

## HOUSE BILL No. 2612

By Committee on Insurance and Pensions

2-7

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1 AN ACT concerning retirement and pensions; relating to the Kansas public  
2 employees retirement system; retirement benefits; self-funded cost-of-  
3 living adjustment option; amending K.S.A. 74-4918 and repealing the  
4 existing section.

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

7 Section 1. K.S.A. 74-4918 is hereby amended to read as follows: 74-  
8 4918. (1) A member may elect to have such member's retirement benefit  
9 paid under one of the options provided in this section in lieu of having it  
10 paid in the form stated in K.S.A. 74-4915, and amendments thereto. Such  
11 election must be made before the date of actual retirement. A specific  
12 person must be designated as joint annuitant at the time of election of the  
13 joint and  $\frac{1}{2}$  to joint annuitant survivor option, the joint and survivor option  
14 and the joint and  $\frac{3}{4}$  to joint annuitant survivor option. Except as  
15 specifically provided in this subsection, an option elected by a member as  
16 provided in this section shall not be changed or canceled nor shall the  
17 named joint annuitant be changed after the date of actual retirement of the  
18 member. If a retirant is divorced after the retirant's date of actual  
19 retirement, and the retirant has named the retirant's ex-spouse as a joint  
20 annuitant under subsection (3), the joint annuitant option may be canceled  
21 and retirant's benefit returned to the maximum amount of such retirant's  
22 retirement benefit commencing the first month following the date such  
23 cancellation is ordered by the district court of the county where the divorce  
24 action was filed. The retirant shall not receive a refund or interest of any  
25 amounts already paid to fund the original joint annuitant benefit. The  
26 retirant may not name a subsequent joint annuitant once the original joint  
27 annuitant option has been cancelled.

28 (2) The amount of retirement benefit payable under an option shall be  
29 based on the age of the member and, if applicable, the age of the joint  
30 annuitant, and shall be such amount as to be the actuarial equivalent of the  
31 retirement benefit otherwise payable under K.S.A. 74-4915, and  
32 amendments thereto, as prescribed in subsection (3). In no case shall the  
33 total amount of retirement benefit paid under any option provided in this  
34 section be more than 100% of the retirement benefit which would have  
35 been otherwise payable if no option had been elected under this section.

36 (3) The following retirement options, which are subject to the

1 provisions of K.S.A. 74-49,123, and amendments thereto, are available:

2 (A) *Joint and  $\frac{1}{2}$  to joint annuitant survivor.* A reduced retirement  
3 benefit is payable to the retirant during the retirant's lifetime in a monthly  
4 amount equal to the product of: (i) The monthly payment of the retirement  
5 benefit otherwise payable under K.S.A. 74-4915, and amendments  
6 thereto; and (ii) the percentage equal to 91% minus .4% for each year by  
7 which the age of the retirant's joint annuitant is less than the retirant's age,  
8 computed to the nearest whole year, or plus .4% for each year by which  
9 the age of the retirant's joint annuitant is more than the retirant's age,  
10 computed to the nearest whole year, with  $\frac{1}{2}$  of that monthly amount  
11 continued to the retirant's joint annuitant during such joint annuitant's  
12 remaining lifetime, if any, after the death of the retirant. In the event that  
13 the designated joint annuitant under this option predeceases the retirant,  
14 the amount of the retirement benefit otherwise payable to the retirant under  
15 this option shall be adjusted automatically to the retirement benefit which  
16 the retirant would have received if no option had been elected under this  
17 section.

18 (B) *Joint and survivor.* A reduced retirement benefit is payable to the  
19 retirant during the retirant's lifetime in a monthly amount equal to the  
20 product of: (i) The monthly payment of the retirement benefit otherwise  
21 payable under K.S.A. 74-4915, and amendments thereto; and (ii) the  
22 percentage equal to 83% minus .6% for each year by which the age of the  
23 retirant's joint annuitant is less than the retirant's age, computed to the  
24 nearest whole year, or plus .6% for each year by which the age of the  
25 retirant's joint annuitant is more than the retirant's age, computed to the  
26 nearest whole year, with that amount continued to the joint annuitant  
27 during the joint annuitant's remaining lifetime, if any, after the death of the  
28 retirant. In the event that the designated joint annuitant under this option  
29 predeceases the retirant, the amount of the retirement benefit otherwise  
30 payable to the retirant under this option shall be adjusted automatically to  
31 the retirement benefit which the retirant would have received if no option  
32 had been elected under this section.

33 (C) *Joint and  $\frac{3}{4}$  to joint annuitant survivor.* A reduced retirement  
34 benefit is payable to the retirant during the retirant's lifetime in a monthly  
35 amount equal to the product of: (i) The monthly payment of the retirement  
36 benefit otherwise payable under K.S.A. 74-4915, and amendments  
37 thereto; and (ii) the percentage equal to 87% minus .5% for each year by  
38 which the age of the retirant's joint annuitant is less than the retirant's age,  
39 computed to the nearest whole year, or plus .5% for each year by which  
40 the age of the retirant's joint annuitant is more than the retirant's age,  
41 computed to the nearest whole year, with  $\frac{3}{4}$  of that monthly amount  
42 continued to the retirant's joint annuitant during such joint annuitant's  
43 remaining lifetime, if any, after the death of the retirant. In the event that

1 the designated joint annuitant under this option predeceases the retirant,  
2 the amount of the retirement benefit otherwise payable to the retirant under  
3 this option shall be adjusted automatically to the retirement benefit which  
4 the retirant would have received if no option had been elected under this  
5 section.

6 (D) *Life with 5 years certain.* A reduced retirement benefit is payable  
7 to the retirant during the retirant's lifetime in a monthly amount equal to  
8 98% of the monthly payment of the retirement benefit otherwise payable  
9 under K.S.A. 74-4915, and amendments thereto, and if the retirant dies  
10 within the five-year certain period, measured from the commencement of  
11 retirement benefit payments, such payments shall be continued to the  
12 retirant's beneficiary during the balance of the five-year certain period.

13 (E) *Life with 10 years certain.* A reduced retirement benefit is payable  
14 to the retirant during the retirant's lifetime in a monthly amount equal to  
15 95% of the monthly payment of the retirement benefit otherwise payable  
16 under K.S.A. 74-4915, and amendments thereto, and if the retirant dies  
17 within the ten-year certain period, measured from the commencement of  
18 retirement benefit payments, such payments shall be continued to the  
19 retirant's beneficiary during the balance of the ten-year certain period.

20 (F) *Life with 15 years certain.* A reduced retirement benefit is payable  
21 to the retirant during the retirant's lifetime in a monthly amount equal to  
22 88% of the monthly payment of the retirement benefit otherwise payable  
23 under K.S.A. 74-4915, and amendments thereto, and if the retirant dies  
24 within the fifteen-year certain period, measured from the commencement  
25 of retirement benefit payments, such payments shall be continued to the  
26 retirant's beneficiary during the balance of the fifteen-year certain period.

27 (G) *Lump sum payment at retirement.* (i) Pursuant to this option, the  
28 member must specify a lump sum amount to be paid to the member upon  
29 the member's retirement. The lump sum amount will be based on the  
30 actuarial present value of the benefit as provided in K.S.A. 74-4915, and  
31 amendments thereto. The lump sum amount designated by the member  
32 must be in 10% increments and shall not exceed  $\frac{1}{2}$  of the actuarial present  
33 value of the benefit provided in K.S.A. 74-4915, and amendments thereto.  
34 If the member's spouse elects a lump sum payment as provided in this  
35 section pursuant to the provisions of subsection (4), the lump sum payment  
36 will be based on the present value of the retirement option selected by the  
37 spouse. The lump sum amount designated by the spouse must be in 10%  
38 increments and shall not exceed  $\frac{1}{2}$  of the actuarial present value of the  
39 option selected in this section.

40 (ii) Pursuant to this option, the member must elect to have the  
41 remaining actuarial present value paid in a monthly amount under the  
42 provisions of K.S.A. 74-4915, and amendments thereto, or subsections (3)  
43 (A) through (3)(F) of this section.

1 (iii) In the event that the designated joint annuitant pursuant to  
2 subsection (3)(A), (3)(B) or (3)(C) under this option predeceases the  
3 retirant, the amount of the retirement benefit otherwise payable to the  
4 retirant under this option shall be adjusted automatically to the retirement  
5 benefit which the retirant would have received if no option had been  
6 elected under this section.

7 (iv) The provisions of this subsection shall be effective on and after  
8 July 1, 2001.

9 (H) *Self-funded cost-of-living adjustment. A reduced retirement*  
10 *benefit is payable to the retirant under K.S.A. 74-4915, and amendments*  
11 *thereto, in a monthly amount reduced in accordance with actuarial factors*  
12 *established by the board from time to time, and thereafter, such retirement*  
13 *benefit increases by a fixed percentage over time. One or more fixed*  
14 *percentages shall be established by the board.*

15 (4) If a member, who is eligible to retire in accordance with the  
16 provisions of K.S.A. 74-4914, and amendments thereto, dies without  
17 having actually retired, the member's spouse, if the spouse is the sole  
18 beneficiary for the member's accumulated contributions, may elect to  
19 receive benefits under one of the options provided in this section in lieu of  
20 receiving the member's accumulated contributions.

21 (5) The benefits of subsection (4) shall be available in the case of  
22 death within the first six months after the entry date of the member's  
23 participating employer.

24 (6) On and after May 1, 2004, if a member with 10 or more years of  
25 credited service dies before attaining retirement age, the member's spouse,  
26 if the spouse is the sole beneficiary for the member's accumulated  
27 contributions, may elect to receive benefits under one of the options  
28 provided in this section in lieu of receiving the member's accumulated  
29 contributions. Payments under one of the options provided in this section  
30 to the member's spouse if so elected, shall commence on the date that the  
31 member would have been eligible for normal retirement pursuant to  
32 ~~subsection (1) of K.S.A. 74-4914(I)~~, and amendments thereto, or would  
33 have been eligible for early retirement pursuant to ~~subsection (4) of K.S.A.~~  
34 ~~74-4914(4)~~, and amendments thereto, if such early retirement date occurs  
35 earlier.

36 (7) Benefits payable to a joint annuitant shall accrue from the first  
37 day of the month following the death of a member or retirant and, in the  
38 case of the joint and  $\frac{1}{2}$  to joint annuitant survivor option, the joint and  
39 survivor option and the joint and  $\frac{3}{4}$  to joint annuitant survivor option, shall  
40 end on the last day of the month in which the joint annuitant dies.

41 (8) The provisions of the law in effect on the retirement date of a  
42 member under the system shall govern the retirement benefit payable to  
43 the retirant and any joint annuitant, except, for retirement benefits payable

1 after July 1, 1993, for retirants who retired prior to July 1, 1982, in the  
2 event that the designated joint annuitant under the option provided in  
3 subsection (3)(A), (B) or (C), as applicable, predeceased the retirant, the  
4 amount of the retirement benefit otherwise payable to the retirant under the  
5 option provided in subsection (3)(A), (B) or (C), as applicable, shall be  
6 adjusted automatically to the retirement benefit which the retirant would  
7 have received if no option had been elected under this section.

8 (9) Upon the death of a joint annuitant who is receiving a retirement  
9 benefit under the provisions of this section, there shall be paid to such joint  
10 annuitant's beneficiary an amount equal to the excess, if any, of the  
11 accumulated contributions of the retirant over the sum of all retirement  
12 benefit payments made to such retirant and such joint annuitant. Such joint  
13 annuitant shall designate a beneficiary by filing in the office of the  
14 retirement system such designation at the time of death of the retirant. If  
15 there is no named beneficiary of such joint annuitant living at the time of  
16 death of such joint annuitant, any amount provided for by this section shall  
17 be paid to, in order of preference as follows:

- 18 (A) The joint annuitant's surviving spouse;
- 19 (B) the joint annuitant's dependent child or children;
- 20 (C) the joint annuitant's dependent parent or parents;
- 21 (D) the joint annuitant's nondependent child or children;
- 22 (E) the joint annuitant's nondependent parent or parents; or
- 23 (F) the estate of the deceased joint annuitant.

24 Sec. 2. K.S.A. 74-4918 is hereby repealed.

25 Sec. 3. This act shall take effect and be in force from and after its  
26 publication in the statute book.