ~~for calendar year 2018~~, **the additional interest credit based on**
4 **the member's retirement annuity account balance as of December 31,**
5 **2017, the dividend shall be equal to 75% of the average net rate of return**
6 **as determined by the board for calendar years ~~2016, 2017 and 2018~~ 2015,**
7 **2016 and 2017 on the market value of the system's assets that is above**
8 **6%, except that such additional interest credit shall not exceed 1.5%;**

9 (4) ~~for calendar year 2019~~, **the additional interest credit based on**
10 **the member's retirement annuity account balance as of December 31,**
11 **2018, the dividend shall be equal to 75% of the average net rate of return**
12 **as determined by the board for calendar years ~~2016, 2017, 2018 and 2019~~**
13 **2015, 2016, 2017 and 2018 on the market value of the system's assets that**
14 **is above 6%, except that such additional interest credit shall not exceed**
15 **1.5%; and**

16 (5) ~~for calendar year 2020~~ **the additional interest credit based on**
17 **the member's retirement annuity account balance as of December 31,**
18 **2019, and all calendar years thereafter, the dividend shall be equal to**
19 **75% of the five-year average net compound rate of return as determined**
20 **by the board for that calendar year and the previous four calendar years**
21 **on the market value of the system's assets that is above 6%.**

22 (c) For a member to be eligible for an additional interest credit, the
23 member shall have an account balance at the time the interest credit is
24 posted to the account.

25 (d) Interest credits under subsections (a) and (b) shall not be granted
26 on the member's non-vested retirement annuity account following the end
27 of the second plan year following the member's termination of
28 employment covered under the plan.

29 ~~Sec. 3.—K.S.A. 2013 Supp. 74-49,310 is hereby amended to read as~~
30 ~~follows: 74-49,310. (a) Any time after termination of service or death, a~~
31 ~~member who is not vested or the beneficiary of such a member may~~
32 ~~terminate plan membership by filing a written application with the board~~
33 ~~and taking a distribution of the member's annuity savings account~~
34 ~~mandatory contributions from the plan through any combination of the~~
35 ~~following payout options, each of which is subject to the applicable~~
36 ~~provisions of the federal internal revenue code and the applicable~~
37 ~~regulations of the internal revenue service:~~

38 (1) ~~A direct rollover to an eligible retirement plan; or~~

39 (2) ~~a lump sum distribution.~~

40 (b) ~~The board by official action may specify minimum account~~
41 ~~balances for purposes of allowing benefit payment options and rollovers in~~
42 ~~accordance with federal law.~~

43 ~~Sec. 4.—K.S.A. 2013 Supp. 74-49,311 is hereby amended to read as~~

1 follows: 74-49,311. (a) A member who is eligible for a benefit under
2 subsection (a) or (b) of K.S.A. 2013 Supp. 74-49,313, and amendments
3 thereto, shall be entitled to a distribution of such member's annuity savings
4 account. Such distribution shall be made using mortality rates and interest
5 rates as provided in subsection (a) of K.S.A. 2013 Supp. 74-49,313, and
6 amendments thereto, and may be made in any of the annuity options
7 described in subsection (e) of K.S.A. 2013 Supp. 74-49,313, and
8 amendments thereto. In lieu of an annuity, a member entitled to a benefit
9 under subsection (a) of K.S.A. 2013 Supp. 74-49,313, and amendments
10 thereto, may elect to receive a lump sum of such member's annuity savings
11 account of any fixed dollar amount or percent, but in no event may the
12 lump sum option elected under this section and the lump sum option
13 elected under subsection (e) of K.S.A. 2013 Supp. 74-49,313, and
14 amendments thereto, exceed 30% of the total value of such member's
15 annuity savings account and retirement annuity account.

16 (b) A *vested* member who is not eligible for a benefit under
17 subsection (a) or (b) of K.S.A. 2013 Supp. 74-49,313, and amendments
18 thereto, but who terminates employment in any covered position under the
19 system, may elect to take a distribution of such member's entire annuity
20 savings account balance, but the member shall then forfeit the entire
21 balance in the member's retirement annuity account.

22 (e) In the case of an active or inactive member:

23 (1) Who is vested in the member's annuity savings account;

24 (2) who has five or more years of service at death; and

25 (3) who dies before attaining normal retirement age, with such
26 member's spouse at time of death designated as such member's sole
27 primary beneficiary, the member's surviving spouse on and after the date
28 the member would have attained normal retirement age had such member
29 not died, shall receive an annuity based upon such member's contributions
30 and interest credits in the annuity savings account, using factors
31 established by the board by official action as of the beneficiary's annuity
32 start date. The form of benefit shall be a single life annuity with 10-year
33 certain.

34 Sec. 5. 3. K.S.A. 2013 Supp. 74-49,313 is hereby amended to read as
35 follows: 74-49,313. (a) Except as provided in subsection (e), a member
36 who has a nonforfeitable interest in the member's retirement annuity
37 account, at any time after termination from service and the attainment of
38 normal retirement age, shall receive an annuity based upon the balance in
39 such member's retirement annuity account, using mortality rates
40 established by the board by official action as of the member's annuity start
41 date and interest rates established by the legislature *an interest rate equal*
42 *to the actuarial assumed investment rate of return established by the*
43 *board minus 2%*, as of the member's annuity start date, and such interest

1 ~~rate shall initially be 6%.~~ The legislature may from time to time
2 prospectively change the interest rate and the board may from time to time
3 prospectively change the mortality rates, and the legislature expressly
4 reserves such rights to do so.

5 (b) Except as provided in subsection (e), a member who has a vested
6 interest in the member's retirement annuity account, who terminates
7 covered employment, without forfeiting such member's account, with the
8 completion of at least 10 years of service, shall be eligible to receive, upon
9 attainment of age 55, an annuity based upon employer credits and interest
10 credits in such member's retirement annuity account, using mortality rates
11 established by the board by official action as of the member's annuity start
12 date and an interest rate established by the legislature as of the member's
13 annuity start date, and such interest rate shall initially be 6%. The
14 legislature may from time to time prospectively change the interest rate
15 and the board may from time to time prospectively change the mortality
16 rates, and the legislature expressly reserves such rights to do so.

17 (c) The form of benefit payable under subsections (a) and (b) shall be
18 a single life annuity with 10-year certain. The member may elect any
19 option described in K.S.A. 74-4918, and amendments thereto, except the
20 partial lump-sum option, subject to actuarial factors established by the
21 board from time to time. The benefit option selected may include a self-
22 funded cost-of-living adjustment feature, in which the account value is
23 converted to a benefit amount that increases by a fixed percentage over
24 time. One or more fixed percentages shall be established by the board,
25 which may be changed from time to time. In lieu of a part of an annuity,
26 for a member entitled to a benefit under subsection (a), the member may
27 elect to receive a lump-sum of such member's retirement annuity account
28 of any fixed dollar amount or percent, but in no event may the lump-sum
29 option elected under this section and the lump-sum option elected under
30 subsection (a) of K.S.A. 2013 Supp. 74-49,311, and amendments thereto,
31 exceed 30% of the total value of such member's annuity savings account
32 and retirement annuity account.

33 (d) Except as provided in subsection (e), in the case of an active or
34 inactive member:

- 35 (1) Who is vested in the member's retirement annuity account;
- 36 (2) who has five or more years of service at death; and
- 37 (3) who dies before attaining normal retirement age, with such
38 member's spouse at time of death designated as such member's sole
39 primary beneficiary, the member's surviving spouse on and after the date
40 the member would have attained normal retirement age had such member
41 not died, shall receive an annuity based upon employer credits and interest
42 credits in the retirement annuity account, using factors established by the
43 board by official action as of the beneficiary's annuity start date. The form

1 of benefit shall be a single life annuity with 10-year certain.

2 (e) If a member's vested retirement annuity account is less than
3 \$1,000 upon separation from service, or the total of the member's vested
4 retirement annuity account and annuity savings account balance is less
5 than \$1,000, the account balance or balances shall be mandatorily
6 distributed to the member in accordance with section 401(a)(31)(B) of the
7 federal internal revenue code. If the member does not elect to have such
8 distribution paid directly to an eligible retirement plan specified by the
9 participant in a direct rollover or to receive the distribution directly, then
10 the board will pay the distribution to the member directly.

11 ~~Sec.-6. 4. K.S.A. 2013 Supp. 74-49,306, 74-49,308, 74-49,310, 74-~~
12 ~~49,311 and 74-49,313 are hereby repealed.~~

13 ~~Sec.-7. 5. This act shall take effect and be in force from and after its~~
14 ~~publication in the statute book.~~