SESSION OF 2016

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2724

As Recommended by House Committee on Pensions and Benefits

Brief*

HB 2724 would exclude any payments made from 409A or 457(f) compensation plans authorized by the Federal Internal Revenue Code from the definition of "compensation" and "salary" as those terms are used by the Kansas Public Employee Retirement System (KPERS) to calculate a member's final average salary and benefits. The prohibition, which would affect retirements beginning on or after July 1, 2016, would not apply to 457(b) deferred compensation plans offered by the State and other public employers.

Background

The bill, introduced by the House Committee on Appropriations, was a recommendation contained in the *Kansas Statewide Efficiency Review*.

During the hearing before the House Committee on Pensions and Benefits, there was no proponent testimony. A representative from the League of Kansas Municipalities testified in opposition to the bill, expressing concern the bill could potentially limit the ability of municipalities to hire and retain qualified personnel.

A representative of KPERS provided neutral testimony, explaining the use of these plans has been rare. Out of approximately 90,000 retirements in the past 20 years, KPERS is aware of 2 instances where benefits from a 457(f)

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*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 plan were included in the final average salary. Kansas has adopted the Internal Revenue Service's contribution limits by statute. In addition, KPERS limits the effect of 457(f) benefits on final average salary for Tier I and II members. Under current law, a Tier I member's final average salary calculation excludes any salary increase that is 15.0 percent more than the preceding year. For Tier II members, increases above 7.5 percent are excluded.

According to the fiscal note prepared by the Division of the Budget, in consultation with KPERS, the bill would have a negligible fiscal effect on the Retirement System.