

HOUSE BILL No. 2213

AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system and systems thereunder; retirement annuity options; maximum retirement benefits; employee contributions; certain member elections; retirement benefit determinations, one-time payment; membership; amending K.S.A. 20-2610a, 74-4958, 74-4958a and 74-4965 and K.S.A. 2012 Supp. 74-4964, 74-49,135, 74-49,205, 74-49,301, 74-49,306, 74-49,308, 74-49,313 and 74-49,315 and repealing the existing sections.

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

Section 1. K.S.A. 20-2610a is hereby amended to read as follows: 20-2610a. (a) A judge may elect to have such judge's retirement annuity paid under one of the options provided in this section in lieu of having it paid in the form stated in K.S.A. 20-2610, and amendments thereto. Such election shall be made before the date of actual retirement. A specific person shall be designated as joint annuitant at the time of election of the joint and  $\frac{1}{2}$  to joint annuitant survivor option, joint and survivor option and the joint and  $\frac{3}{4}$  to joint annuitant survivor option. ~~Under no circumstances may~~ *Except as specifically provided in this subsection, an option elected by a member as provided in this section shall not be changed or canceled nor shall the named joint annuitant be changed after the date of actual retirement of the judge. If a retirant is divorced after the retirant's date of actual retirement, and the retirant has named the retirant's ex-spouse as a joint annuitant under subsection (c), the joint annuitant option may be canceled and the retirant's benefit returned to the maximum amount of such retirant's retirement benefit commencing the first month following the date such cancellation is ordered by the district court of the county where the divorce action was filed. The retirant shall not receive a refund or interest of any amounts already paid to fund the original joint annuitant benefit. The retirant may not name a subsequent joint annuitant once the original joint annuitant option has been canceled.*

(b) The amount of retirement annuity payable under an option shall be based on the age of the judge and, if applicable, the age of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement annuity otherwise payable under K.S.A. 20-2610, and amendments thereto, as prescribed in subsection (c). Whenever the amount of any benefit is to be determined on the basis of actuarial assumptions, the assumptions shall be specified in a way that precludes employer discretion. In no case shall the total amount of retirement annuity payable under any option provided in this section be more than 100% of the retirement annuity which would have been otherwise payable if no option had been elected under this section.

(c) The following retirement options, which are subject to the provisions of K.S.A. 74-49,123, and amendments thereto, are available:

(1) *Joint and  $\frac{1}{2}$  to joint annuitant survivor.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and amendments thereto, and (B) the percentage equal to 91% minus 0.4% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus 0.4% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest whole year, with  $\frac{1}{2}$  of that monthly amount continued to the judge's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(2) *Joint and survivor.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and amendments thereto, and (B) the percentage equal to 83% minus 0.6% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus 0.6% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest whole year, with that monthly amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of

judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(3) *Joint and  $\frac{3}{4}$  to joint annuitant survivor.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and amendments thereto, and (B) the percentage equal to 87% minus 0.5% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus 0.5% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest whole year, with  $\frac{3}{4}$  of that monthly amount continued to the judge's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(4) *Life with 5 years certain.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 98% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and amendments thereto, and if the judge dies within the five-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the five-year certain period.

(5) *Life with 10 years certain.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 95% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and amendments thereto, and if the judge dies within the ten-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the ten-year certain period.

(6) *Life with 15 years certain.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 88% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and amendments thereto, and if the judge dies within the fifteen-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the fifteen-year certain period.

(7) *Lump sum payment at retirement.* (A) Pursuant to this option, the judge must specify a lump sum amount to be paid to the judge upon the judge's retirement. The lump sum amount will be based on the actuarial present value of the benefit as provided in K.S.A. 20-2610, and amendments thereto. The lump sum amount designated by the judge must be in 10% increments and shall not exceed  $\frac{1}{2}$  of the actuarial present value of the benefit provided in K.S.A. 20-2610, and amendments thereto. If the judge's spouse elects a lump sum payment as provided in this section pursuant to the provisions of subsection (d), the lump sum payment will be based on the present value of the retirement option selected by the spouse. The lump sum amount designated by the spouse must be in 10% increments and shall not exceed  $\frac{1}{2}$  of the actuarial present value of the option selected in this section.

(B) Pursuant to this option, the judge must elect to have the remaining actuarial present value paid in a monthly amount under the provisions of K.S.A. 20-2610, and amendments thereto, or subsections (c)(1) through (c)(6) of this section.

(C) In the event that the designated joint annuitant pursuant to subsection (c)(1), (c)(2) or (c)(3), under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under the option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(D) The provisions of this subsection shall be effective on and after July 1, 2001.

(d) If a judge, who is eligible to retire, dies without having actually retired, the judge's spouse, if the spouse is the sole beneficiary for the judge's accumulated contributions, may elect to receive benefits as a joint annuitant under one of the options provided in this section in lieu of receiving the judge's accumulated contributions.

(e) On and after May 1, 2004, if a judge with 10 or more years of credited service dies before attaining retirement age, the judge's spouse, if the spouse is the sole beneficiary for the judge's accumulated contributions, may elect to receive benefits under one of the options provided in this section in lieu of receiving the judge's accumulated contributions. Payments under one of the options provided in this section to the judge's spouse if so elected, shall commence on the date that the judge would have been eligible for normal retirement pursuant to subsection (a) of K.S.A. 20-2608, and amendments thereto, or would have been eligible for early retirement pursuant to subsection (b) or (c) of K.S.A. 20-2608, and amendments thereto, if such early retirement date occurs earlier.

(f) Benefits payable to a joint annuitant shall accrue from the first day of the month following the death of a member or retirant and, in the case of the joint and  $\frac{1}{2}$  to joint annuitant survivor option, the joint and survivor option and the joint and  $\frac{3}{4}$  to joint annuitant survivor option, shall end on the last day of the month in which the joint annuitant dies.

(g) The provisions of the law in effect on the retirement date of a judge under the retirement system for judges shall govern the retirement annuity payable to the retired judge and any joint annuitant, except, for retirement benefits payable after July 1, 1993, for judges who retired prior to July 1, 1982, in the event that the designated joint annuitant under the option provided in subsection (c)(1), (2) or (3), as applicable, predeceased the judge, the amount of the retirement benefit otherwise payable to the judge under the option provided in subsection (c)(1), (2) or (3), as applicable, shall be adjusted automatically to the retirement benefit which the judge would have received if no option had been elected under this section.

(h) Upon the death of a joint annuitant who is receiving a retirement benefit under the provisions of this section, there shall be paid to such joint annuitant's beneficiary an amount equal to the excess, if any, of the accumulated contributions of the retired judge over the sum of all retirement benefit payments made to such retired judge and such joint annuitant. Such joint annuitant shall designate a beneficiary by filing in the office of the retirement system such designation at the time of death of the retired judge. If there is no named beneficiary of such joint annuitant living at the time of death of such joint annuitant, any amount provided for by this section shall be paid to, in order of preference as follows:

- (1) The joint annuitant's surviving spouse;
- (2) the joint annuitant's dependent child or children;
- (3) the joint annuitant's dependent parent or parents;
- (4) the joint annuitant's nondependent child or children;
- (5) the joint annuitant's nondependent parent or parents; or
- (6) the estate of the deceased joint annuitant.

(i) In any event, benefits shall be adjusted as necessary to satisfy the incidental death benefits regulations under the federal internal revenue code.

Sec. 2. K.S.A. 2012 Supp. 74-4964 is hereby amended to read as follows: 74-4964. (1) A member may elect to have such member's retirement benefit paid under one of the options provided in this section in lieu of having it paid in the form stated in subsections (1) and (2) of K.S.A. 74-4958, and amendments thereto. Such election must be made before the date of actual retirement. Only a specific individual person may be designated as a joint annuitant at the time of election of the joint and  $\frac{1}{2}$  to joint annuitant survivor option, the joint and survivor option and the joint and  $\frac{3}{4}$  to joint annuitant survivor option. ~~Under no circumstances may~~ *Except as specifically provided in this subsection, an option elected by a member as provided in this section shall not be changed or canceled nor shall the named joint annuitant be changed after the date of actual retirement of the member. If a retirant is divorced after the retirant's date of actual retirement, and the retirant has named the retirant's ex-*

*spouse as a joint annuitant under subsection (5), the joint annuitant option may be canceled and the retirant's benefit returned to the maximum amount of such retirant's retirement benefit commencing the first month following the date such cancellation is ordered by the district court of the county where the divorce action was filed. The retirant shall not receive a refund or interest of any amounts already paid to fund the original joint annuitant benefit. The retirant may not name a subsequent joint annuitant once the original joint annuitant option has been canceled.*

(2) The amount of a retirement benefit payable under an option shall be based on the age of the member and, if applicable, the age of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement benefit otherwise payable under subsections (1) or (2) of K.S.A. 74-4958, and amendments thereto, as prescribed under subsection (5). In no case shall the total amount of retirement benefit paid under any option provided in this section be more than 100% of the retirement benefit which would have been otherwise payable if no option had been elected under this section.

(3) If a member who was, up to the entry date of such member's employer, covered by a pension system under the provisions of K.S.A. 13-14a01 to 13-14a14, inclusive, or 14-10a01 ~~through~~ to 14-10a15, inclusive, and amendments thereto, so elects one of the options under this section, payment of such option shall be in lieu of any payments provided in subsection (3) of K.S.A. 74-4958, and amendments thereto.

(4) Such election of an option shall become null and void upon the death of a member prior to such member's retirement, except that if a member, who is eligible to retire in accordance with the provisions of subsections (1) and (2) of K.S.A. 74-4958, and amendments thereto, dies without having actually retired the member's spouse, if the spouse is beneficiary for the member's accumulated contributions, and no benefits are payable under subsections (1) and (2) of K.S.A. 74-4959, and amendments thereto, may elect to receive benefits under one of the options provided in this section, in lieu of receiving the member's accumulated contributions.

(5) The following retirement options which are subject to the provisions of K.S.A. 74-49,123, and amendments thereto, are available:

(A) *Joint and 1/2 to joint annuitant survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 74-4958, and amendments thereto, and (B) the percentage equal to 94.5% minus 0.2% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus 0.2% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with 1/2 of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(B) *Joint and survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 74-4958, and amendments thereto, and (B) the percentage equal to 88% minus 0.4% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus 0.4% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with that monthly amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(C) *Joint and 3/4 to joint annuitant survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly

amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 74-4958, and amendments thereto, and (B) the percentage equal to 91% minus 0.3% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus 0.3% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with  $\frac{3}{4}$  of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(D) *Life with 5 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 99% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958, and amendments thereto, and if the retirant dies within the five-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the five-year certain period.

(E) *Life with 10 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 98% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958, and amendments thereto, and if the retirant dies within the ten-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the ten-year certain period.

(F) *Life with 15 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 92% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958, and amendments thereto, and if the retirant dies within the fifteen-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the fifteen-year certain period.

(G) *Lump sum payment at retirement.* (i) Pursuant to this option, the member must specify a lump sum amount to be paid to the member upon the member's retirement. The lump sum amount will be based on the actuarial present value of the benefit as provided in K.S.A. 74-4958, and amendments thereto. The lump sum amount designated by the member must be in 10% increments and shall not exceed  $\frac{1}{2}$  of the actuarial present value of the benefit provided in K.S.A. 74-4958, and amendments thereto. If the member's spouse elects a lump sum payment as provided in this section pursuant to the provisions of subsection (6), the lump sum payment will be based on the present value of the retirement option selected by the spouse. The lump sum amount designated by the spouse must be in 10% increments and shall not exceed  $\frac{1}{2}$  of the actuarial present value of the option selected in this section.

(ii) Pursuant to this option, the member must elect to have the remaining actuarial present value paid in a monthly amount under the provisions of K.S.A. 74-4958, and amendments thereto, or subsections (5)(A) through (5)(F) of this section.

(iii) In the event that the designated joint annuitant pursuant to subsection (5)(A), (5)(B) or (5)(C) under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(iv) The provisions of this subsection shall be effective on and after July 1, 2001.

(6) On and after July 1, 1996, if a member with 20 or more years of credited service dies before attaining retirement age, the member's spouse, if the spouse is the sole beneficiary for the member's accumulated contributions, may elect to receive benefits under one of the options provided in this section in lieu of receiving the member's accumulated

contributions or in lieu of receiving benefits as provided in K.S.A. 74-4959, and amendments thereto. Payments under one of the options provided in this section to the member's spouse if so elected, shall commence on the date that the member would have attained retirement age.

(7) Benefits payable to a joint annuitant shall accrue from the first day of the month following the death of a member or retirant and, in the case of the joint and  $\frac{1}{2}$  to joint annuitant survivor option, the joint and survivor option and the joint and  $\frac{3}{4}$  to joint annuitant survivor option, shall end on the last day of the month in which the joint annuitant dies.

(8) The provisions of the law in effect on the retirement date of a member under the system shall govern the retirement benefit payable to the retirant and any joint annuitant, except, for retirement benefits payable after July 1, 1993, for retirants who retired prior to July 1, 1982, in the event that the designated joint annuitant under the option provided in subsection (5)(A), (B) or (C), as applicable, predeceased the retirant, the amount of the retirement benefit otherwise payable to the retirant under the option provided in subsection (5)(A), (B) or (C), as applicable, shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(9) Upon the death of a joint annuitant who is receiving a retirement benefit under the provisions of this section, there shall be paid to such joint annuitant's beneficiary an amount equal to the excess, if any, of the accumulated contributions of the retirant over the sum of all retirement benefit payments made to such retirant and such joint annuitant. Such joint annuitant shall designate a beneficiary by filing in the office of the retirement system such designation at the time of death of the retirant. If there is no named beneficiary of such joint annuitant living at the time of death of such joint annuitant, any amount provided for by this section shall be paid to, in order of preference as follows:

- (A) The joint annuitant's surviving spouse;
- (B) the joint annuitant's dependent child or children;
- (C) the joint annuitant's dependent parent or parents;
- (D) the joint annuitant's nondependent child or children;
- (E) the joint annuitant's nondependent parent or parents; or
- (F) the estate of the deceased joint annuitant.

(10) The provisions of this section shall apply only to members who were appointed or employed prior to July 1, 1989, and who did not make an election pursuant to K.S.A. 74-4955a, and amendments thereto.

Sec. 3. K.S.A. 74-4958 is hereby amended to read as follows: 74-4958. (1) Any member who retires on or after July 1, 1993, shall be entitled to receive an age and service retirement benefit equal to 2.5% of such member's final average salary multiplied by the number of years of credited service *for which the member contributed at the contribution rate prescribed by subsection (1) of K.S.A. 74-4965, and amendments thereto, or for which such member made a lump sum repayment in accordance with the provisions of K.S.A. 74-4965, and amendments thereto,* except that in no case shall such retirement benefit exceed ~~80%~~ 90% of such member's final average salary.

(2) Any member who is appointed or employed prior to July 1, 1989, who does not make an election pursuant to K.S.A. 74-4955a, and amendments thereto, and who retires before such member's normal retirement date shall receive an early retirement benefit equal to the annual retirement benefit payable had the member retired on the normal retirement date reduced by an amount equal to the product of (A) such annual retirement benefit payable had the member retired on the normal retirement date, multiplied by (B) the product of ~~.4%~~ 0.4% multiplied by the number of months difference, to the nearest whole month, between the member's attained age at the time of retirement and age 55.

(3) Upon the death after retirement of a member who was covered, up to the entry date of the member's employer, by a pension system under the provisions of K.S.A. 12-5001 to 12-5007, inclusive, and amendments thereto, or K.S.A. 13-14a01 to 13-14a14, inclusive, and amendments thereto, or K.S.A. 14-10a01 to 14-10a15, inclusive, and amendments thereto, and who had not elected to retire under one of the options provided under K.S.A. 74-4964, and amendments thereto, the member's spouse, if such spouse was the member's lawfully wedded spouse for a period of not less than one year at the time of the member's retirement

or if such spouse had been the member's lawfully wedded spouse for at least three years after the time of the member's retirement, shall receive: (A) Pursuant to the provisions of K.S.A. 74-49,128, and amendments thereto, a lump-sum benefit equal to  $\frac{1}{2}$  the member's final average salary at the time of the member's retirement; and (B) an annual spouse's benefit equal to 75% of the member's retirement benefit payable in monthly installments, to accrue from the last day of the month following the member's date of death and ending on the last day of the month in which the spouse dies. Commencing on the effective date of this act, any surviving spouse, who was receiving benefits pursuant to this section and who had such benefits terminated by reason of such spouse's remarriage, shall be entitled to once again receive benefits pursuant to this section, except that such surviving spouse shall not be entitled to recover any benefits not received after the termination of benefits by reason of such surviving spouse's remarriage but before the effective date of this act. If there is no surviving spouse, or if after the death of the spouse there remain one or more children under the age of 18 years or one or more children under the age of 23 years who is a full-time student as provided in K.S.A. 74-49,117, and amendments thereto, the spouse's benefit shall be payable, subject to the provisions of K.S.A. 74-49,123, and amendments thereto, in equal shares to such children and each child's share shall end on the last day of the month in which such child attains the age of 18 years or dies, whichever occurs earlier or in which such child attains the age of 23 years if such child is a full-time student as provided in K.S.A. 74-49,117, and amendments thereto. Commencing on the effective date of this act, any child who was receiving benefits pursuant to this section and who had such benefits terminated by reason of such child's marriage, shall be entitled to once again receive benefits pursuant to this section subject to the limitations contained in this section, except that such child shall not be entitled to recover any benefits not received after the termination of benefits by reason of such child's marriage but before the effective date of this act. All payments due under this section to a minor shall be made to a legally appointed conservator of such minor as provided in subsection (7) of K.S.A. 74-4902, and amendments thereto. No person shall be entitled to receive more than one benefit under the provisions of this subsection. Any person who otherwise meets the qualifications to receive more than one benefit under this subsection shall elect the benefit such person shall receive.

(4) Upon the death after retirement of a member who had not elected to retire under one of the options provided under K.S.A. 74-4964, and amendments thereto, such member's beneficiary shall receive an amount equal to the excess, if any, of such member's accumulated contributions over the sum of all retirement benefit payments made.

(5) The provisions of law in effect on the retirement date of a member under the system shall govern the retirement benefit payable to the retiree, any joint annuitant and any beneficiary.

Sec. 4. K.S.A. 74-4958a is hereby amended to read as follows: 74-4958a. (1) Any member who retires on or after July 1, 1993, shall be entitled to receive an age and service retirement benefit equal to 2.5% of such member's final average salary multiplied by the number of years of credited service *for which the member contributed at the contribution rate prescribed by subsection (1) of K.S.A. 74-4965, and amendments thereto, or for which such member made a lump sum repayment in accordance with the provisions of K.S.A. 74-4965, and amendments thereto,* except that in no case shall such retirement benefit exceed ~~80%~~ 90% of such member's final average salary.

(2) Any member who retires before such member's normal retirement date shall receive an early retirement benefit equal to the annual retirement benefit payable had the member retired on the normal retirement date reduced by an amount equal to the product of (A) such annual retirement benefit payable had the member retired on the normal retirement date, multiplied by (B) the product of ~~4%~~ 0.4% multiplied by the number of months difference, to the nearest whole month, between the member's attained age at the time of retirement and age 55.

(3) Pursuant to the provisions of K.S.A. 74-49,128, and amendments thereto, upon the death after retirement of a member who was covered, up to the entry date of the member's employer, by a pension system under

the provisions of K.S.A. 12-5001 to 12-5007, inclusive, and amendments thereto, or K.S.A. 13-14a01 to 13-14a14, inclusive, and amendments thereto, or K.S.A. 14-10a01 to 14-10a15, inclusive, and amendments thereto, and who had not elected to retire under one of the options provided under K.S.A. 74-4964, and amendments thereto, the member's spouse, if such spouse was the member's lawfully wedded spouse for a period of not less than one year at the time of the member's retirement or if such spouse had been the member's lawfully wedded spouse for at least three years after the time of the member's retirement, shall receive: (A) Pursuant to the provisions of K.S.A. 74-49,128, and amendments thereto, a lump-sum benefit equal to  $\frac{1}{2}$  the member's final average salary at the time of the member's retirement; and (B) an annual spouse's benefit equal to 75% of the member's retirement benefit payable in monthly installments, to accrue from the first day of the month following the member's date of death and ending on the last day of the month in which the spouse dies. Commencing on the effective date of this act, any surviving spouse, who was receiving benefits pursuant to this section and who had such benefits terminated by reason of such spouse's remarriage, shall be entitled to once again receive benefits pursuant to this section, except that such surviving spouse shall not be entitled to recover any benefits not received after the termination of benefits by reason of such surviving spouse's remarriage but before the effective date of this act. If there is no surviving spouse, or if after the death of the spouse there remain one or more children under the age of 18 years or one or more children under the age of 23 years who is a full-time student as provided in K.S.A. 74-49,117, and amendments thereto, the spouse's benefit shall be payable, subject to the provisions of K.S.A. 74-49,123, and amendments thereto, in equal shares to such children and each child's share shall end on the last day of the month in which such child attains the age of 18 years or dies, whichever occurs earlier or in which such child attains the age of 23 years, if such child is a full-time student as provided in K.S.A. 74-49,117, and amendments thereto. Commencing on the effective date of this act, any child who was receiving benefits pursuant to this section and who had such benefits terminated by reason of such child's marriage, shall be entitled to once again receive benefits pursuant to this section subject to the limitations contained in this section, except that such child shall not be entitled to recover any benefits not received after the termination of benefits by reason of such child's marriage but before the effective date of this act. All payments due under this section to a minor shall be made to a legally appointed conservator of such minor as provided in subsection (7) of K.S.A. 74-4902, and amendments thereto. No person shall be entitled to receive more than one benefit under the provisions of this subsection. Any person who otherwise meets the qualifications to receive more than one benefit under this subsection shall elect the benefit such person shall receive.

(4) Upon the death after retirement of a member who had not elected to retire under one of the options provided under K.S.A. 74-4964, and amendments thereto, such member's beneficiary shall receive an amount equal to the excess, if any, of such member's accumulated contributions over the sum of all retirement benefit payments made.

(5) The provisions of this section shall be effective on and after July 1, 1989, and shall apply only to members who were appointed or employed prior to July 1, 1989, and who made an election pursuant to K.S.A. 74-4955a, and amendments thereto; and persons appointed or employed on or after July 1, 1989.

(6) The provisions of law in effect on the retirement date of a member under the system shall govern the retirement benefit payable to the retiree, any joint annuitant and any beneficiary.

Sec. 5. K.S.A. 74-4965 is hereby amended to read as follows: 74-4965.

(1) ~~Except as otherwise provided in this section—Commencing with the first payroll period beginning on or after July 1, 2013, each participating employer shall, beginning with the first payroll period for services performed after the entry date,~~ deduct from the compensation of each member ~~7%~~ 7.15% of such member's compensation as employee contributions, except that in the case of a member whose employment is covered by social security and the member is a member of the class certified in the case of *Brazelton v. Kansas public employees retirement system*, 227



K. 443, 607 P.2d 510 (1980), the deduction from such member's compensation shall be reduced by the amount of such member's contributions to social security. *For participating employers who join the system on or after July 1, 2013, such deduction shall commence beginning with the first payroll period for services performed after the entry date.*

(2) For any member other than a member who is a member of the class certified in the case of *Brazelton v. Kansas public employees retirement system*, 227 K. 443, 607 P.2d 510 (1980), no employee contributions shall be reduced because of contributions to social security.

(3) All such deductions shall be remitted quarterly, or as the board may otherwise provide, to the executive director for credit to the Kansas public employees retirement fund and shall be credited to the members' individual accounts. Interest on each member's accumulated contributions at the rate determined under subsection (a) of K.S.A. 74-4922, and amendments thereto, shall be added annually to the member's individual account.

~~(4) For all payroll periods commencing on or after the effective date of this act, each participating employer shall deduct from the compensation of each member who has received 32 years of credited service, 2% of such member's compensation as employee contributions. For each member that is having 2% of such member's compensation deducted as employee contributions on July 1, 2013, for all payroll periods commencing on or after July 1, 2013, the participating employer shall deduct from the compensation of each such member 7.15% of such member's compensation as employee contributions. Such member may repay in a lump sum prior to or on such member's date of retirement, an amount equal to the difference between contributions actually made by the member and contributions which would have been made had such member always been contributing at the employee contribution rate prescribed by subsection (1) for all such service earned during the period of time the member made contributions at the 2% employee contribution rate, with interest. Such repayment, if made at retirement, may be deducted from the proceeds of the partial lump sum retirement options as prescribed in subsection (5)(G) of K.S.A. 74-4964, and amendments thereto, in the event the member elects such option. Such member shall pay the actual amount plus interest at a rate specified by the board. Any member who makes such a payment shall be entitled to service credit for purposes of calculation of retirement benefits pursuant to the provisions of K.S.A. 74-4958 and 74-4958a, and amendments thereto, for all years of service wherein such member contributed at the employee contribution rate prescribed by subsection (1), including all years of service such member previously paid at the 2% employee contribution rate but prior to or on such member's date of retirement repaid the difference pursuant to this subsection.~~

(5) (a) Subject to the provisions of K.S.A. 74-49,123, and amendments thereto, each participating employer, pursuant to the provisions of section 414(h)(2) of the federal internal revenue code, shall pick up and pay the contributions which would otherwise be payable by members as prescribed in subsection (1) ~~commencing with the third quarter of 1984~~. The contributions so picked up shall be treated as employer contributions for purposes of determining the amounts of federal income taxes to withhold from the member's compensation.

(b) Member contributions picked up by the employer shall be paid from the same source of funds used for the payment of compensation to a member. A deduction shall be made from each member's compensation equal to the amount of the member's contributions picked up by the employer, provided that such deduction shall not reduce the member's compensation for purposes of computing benefits under the system.

(c) Member contributions picked up by the employer shall be remitted quarterly, or as the board may otherwise provide, to the executive director for credit to the Kansas public employees retirement fund. Such contributions shall be credited to a separate account within the member's individual account so that amounts contributed by the member ~~commencing with the third quarter of 1984~~ may be distinguished from the member contributions picked up by the employer. Interest shall be added annually to members' individual accounts.

Sec. 6. K.S.A. 2012 Supp. 74-49,135 is hereby amended to read as follows: 74-49,135. (a) The provisions of this section and any related pro-

visions shall not be implemented until the board of trustees of the Kansas public employees retirement system has obtained approval for the election and related provisions specified in this section from the federal internal revenue service. The board may implement the remainder of this act prior to implementation of this section. To that end, this section and provisions related thereto are severable from the remainder of this act and shall be repealed if the federal internal revenue service refuses to grant such approval or issues an adverse decision.

(b) Except as otherwise provided in this act, a member of the system under the provisions of K.S.A. 74-4901 et seq., and amendments thereto, on July 1, 2013, may elect to: (1) Contribute, commencing January 1, 2014, 5% of such member's compensation as employee contributions, and commencing January 1, 2015, and in each subsequent calendar year, 6% of such member's compensation as employee contributions, and to receive an amount for participating service equal to the total of 1.85% of such member's final average salary; or (2) continue to contribute 4% of such member's compensation as employee contributions, and to receive an amount for participating service equal to the total of 1.4% of such member's final average salary. Members shall make such election within a 90-day period established by the board.

(c) (1) Elections made pursuant to this section shall be made on a form and in a manner prescribed by the board.

(2) A member failing to make an election pursuant to subsection (b) 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%* of such member's compensation as employee contributions, and shall receive an amount for participating service equal to the total of 1.85% of the member's final average salary.

(3) An election under this section, including the default election pursuant to subsection ~~(d)(2)~~ (c)(2), is a one-time irrevocable election.

Sec. 7. K.S.A. 2012 Supp. 74-49,205 is hereby amended to read as follows: 74-49,205. For any member who is first employed by a participating employer on or after July 1, 2009, and who retires on or after such member's normal retirement date, *or such member's retirement date pursuant to early retirement as provided pursuant to K.S.A. 2012 Supp. 74-49,206, and amendments thereto*, but prior to ~~January 1, 2014~~ July 1, 2012, the amount for participating service shall be equal to the total of 1.75% of the member's final average salary, and for any member who retires *on or after such member's normal retirement date, or such member's retirement date pursuant to early retirement as provided pursuant to K.S.A. 2012 Supp. 74-49,206, and amendments thereto*, and on and after ~~January 1, 2014~~ July 1, 2012, the amount for participating service shall be equal to 1.85% of the member's final average salary, multiplied by the number of years of participating service to be used in determining such member's annual retirement benefit. *Notwithstanding any law to the contrary, for any member who retired on and after July 1, 2012, but prior to the effective date of this act, 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 such member for any monthly retirement benefit as determined pursuant to this section shall be paid to such member by the system by means of a one-time redetermination benefit payment in a form and manner prescribed by the board.*

Sec. 8. K.S.A. 2012 Supp. 74-49,301 is hereby amended to read as follows: 74-49,301. (a) The provisions of K.S.A. 2012 Supp. 74-49,301 through 74-49,318, and amendments thereto, shall be known and may be cited as the Kansas public employees retirement system act of 2015.

(b) Any employee who is first employed by a participating employer on or after January 1, 2015, shall be a member of the system under the provisions of this act on the first day of employment of such employee with such participating employer.

(c) (1) *Any non-vested employee other than an elected official of a participating employer who has been employed in a covered position as defined in K.S.A. 2012 Supp. 74-49,202, and amendments thereto, other than with a school employer, shall remain a member of the Kansas public employees retirement system as provided pursuant to K.S.A. 74-4901 et*

*seq., and amendments thereto, on and after July 1, 2009, if the member: (A) Does not leave covered employment with a participating employer for a period of time exceeding 30 consecutive days; (B) does not withdraw such member's annuity savings account as defined by K.S.A. 74-49,302, and amendments thereto, forfeiting such member's membership in the interim; and (C) returns to covered employment with a participating employer in a covered position within such 30-day time period.*

*(2) Any non-vested employee other than an elected official of a participating employer who has been employed in a covered position with a participating school employer, shall remain a member of the Kansas public employees retirement system as provided pursuant to K.S.A. 74-4901 et seq., and amendments thereto, if the member: (A) 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 (B) does not withdraw such member's annuity savings account as defined by K.S.A. 74-49,302, and amendments thereto, forfeiting such member's membership in the interim.*

*(d) This act does not apply to members of the Kansas police and firemen's retirement system, K.S.A. 74-4951 et seq., and amendments thereto, the retirement system for judges, K.S.A. 20-2601 et seq., and amendments thereto, and security officers as provided in K.S.A. 74-4914a, and amendments thereto.*

~~(d)~~*(e) A system member may not simultaneously be a member of the pre-2015 plan and the plan established pursuant to this act. A period of service may not be credited in more than one retirement plan within the system.*

~~(e)~~*(f) The board of trustees of the Kansas public employees retirement system shall administer the provisions of this act in the same manner as the board administers the provisions of K.S.A. 74-4901 et seq., and amendments thereto, except as specifically provided in this act.*

~~(f)~~*(g) Unless specifically provided in this act, the provisions of K.S.A. 74-4901 et seq., and amendments thereto, shall be applicable to this act. In an event that a conflict exists between the provisions of this act and the provisions of K.S.A. 74-4901 et seq., and amendments thereto, the provisions of this act shall control, and to that end, no legal or contractual rights shall inure to the benefit of members or participating employers under this act with regard to the provisions of K.S.A. 74-4901 et seq., and amendments thereto, when the provisions of this act control.*

~~(g)~~*(h) Each participating employer as provided in this act and each employee as defined by this act shall be subject to the provisions of this act as specified in this act and subject to the provisions of K.S.A. 74-4901 et seq., and amendments thereto, as appropriate as to terms, conditions and requirements not specifically covered in this act. The provisions of this act shall not apply to members of the Kansas public employees retirement system as provided in K.S.A. 74-4901 et seq., and 74-49,201 et seq., and amendments thereto, first employed by a participating employer prior to January 1, 2015, unless otherwise provided in this act.*

~~(h)~~*(i) The provisions of this act shall be part of and supplemental to the provisions of K.S.A. 74-4901 et seq., and amendments thereto, subject to the limitations contained in this act.*

Sec. 9. K.S.A. 2012 Supp. 74-49,306 is hereby amended to read as follows: 74-49,306. (a) A member's annuity savings account is the sum of the member's mandatory contributions plus the interest credits on those contributions, which shall be credited no less frequently than quarterly based on the account balances as of the last day of the preceding quarter. Effective January 1, 2015, the interest credits are 5.25% per annum. The legislature may from time to time prospectively change the interest credits, and expressly reserves the right to do so.

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

(2) if the funding ratio of the system as a whole is equal to or more than 80% as certified by the board, the board shall provide for an additional interest credit which may not exceed the lesser of 4% or a percentage of the rate of return on the system's assets that is above 8% for

a fiscal year which such percentage is equal to the funding ratio of the system as a whole for each fiscal year;

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

(4) if the funding ratio of the system as a whole is less than 80% as certified by the board, the board shall consider the funding of the system, market conditions, investment returns and other related factors specified by the board.

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

(d) Interest credits under subsections (a) and (b) shall not be granted on the member's annuity savings account following the end of the second plan year following the member's termination of employment under the plan without vesting in the retirement annuity account as provided in K.S.A. 2012 Supp. 74-49,312, and amendments thereto.

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

Sec. 10. K.S.A. 2012 Supp. 74-49,308 is hereby amended to read as follows: 74-49,308. (a) A member's retirement annuity account is the sum of all employer credits to the account plus the interest credits on the account, which shall be credited no less frequently than quarterly, based on the account balances as of the last day of the preceding quarter. Effective January 1, 2015, the interest credits are 5.25% per annum. The legislature may from time to time prospectively change the interest credits, and expressly reserves the right to do so.

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

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

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

(4) if the funding ratio of the system as a whole is less than 80% as certified by the board, the board shall consider the funding of the system, market conditions, investment returns and other related factors specified by the board.

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

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

Sec. 11. K.S.A. 2012 Supp. 74-49,313 is hereby amended to read as follows: 74-49,313. (a) Except as provided in subsection (e), a member who has a nonforfeitable interest in the member's retirement annuity account, at any time after termination from service and the attainment of normal retirement age, shall receive an annuity based upon the balance in such member's retirement annuity account, using mortality rates established by the board by official action as of the member's annuity start date and interest rates established by the legislature as of the member's annuity start date, and such interest rate shall initially be 6%. The legislature may from time to time prospectively change the interest rate and the board may from time to time prospectively change the mortality rates, and the legislature expressly reserves such rights to do so.

(b) Except as provided in subsection (e), a member who has a vested interest in the member's retirement annuity account, who terminates ~~after attainment of age 55 covered employment, without forfeiting such member's account,~~ with the completion of at least 10 years of service, shall be eligible to receive, upon attainment of age 55, an annuity based

upon employer credits and interest credits in such member's retirement annuity account, using mortality rates established by the board by official action as of the member's annuity start date and an interest rate established by the legislature as of the member's annuity start date, and such interest rate shall initially be 6%. The legislature may from time to time prospectively change the interest rate and the board may from time to time prospectively change the mortality rates, and the legislature expressly reserves such rights to do so.

(c) The form of benefit payable under subsections (a) and (b) shall be a single life annuity with 10-year certain. The member may elect any option described in K.S.A. 74-4918, and amendments thereto, except the partial lump-sum option, subject to actuarial factors established by the board from time to time. The benefit option selected may include a self-funded cost-of-living adjustment feature, in which the account value is converted to a benefit amount that increases by a fixed percentage over time. One or more fixed percentages shall be established by the board, which may be changed from time to time. In lieu of a part of an annuity, for a member entitled to a benefit under subsection (a), the member may elect to receive a lump-sum of such member's retirement annuity account of any fixed dollar amount or percent, but in no event may the lump-sum option elected under this section and the lump-sum option elected under subsection (a) of K.S.A. 2012 Supp. 74-49,311, and amendments thereto, exceed 30% of the total value of such member's annuity savings account and retirement annuity account.

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

- (1) Who is vested in the member's retirement annuity account;
- (2) who has five or more years of service at death; and
- (3) who dies before attaining normal retirement age, with such member's spouse at time of death designated as such member's sole primary beneficiary, the member's surviving spouse on and after the date the member would have attained normal retirement age had such member not died, shall receive an annuity based upon employer credits and interest credits in the retirement annuity account, using factors established by the board by official action as of the beneficiary's annuity start date. The form of benefit shall be a single life annuity with 10-year certain.

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

Sec. 12. K.S.A. 2012 Supp. 74-49,315 is hereby amended to read as follows: 74-49,315. A member's beneficiary shall be determined as provided in the ~~pre-2014~~ *pre-2015* plan. Upon filing a written application with the board after the death of a member receiving a benefit under ~~subsection~~ *subsections (a) or (b)* of K.S.A. 2012 Supp. 74-49,313, and amendments thereto, the member's beneficiary is entitled to a \$4,000 death benefit as provided in K.S.A. 74-4989, and amendments thereto.

Sec. 13. K.S.A. 20-2610a, 74-4958, 74-4958a and 74-4965 and K.S.A. 2012 Supp. 74-4964, 74-49,135, 74-49,205, 74-49,301, 74-49,306, 74-49,308, 74-49,313 and 74-49,315 are hereby repealed.

Sec. 14. This act shall take effect and be in force from and after its publication in the Kansas register.

I hereby certify that the above BILL originated in the HOUSE, and was adopted by that body

\_\_\_\_\_

HOUSE adopted  
Conference Committee Report \_\_\_\_\_

\_\_\_\_\_  
*Speaker of the House.*

\_\_\_\_\_  
*Chief Clerk of the House.*

Passed the SENATE  
as amended \_\_\_\_\_

SENATE adopted  
Conference Committee Report \_\_\_\_\_

\_\_\_\_\_  
*President of the Senate.*

\_\_\_\_\_  
*Secretary of the Senate.*

APPROVED \_\_\_\_\_

\_\_\_\_\_  
*Governor.*