

SESSION OF 2013

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2213

As Amended by Senate Committee of the Whole

Brief*

HB 2213, as amended, would revise the Kansas Public Employees Retirement System (KPERs) Act of 2015 and other modifications to KPERs (provisions of 2012 Senate Sub. for Sub. for HB 2333) to correct certain errors in the current Tier 1 and Tier 2 plans and in the Tier 3 plan (the new cash balance plan). The bill also would amend the Retirement System for Judges (Judges plan) and the Kansas Police and Fireman's (KP&F plan) Retirement System regarding divorces after retirement.

The bill would make a number of technical amendments in last year's KPERs legislation, as follows:

- Correct internal references in statute relating to a member failing to make an election rather than to a non-existent subsection;
- Clarify the higher 1.85 multiplier applies to Tier 2 members retiring under early retirement provisions, as well as to those retiring on or after normal retirement dates;
- Conform the term "additional interest rate" to match the term "additional interest credit," as used elsewhere in the legislation;
- Clarify a vested member who terminates with ten years of service without withdrawing the employee's contributions and interest may retire under early retirement provisions at age 55;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- Change a reference to the “pre-2014 act” (Tiers 1 and 2) to the “pre-2015 act” to reflect the effective date of the Tier 3 cash balance plan; and
- Correct internal references to ensure members retiring under either early retirement provisions or at normal retirement are eligible for the \$4,000 retiree death benefit.

The bill also would make changes in both the Judges and KP&F plans that would:

- Allow retired members who divorce after retirement to have the District Court order the cancellation of the joint annuitant option for the ex-spouse.
- Allow the retired member’s benefit to be returned to the maximum amount if ordered by the District Court of the county where the divorce action was filed. The retired member would not be able to name a subsequent joint annuitant once the original joint annuitant option has been canceled.

The bill would remove the provisions referring to Internal Revenue Service (IRS) involvement in the election for Tier 1 members who were provided with a one-time, irrevocable election between two options. The election would proceed as provided in statute and under the modified provisions of 2012 Senate Sub. for Sub. for HB 2333.

The bill would be effective upon publication in the *Kansas Register*.

Background

The bill was introduced by the House Committee on Pensions and Benefits to correct certain problems in the 2012 KPERS legislation.

The KPERS Executive Director spoke in favor of the bill's correcting provisions and pointed out the one dealing with early retirement at age 55 by inactive members might need further clarifying language. No one testified in opposition to the bill.

The House Committee adopted additional clarifying language regarding the inactive members in order to ensure that early retirement could take place at age 55 for those with at least ten years of service.

The Senate Committee on Ways and Means amended the bill to eliminate reference to the IRS regarding the Tier I election in order for the election to proceed as provided in the modified statute. The KPERS Executive Director in testimony indicated the IRS may not issue the necessary approval before the statutory deadline passes.

The Senate Committee of the Whole amended the bill to allow members of the Judges and KP&F plans who divorce after retirement to have a District Court order the cancellation of the joint annuitant option for the ex-spouse.

The fiscal note prepared by the Division of the Budget for the bill, as introduced, indicated there would be no additional actuarial cost, since the proposed 2013 legislation would correct statutes that required changes due to errors and omissions last year.