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MEMORANDUM

To: Chairman Masterson and members of the Senate Committee on Ways and Means
From: David Wiese, Assistant Revisor
Date: March 12, 2013
Re: HB 2213; KPERS trailer legislation for the KPERS Act of 2015

HB 2213 is trailer legislation to address implementation issues relating to 2012 HB 2333 which enacted the KPERS Act of 2015 (Tier 3, cash balance plan) and made several changes to current KPERS Tiers 1 and 2.

HB 2213:

- Corrects internal references and terminology;
- Clarifies the default option regarding employee contributions for Tier 1 members who fail to elect under the provisions of HB 2333;
- Adds language to include early retirement provisions;
- Changes dates from January 1, 2014, to July 1, 2012, to close what had been a time gap and more clearly provides when Tier 2 retirement benefits will be calculated at a 1.85% multiplier instead of 1.75%;
- Allows for a one-time redetermination of benefits for certain Tier 2 members who had retired after July 1, 2012, but before the effective date of this bill, to reflect the increase to the 1.85% multiplier for years of service earned under Tier 2 and gives the KPERS authority to make up any underpayment to such retirants in a form and manner prescribed by the KPERS Board; and
- Adds language relating to membership in the system, providing a window during which non-vested Tier 1 or 2 members who leave covered employment may return to covered employment without forfeiting such member's Tier 1 or Tier 2 status.

The House Committee on Pensions and Benefits amended the bill at the suggestion of KPERS to clarify the early retirement eligibility for Tier 3 members by requiring the attainment of age 55.

Effective Date:

HB 2213 would take effect after its publication in the Kansas Register.

Detailed Summary of Amendments:

Page 1, lines 33-35:

Adding language clarifying that a Tier 1 member failing to make an election shall contribute, commencing January 1, 2014, 5% of such member's compensation as employee contributions, and commencing January 1, 2015, and in each subsequent year, 6%.

Page 2, line 3:

Correcting the subsection reference from (d)(2) to (c)(2).

Page 2, lines 7-10 and 12-15:

Adding language to cover those Tier 2 members who retire pursuant to early retirement as provided pursuant to K.S.A. 2012 Supp. 74-49,206 and back dates to July 1, 2012, the cutoff date for retirement benefits calculated at the 1.75% multiplier, instead of January 1, 2014. (July 1, 2012, is the effective date of 2012 HB 2333, which increased the Tier 2 multiplier to 1.85%)

Page 2, lines 18-27:

Adding language that states that for any Tier 2 member who retired on and after July 1, 2012, but prior to the effective date of this bill, such member's annual retirement benefit shall be redetermined with the amount for participating service to be used in determining such member's annual retirement benefit equal to 1.85% of the member's final average salary. Any underpayment to the member shall be paid to such member by KPERS by means of a one-time redetermination benefit payment in a form and manner prescribed by the board.

Page 2, lines 36-43 and Page 3, lines 1-4:

Adding a new paragraph to K.S.A. 74-49,301 (membership in the new cash balance plan) in which any non-vested employee, other than an elected official, shall remain a member of KPERS if such member: (1) Does not leave covered employment with a participating employer for a period of time exceeding 30 consecutive days; (2) does not withdraw such member's annuity savings account, forfeiting such member's membership in the interim; and (3) returns to covered employment with a participating employer in a covered position within such 30-day time period.

Page 3, lines 5-15:

Adding a second new paragraph to K.S.A. 74-49,301 in which any non-vested member, other than an elected official, who has been employed in a covered position with a participating school employer, shall remain a member of KPERS if such member: (1) Was employed in a covered position with a participating school employer for the duration of the school year and immediately returns to covered employment with another participating school employer at the beginning of the following school year; and (2) does not withdraw such member's annuity savings account forfeiting such member's membership in the interim.

Page 4, line 24 and Page 5, line 16:

Changing the term "additional interest rate" to "additional interest credit" in order to be consistent with the rest of the section.

Page 5, line 43 and Page 6 lines 1-3:

As introduced, this amendment removed the requirement that a member attain age 55 for purposes of early retirement under Tier 3 and stated that a member vested in such member's retirement annuity account, who terminates covered employment, without forfeiting interest in such member's account, with the completion of at least 10 years of service, shall receive an annuity. The House Committee on Pensions and Benefits amended this language to clarify that attainment of age 55 was still required for a member to be eligible for early retirement distributions from such member's account.

Page 7, line 7:

Correcting the year referenced because the Tier 3 cash balance plan does not begin until January 1, 2015.

Page 7, line 9:

Correcting internal references to include subsections (a) or (b) of K.S.A. 2012 Supp. 74-49,313.