

**SENATE BILL No. 205**

By Committee on Ways and Means

2-14

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1 AN ACT concerning retirement and pensions; relating to the Kansas public  
2 employees retirement system; interest credits and annuity interest rate;  
3 amending K.S.A. 2012 Supp. 74-49,306, 74-49,308 and 74-49,313 and  
4 repealing the existing sections.  
5

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

7 Sec. 1. K.S.A. 2012 Supp. 74-49,306 is hereby amended to read as  
8 follows: 74-49,306. (a) A member's annuity savings account is the sum of  
9 the member's mandatory contributions plus the interest credits on those  
10 contributions, which shall be credited no less frequently than quarterly  
11 based on the account balances as of the last day of the preceding quarter.  
12 Effective January 1, 2015, the interest credits are ~~5.25%~~ 5% per annum.  
13 The legislature may from time to time prospectively change the interest  
14 credits, and expressly reserves the right to do so.

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

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

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

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

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

34 (d) Interest credits under subsections (a) and (b) shall not be granted  
35 on the member's annuity savings account following the end of the second  
36 plan year following the member's termination of employment under the

1 plan without vesting in the retirement annuity account as provided in  
2 K.S.A. 2012 Supp. 74-49,312, and amendments thereto.

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

6 Sec. 2. K.S.A. 2012 Supp. 74-49,308 is hereby amended to read as  
7 follows: 74-49,308. (a) A member's retirement annuity account is the sum  
8 of all employer credits to the account plus the interest credits on the  
9 account, which shall be credited no less frequently than quarterly, based on  
10 the account balances as of the last day of the preceding quarter. Effective  
11 January 1, 2015, the interest credits are ~~5.25%~~ 5% per annum. The  
12 legislature may from time to time prospectively change the interest credits,  
13 and expressly reserves the right to do so.

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

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

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

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

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

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

38 Sec. 3. K.S.A. 2012 Supp. 74-49,313 is hereby amended to read as  
39 follows: 74-49,313. (a) Except as provided in subsection (e), a member  
40 who has a nonforfeitable interest in the member's retirement annuity  
41 account, at any time after termination from service and the attainment of  
42 normal retirement age, shall receive an annuity based upon the balance in  
43 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 interest rates established by the legislature as of the member's  
3 annuity start date, and such interest rate shall initially be ~~6%~~ 5%. 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 (b) Except as provided in subsection (e), a member who has a vested  
8 interest in the member's retirement annuity account, who terminates ~~after~~  
9 ~~attainment of age 55 covered employment, without forfeiting such~~  
10 ~~member's account~~, with the completion of at least 10 years of service, shall  
11 *be eligible to receive, upon attainment of age 55*, an annuity based upon  
12 employer credits and interest credits in such member's retirement annuity  
13 account, using mortality rates established by the board by official action as  
14 of the member's annuity start date and an interest rate established by the  
15 legislature as of the member's annuity start date, and such interest rate  
16 shall initially be ~~6%~~ 5%. The legislature may from time to time  
17 prospectively change the interest rate and the board may from time to time  
18 prospectively change the mortality rates, and the legislature expressly  
19 reserves such rights to do so.

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

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

- 38 (1) Who is vested in the member's retirement annuity account;
- 39 (2) who has five or more years of service at death; and
- 40 (3) who dies before attaining normal retirement age, with such  
41 member's spouse at time of death designated as such member's sole  
42 primary beneficiary, the member's surviving spouse on and after the date  
43 the member would have attained normal retirement age had such member

1 not died, shall receive an annuity based upon employer credits and interest  
2 credits in the retirement annuity account, using factors established by the  
3 board by official action as of the beneficiary's annuity start date. The form  
4 of benefit shall be a single life annuity with 10-year certain.

5 (e) If a member's vested retirement annuity account is less than  
6 \$1,000 upon separation from service, or the total of the member's vested  
7 retirement annuity account and annuity savings account balance is less  
8 than \$1,000, the account balance or balances shall be mandatorily  
9 distributed to the member in accordance with section 401(a)(31)(B) of the  
10 federal internal revenue code. If the member does not elect to have such  
11 distribution paid directly to an eligible retirement plan specified by the  
12 participant in a direct rollover or to receive the distribution directly, then  
13 the board will pay the distribution to the member directly.

14 Sec. 4. K.S.A. 2012 Supp. 74-49,306, 74-49,308 and 74-49,313 are  
15 hereby repealed.

16 Sec. 5. This act shall take effect and be in force from and after its  
17 publication in the Kansas register.