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MEMORANDUM

To: Chairperson Longbine and Members of the Joint Committee on Pensions, Investments and Benefits.

From: Office of Revisor of Statutes

Date: November 20, 2024

Subject: **KPERS Legislation Introduced and Considered During the 2024 Session.**

2024 KPERS Bills Enacted into Law

HB 2711 – Enacting the countries of concern divestment act, increasing the statutory alternative investment percentage limitation for the KPERS trust fund, increasing the amount of KPERS retirant compensation subject to the statutory employer contribution rate to the first \$40,000 earned in a calendar year, providing a KPERS working after retirement exemption for retirants employed by a community developmental disability organization or a community service provider in a licensed professional nurse, licensed practical nurse or direct support position and increasing the working after retirement earnings limit for members of the Kansas police and firemen's retirement system.

Countries of Concern Divestment Act

The bill enacted the countries of concern divestment act. The act requires KPERS to divest from and make no new investments in a country of concern. "Country of concern" was defined as the:

1. People's republic of China, including the Hong Kong special administrative region;
2. Republic of Cuba;
3. Islamic republic of Iran;
4. Democratic people's republic of Korea;
5. Russian federation; and
6. Bolivarian republic of Venezuela.

Under the act, KPERS is required to remove from the system's investments at least 50% of all publicly traded securities of any country of concern or person owned or controlled by or subject to the jurisdiction or direction of a country of concern not later than July 1, 2025, and 100% of such assets not later than January 1, 2026. KPERS is also prohibited from knowingly acquiring any such assets after July 1, 2024, or from making any deposit in a bank domiciled in a country of concern.

The act also requires KPERS to divest from any indirect holdings in actively or passively managed investment funds containing publicly traded securities of any country of concern. An exception is made for real estate or private equity investments made prior to July 1, 2024, however, KPERS is prohibited from making any new real estate or private equity investments after July 1, 2024.

The act further requires not later than first day of regular session of the legislature each year KPERS shall file a report with the legislature and with the joint committee on pensions, investments and benefits that identifies all securities divested in compliance with the act, identifies amendments made to

add or remove a country of concern after July 1, 2024, and summarizes any changes made indirect holdings, real estate or private equity investments concerning countries of concern.

The act contains an expiration date of July 1, 2029. In the summer of 2028 KPERS is required to notify the speaker of the house of representatives, the president of the senate and the chairperson of the joint committee on pensions, investments and benefits that the act is scheduled to expire on July 1, 2029.

Other provisions of HB 2711

Increased the statutory alternative investment percentage cap from 15% to 25% of the total investment portfolio.

Increased the amount of retirant compensation earned in a calendar year that is subject to the statutory employer contribution rate from \$25,000 to \$40,000. All amounts over \$40,000 would be subject to the 30% employer contribution rate.

Provided a working after retirement exemption for retirants employed as a licensed professional nurse, licensed practical nurse or in a direct support position of a community developmental disability organization or a community service provider.

Increased the working after retirement earnings limit for KP&F members returning to work for the same employer from \$25,000 to \$40,000.

Increased the lump-sum death benefit from \$4,000 to \$6,000.

HB 2711 became law without the Governor's signature on 4/25/2024.

HB 2483 – Eliminating the requirement to conduct a recurring 911 implementation audit, a recurring KPERS audit and certain economic development incentive audits.

Among other changes relating to the division of post audit, the bill repealed K.S.A. 46-1136, the statute that required at least once every three years that the legislative post audit committee direct the division of post audit to conduct a performance audit of the Kansas public employees retirement system.

HB 2483 was approved by the Governor on 4/12/2024.

2024 KPERS Bills with Legislative Consideration

HB 2646 – Senate Substitute for HB 2646 by Committee on Education - Transferring teachers from the KPERS 3 cash balance plan to the KPERS 2 plan and defining teachers for purposes of KPERS.

The senate committee on education removed the contents of HB 2646, which originally concerned the Kansas hero's scholarship act and inserted the contents of SB 479. SB 479 would have transferred on January 1, 2025, all active and inactive teacher members enrolled in the KPERS 3 cash balance plan to the KPERS 2 plan. The bill would have also provided that any teacher who is first employed by a participating employer on or after July 1, 2024, shall become a member of KPERS 2.

"Teacher" was defined as any professional employee who is required to hold a certificate to each in any school district and any teacher instructor in any technical college, community college or the institute of technology at Washburn university.

The bill was rereferred jointly to the committee on ways and means and the committee on financial institutions and insurance and the bill died in committee.

Note: HB 2659 contained the same provisions as SB 479. No action was taken on HB 2659.

SB 505 -- Increasing the KPERS retirement benefit multiplier for members who are security officers of the department of corrections.

The bill would have increased the retirement benefit multiplier for members of the KPERS correctional group from 1.85% to 2%.

The senate committee on financial institutions and insurance amended the bill to provide that the increased multiplier would be fore only participating service earned as a KPERS correctional employee and to make a transfer of \$22,300,000 from the state general fund to the KPERS trust fund on July 1, 2024, for the full payment of the unfunded actuarial liability incurred by increasing such multiplier. The bill died on the senate calendar.

Other KPERS Bills Introduced During the 2024 Session

HB 2563 – Authorizing a postretirement benefit payment to certain KPERS retirants.

The bill would have authorized a postretirement benefit payment of \$500 to any retirant or disability benefit recipient who retired or began receiving a disability benefit on or before July 1, 2014. A joint annuitant or beneficiary of any such member would have also received the \$500 payment.

HB 2619 – Expanding the deferred retirement option program (DROP) membership to all KPERS members.

The bill would have expanded the deferred retirement option program (DROP) membership to members of KPERS. Under current law DROP is only available for members of KP&F.

SB 388 – Increasing the amount of retirant compensation subject to the statutory employer contribution rate to the first \$40,000 earned by a retirant in a calendar year.

Note: Policy was enacted as part of HB 2711.

SB 396 – Reducing the waiting period for a KPERS retirant to return to work for a participating employer during a period beginning July 1, 2024, and ending July 1, 2029.

The bill would have reduced the working after retirement waiting period from 60 to 30 days if a retirant retired at age 62 or older and from 180 to 60 days if a retirant retired prior to age 62. The period of a reduced waiting period would have been from July 1, 2024, through July 1, 2029.

SB 502 – Terminating the KPERS 3 cash balance plan and transferring the members of such plan to the KPERS 2 plan.

The bill would have made any new hires first employed on and after July 1, 2024, members of KPERS 2. The bill also would have transferred on January 1, 2025, all active and inactive members of KPERS 3 to KPERS 2 and would have repealed the KPERS 3 plan effective January 1, 2025.