

**HOUSE BILL No. 2489**

By Committee on Pensions and Benefits

1-20

1 AN ACT concerning **retirement; relating to** the Kansas public employees  
2 retirement system; ~~relating to~~ death and long-term disability benefits;  
3 employer payments to group insurance reserve fund; Kansas public  
4 employees retirement system act of 2015; accidental death benefit;  
5 annuity interest rate; **Kansas public employees deferred**  
6 **compensation act; sharing of account information; tax treatment;**  
7 **local governmental unit plan option;** amending K.S.A. 74-4916 and  
8 K.S.A. 2015 Supp. 74-4927 ~~and~~, 74-49,313, **74-49b10, 74-49b14 and**  
9 **74-49b15** and repealing the existing sections.

10

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

12 Section 1. K.S.A. 74-4916 is hereby amended to read as follows: 74-  
13 4916. (1) Upon the death of a member before retirement, the member's  
14 accumulated contributions shall be paid to the member's beneficiary.

15 (2) (a) In the event that a member dies before retirement as a result of  
16 an accident arising out of and in the course of the member's actual  
17 performance of duty in the employ of a participating employer  
18 independent of all other causes and not as a result of a willfully negligent  
19 or intentional act of the member, an accidental death benefit shall be  
20 payable if: (A) A report of the accident, in a form acceptable to the board,  
21 is filed in the office of the executive director of the board within 60 days  
22 after the date of the accident causing such death and an application for  
23 such benefit, in such form and manner as the board shall prescribe, is filed  
24 in the office of the executive director of the board within two years of the  
25 date of the accident, but the board may waive such time limits for a  
26 reasonable period if in the judgment of the board the failure to meet these  
27 limits was due to lack of knowledge or incapacity; and (B) the board finds  
28 from such evidence as it may require, to be submitted in such form and  
29 manner as it shall prescribe, that the natural and proximate cause of death  
30 was the result of an accident arising out of and in the course of the  
31 member's employment with a participating employer independent of all  
32 other causes at a definite time and place. Such accidental death benefit  
33 shall be a lump-sum amount of \$50,000 and an annual amount of  $\frac{1}{2}$  of the  
34 member's final average salary, *and for members who were first employed*

1 *by a participating employer and covered as a member of the system under*  
2 *the provisions of K.S.A. 74-49,301 et seq., and amendments thereto, an*  
3 *annual amount of 50% of such member's salary averaged over the final*  
4 *three years of such member's covered employment, which shall accrue*  
5 *from the first day of the month following the date of death and which shall*  
6 *be payable in monthly installments or as the board may direct, but, after*  
7 *June 30, 1982, in no case shall the accidental death benefit be less than*  
8 *\$100 per month. The accidental death benefit payments shall be paid to the*  
9 *surviving spouse of such deceased member, such payments to continue so*  
10 *long as such surviving spouse lives or if there is no surviving spouse, or in*  
11 *the case the spouse dies before the youngest child of such deceased*  
12 *member attains age 18 or before the youngest child of such deceased*  
13 *member attains age 23 years, if such child is a full-time student as*  
14 *provided in K.S.A. 74-49,117, and amendments thereto, or if there are one*  
15 *or more children of the member who are totally disabled and dependent on*  
16 *the member or spouse, then to the child or children of such member under*  
17 *age 18 or under age 23, if such child or children are full-time students as*  
18 *provided in K.S.A. 74-49,117, and amendments thereto, and to the child or*  
19 *children of the member who are totally disabled and dependent on the*  
20 *member or spouse, divided in such manner as the board in its discretion*  
21 *shall determine, to continue until the youngest surviving child dies or*  
22 *attains age 18 or attains age 23 if such child is a full-time student as*  
23 *provided in K.S.A. 79-49,117, and amendments thereto, or, in the case of*  
24 *the child or children who are totally disabled and dependent on the*  
25 *member or spouse, until death or until no longer totally disabled, or if*  
26 *there is no surviving spouse or child eligible for accidental death benefits*  
27 *under this subsection (2) at the time of the member's death, then to the*  
28 *parent or parents of such member who are dependent on such member, to*  
29 *continue until the last such parent dies. All payments due under this*  
30 *subsection (2) to a minor shall be made to a legally appointed conservator*  
31 *of such minor or totally disabled child as provided in ~~subsection (7) of~~*  
32 *K.S.A. ~~74-4902~~ 74-49,127, and amendments thereto. Commencing on the*  
33 *effective date of this act, any surviving spouse, who was receiving benefits*  
34 *pursuant to this section and who had such benefits terminated by reason of*  
35 *such spouse's remarriage, shall be entitled to once again receive benefits*  
36 *pursuant to this section, except that such surviving spouse shall not be*  
37 *entitled to recover any benefits not received after the termination of*  
38 *benefits by reason of such surviving spouse's remarriage but before the*  
39 *effective date of this act.*

40 (b) In construction of this section of the act there shall be no  
41 presumption that the death of the member was the result of an accident nor  
42 shall there be a liberal interpretation of the law or evidence in favor of the  
43 person claiming under this subsection (2). In the event of the death of a

1 member resulting from a heart, circulatory or respiratory condition there  
2 must be clear and precise evidence that death was the result of an accident  
3 independent of all other causes which arose out of and in the course of the  
4 member's actual performance of duties in the employ of a participating  
5 employer.

6 (c) The annual benefit under this subsection (2) shall be reduced by  
7 any workers compensation benefit payable. If the workers compensation  
8 benefit is paid in a lump-sum, the amount of such reduction shall be  
9 calculated on a monthly basis over the period of time for which workers  
10 compensation benefits would have been payable had such lump-sum not  
11 been paid. For any recipient already in receipt of such benefits on the  
12 effective date of this act, no change in the original reduction for workers  
13 compensation benefits shall be applicable to benefits paid prior to July 1,  
14 1994. In the event that a member should die as a result of an accident as  
15 described in this subsection (2), all elections or options previously made  
16 by the deceased member shall become void and of no effect whatsoever  
17 and the retirement system shall be liable only for the accidental death  
18 benefit, refund of accumulated contributions as described in subsection (1)  
19 and any insured death benefit that may be due. The benefit payable under  
20 this subsection (2) shall be known and referred to as the "accidental death  
21 benefit."

22 (3) (a) Upon the application of a member, or the member's appointing  
23 authority acting for the member, a member who is in the employ of a  
24 participating employer and becomes totally and permanently disabled for  
25 duty in the employ of a participating employer, by reason of an accident  
26 which occurred prior to July 1, 1975, may be retired by the board if: (A)  
27 The board finds the total and permanent disability to be the natural and  
28 proximate result of an accident causing personal injury or disease  
29 independent of all other causes and arising out of and in the course of the  
30 member's actual performance of duties as an employee of a participating  
31 employer; ~~and~~ (B) a report of the accident, in a form acceptable to the  
32 board is filed in the office of the executive director of the board within 200  
33 days after the date of the accident causing such injury; ~~and~~ (C) such  
34 application for retirement under this provision, in such form and manner as  
35 shall be prescribed by the board, is filed in the office of the executive  
36 director of the board within two years of the date of the accident; ~~and~~ (D)  
37 after a medical examination of the member has been made by or under the  
38 direction of a medical physician or physicians or any other practitioner  
39 holding a valid license to practice a branch of the healing arts issued by the  
40 state board of healing arts designated by the board and the medical  
41 physician or physicians or any other practitioner holding a valid license to  
42 practice a branch of the healing arts issued by the state board of healing  
43 arts report in writing to the board that the member is physically or

1 mentally totally disabled for duty in the employ of a participating  
2 employer and that such disability will probably be permanent; and (E) the  
3 board finds that the member became permanently and totally disabled on a  
4 date certain based on the evidence furnished and the professional guidance  
5 obtained and that such disability was not the result of a willfully negligent  
6 or intentional act of the member. If the board shall so retire the applicant,  
7 the member shall receive annually an accidental total disability benefit  
8 equal to  $\frac{1}{2}$  of the member's final average salary which shall accrue from  
9 the first day of the month following the date of such accidental total and  
10 permanent disability as found by the board payable in monthly  
11 installments or as the board may direct.

12 (b) In construction of this subsection (3) there shall be no  
13 presumption that the disability of the member was the result of an accident  
14 nor shall there be a liberal interpretation of the law or evidence in favor of  
15 the member claiming under this subsection (3). In the event of the  
16 disability of a member resulting from a heart, circulatory or respiratory  
17 condition there must be clear and precise evidence that disability was the  
18 result of an accident independent of all other causes which arose out of and  
19 in the course of the member's actual performance of duties in the employ  
20 of a participating employer.

21 (c) A member will continue to receive such accidental total disability  
22 benefit so long as the member is wholly and continuously disabled by such  
23 injury and prevented thereby from engaging in any gainful occupation or  
24 employment for which the member is reasonably qualified by reason of  
25 education, training or experience. The accidental loss of both hands by  
26 actual severance through or above the wrist joint, or the accidental loss of  
27 both feet by actual severance through or above the ankle joint or the entire  
28 and irrecoverable accidental loss of sight of both eyes, or such severance  
29 of one hand and one foot, and such severance of one hand or one foot and  
30 such loss of sight of one eye, shall be deemed accidental total and  
31 permanent disability and accidental total disability benefits shall be paid so  
32 long as the member lives.

33 (d) Any retirant retired by reason of such accidental total and  
34 permanent disability who has been receiving benefits under the provisions  
35 of this subsection (3) for a period of five years shall be deemed finally  
36 retired and shall not be subject to further medical examinations, except  
37 that if the board of trustees has reasonable grounds to question whether the  
38 retirant remains totally and permanently disabled, a further medical  
39 examination or examinations may be required. Refusal or neglect to  
40 submit to examination shall be sufficient cause for suspending or  
41 discontinuing the accidental total disability benefit. If the refusal or neglect  
42 continues for a period of one year, all of the member's rights with respect  
43 to such accidental total disability benefit may be revoked by the board.

1 (e) In the event that a retirant who is receiving an accidental total  
2 disability benefit dies within five years after the date of the retirant's  
3 retirement, an accidental death benefit shall then be payable as provided in  
4 subsection (2) of this section.

5 (f) A member who retires under the provisions of this subsection (3)  
6 shall receive such benefits as provided in this subsection (3) in lieu of all  
7 other retirement benefits provided under the retirement system except that  
8 no member shall be entitled to receive any payments under this subsection  
9 (3) for a period for which insured disability benefits are received.

10 (g) The value, as determined by the board upon recommendation of  
11 the actuary, of any workmen's compensation benefits paid or payable to  
12 the recipient of an accidental total disability benefit shall be deducted from  
13 the amount payable under this section.

14 (h) The benefit payable under subsection (3) of this section shall be  
15 known and referred to as "accidental total disability benefit."

16 (4) The payment of benefits as provided in this section is subject to  
17 the provisions of K.S.A. 74-49,123, and amendments thereto.

18 Sec. 2. K.S.A. 2015 Supp. 74-4927 is hereby amended to read as  
19 follows: 74-4927. (1) The board may establish a plan of death and long-  
20 term disability benefits to be paid to the members of the retirement system  
21 as provided by this section. The long-term disability benefit shall be  
22 payable in accordance with the terms of such plan as established by the  
23 board, except that for any member who is disabled prior to the effective  
24 date of this act, the annual disability benefit amount shall be an amount  
25 equal to  $66\frac{2}{3}\%$  of the member's annual rate of compensation on the date  
26 such disability commenced. Such plan shall provide that:

27 ~~(A) For deaths occurring prior to January 1, 1987, the right to receive~~  
28 ~~such death benefit shall cease upon the member's attainment of age 70 or~~  
29 ~~date of retirement whichever first occurs.~~ The right to receive such long-  
30 term disability benefit shall cease: (i) For a member who becomes eligible  
31 for such benefit before attaining age 60, upon the date that such member  
32 attains age 65 or the date of such member's retirement, whichever first  
33 occurs; and (ii) for a member who becomes eligible for such benefit at or  
34 after attaining age 60, the date that such member has received such benefit  
35 for a period of five years, or upon the date of such member's retirement,  
36 whichever first occurs.

37 (B) Long-term disability benefit payments shall be in lieu of any  
38 accidental total disability benefit that a member may be eligible to receive  
39 ~~under subsection (3) of K.S.A. 74-4916(3), and amendments thereto.~~ The  
40 member must make an initial application for social security disability  
41 benefits and, if denied such benefits, the member must pursue and exhaust  
42 all administrative remedies of the social security administration which  
43 include, but are not limited to, reconsideration and hearings. Such plan

1 may provide that any amount which a member receives as a social security  
2 benefit or a disability benefit or compensation from any source by reason  
3 of any employment including, but not limited to, workers compensation  
4 benefits may be deducted from the amount of long-term disability benefit  
5 payments under such plan. However, in no event shall the amount of long-  
6 term disability benefit payments under such plan be reduced by any  
7 amounts a member receives as a supplemental disability benefit or  
8 compensation from any source by reason of the member's employment,  
9 provided such supplemental disability benefit or compensation is based  
10 solely upon the portion of the member's monthly compensation that  
11 exceeds the maximum monthly compensation taken into account under  
12 such plan. As used in this paragraph, "maximum monthly compensation"  
13 means the dollar amount that results from dividing the maximum monthly  
14 disability benefit payable under such plan by the percentage of  
15 compensation that is used to calculate disability benefit payments under  
16 such plan. During the period in which such member is pursuing such  
17 administrative remedies prior to a final decision of the social security  
18 administration, social security disability benefits may be estimated and  
19 may be deducted from the amount of long-term disability benefit payments  
20 under such plan. If the social security benefit, workers compensation  
21 benefit, other income or wages or other disability benefit by reason of  
22 employment other than a supplemental benefit based solely on  
23 compensation in excess of the maximum monthly compensation taken into  
24 account under such plan, or any part thereof, is paid in a lump-sum, the  
25 amount of the reduction shall be calculated on a monthly basis over the  
26 period of time for which the lump-sum is given. As used in this section,  
27 "workers compensation benefits" means the total award of disability  
28 benefit payments under the workers compensation act notwithstanding any  
29 payment of attorney fees from such benefits as provided in the workers  
30 compensation act.

31 (C) The plan may include other provisions relating to qualifications  
32 for benefits; schedules and graduation of benefits; limitations of eligibility  
33 for benefits by reason of termination of employment or membership;  
34 conversion privileges; limitations of eligibility for benefits by reason of  
35 leaves of absence, military service or other interruptions in service;  
36 limitations on the condition of long-term disability benefit payment by  
37 reason of improved health; requirements for medical examinations or  
38 reports; or any other reasonable provisions as established by rule and  
39 regulation of uniform application adopted by the board.

40 (D) Any visually impaired person who is in training at and employed  
41 by a sheltered workshop for the blind operated by the secretary for  
42 children and families and who would otherwise be eligible for the long-  
43 term disability benefit as described in this section shall not be eligible to

1 receive such benefit due to visual impairment as such impairment shall be  
2 determined to be a preexisting condition.

3 (2) (A) In the event that a member becomes eligible for a long-term  
4 disability benefit under the plan authorized by this section such member  
5 shall be given participating service credit for the entire period of such  
6 disability. Such member's final average salary shall be computed in  
7 accordance with ~~subsection (17) of K.S.A. 74-4902(17)~~, and amendments  
8 thereto, except that the years of participating service used in such  
9 computation shall be the years of salaried participating service.

10 (B) In the event that a member eligible for a long-term disability  
11 benefit under the plan authorized by this section shall be disabled for a  
12 period of five years or more immediately preceding retirement, such  
13 member's final average salary shall be adjusted upon retirement by the  
14 actuarial salary assumption rates in existence during such period of  
15 disability. ~~Effective July 1, 1993, such member's final average salary shall~~  
16 ~~be adjusted upon retirement by 5% for each year of disability after July 1,~~  
17 ~~1993, but before July 1, 1998.~~ Effective July 1, 1998, such member's final  
18 average salary shall be adjusted upon retirement by an amount equal to the  
19 lesser of: (i) The percentage increase in the consumer price index for all  
20 urban consumers as published by the bureau of labor statistics of the  
21 United States department of labor minus 1%; or (ii) four percent per  
22 annum, measured from the member's last day on the payroll to the month  
23 that is two months prior to the month of retirement, for each year of  
24 disability after July 1, 1998.

25 (C) In the event that a member eligible for a long-term disability  
26 benefit under the plan authorized by this section shall be disabled for a  
27 period of five years or more immediately preceding death, such member's  
28 current annual rate shall be adjusted by the actuarial salary assumption  
29 rates in existence during such period of disability. ~~Effective July 1, 1993,~~  
30 ~~such member's current annual rate shall be adjusted upon death by 5% for~~  
31 ~~each year of disability after July 1, 1993, but before July 1, 1998.~~ Effective  
32 July 1, 1998, such member's current annual rate shall be adjusted upon  
33 death by an amount equal to the lesser of: (i) The percentage increase in  
34 the consumer price index for all urban consumers published by the bureau  
35 of labor statistics of the United States department of labor minus 1%; or  
36 (ii) four percent per annum, measured from the member's last day on the  
37 payroll to the month that is two months prior to the month of death, for  
38 each year of disability after July 1, 1998.

39 (3) (A) To carry out the legislative intent to provide, within the funds  
40 made available therefor, the broadest possible coverage for members who  
41 are in active employment or involuntarily absent from such active  
42 employment, the plan of death and long-term disability benefits shall be  
43 subject to adjustment from time to time by the board within the limitations

1 of this section. The plan may include terms and provisions which are  
2 consistent with the terms and provisions of group life and long-term  
3 disability policies usually issued to those employers who employ a large  
4 number of employees. The board shall have the authority to establish and  
5 adjust from time to time the procedures for financing and administering  
6 the plan of death and long-term disability benefits authorized by this  
7 section. Either the insured death benefit or the insured disability benefit or  
8 both such benefits may be financed directly by the system or by one or  
9 more insurance companies authorized and licensed to transact group life  
10 and group accident and health insurance in this state.

11 (B) The board may contract with one or more insurance companies,  
12 which are authorized and licensed to transact group life and group accident  
13 and health insurance in Kansas, to underwrite or to administer or to both  
14 underwrite and administer either the insured death benefit or the long-term  
15 disability benefit or both such benefits. Each such contract with an  
16 insurance company under this subsection shall be entered into on the basis  
17 of competitive bids solicited and administered by the board. Such  
18 competitive bids shall be based on specifications prepared by the board.

19 (i) In the event the board purchases one or more policies of group  
20 insurance from such company or companies to provide either the insured  
21 death benefit or the long-term disability benefit or both such benefits, the  
22 board shall have the authority to subsequently cancel one or more of such  
23 policies and, notwithstanding any other provision of law, to release each  
24 company which issued any such canceled policy from any liability for  
25 future benefits under any such policy and to have the reserves established  
26 by such company under any such canceled policy returned to the system  
27 for deposit in the group insurance reserve of the fund.

28 (ii) In addition, the board shall have the authority to cancel any policy  
29 or policies of group life and long-term disability insurance in existence on  
30 the effective date of this act and, notwithstanding any other provision of  
31 law, to release each company which issued any such canceled policy from  
32 any liability for future benefits under any such policy and to have the  
33 reserves established by such company under any such canceled policy  
34 returned to the system for deposit in the group insurance reserve of the  
35 fund. Notwithstanding any other provision of law, no premium tax shall be  
36 due or payable by any such company or companies on any such policy or  
37 policies purchased by the board nor shall any brokerage fees or  
38 commissions be paid thereon.

39 (4) (A) There is hereby created in the state treasury the group  
40 insurance reserve fund. Investment income of the fund shall be added or  
41 credited to the fund as provided by law. The cost of the plan of death and  
42 long-term disability benefits shall be paid from the group insurance  
43 reserve fund, which shall be administered by the board. ~~For the period~~



1 commencing July 1, 2013, and ending June 30, 2015, each participating  
2 employer shall appropriate and pay to the system in such manner as the  
3 board shall prescribe in addition to the employee and employer retirement  
4 contributions an amount equal to 85% of the amount of compensation on  
5 which the members' contributions to the Kansas public employees  
6 retirement system are based for deposit in the group insurance reserve  
7 fund. For the period commencing July 1, 2015, and all periods thereafter,  
8 Each participating employer shall appropriate and pay to the system in  
9 such manner as the board shall prescribe in addition to the employee and  
10 employer retirement contributions an amount equal to 1.0% of the amount  
11 of compensation on which the members' contributions to the Kansas public  
12 employees retirement system are based for deposit in the group insurance  
13 reserve fund. Notwithstanding the provisions of this subsection, no  
14 participating employer *other than the state of Kansas* shall appropriate and  
15 pay to the system any amount provided for by this subsection for deposit  
16 in the group insurance reserve fund for the period commencing on April 1,  
17 ~~2013~~ 2016, and ending on June 30, ~~2013-2016~~ {2017}. *Notwithstanding*  
18 *the provisions of this subsection, the state of Kansas shall not appropriate*  
19 *and pay to the system any amount provided for by this subsection for*  
20 *deposit in the group insurance reserve fund for the period commencing on*  
21 *March 25, 2016, and ending on June 30, 2016* {2017}. *Notwithstanding*  
22 *the provisions of this subsection, no participating employer shall*  
23 *appropriate and pay to the system any amount provided for by this*  
24 *subsection for deposit in the group insurance reserve fund for the period*  
25 *commencing on April 1, 2017, and ending on June 30, 2017.*

26 (B) The director of the budget and the governor shall include in the  
27 budget and in the budget request for appropriations for personal services a  
28 sum to pay the state's contribution to the group insurance reserve fund as  
29 provided by this section and shall present the same to the legislature for  
30 allowances and appropriation.

31 (C) The provisions of ~~subsection (4) of K.S.A. 74-4920(4), and~~  
32 amendments thereto, shall apply for the purpose of providing the funds to  
33 make the contributions to be deposited to the group insurance reserve  
34 fund.

35 (D) Any dividend or retrospective rate credit allowed by an insurance  
36 company or companies shall be credited to the group insurance reserve  
37 fund and the board may take such amounts into consideration in  
38 determining the amounts of the benefits under the plan authorized by this  
39 section.

40 (5) The death benefit provided under the plan of death and long-term  
41 disability benefits authorized by this section shall be known and referred to  
42 as insured death benefit. The long-term disability benefit provided under  
43 the plan of death and long-term disability benefits authorized by this

1 section shall be known and referred to as long-term disability benefit.

2 (6) The board is hereby authorized to establish an optional death  
3 benefit plan for employees and spouses and dependents of employees.  
4 Except as provided in subsection (7), such optional death benefit plan shall  
5 be made available to all employees who are covered or may hereafter  
6 become covered by the plan of death and long-term disability benefits  
7 authorized by this section. The cost of the optional death benefit plan shall  
8 be paid by the applicant either by means of a system of payroll deductions  
9 or direct payment to the board. The board shall have the authority and  
10 discretion to establish such terms, conditions, specifications and coverages  
11 as it may deem to be in the best interest of the state of Kansas and its  
12 employees which should include term death benefits for the person's  
13 period of active state employment regardless of age, but in no case, shall  
14 the maximum allowable coverage be less than \$200,000. The cost of the  
15 optional death benefit plan shall not be established on such a basis as to  
16 unreasonably discriminate against any particular age group. The board  
17 shall have full administrative responsibility, discretion and authority to  
18 establish and continue such optional death benefit plan and the director of  
19 accounts and reports of the department of administration shall when  
20 requested by the board and from funds appropriated or available for such  
21 purpose establish a system to make periodic deductions from state payrolls  
22 to cover the cost of the optional death benefit plan coverage under the  
23 provisions of this subsection (6) and shall remit all deductions together  
24 with appropriate accounting reports to the system. There is hereby created  
25 in the state treasury the optional death benefit plan reserve fund.  
26 Investment income of the fund shall be added or credited to the fund as  
27 provided by law. All funds received by the board, whether in the form of  
28 direct payments, payroll deductions or otherwise, shall be accounted for  
29 separately from all other funds of the retirement system and shall be paid  
30 into the optional death benefit plan reserve fund, from which the board is  
31 authorized to make the appropriate payments and to pay the ongoing costs  
32 of administration of such optional death benefit plan as may be incurred in  
33 carrying out the provisions of this subsection (6).

34 (7) Any employer other than the state of Kansas which is currently a  
35 participating employer of the Kansas public employees retirement system  
36 or is in the process of affiliating with the Kansas public employees  
37 retirement system may also elect to affiliate for the purposes of subsection  
38 (6). All such employers shall make application for affiliation with such  
39 system, to be effective on January 1 or July 1 next following application.

40 (8) For purposes of the death benefit provided under the plan of death  
41 and long-term disability benefits authorized by this section and the  
42 optional death benefit plan authorized by subsection (6), commencing on  
43 the effective date of this act, in the case of medical or financial hardship of

1 the member as determined by the executive director, or otherwise  
2 commencing January 1, 2005, the member may name a beneficiary or  
3 beneficiaries other than the beneficiary or beneficiaries named by the  
4 member to receive other benefits as provided by the provisions of K.S.A.  
5 74-4901 et seq., and amendments thereto.

6 Sec. 3. K.S.A. 2015 Supp. 74-49,313 is hereby amended to read as  
7 follows: 74-49,313. (a) Except as provided in subsection (e), a member  
8 who has a nonforfeitable interest in the member's retirement annuity  
9 account, at any time after termination from service and the attainment of  
10 normal retirement age, shall receive an annuity based upon the balance in  
11 such member's retirement annuity account, using mortality rates  
12 established by the board by official action as of the member's annuity start  
13 date and an interest rate equal to the actuarial assumed investment rate of  
14 return established by the board minus 2%, as of the member's annuity start  
15 date. The legislature may from time to time prospectively change the  
16 interest rate and the board may from time to time prospectively change the  
17 mortality rates, and the legislature expressly reserves such rights to do so.

18 (b) Except as provided in subsection (e), a member who has a vested  
19 interest in the member's retirement annuity account, who terminates  
20 covered employment, without forfeiting such member's account, with the  
21 completion of at least 10 years of service, shall be eligible to receive, upon  
22 attainment of age 55, an annuity based upon employer credits and interest  
23 credits in such member's retirement annuity account, using mortality rates  
24 established by the board by official action as of the member's annuity start  
25 date and an interest rate established by the legislature as of the member's  
26 annuity start date, and such interest rate shall ~~initially be 6% equal to the~~  
27 *actuarial assumed investment rate of return established by the board*  
28 *minus 2%, as of the member's annuity start date.* The legislature may from  
29 time to time prospectively change the interest rate and the board may from  
30 time to time prospectively change the mortality rates, and the legislature  
31 expressly reserves such rights to do so.

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

1 option elected under this section and the lump-sum option elected under  
2 ~~subsection (a) of K.S.A. 2015 Supp. 74-49,311(a)~~, and amendments  
3 thereto, exceed 30% of the total value of such member's annuity savings  
4 account and retirement annuity account.

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

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

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

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

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

26 **Sec. 4. K.S.A. 2015 Supp. 74-49b10 is hereby amended to read as**  
27 **follows: 74-49b10. (a) The board is authorized to enter into a**  
28 **voluntary participation agreement with any employee of the state**  
29 **whereby a portion of the employee's salary or compensation from the**  
30 **state shall be deferred and deducted each payroll period in accordance**  
31 **with subsection (b) and the Kansas public employees deferred**  
32 **compensation plan. Such participation agreement may require each**  
33 **participant to pay a service charge to defray all or part of any**  
34 **significant costs incurred and to be recovered by the state pursuant to**  
35 ~~subsection (c) of K.S.A. 2015 Supp. 74-49b09(c)~~, and amendments  
36 thereto, as a result of the administration of this act.

37 (b) Pursuant to this act and such participation agreements, the  
38 director of accounts and reports, as a part of the system of regular  
39 payroll deductions and using funds either appropriated or otherwise  
40 available for such purpose, shall establish a system for the following  
41 purposes: (1) To defer each payroll period the amounts authorized in  
42 such participation agreements from the salary or compensation of  
43 each employee who has entered into a participation agreement; and

1       **(2) to remit these moneys in accordance with the Kansas public**  
2 **employees deferred compensation plan.**

3       **(c) (1) Pursuant to section 401(a) of the federal internal revenue**  
4 **code, the board may establish a qualified plan under which the state**  
5 **may contribute a specified amount, subject to appropriations, to the**  
6 **deferred compensation plan for state employees who have entered into**  
7 **a voluntary participation agreement with the board under this section.**

8       **(2) Any state agency that has on its payroll persons participating**  
9 **in any qualified plan established under subsection (c)(1), shall pay**  
10 **from any moneys available to the state agency for such purpose an**  
11 **amount specified in the qualified plan, subject to appropriations for**  
12 **that purpose.**

13       **(d) The Kansas public employees deferred compensation plan**  
14 **shall exist and be in addition to, and shall not be a part of any**  
15 **retirement or pension system for employees. The state shall not be**  
16 **responsible for any loss incurred by any participant under the Kansas**  
17 **public employees deferred compensation plan established and**  
18 **approved pursuant to this act.**

19       *(e) Notwithstanding the provisions of K.S.A. 74-4909(10), and*  
20 *amendments thereto, for those employees who entered into a voluntary*  
21 *participation agreement pursuant to the provisions of this section or*  
22 *K.S.A. 2015 Supp. 74-49b15, and amendments thereto, and who are also*  
23 *members of a retirement system administered by the board, the board may*  
24 *share information from the participants' retirement or pension system*  
25 *accounts with a contracting party pursuant to the provisions of K.S.A.*  
26 *2015 Supp. 74-49b09, and amendments thereto, for the purpose of*  
27 *facilitating the participants' comprehensive retirement income planning.*

28       **(f) Any amount of the employee's salary or compensation that is**  
29 **deferred on a pre-tax basis under such an authorized participation**  
30 **agreement shall continue to be included as regular compensation for**  
31 **all purposes of computing retirement and pension benefits earned by**  
32 **any such employee, but Any sum so deferred or deducted shall not be**  
33 **subject to any state or local income taxes for the year in which such**  
34 **sum is earned contributed but shall be subject to applicable state and**  
35 **local income taxes for the year in which such sum is distributions are**  
36 **received by the employee. Any amounts contributed to a Roth 457 plan**  
37 **under this act shall be subject to state withholding and income taxes for**  
38 **the year in which such sum is contributed to the plan, but shall not be**  
39 **subject to applicable state income taxes for the year in which distributions**  
40 **are received by the employee, unless the provisions of article 32 of chapter**  
41 **79 of the Kansas Statutes Annotated, and amendments thereto, provide**  
42 **otherwise.**

43       ~~(f)~~**(g) A deferred compensation clearing fund shall be established**

1 in the state treasury in which all compensation deferred, deducted or  
2 contributed in accordance with this act and as provided for in each  
3 participation agreement shall be temporarily placed.

4 Sec. 5. K.S.A. 2015 Supp. 74-49b14 is hereby amended to read as  
5 follows: 74-49b14. (a) The board may enter into an agreement with  
6 any local government of the state of Kansas making the services under  
7 contracts entered into by the board under ~~subsection (b)~~ of K.S.A. 2015  
8 Supp. 74-49b09(b), and amendments thereto, available to the local  
9 government, subject to the terms and conditions of those contracts  
10 and the agreement entered into between the board and the local  
11 governmental unit, if the local governmental unit meets all of the  
12 following conditions: (1) The local governmental unit meets the  
13 definition of eligible employer as defined in K.S.A. 74-4902, and  
14 amendments thereto;

15 (2) the governing body of the local governmental unit has enacted  
16 an ordinance or resolution adopting the terms of the deferred  
17 compensation plan for state employees established under K.S.A. 2015  
18 Supp. 74-49b09, and amendments thereto, as the local government  
19 deferred compensation plan for the employees of that local  
20 governmental unit; and

21 (3) the governing body certified that the local governmental unit  
22 will make such local government deferred compensation plan  
23 available to its employees and will administer it in accordance with the  
24 provisions of this act, section 457 of the federal internal revenue code  
25 of 1986, and amendments thereto, and the deferred compensation plan  
26 established by the board under K.S.A. 2015 Supp. 74-49b09, and  
27 amendments thereto.

28 (b) *Pursuant to section 401(a) of the federal internal revenue code,*  
29 *and subject to the provisions of K.S.A. 2015 Supp. 74-49b10, and*  
30 *amendments thereto, the board may establish a qualified plan under which*  
31 *local governmental units participating in the deferred compensation plan*  
32 *may contribute a specified amount to such plan.*

33 (c) Except for such agreement, the board or any other state  
34 officer or employee shall not be involved nor incur any expense in the  
35 administration of a plan adopted by a local governmental unit under  
36 subsection (a) or (b), except to the extent that such costs are  
37 reimbursed under one or both of the methods identified in ~~subsection~~  
38 ~~(c)~~ of K.S.A. 2015 Supp. 74-49b09(c), and amendments thereto.

39 ~~(c)(d)~~ The state shall not be responsible for any loss incurred by  
40 or obligation of any local governmental unit participant under a local  
41 government deferred compensation plan established as provided  
42 pursuant to subsection (a) or (b).

43 Sec. 6. K.S.A. 2015 Supp. 74-49b15 is hereby amended to read as

1 follows: **74-49b15.** (a) Subject to the agreement entered into under the  
2 provisions of K.S.A. 2015 Supp. 74-49b14, and amendments thereto,  
3 the governing body of a local government unit may establish such  
4 conditions as the governing body deems advisable to govern the  
5 voluntary participation of its employees in the local government  
6 deferred compensation plan established by the local governmental  
7 unit under the provisions of K.S.A. 2015 Supp. 74-49b14, and  
8 amendments thereto.

9 (b) Any amount of an employee's salary or compensation that is  
10 deferred on a pre-tax basis under such plan an authorized participation  
11 agreement shall continue to be included as regular compensation for all  
12 purposes of computing retirement and pension benefits earned by  
13 such employee, but. Any sum so deferred or deducted shall not be  
14 subject to any state or local income tax for the year in which such sum  
15 is earned contributed but shall be subject to applicable state and local  
16 income taxes for the year in which such sum is distributions are  
17 received by the employee. Any amounts contributed to a Roth 457 plan  
18 under this act shall be subject to state withholding and income taxes for  
19 the year in which such sum is contributed to the plan, but shall not be  
20 subject to applicable state income taxes for the year in which distributions  
21 are received by the employee, unless the provisions of article 32 of chapter  
22 79 of the Kansas Statutes Annotated, and amendments thereto, provide  
23 otherwise.

24 Sec.-4. 7. K.S.A. 74-4916 and K.S.A. 2015 Supp. 74-4927 and, 74-  
25 49,313, **74-49b10, 74-49b14 and 74-49b15** are hereby repealed.

26 Sec.-5. ~~8.~~ **8.** This act shall take effect and be in force from and after its  
27 publication in the statute book.