

SENATE BILL No. 284

By Committee on Ways and Means

3-12

1 AN ACT concerning retirement and pensions; relating to the Kansas police
2 and firemen's retirement system; enacting the Kansas deferred
3 retirement option program act; providing terms, conditions,
4 requirements, benefits and contributions related thereto; relating to
5 member election; eligible employer affiliation; interest credits; account
6 distribution.

7
8 *Be it enacted by the Legislature of the State of Kansas:*

9 Section 1. (a) The provisions of sections 1 through 8, and
10 amendments thereto, shall be known and may be cited as the Kansas
11 deferred retirement option program act.

12 (b) The provisions of this act shall be part of and supplemental to the
13 provisions of K.S.A. 74-4901 et seq., and amendments thereto, subject to
14 the limitations contained in this act.

15 Sec. 2. (a) As used in this act, unless otherwise provided or the
16 context otherwise requires:

17 (1) "Act" means the Kansas deferred retirement option program act;

18 (2) "board" means the board of trustees of the Kansas public
19 employees retirement system;

20 (3) "DROP" means the deferred retirement option program
21 established by section 3, and amendments thereto;

22 (4) "DROP account" means the notional account to which is credited
23 the monthly DROP accrual;

24 (5) "DROP period" means the period of time that a member
25 irrevocably elects to participate in the DROP pursuant to section 5, and
26 amendments thereto;

27 (6) "member" means a member in the Kansas police and firemen's
28 retirement system who is eligible to participate in the DROP and who
29 elects to participate in the DROP as provided in this act and who is: (A)
30 Employed by the state of Kansas; or (B) employed by a participating
31 employer other than the state of Kansas that affiliates with the DROP
32 pursuant to section 4, and amendments thereto;

33 (7) "monthly DROP accrual" means the amount equal to the monthly
34 retirement benefit that would have been payable to the member had the
35 member terminated service and retired on the day the member elected; and

36 (8) "system" means the Kansas police and firemen's retirement

1 system.

2 (b) Unless specifically provided in this section or in this act, words
3 and phrases used in this act shall have the meanings ascribed to them as
4 provided under the provisions of K.S.A. 74-4901 et seq. and K.S.A. 74-
5 4951 et seq., and amendments thereto.

6 Sec. 3. (a) The board shall establish within the Kansas police and
7 firemen's retirement system a deferred retirement option program for
8 members. The board shall administer the DROP in compliance with the
9 federal internal revenue code and applicable treasury regulations,
10 including, but not limited to, the incidental benefit and required minimum
11 distribution requirements of section 401(a)(9) of the federal internal
12 revenue code.

13 (b) The board shall establish a DROP account for each member. Each
14 DROP account shall be credited annually with interest, as determined by
15 the board in consultation with the actuary, in the range of 0% to 7%.
16 Interest may only be credited in a year in which the actual rate of return on
17 the market value on the investments of the DROP reach the system's
18 assumed investment rate of return and such interest credit may not exceed
19 50% of the actual rate of return.

20 Sec. 4. (a) Any eligible employer, as defined by K.S.A. 74-4952, and
21 amendments thereto, may affiliate with the DROP established under this
22 act. All such eligible employers shall make application for affiliation with
23 the DROP in the manner provided by K.S.A. 74-4954, and amendments
24 thereto, to be effective on the January 1 next following application.

25 (b) Each participating employer affiliating pursuant to the provisions
26 of subsection (a) shall appropriate and pay to the system a sum sufficient
27 to satisfy the obligations hereunder as certified by the board.

28 Sec. 5. (a) (1) A member who is appointed or employed prior to July
29 1, 1989, and who did not make an election pursuant to K.S.A. 74-4955a,
30 and amendments thereto, may elect to participate in the DROP by making
31 application in such form prescribed by the system at the attainment of age
32 55 and the completion of 20 years of credited service or at the completion
33 of 32 years of credited service regardless of the age of such member.

34 (2) A member who is appointed or employed on or after July 1, 1989,
35 or who made an election pursuant to K.S.A. 74-4955a, and amendments
36 thereto, may elect to participate in the DROP by making application in
37 such form prescribed by the system at the attainment of age 55 and the
38 completion of 20 years of credited service, age 50 and the completion of
39 25 years of credited service or age 60 with the completion of 15 years of
40 credited service.

41 (b) A member shall indicate on the application the DROP period such
42 member wishes to participate in the DROP. A member may elect to
43 participate in the DROP for a minimum of three years and may not

1 participate for more than five years from the effective date of the election
2 to participate in the DROP. A member may participate in the DROP only
3 once. An election under this section is a one-time irrevocable election.
4 Once the application is accepted by the system, such member becomes a
5 DROP participant. If a member fails to participate in the DROP for a
6 minimum of three years, all of the member's interest credits shall be
7 forfeited, unless such member retires due to disability as defined in K.S.A.
8 74-4952, and amendments thereto. A member who remains in active
9 service at the expiration of the member's elected DROP period shall not be
10 eligible for any additional interest credits.

11 (c) A member who makes an election under this section shall
12 continue in the active service under the Kansas police and firemen's
13 retirement system but shall not earn service credit under K.S.A. 74-4951 et
14 seq., and amendments thereto, after the election's effective date. On and
15 after the effective date of the member's election to participate, such
16 member is ineligible to purchase service credit under K.S.A. 74-4901 et
17 seq., and amendments thereto.

18 (d) Participation in the DROP by a member does not guarantee
19 continued employment. During a member's participation in the DROP,
20 employer contributions under K.S.A. 74-4967, and amendments thereto,
21 and member contributions under K.S.A. 74-4965, and amendments
22 thereto, shall be made to the retirement system. No member or employer
23 contributions shall be applied to a member's DROP account.

24 Sec. 6. (a) For each DROP member, the board shall calculate a
25 monthly DROP accrual. The system shall determine the DROP member's
26 retirement benefit under K.S.A. 74-4958 or 74-4958a, and amendments
27 thereto. In determining the retirement benefit, the system shall use the
28 member's total service credit and final average salary as of the last day of
29 the employer's payroll period immediately prior to the effective date of the
30 member's election to participate in the DROP. Before entering the DROP, a
31 member may elect to have such member's retirement benefit determined
32 under one of the options provided in K.S.A. 74-4964 or 74-4964a, and
33 amendments thereto, in lieu of having it determined in the form stated in
34 K.S.A. 74-4958 or 74-4958a, and amendments thereto, except such
35 member may not elect the lump sum payment option. During the DROP
36 period, an amount equal to the monthly DROP accrual shall be credited to
37 the member's DROP account. The calculation of the monthly DROP
38 accrual will be calculated using the member's age and, if the member
39 elected a joint and survivor option, the age of the beneficiary as of the
40 calendar year which contains the beginning of the DROP period. The
41 monthly DROP accrual shall comply with the requirements of section
42 401(a)(9) of the federal internal revenue code and treasury regulation §
43 1.401(a)9-6, Q&A-2(c).

1 (b) A member shall not receive a monthly retirement benefit, as
2 calculated pursuant to K.S.A. 74-4958 or 74-4958a, and amendments
3 thereto, until termination of such member's DROP participation and
4 commencement of retirement. A DROP member shall not have any claim
5 to any funds in such member's DROP account until such member retires at
6 the termination of such member's DROP participation. Upon terminating
7 DROP participation, a member is entitled to such member's retirement
8 benefit, including any postretirement benefit adjustment for which the
9 member is eligible.

10 Sec. 7. (a) A member's participation in the DROP ceases on the
11 occurrence of the earliest of the following:

12 (1) Termination of the member's active service with a participating
13 employer;

14 (2) the last day of the member's elected DROP period that begins on
15 the effective date of the member's election to participate in the DROP;

16 (3) retirement due to disability as defined in K.S.A. 74-4952, and
17 amendments thereto; or

18 (4) the member's death.

19 (b) If a member dies before taking a distribution from such member's
20 DROP account, the member's designated beneficiary shall receive a lump-
21 sum payment equal to the member's DROP account balance. If the DROP
22 member has not named a beneficiary for such member's DROP account,
23 the amount in the DROP account shall be paid to the beneficiary of the
24 member's retirement benefit.

25 Sec. 8. (a) A member, who satisfies the requirements of this act, shall
26 be entitled to a distribution of such member's DROP account. Such
27 distribution may be through any combination of the following payout
28 options, each of which is subject to the applicable provisions of the federal
29 internal revenue code and the applicable regulations of the internal
30 revenue service:

31 (1) A direct rollover to an eligible retirement plan; or

32 (2) a lump-sum distribution.

33 (b) The board may specify minimum account balances for purposes
34 of allowing benefit payment options and rollovers in accordance with
35 federal law.

36 Sec. 9. This act shall take effect and be in force from and after
37 January 1, 2016, and its publication in the statute book.