

**SENATE BILL No. 425**

By Committee on Ways and Means

2-27

1 AN ACT concerning retirement and benefits; relating to the Kansas public  
2 employees retirement system and systems related thereto; interest  
3 credits on annuity savings and retirement annuity accounts; payment of  
4 annuity upon retirement; affiliation and membership of the department  
5 of corrections in the Kansas police and firemen's retirement system,  
6 security officers, employee and employer contributions; amending  
7 K.S.A. 2013 Supp. 74-49,306, 74-49,308 and 74-49,313 and repealing  
8 the existing sections.  
9

10 *Be it enacted by the Legislature of the State of Kansas:*

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

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

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

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

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

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

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

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

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

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

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

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

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

41 (e) For a member to be eligible for an additional interest credit, the  
42 member shall have an account balance at the time the interest credit is  
43 posted to the account.

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

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

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

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

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

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

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

42       (3) ~~for the additional interest credit based on the member's retirement~~  
43 ~~annuity account balance as of December 31, 2017, the dividend shall be~~

1 equal to 75% of the average net rate of return as determined by the board  
2 for calendar years 2015, 2016 and 2017 on the market value of the  
3 system's assets that is above 6%, except that such additional interest credit  
4 shall not exceed 1.5%;

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

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

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

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

24 Sec. 3. K.S.A. 2013 Supp. 74-49,313 is hereby amended to read as  
25 follows: 74-49,313. (a) Except as provided in subsection (e), a member  
26 who has a nonforfeitable interest in the member's retirement annuity  
27 account, at any time after termination from service and the attainment of  
28 normal retirement age, shall receive an annuity based upon the balance in  
29 such member's retirement annuity account, using mortality rates  
30 established by the board by official action as of the member's annuity start  
31 date and ~~interest rates established by the legislature~~ an interest rate equal  
32 to the actuarial assumed investment rate of return established by the  
33 board minus 2%, as of the member's annuity start date, ~~and such interest~~  
34 ~~rate shall initially be 6%.~~ The legislature may from time to time  
35 prospectively change the interest rate and the board may from time to time  
36 prospectively change the mortality rates, and the legislature expressly  
37 reserves such rights to do so.

38 (b) Except as provided in subsection (e), a member who has a vested  
39 interest in the member's retirement annuity account, who terminates  
40 covered employment, without forfeiting such member's account, with the  
41 completion of at least 10 years of service, shall be eligible to receive, upon  
42 attainment of age 55, an annuity based upon employer credits and interest  
43 credits in such member's retirement annuity account, using mortality rates

1 established by the board by official action as of the member's annuity start  
2 date and an interest rate established by the legislature as of the member's  
3 annuity start date, and such interest rate shall initially be 6%. The  
4 legislature may from time to time prospectively change the interest rate  
5 and the board may from time to time prospectively change the mortality  
6 rates, and the legislature expressly reserves such rights to do so.

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

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

25 (1) Who is vested in the member's retirement annuity account;

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

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

35 (e) If a member's vested retirement annuity account is less than  
36 \$1,000 upon separation from service, or the total of the member's vested  
37 retirement annuity account and annuity savings account balance is less  
38 than \$1,000, the account balance or balances shall be mandatorily  
39 distributed to the member in accordance with section 401(a)(31)(B) of the  
40 federal internal revenue code. If the member does not elect to have such  
41 distribution paid directly to an eligible retirement plan specified by the  
42 participant in a direct rollover or to receive the distribution directly, then  
43 the board will pay the distribution to the member directly.

1 New Sec. 4. (a) On July 1, 2014, the department of corrections shall  
2 be an eligible employer as defined in K.S.A. 74-4952, and amendments  
3 thereto, and shall affiliate with the Kansas police and firemen's retirement  
4 system established under K.S.A. 74-4951 et seq., and amendments thereto.  
5 The department of corrections shall make application for affiliation with  
6 such system in the manner provided by K.S.A. 74-4954, and amendments  
7 thereto, to be effective on January 1 of the next year following application.

8 (b) The division of the budget and the governor shall include in the  
9 budget and in the budget request for appropriations for personnel services,  
10 the amount required to satisfy the employer's obligation under this section  
11 as certified by the board of trustees of the system, and shall present the  
12 same to the legislature for allowance and appropriation. Upon affiliation,  
13 the department of corrections shall pay to the system a sum sufficient to  
14 satisfy such obligations as certified by the board.

15 (c) The determination of retirement, death or disability benefits shall  
16 be computed upon the basis of "credited service," as used in K.S.A. 74-  
17 4951 et seq., and amendments thereto, but shall include only participating  
18 service with the department of corrections, commencing on and after the  
19 effective date of affiliation by the department of corrections with the  
20 Kansas police and firemen's retirement system.

21 (d) Any rights or benefits accruing to any security officer employed  
22 by the department of corrections prior to the effective date of affiliation  
23 shall be determined pursuant to the provisions of K.S.A. 74-4901 et seq.,  
24 and amendments thereto. Any security officer who becomes a member  
25 pursuant to this section, who has a vested retirement benefit pursuant to  
26 K.S.A. 74-4917, and amendments thereto, and who terminates  
27 employment prior to attaining a vested benefit pursuant to K.S.A. 74-4963,  
28 and amendments thereto, may have such service credited for purposes of  
29 computing retirement benefits pursuant to K.S.A. 74-4901 et seq., and  
30 amendments thereto.

31 (e) Every person who is employed as a security officer on or after the  
32 entry date of the department of corrections into the Kansas police and  
33 firemen's retirement system shall become a member of the Kansas police  
34 and firemen's retirement system.

35 (f) Except as otherwise provided by this act, any security officer  
36 employed by the department of corrections who becomes a member of the  
37 Kansas police and firemen's retirement system shall be subject to all the  
38 provisions of K.S.A. 74-4951 through 74-4970, and amendments thereto.

39 (g) Beginning with the first payment of compensation for services of  
40 a security officer after becoming a member of the Kansas police and  
41 firemen's retirement system, the employer shall deduct from the  
42 compensation of such member 7.15% as the employee contribution to the  
43 system. Such deductions shall be remitted, deposited and credited as

1 provided in K.S.A 74-4965, and amendments thereto.

2 (h) As used in this section, "security officer" means any person, as  
3 certified to the board by the secretary of corrections, who is employed on  
4 or after the effective date of this act as an employee of the department of  
5 corrections:

6 (1) Who is in any position in a job class in the corrections officer  
7 class series, including, but not limited to, corrections officer I, corrections  
8 officer II, corrections supervisor I, corrections supervisor II and  
9 corrections supervisor III, or in a position in the corrections counselor I,  
10 corrections counselor II, unit team supervisor or corrections classification  
11 administrator job class, as all such job classes are described on January 1,  
12 2015, in the state job classification plan in effect for the classified service  
13 under the Kansas civil service act or who is in a position in any successor  
14 job class or classes that have been approved under K.S.A. 75-2938, and  
15 amendments thereto, and that have substantially the same duties and  
16 responsibilities thereof;

17 (2) who is promoted prior to or on or after January 1, 2015, from a  
18 position in any job class under paragraph (1) to any position in any job  
19 class of warden or deputy warden of any correctional institution, the job  
20 class of work release supervisor, the job class of training officer,  
21 correctional institutions, or the job class of corrections administrator —  
22 security specialist as such job classes are described on January 1, 2015, in  
23 the state job classification plan in effect for the classified service under the  
24 Kansas civil service act or to any successor job class or classes that are  
25 approved under K.S.A. 75-2938, and amendments thereto, and that have  
26 substantially the same duties and responsibilities, if the person was  
27 employed and had at least three consecutive years of service in any one or  
28 more positions in any one or more job classes described in paragraph (1)  
29 immediately preceding promotion to the position in a job class under this  
30 paragraph;

31 (3) who is in any position for which the duties and responsibilities  
32 directly and primarily involve operation of power plant facilities within  
33 any correctional institution and involve regular contact with inmates;

34 (4) who is in any position for which the duties and responsibilities  
35 directly and primarily involve the operation of the correctional industries  
36 activity of the department of corrections within a correctional institution  
37 and involve regular contact with inmates;

38 (5) who is in any position for which the duties and responsibilities  
39 directly and primarily involve supervision of food service operations  
40 within any correctional institution and involve regular contact with  
41 inmates; or

42 (6) who is in any position for which the duties and responsibilities  
43 directly and primarily involve supervision of maintenance operations

1 within any correctional institution and involve regular contact with  
2 inmates.

3 (i) As used in this section, references to the department of corrections  
4 include correctional institutions as defined by K.S.A. 75-5202, and  
5 amendments thereto, unless the context requires otherwise.

6 Sec. 5. K.S.A. 2013 Supp. 74-49,306, 74-49,308 and 74-49,313 are  
7 hereby repealed.

8 Sec. 6. This act shall take effect and be in force from and after its  
9 publication in the statute book.