AN ACT concerning retirement and pensions; enacting the Kansas thrift savings plan act; providing terms, conditions and requirements related thereto; relating to plan document, membership, benefits, contributions and distributions.

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

Section 1. (a) The provisions of sections 1 through 14, and amendments thereto, shall be known and may be cited as the Kansas thrift savings plan act, and shall be effective on and after July 1, 2022.

(b) This provisions of this act shall not apply to members of the Kansas police and firemen's retirement system, K.S.A. 74-4951 et seq., and amendments thereto, and the retirement system for judges, K.S.A. 20-2601 et seq., and amendments thereto, or to members of the Kansas public employees retirement system as provided in K.S.A. 74-4901 et seq., 74-49,201 et seq. and K.S.A. 74-49,301 et seq., and amendments thereto, except as specifically provided in this act.

Sec. 2. Unless the context requires otherwise, terms that are used in this act have the meanings set forth for them in K.S.A. 74-4902, and amendments thereto, and the following definitions apply:

(a) "Act" means the Kansas thrift savings plan act, sections 1 through 14, and amendments thereto;

(b) "active plan member" means a thrift savings plan member who is actively employed by a participating employer;

(c) "covered position" means a position with an affiliated employer that is eligible for membership in the Kansas public employees retirement system pursuant to the provisions of K.S.A. 74-4901 et seq., and amendments thereto;

(d) "defined benefit plan" means the defined benefit plan for the Kansas public employees retirement system, K.S.A. 74-4901 et seq., 74-49,201 et seq., and 74-49,301 et seq., and amendments thereto, the Kansas police and firemen's retirement system, K.S.A. 74-4951 et seq., and amendments thereto, and the retirement system for judges, K.S.A. 20-2601 et seq., and amendments thereto;

(e) "first employed" means: (1) An employee who has not been an employee in a covered position of any participating employer prior to July 1, 2022, and is employed by a participating employer in a covered position...
on or after July 1, 2022; (2) an employee who is a former member of the
system who withdrew contribution accounts before July 1, 2022, and who
is again employed by a participating employer in a covered position on or
after July 1, 2022; or (3) an employee who was an inactive non-vested
member and who is again employed by a participating employer in a
covered position on or after July 1, 2022; and

(f) "plan" or "thrift savings plan" means the thrift savings plan
established by section 3, and amendments thereto.

Sec. 3. (a) The board shall establish a separate thrift savings plan in
accordance with the provisions of this act. The plan shall be established as
a pension plan for the exclusive benefit of members and their beneficiaries
and as a qualified governmental plan pursuant to sections 401(a) and
414(d) of the federal internal revenue code and its implementing
regulations. Retirement accounts shall be established for each thrift
savings plan member. Assets of the plan shall be held in trust. The plan is
established in addition to any retirement, pension, deferred compensation
or other benefit plan administered by the state or a political subdivision
thereof. The plan shall also have a Roth contribution option for members.
Any amounts contributed to a Roth thrift savings plan under this act shall
be subject to state withholding and income taxes for the year in which such
sum is contributed to the plan, but shall not be subject to applicable state
income taxes for the year in which distributions are received by the
member, unless the provisions of article 32 of chapter 79 of the Kansas
Statutes Annotated, and amendments thereto, provide otherwise.

(b) The board may enter into an agreement or agreements with
approved insurers, investment managers or other contracting parties
whereby benefits or investment services under the thrift savings plan
would be made available to participants. The board may enter into an
agreement with one or more qualified private firms for consolidated billing
services, participant enrollment services, communications services,
participant account recordkeeping services and other services related to the
administration of the thrift savings plan.

(c) No significant costs shall be incurred by the state as a result of the
administration of this act unless such costs are recovered by one or both of
the following means: (1) A service charge collected from all participants;
or (2) credit allowances or reimbursement of specified plan expenses as
provided under agreements with one or more qualified private firms
entered into pursuant to subsection (b). The amount of any such significant
costs incurred and to be recovered by the state shall be determined by the
board.

(d) The board is authorized to negotiate and enter into contracts with
qualified insurers, investment managers and other contracting parties for
the purposes of implementing and providing essential services for the thrift
savings plan, including acquisition of actuarial, investment, consulting, auditing and other services necessary therefor. Contracts entered into under this act shall be subject to the provisions of K.S.A. 75-3739, and amendments thereto, and shall not be negotiated in accordance with the provisions of K.S.A. 75-37,102, and amendments thereto, or K.S.A. 2018 Supp. 75-37,132, and amendments thereto.

Sec. 4. The legislature may from time to time prospectively change the statutory provisions governing the plan, and expressly reserves the right to do so. The state of Kansas shall not be responsible for any loss incurred by any member under the plan established pursuant to this act.

Sec. 5. An eligible employee of the defined benefit plan who is first employed on or after July 1, 2022, may elect, within 14 days of commencement of employment in a covered position with a participating employer, to become a member of the thrift savings plan upon filing with the board a one-time irrevocable election to become or not become a member of the thrift savings plan. An election to become a member of the thrift savings plan terminates any eligibility to be a member of the defined benefit plan. In the event that any employee fails to file an election to become a member of thrift savings plan, it shall be presumed that such employee has elected to become a member of the defined benefit plan. Elections under this section shall be on a form and in a manner prescribed by the board.

Sec. 6. (a) This section shall not be implemented until the board has obtained approval from the federal internal revenue service. The board may implement the remainder of this act prior to implementation of this section. This section is severable from the remainder of this act and shall be repealed if the federal internal revenue service refuses to grant such approval or issues an adverse decision.

(b) Except as otherwise provided in this act, an active member of the defined benefit plan on July 1, 2022, may elect to become a member of the thrift savings plan by making an election within a 90-day period established by the board.

(c) (1) Elections made pursuant to this section shall be made on a form and in a manner prescribed by the board.

(2) A defined benefit plan member failing to make an election prescribed by this section remains a member of the defined benefit plan.

(3) An election under this section, including the default election pursuant to subsection (c)(2), is a one-time irrevocable election.

(4) An election to become a member of the thrift savings plan is for all of such member's credited service. An election to become a thrift savings plan member terminates active membership in the defined benefit plan and the service of such member on and after July 1, 2022, in the thrift savings plan shall not be credited for the purposes of the defined benefit plan.
plan. The system shall calculate the actuarial present value of such
member's accrued retirement benefit for all credited service prior to July 1,
2022, and shall transfer a lump-sum amount equal to such actuarial present
value to such member's rollover account.

(d) A member in either the defined benefit plan or the thrift savings
plan who becomes inactive after an election under this section and who
returns to active membership remains in the plan previously elected, unless
such member returns to active membership with a different participating
employer, in which case such member shall become a member of the thrift
savings plan.

(e) A member of the defined benefit plan who is subject to a domestic
relations order or an execution or income-withholding order may not
transfer to the thrift savings plan unless the order is modified to apply
under the thrift savings plan.

(f) (1) A member of the defined benefit plan who is purchasing
service credit through installment payments, either made directly to the
board or pursuant to a payroll deduction agreement, may not transfer
membership to the thrift savings plan unless the member first completes
the contract for purchase of service credit.

(2) A member who files an election to transfer membership may
make a lump-sum payment for up to the balance of the service credit
remaining to be purchased prior to transferring, subject to the limitations
of section 415 of the federal internal revenue code. The lump-sum
payment, unless made by a rollover, shall be made with after-tax dollars.

(3) If a member who files an election to transfer membership fails to
complete the contract for purchase of service credit by the end of the
member's 90-day election window, the board shall terminate the service
purchase contract and credit the member with the prorated amount of
service credit purchased under the contract.

Sec. 7. The board shall accept the rollover of contributions and the
income on those contributions from another eligible retirement plan to the
member's rollover account only to the extent allowed under the federal
internal revenue code.

Sec. 8. (a) A thrift savings plan member's mandatory contribution
account includes the member's contributions and the income on those
contributions and is vested from the date that the employee becomes a
member of the plan.

(b) A thrift savings plan member's employer contribution account
includes the employer's contributions and the income on those
contributions and is vested only when the member has a total of five years
of participating service in the thrift savings plan.

(c) A thrift savings plan member's rollover account includes the
member's rollovers of contributions made pursuant to section 6 or 7, and
amendments thereto, and income on those contributions and are vested from the date that the contributions are credited to the account.

(d) If the thrift savings plan member's employer contribution account is not vested upon termination of plan membership, as provided in this section, the employer contributions and income are forfeited as provided in section 9, and amendments thereto.

Sec. 9. (a) An active thrift savings plan member shall contribute 3% of compensation to the thrift savings plan. These contributions shall be picked up by the employer via a salary reduction as provided in section 414(h)(2) of the federal internal revenue code.

(b) An active plan member may make additional voluntary contributions to the thrift savings plan to the extent permitted by the federal internal revenue code.

(c) An active plan member's employer shall contribute the following:

(1) Four percent of compensation to the active plan member's employer contribution account; and
(2) an additional 0.5% of compensation to the active plan member's employer contribution account if such member contributes 4% of compensation to the plan or an additional 1% of compensation if such member contributes 5% or more of compensation to the plan.

(d) Forfeitures of employer contributions and investment income on the employer contributions may not be used to increase a plan member's retirement account. The board shall allocate the forfeitures under this section to meet the plan's administrative expenses, including startup expenses.

Sec. 10. (a) (1) The board shall require in any agreement or agreements with entities pursuant to section 3, and amendments thereto, that at least the following investment alternatives under the thrift savings plan are offered to members, including:

(A) A government securities investment fund;
(B) a fixed income index investment fund;
(C) a common stock index investment fund;
(D) a small capitalization stock index investment fund;
(E) an international stock index investment fund; and
(F) hybrid funds mixing and matching various investment funds, tailored to projected retirement years.

(2) (A) The board shall select an index that is a commonly recognized index comprised of common stock the aggregate market value of which is a reasonably complete representation of the United States equity markets.

(B) The common stock index investment fund shall be invested in a portfolio designed to replicate the performance of the index selected under paragraph (2)(A). The portfolio shall be designed such that, to the extent practicable, the percentage of the large capitalization stock index...
investment fund that is invested in each stock is the same as the percentage
determined by dividing the aggregate market value of all shares of that
stock by the aggregate market value of all shares of all stocks included in
such index.

(3) (A) The board shall select an index that is a commonly recognized
index comprised of common stock the aggregate market value of which
represents the United States equity markets excluding the common stocks
included in the common stock index investment fund.

(B) The small capitalization stock index investment fund shall be
invested in a portfolio designed to replicate the performance of the index
in paragraph (3)(A). The portfolio shall be designed such that, to the extent
practicable, the percentage of the small capitalization stock index
investment fund that is invested in each stock is the same as the percentage
determined by dividing the aggregate market value of all shares of that
stock by the aggregate market value of all shares of all stocks included in
such index.

(4) (A) The board shall select an index that is a commonly recognized
index comprised of stock the aggregate market value of which is a
reasonably complete representation of the international equity markets
excluding the United States equity markets.

(B) The international stock index investment fund shall be invested in
a portfolio designed to replicate the performance of the index in paragraph
(4)(A). The portfolio shall be designed such that, to the extent practicable,
the percentage of the international stock index investment fund that is
invested in each stock is the same percentage determined by dividing the
aggregate market value of all shares of that stock by the aggregate market
value of all shares of all stocks included in such index.

(b) The legislature may from time to time review the suitability and
management of investment alternatives established by this section and may
change the alternatives to be offered, and expressly reserves the right to do
so. The board shall notify affected plan members of potential changes
before any changes become effective.

(c) The board shall establish a default investment option for any plan
member who does not have an effective investment direction. The board
may utilize the government securities investment fund established
pursuant to this section as the default investment fund.

(d) Assets within each member's account shall be invested as directed
by the member within the investment alternatives established by the board.

(e) A plan member may elect the investment funds and alternatives
referred to in this section into which the sums in the member's accounts are
to be invested or reinvested. The board shall develop and make available
to all plan members an electronic means for investment allocation
elections. Elections to allocate existing account balances among the
various investment alternatives referred to in this section shall be permitted on a daily basis. Elections to allocate future contributions among the various investment alternatives referred to in this section shall be permitted on a monthly basis. All investment elections shall be made in 1% increments. The sum of the percentages elected for all investment alternatives shall equal 100%.

Sec. 11. Any time after termination of service, a plan member or the plan member's beneficiary may terminate plan membership by filing a written application with the board and removing the plan member's vested account balance from the plan through any combination of the following payout options, each of which is subject to the provisions of the plan document and the federal internal revenue code and the applicable regulations of the federal internal revenue service:

(a) A direct rollover to an eligible retirement plan;
(b) a regular rollover to an eligible retirement plan;
(c) a lump-sum distribution of the plan member's vested account balance; or
(d) an optional form of distribution offered by the board under section 12, and amendments thereto.

Sec. 12. (a) Subject to the provisions of the plan document, a plan member, after termination of service, may leave the plan member's vested account balance in the plan, and the plan member is eligible for a distribution as provided in this section.

(b) After termination of service and upon filing a written application with the board, a plan member may select any distribution option provided by the plan document.

(c) A plan member who is less than 70½ years of age who returns to service may not continue to receive a distribution under this section while actively employed in a covered position.

(d) The plan document shall provide that distributions shall comply with the minimum distribution requirements established in the federal internal revenue code and applicable under K.S.A. 74-49,123, and amendments thereto.

(e) The plan document may specify minimum account balances for purposes of allowing benefit payment options and rollovers in accordance with the federal internal revenue code.

Sec. 13. A plan member's beneficiary shall be determined as provided in the defined benefit plan regulations. Upon filing a written application with the board after the death of a plan member, the plan member's beneficiary is entitled to the plan member's vested account balance.

Sec. 14. Before termination of service, a plan member may not receive a refund of any portion of the plan member's vested account balance.
Sec. 15. This act shall take effect and be in force from and after its publication in the statute book.