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MEMORADUM

To: Senate committee on Ways and Means
From: David Wiese, Assistant Revisor
Date: January 31, 2012
Re: Senate bill 338, Kansas Public Employees Retirement System Act of 2014

Senate bill 338 enacts the Kansas Public Employees Retirement System Act of 2014, which is a new retirement plan design recommended by the KPERS Study Commission. The plan applies to employees hired after January 1, 2014, all nonvested members of KPERS on January 1, 2014 and all legislators. The new plan does not include members of the Kansas Police and Firemen's system or the retirement system for judges.

The major provisions of the new plan include:

- A two-part design with (1) an employee directed account with a mandatory contribution of 6% of the employee's compensation, and (2) an employer annuity account in which the employer contribution would be placed. The employer contribution rate would be service-based and would increase annually on the following scale:

Credited Service	Employer Contribution Rate
Up to one year of service	1.0%
One year, but less than two years	1.5%
Two years, but less than three years	2.0%
Three years, but less than four	2.5%
Four years, but less than five	3.0%
Five years, but less than six	3.5%
Six years, but less than seven	4.0%
Seven years, but less than eight	4.5%
Eight years and all years thereafter	5.0%

- The employee directed account would be self-directed by the employee with a wide range of investment options. One such option would be investments that closely mirror the KPERS investment portfolio. This option would be the default investment option if the employee does not choose to self-direct.

- The annuity contribution component would continue to be invested in the current KPERS portfolio. The principal amount contributed by the employer would be guaranteed, but beyond the principal, account earnings would be subject to investment performance.

- The member would be immediately vested in their employee directed account and at five years of service would be vested in the member's employer annuity account. At retirement, the balance of the employer annuity account is annuitized and provides a life-time benefit in addition to the member's employee directed account.

- All legislators and nonvested members who are required to transfer to the new plan would have their employee contributions to the current system, plus interest, calculated as a present value on January 1, 2014, converted to a lump-sum and transferred into either the employee directed account of the member, the employer annuity account, or some percentage to each account based on the election of the member. This election is subject to IRS approval and the default is all contributions transferred to the employee directed account.

- Annualization of legislative pay for purposes of calculating retirement benefits is done away with in this bill.

- Members of the new plan would be covered in the current death and disability plan.

The bill also includes the KPERS Study Commission's recommendation that the statutory cap on employer contributions be lifted and that the full actuarial required contribution (ARC) rate be contributed.

The bill also includes another KPERS Study Commission recommendation which would repeal the various service credit purchases available to KPERS members effective July 1, 2013. However, if a member had commenced a purchase prior to July 1, 2013, such member would still be allowed to complete the purchase.