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MEMORANDUM

To: House committee on Appropriations
From: Daniel Yoza, Assistant Revisor
Date: March 11, 2016
Subject: House bill number 2725

House bill number 2725 is a bill that deals with increases in compensation to increase KPERS benefits. It changes the state and affiliated employer's policies regarding leave time in order to prevent increases in KPERS benefits, prevents the use of certain increases in compensation over the last 4 years of employment to increase KPERS benefits and prevents the use of certain deferred compensation plans to increase KPERS benefits. The provisions of this bill do not apply to KP&F members. The bill is prospective and only applies to possible benefits that may be accrued after July 1, 2016.

Application

This bill applies to all participating employers under K.S.A. 74-4902 and 74-4931. The first section of the bill essentially covers all KPERS members and includes the state and school group, as well as legislators, local governments and other participating employers. The exception for KP&F members can be found in section 1(c) and in the new language in K.S.A. 74-4902(9) at the very end of the subsection. The only groups that are exempt from this bill are judges, under K.S.A. 20-2601, and KP&F members.

Provisions of the bill

First, the bill mandates new employment policies for all participating employers covered by the bill.

- After July 1, 2016, no member may accumulate more than 240 hours of vacation leave, or use more than 240 hours of vacation leave as part of compensation for retirement benefit calculations. Any member who already has hours in excess of 240 may use such hours as part of compensation for retirement benefit calculations, but members may not use any hours above such amount accumulated after July 1, 2016.
- After July 1, 2016, no member may use sick leave accumulated after that date as part of compensation for retirement benefit calculations. They still may accumulate additional sick leave hours, but may not use these hours for retirement calculations.

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Second, the bill requires affiliated employers to report to KPERS how much vacation and sick leave each member has accumulated as of July 1, 2016.

Third, the amendment to K.S.A. 74-4902(9) prevents members from using any compensation that is earned prior to 4 years before retirement, but not paid until within 4 years of retirement for pension calculation purposes. This would effectively end any dramatic increases in compensation for pension purposes during the last 4 years of employment.

Fourth, the amendment in 74-4902(33) ends the practice of using IRC 409A or 457(f) plans as a way to increase compensation for pension calculation purposes.

Finally, section 3 amends K.S.A. 75-5517 to end the practice of paying out retirees for accumulated sick leave upon retirement. This provision would not take accumulated sick leave from current members, but would make the group of members eligible for this payout a closed and declining group by only allowing payout of accumulations that took place prior to July 1, 2016.

The effective date of this bill is upon publication in the statute book.