

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:~~

36 (1) *For calendar year 2016, equal to 75% of the average net rate of*

1 return as determined by the board for calendar year 2016 on the market
2 value of the system's assets that is above 6%, except that such additional
3 interest credit shall not exceed 1.5%;

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

8 (3) for calendar year 2018, equal to 75% of the average net rate of
9 return as determined by the board for calendar years 2016, 2017 and
10 2018 on the market value of the system's assets that is above 6%, except
11 that such additional interest credit shall not exceed 1.5%;

12 (4) for calendar year 2019, equal to 75% of the average net rate of
13 return as determined by the board for calendar years 2016, 2017, 2018
14 and 2019 on the market value of the system's assets that is above 6%,
15 except that such additional interest credit shall not exceed 1.5%; and

16 (5) for calendar year 2020 and all calendar years thereafter, equal to
17 75% of the five-year average net compound rate of return as determined
18 by the board for that calendar year and the previous four calendar years
19 on the market value of the system's assets that is above 6%.

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

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

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

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

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

42 ~~(2) if the funding ratio of the system as a whole, is equal to or more~~
43 ~~than 80% as certified by the board, the board shall provide for an~~

1 additional interest credit which may not exceed the lesser of 4% or a
2 percentage of the rate of return on the system's assets that is above 8% for
3 a fiscal year which such percentage is equal to the overall funded ratio of
4 the system as a whole for each fiscal year;

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

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

13 *(1) For calendar year 2016, equal to 75% of the average net rate of*
14 *return as determined by the board for calendar year 2016 on the market*
15 *value of the system's assets that is above 6%, except that such additional*
16 *interest credit shall not exceed 1.5%;*

17 *(2) for calendar year 2017, equal to 75% of the average net rate of*
18 *return as determined by the board for calendar years 2016 and 2017 on*
19 *the market value of the system's assets that is above 6%, except that such*
20 *additional interest credit shall not exceed 1.5%;*

21 *(3) for calendar year 2018, equal to 75% of the average net rate of*
22 *return as determined by the board for calendar years 2016, 2017 and*
23 *2018 on the market value of the system's assets that is above 6%, except*
24 *that such additional interest credit shall not exceed 1.5%;*

25 *(4) for calendar year 2019, equal to 75% of the average net rate of*
26 *return as determined by the board for calendar years 2016, 2017, 2018*
27 *and 2019 on the market value of the system's assets that is above 6%,*
28 *except that such additional interest credit shall not exceed 1.5%; and*

29 *(5) for calendar year 2020 and all calendar years thereafter, equal to*
30 *75% of the five-year average net compound rate of return as determined*
31 *by the board for that calendar year and the previous four calendar years*
32 *on the market value of the system's assets that is above 6%.*

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

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

40 Sec. 3. K.S.A. 2013 Supp. 74-49,310 is hereby amended to read as
41 follows: 74-49,310. (a) Any time after termination of service or death, a
42 member who is not vested or the beneficiary of such a member may
43 terminate plan membership by filing a written application with the board

1 and taking a distribution of the member's ~~annuity savings account~~
2 *mandatory contributions* from the plan through any combination of the
3 following payout options, each of which is subject to the applicable
4 provisions of the federal internal revenue code and the applicable
5 regulations of the internal revenue service:

- 6 (1) A direct rollover to an eligible retirement plan; or
- 7 (2) a lump-sum distribution.

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

11 Sec. 4. K.S.A. 2013 Supp. 74-49,311 is hereby amended to read as
12 follows: 74-49,311. (a) A member who is eligible for a benefit under
13 subsection (a) or (b) of K.S.A. 2013 Supp. 74-49,313, and amendments
14 thereto, shall be entitled to a distribution of such member's annuity savings
15 account. Such distribution shall be made using mortality rates and interest
16 rates as provided in subsection (a) of K.S.A. 2013 Supp. 74-49,313, and
17 amendments thereto, and may be made in any of the annuity options
18 described in subsection (c) of K.S.A. 2013 Supp. 74-49,313, and
19 amendments thereto. In lieu of an annuity, a member entitled to a benefit
20 under subsection (a) of K.S.A. 2013 Supp. 74-49,313, and amendments
21 thereto, may elect to receive a lump-sum of such member's annuity savings
22 account of any fixed dollar amount or percent, but in no event may the
23 lump-sum option elected under this section and the lump-sum option
24 elected under subsection (c) of K.S.A. 2013 Supp. 74-49,313, and
25 amendments thereto, exceed 30% of the total value of such member's
26 annuity savings account and retirement annuity account.

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

33 (c) In the case of an active or inactive member:

- 34 (1) Who is vested in the member's annuity savings account;
- 35 (2) who has five or more years of service at death; and
- 36 (3) who dies before attaining normal retirement age, with such

37 member's spouse at time of death designated as such member's sole
38 primary beneficiary, the member's surviving spouse on and after the date
39 the member would have attained normal retirement age had such member
40 not died, shall receive an annuity based upon such member's contributions
41 and interest credits in the annuity savings account, using factors
42 established by the board by official action as of the beneficiary's annuity
43 start date. The form of benefit shall be a single life annuity with 10-year

1 certain.

2 Sec. 5. K.S.A. 2013 Supp. 74-49,313 is hereby amended to read as
3 follows: 74-49,313. (a) Except as provided in subsection (e), a member
4 who has a nonforfeitable interest in the member's retirement annuity
5 account, at any time after termination from service and the attainment of
6 normal retirement age, shall receive an annuity based upon the balance in
7 such member's retirement annuity account, using mortality rates
8 established by the board by official action as of the member's annuity start
9 date and ~~interest rates established by the legislature~~ *an interest rate equal*
10 *to the actuarial assumed investment rate of return established by the*
11 *board minus 2%*, as of the member's annuity start date, ~~and such interest~~
12 ~~rate shall initially be 6%.~~ The legislature may from time to time
13 prospectively change the interest rate and the board may from time to time
14 prospectively change the mortality rates, and the legislature expressly
15 reserves such rights to do so.

16 (b) Except as provided in subsection (e), a member who has a vested
17 interest in the member's retirement annuity account, who terminates
18 covered employment, without forfeiting such member's account, with the
19 completion of at least 10 years of service, shall be eligible to receive, upon
20 attainment of age 55, an annuity based upon employer credits and interest
21 credits in such member's retirement annuity account, using mortality rates
22 established by the board by official action as of the member's annuity start
23 date and an interest rate established by the legislature as of the member's
24 annuity start date, and such interest rate shall initially be 6%. The
25 legislature may from time to time prospectively change the interest rate
26 and the board may from time to time prospectively change the mortality
27 rates, and the legislature expressly reserves such rights to do so.

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

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

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

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

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

13 (e) If a member's vested retirement annuity account is less than
14 \$1,000 upon separation from service, or the total of the member's vested
15 retirement annuity account and annuity savings account balance is less
16 than \$1,000, the account balance or balances shall be mandatorily
17 distributed to the member in accordance with section 401(a)(31)(B) of the
18 federal internal revenue code. If the member does not elect to have such
19 distribution paid directly to an eligible retirement plan specified by the
20 participant in a direct rollover or to receive the distribution directly, then
21 the board will pay the distribution to the member directly.

22 Sec. 6. K.S.A. 2013 Supp. 74-49,306, 74-49,308, 74-49,310, 74-
23 49,311 and 74-49,313 are hereby repealed.

24 Sec. 7. This act shall take effect and be in force from and after its
25 publication in the statute book.