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

Section 1. K.S.A. 2012 Supp. 74-49,135 is hereby amended to read as follows: 74-49,135. (a) The provisions of this section and any related provisions shall not be implemented until the board of trustees of the Kansas public employees retirement system has obtained approval for the election and related provisions specified in this section from the federal internal revenue service. The board may implement the remainder of this act prior to implementation of this section. To that end, this section and provisions related thereto are severable from the remainder of this act and shall be repealed if the federal internal revenue service refuses to grant such approval or issues an adverse decision.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, a member of the system under the provisions of K.S.A. 74-4901 et seq., and amendments thereto, on July 1, 2013, may elect to: (1) Contribute, commencing January 1, 2014, 5% of such member's compensation as employee contributions, and commencing January 1, 2015, and in each subsequent calendar year, 6% of such member's compensation as employee contributions, and to receive an amount for participating service equal to the total of 1.85% of such member's final average salary; or (2) continue to contribute 4% of such member's compensation as employee contributions, and to receive an amount for participating service equal to the total of 1.4% of such member's final average salary. Members shall make such 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 member failing to make an election pursuant to subsection (b) shall contribute, commencing January 1, 2014, 5% of such member's compensation as employee contributions, and commencing January 1, 2015, and in each subsequent year, 6% of such member's compensation as employee contributions, and shall receive an amount for participating
service equal to the total of 1.85% of the member's final average salary.

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

Sec. 2. K.S.A. 2012 Supp. 74-49,205 is hereby amended to read as follows: 74-49,205. For any member who is first employed by a participating employer on or after July 1, 2009, and who retires on or after such member's normal retirement date, or such member's retirement date pursuant to early retirement as provided pursuant to K.S.A. 2012 Supp. 74-49,206, and amendments thereto, but prior to January 1, 2014 July 1, 2012, the amount for participating service shall be equal to the total of 1.75% of the member's final average salary, and for any member who retires on or after such member's normal retirement date, or such member's retirement date pursuant to early retirement as provided pursuant to K.S.A. 2012 Supp. 74-49,206, and amendments thereto, and on and after January 1, 2014 July 1, 2012, the amount for participating service shall be equal to 1.85% of the member's final average salary, multiplied by the number of years of participating service to be used in determining such member's annual retirement benefit. Notwithstanding any law to the contrary, for any member who retired on and after July 1, 2012, but prior to the effective date of this act, such member's annual retirement benefit shall be redetermined with the amount for participating service to be used in determining such member's annual retirement benefit equal to 1.85% of the member's final average salary. Any underpayment to such member for any monthly retirement benefit as determined pursuant to this section shall be paid to such member by the system by means of a one-time redetermination benefit payment in a form and manner prescribed by the board.

Sec. 3. K.S.A. 2012 Supp. 74-49,301 is hereby amended to read as follows: 74-49,301. (a) The provisions of K.S.A. 2012 Supp. 74-49,301 through 74-49,318, and amendments thereto, shall be known and may be cited as the Kansas public employees retirement system act of 2015.

(b) Any employee who is first employed by a participating employer on or after January 1, 2015, shall be a member of the system under the provisions of this act on the first day of employment of such employee with such participating employer.

(c) (1) Any non-vested employee other than an elected official of a participating employer who has been employed in a covered position as defined in K.S.A. 2012 Supp. 74-49,202, and amendments thereto, other than with a school employer, shall remain a member of the Kansas public employees retirement system as provided pursuant to K.S.A. 74-4901 et seq., and amendments thereto, on and after July 1, 2009, if the member:

(A) Does not leave covered employment with a participating employer for a period of time exceeding 30 consecutive days; (B) does not withdraw
such member’s annuity savings account as defined by K.S.A. 74-49,302,
and amendments thereto, forfeiting such member's membership in the
interim; and (C) returns to covered employment with a participating
employer in a covered position within such 30-day time period.

(2) Any non-vested employee other than an elected official of a
participating employer who has been employed in a covered position with
a participating school employer, shall remain a member of the Kansas
public employees retirement system as provided pursuant to K.S.A. 74-
4901 et seq., and amendments thereto, if the member: (A) Was employed in
a covered position with a participating school employer for the duration of
the school year and immediately returns to covered employment with
another participating school employer at the beginning of the following
school year; and (B) does not withdraw such member's annuity savings
account as defined by K.S.A. 74-49,302, and amendments thereto,
forfeiting such member's membership in the interim.

(d) This act does not apply to members of the Kansas police and
firemen's retirement system, K.S.A. 74-4951 et seq., and amendments
thereto, the retirement system for judges, K.S.A. 20-2601 et seq., and
amendments thereto, and security officers as provided in K.S.A. 74-4914a,
and amendments thereto.

(e) A system member may not simultaneously be a member of the
pre-2015 plan and the plan established pursuant to this act. A period of
service may not be credited in more than one retirement plan within the
system.

(f) The board of trustees of the Kansas public employees
retirement system shall administer the provisions of this act in the same
manner as the board administers the provisions of K.S.A. 74-4901 et seq.,
and amendments thereto, except as specifically provided in this act.

(g) Unless specifically provided in this act, the provisions of
K.S.A. 74-4901 et seq., and amendments thereto, shall be applicable to this
act. In an event that a conflict exists between the provisions of this act and
the provisions of K.S.A. 74-4901 et seq., and amendments thereto, the
provisions of this act shall control, and to that end, no legal or contractual
rights shall inure to the benefit of members or participating employers
under this act with regard to the provisions of K.S.A. 74-4901 et seq., and
amendments thereto, when the provisions of this act control.

(h) Each participating employer as provided in this act and each
employee as defined by this act shall be subject to the provisions of this
act as specified in this act and subject to the provisions of K.S.A. 74-4901
et seq., and amendments thereto, as appropriate as to terms, conditions and
requirements not specifically covered in this act. The provisions of this act
shall not apply to members of the Kansas public employees retirement
system as provided in K.S.A. 74-4901 et seq., and 74-49,201 et seq., and
amendments thereto, first employed by a participating employer prior to January 1, 2015, unless otherwise provided in this act.

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

Sec. 4. K.S.A. 2012 Supp. 74-49,306 is hereby amended to read as follows: 74-49,306. (a) A member's annuity savings account is the sum of the member's mandatory contributions plus the interest credits on those contributions, which shall be credited no less frequently than quarterly based on the account balances as of the last day of the preceding quarter. Effective January 1, 2015, the interest credits are 5.25% per annum. The legislature may from time to time prospectively change the interest credits, and expressly reserves the right to do so.

(b) The board may, in the board's discretion, from time to time provide for an additional interest credit, subject to the following conditions: (1) The additional interest credit may not exceed 4% per annum;

(2) if the funding ratio of the system as a whole is equal to or more than 80% as certified by the board, the board shall provide for an additional interest credit which may not exceed the lesser of 4% or a percentage of the rate of return on the system's assets that is above 8% for a fiscal year which such percentage is equal to the funding ratio of the system as a whole for each fiscal year;

(3) the additional interest rate credit for a fiscal year shall not be granted unless the rate of return on the system's assets is at least 10% for that fiscal year; and

(4) if the funding ratio of the system as a whole is less than 80% as certified by the board, the board shall consider the funding of the system, market conditions, investment returns and other related factors specified by the board.

(c) The member's annuity savings account is vested from the date that the employee becomes a member of the plan.

(d) Interest credits under subsections (a) and (b) shall not be granted on the member's annuity savings account following the end of the second plan year following the member's termination of employment under the plan without vesting in the retirement annuity account as provided in K.S.A. 2012 Supp. 74-49,312, and amendments thereto.

(e) For a member to be eligible for an additional interest credit, the member shall have an account balance at the time the interest credit is posted to the account.

Sec. 5. K.S.A. 2012 Supp. 74-49,308 is hereby amended to read as follows: 74-49,308. (a) A member's retirement annuity account is the sum of all employer credits to the account plus the interest credits on the
account, which shall be credited no less frequently than quarterly, based on the account balances as of the last day of the preceding quarter. Effective January 1, 2015, the interest credits are 5.25% per annum. The legislature may from time to time prospectively change the interest credits, and expressly reserves the right to do so.

(b) The board may, in the board's discretion, from time to time provide for an additional interest credit, subject to the following conditions: (1) The additional interest credit may not exceed 4% per annum;

(2) if the funding ratio of the system as a whole, is equal to or more than 80% as certified by the board, the board shall provide for an additional interest credit which may not exceed the lesser of 4% or a percentage of the rate of return on the system's assets that is above 8% for a fiscal year which such percentage is equal to the overall funded ratio of the system as a whole for each fiscal year;

(3) the additional interest rate credit for a fiscal year shall not be granted unless the rate of return on the system's assets is at least 10% for that fiscal year; and

(4) if the funding ratio of the system as a whole is less than 80% as certified by the board, the board shall consider the funding of the system, market conditions, investment returns and other related factors specified by the board.

(c) For a member to be eligible for an additional interest credit, the member shall have an account balance at the time the interest credit is posted to the account.

(d) Interest credits under subsections (a) and (b) shall not be granted on the member's non-vested retirement annuity account following the end of the second plan year following the member's termination of employment covered under the plan.

Sec. 6. K.S.A. 2012 Supp. 74-49,313 is hereby amended to read as follows: 74-49,313. (a) Except as provided in subsection (e), a member who has a nonforfeitable interest in the member's retirement annuity account, at any time after termination from service and the attainment of normal retirement age, shall receive an annuity based upon the balance in such member's retirement annuity account, using mortality rates established by the board by official action as of the member's annuity start date and interest rates established by the legislature as of the member's annuity start date, and such interest rate shall initially be 6%. The legislature may from time to time prospectively change the interest rate and the board may from time to time prospectively change the mortality rates, and the legislature expressly reserves such rights to do so.

(b) Except as provided in subsection (e), a member who has a vested interest in the member's retirement annuity account, who terminates—after
attainment of age 55 covered employment, without forfeiting interest in
such member's account, with the completion of at least 10 years of service,
shall be eligible to receive, upon attainment of age 55, an annuity based
upon employer credits and interest credits in such member's retirement
annuity account, using mortality rates established by the board by official
action as of the member's annuity start date and an interest rate established
by the legislature as of the member's annuity start date, and such interest
rate shall initially be 6%. The legislature may from time to time
prospectively change the interest rate and the board may from time to time
prospectively change the mortality rates, and the legislature expressly
reserves such rights to do so.

(c) The form of benefit payable under subsections (a) and (b) shall be
a single life annuity with 10-year certain. The member may elect any
option described in K.S.A. 74-4918, and amendments thereto, except the
partial lump-sum option, subject to actuarial factors established by the
board from time to time. The benefit option selected may include a self-
funded cost-of-living adjustment feature, in which the account value is
converted to a benefit amount that increases by a fixed percentage over
time. One or more fixed percentages shall be established by the board,
which may be changed from time to time. In lieu of a part of an annuity,
for a member entitled to a benefit under subsection (a), the member may
elect to receive a lump-sum of such member's retirement annuity account
of any fixed dollar amount or percent, but in no event may the lump-sum
option elected under this section and the lump-sum option elected under
subsection (a) of K.S.A. 2012 Supp. 74-49,311, and amendments thereto,
exceed 30% of the total value of such member's annuity savings account
and retirement annuity account.

(d) Except as provided in subsection (e), in the case of an active or
inactive member:

(1) Who is vested in the member's retirement annuity account;
(2) who has five or more years of service at death; and
(3) who dies before attaining normal retirement age, with such
member's spouse at time of death designated as such member's sole
primary beneficiary, the member's surviving spouse on and after the date
the member would have attained normal retirement age had such member
not died, shall receive an annuity based upon employer credits and interest
credits in the retirement annuity account, using factors established by the
board by official action as of the beneficiary's annuity start date. The form
of benefit shall be a single life annuity with 10-year certain.

(e) If a member's vested retirement annuity account is less than
$1,000 upon separation from service, or the total of the member's vested
retirement annuity account and annuity savings account balance is less
than $1,000, the account balance or balances shall be mandatorily
distributed to the member in accordance with section 401(a)(31)(B) of the federal internal revenue code. If the member does not elect to have such distribution paid directly to an eligible retirement plan specified by the participant in a direct rollover or to receive the distribution directly, then the board will pay the distribution to the member directly.

Sec. 7. K.S.A. 2012 Supp. 74-49,315 is hereby amended to read as follows: 74-49,315. A member's beneficiary shall be determined as provided in the pre-2014 plan. Upon filing a written application with the board after the death of a member receiving a benefit under subsection (a) or (b) of K.S.A. 2012 Supp. 74-49,313, and amendments thereto, the member's beneficiary is entitled to a $4,000 death benefit as provided in K.S.A. 74-4989, and amendments thereto.


Sec. 9. This act shall take effect and be in force from and after its publication in the Kansas register.