AN ACT concerning retirement and pensions; relating to the Kansas public
employees retirement system; certain member elections; internal revenue service review requirements; retirement benefit determinations, one-time payment; membership; amending K.S.A. 2012 Supp. 74-4915, 74-4919, 74-49,135, 74-49,205, 74-49,301, 74-49,306, 74-49,308, 74-49,313 and 74-49,315 and repealing the existing sections.

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

Section 1. K.S.A. 2012 Supp. 74-4915 is hereby amended to read as follows: 74-4915. (1) Any member who retires on or after such member's normal retirement date shall be entitled to receive an annual retirement benefit equal to the sum obtained by adding an amount for participating service and an amount for prior service determined as provided in this section. The amount for prior service shall be equal to 1% of the member's prior service annual salary multiplied by the number of years of prior service entitled to credit as provided in K.S.A. 74-4913, and amendments thereto, except that for members retiring on or after July 1, 1981, who were last employed by a participating employer which had affiliated with the system under K.S.A. 74-4910, 74-4912, 74-4929 or 74-4991, and amendments thereto, and for the period commencing January 1, 1986, for members retiring before July 1, 1981, who were last employed by a participating employer which had affiliated with the system under K.S.A. 74-4910, 74-4912, 74-4929 or 74-4991, and amendments thereto, except that any increase in benefits under this section shall be reduced by any postretirement benefit adjustments received by such member prior to July 2, 1985, the amount for prior service shall be calculated using final average salary in lieu of prior service annual salary and, in the case of any such member who became a member under subsection (3) of K.S.A. 74-4925, and amendments thereto, and for whom a final average salary cannot be otherwise determined, such member's final average salary shall be based on all service for which such member received assistance in a plan under subsection (2) of K.S.A. 74-4925, and amendments thereto, as certified
by such employer upon request of the board. For any member who
retires on or after July 1, 1993, the amount for participating service
shall be equal to the total of 1.75% of the member's final average salary
multiplied by the number of years of participating service earned prior to
January 1, 2014, and, subject to any election made pursuant to the
provisions of K.S.A. 2012 Supp. 74-49,135, and amendments thereto,
1.4% or 1.85% of the member's final average salary multiplied by the
number of years of participating service earned on and after January 1,
2014. If the federal internal revenue service fails to grant an approval or
issues an adverse decision as described in K.S.A. 2012 Supp. 74-49,135,
and amendments thereto, the amount for participating service earned on
and after January 1, 2014, shall be 1.85% of the member's final average
salary multiplied by the number of years of participating service earned on
and after January 1, 2014. Notwithstanding any provision of law to the
contrary, service that is purchased under the provisions of K.S.A. 74-
4919a et seq., and amendments thereto, shall be credited at a rate which
equals 1.4% of the member's final average salary for members that elect
the 1.4% multiplier pursuant to subsection (b)(2) of K.S.A. 2012 Supp.
74-49,135, and amendments thereto, and 1.75% of the member's final
average salary for members that elect the 1.85% multiplier pursuant to
subsection (b)(1) of K.S.A. 2012 Supp. 74-49,135, and amendments
thereto.

(2) (A) Any member who retires on or after July 1, 1993, but before
the normal retirement date and has attained age 60 but has not attained
age 62 with the completion of 10 years of credited service, shall receive
an annual retirement benefit equal to the annual retirement benefit
payable had the member retired on the normal retirement date but based
upon the member's final average salary and years of participating and
prior service credited to the date of actual retirement reduced by an
amount equal to the product of (i) such annual retirement benefit
payable had the member retired on the normal retirement date,
multiplied by (ii) the product of 0.2% multiplied by the number of
months' difference, to the nearest whole month, between the member's
attained age at the time of retirement and age 62.

(B) Any member who retires on or after July 1, 1993, but before the
normal retirement date and has attained age 55 but has not attained age
60 with the completion of 10 years of credited service, shall receive an
annual retirement benefit equal to the annual retirement benefit payable
had the member retired on the normal retirement date but based upon
the member's final average salary and years of participating and prior
service credited to the date of actual retirement reduced by an amount
equal to the total of: (i) (a) The product of such annual retirement
benefit payable had the member retired on the normal retirement date,
multiplied by (b) the product of 0.6% multiplied by the number of
months' difference, to the nearest whole month, between the member's
attained age at the time of retirement and age 60; and
(ii) on and after July 1, 1993, the product of such annual
retirement benefit payable had the member retired on the normal
retirement date, multiplied by 4.8%.
(3) Upon death of a retirant, there shall be paid to such retirant's
beneficiary an amount equal to the excess, if any, of such retirant's
accumulated contributions over the sum of all retirement benefit
payments made.
(4) Such annual retirement benefits shall be paid in equal monthly
installments, except that the board may provide for the payment of
retirement benefits which total less than $240 a year on other than a
monthly basis.
(5) In the event that an application in such form as may be
prescribed by the board for any amount due under the provisions of this
act, is not filed with the office of the retirement system by the person
entitled to same within five years of the date such amount became due
and payable, an amount equal to same shall be transferred to the
retirement benefit accumulation reserve and such amount shall no
longer be due and payable, except that if any such person shall present
evidence satisfactory to the board that such person's failure to file such
application within that time period was due to lack of knowledge or
incapacity on such person's part, the amount equal to the amount
originally due shall be transferred from the retirement benefit
accumulation reserve to the reserve or reserves from which such
transfer was initially made and the amount originally due shall be paid
to such person.
(6) The participating employer, when an employee files an
application for retirement, shall certify to the system all member
contributions of such employee which have not been reported previously.
In the event the amount certified results in an overpayment of retirement
benefits, the employer shall be held responsible for the contribution
amount previously certified from the time of commencement of the
overpayment of retirement benefits until the time that such overpayment
is discovered by the system. At the time that such overpayment of
retirement benefits is discovered by the system, the system shall adjust
the amount of retirement benefits paid to the employee to the correct
amount based on the participating employer's certification of member
contributions which had not been previously reported. The participating
employer of the employee who has had such member's retirement
benefits adjusted as provided in this subsection shall notify such
employee of such overpayment and such adjustment of retirement
benefits. If the contributions previously certified are lower than the actual amount reported, the employer shall be responsible for remitting the correct amount and the member’s monthly benefit shall be recalculated based on the amount reported by the employer. When an employee in school employment files such an application, the participating employer responsible for any such amounts as provided in this subsection shall be the employee's eligible employer as specified in subsection (1), (2) or (3) of K.S.A. 74-4931, and amendments thereto, and shall not be the state of Kansas. The provisions of law in effect on the retirement date of a member under the system shall govern the retirement benefit payable to the retireant, any joint annuitant and any beneficiary.

Sec. 2. K.S.A. 2012 Supp. 74-4919 is hereby amended to read as follows: 74-4919. (1) Except as otherwise provided, each participating employer, beginning with the first payroll for services performed after the entry date, shall deduct from the compensation of each member 4% of such member's compensation as employee contributions. Subject to any election made pursuant to the provisions of K.S.A. 2012 Supp. 74-49,135, and amendments thereto, each participating employer, for services performed by an employee first employed prior to July 1, 2009, shall deduct from the compensation of each member, the following amounts expressed as a percentage of compensation during the following periods: (a) Commencing January 1, 2014, for members who elected to receive an amount for participating service equal to the total of 1.4% of such member's final average salary, 4% of such member's compensation as employee contributions.; and (b) commencing January 1, 2014, for members who elected to receive an amount for participating service equal to the total of 1.85% of such member's final average salary, who did not make an election pursuant to K.S.A. 2012 Supp. 74-49,135, and amendments thereto, or if the federal internal revenue service fails to grant an approval or issues an adverse decision as described in K.S.A. 2012 Supp. 74 49,135, and amendments thereto, 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. Such deductions shall be remitted quarterly, or as the board may otherwise provide, to the executive director for deposit in the Kansas public employees retirement fund. Such deductions shall be credited to the members' individual accounts and interest shall be added annually to such accounts.

(2) (a) Subject to the provisions of K.S.A. 74-49,123, and amendments thereto, each participating employer, pursuant to the provisions of section 414(h)(2) of the federal internal revenue code, shall pick up and pay the contributions which would otherwise be
payable by members as prescribed in subsection (1) commencing with
the third quarter of 1984. The contributions so picked up shall be treated
as employer contributions for purposes of determining the amounts of
federal income taxes to withhold from the member's compensation.

(b) Member contributions picked up by the employer shall be paid
from the same source of funds used for the payment of compensation to
a member. A deduction shall be made from each member's compensation
equal to the amount of the member's contributions picked up by the
employer, provided that such deduction shall not reduce the member's
compensation for purposes of computing benefits under the system.

(c) Member contributions picked up by the employer shall be
remitted quarterly, or as the board may otherwise provide, to the
executive director for credit to the Kansas public employees retirement
fund. Such contributions shall be credited to a separate account within
the member's individual account so that amounts contributed by the
member commencing with the third quarter of 1984 may be
distinguished from the member contributions picked up by the employer.

Interest shall be added annually to members' individual accounts.

Section 1. Sec. 3. 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)
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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. 4. 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. 5. 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.

(d)(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.

(e)(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.

(f)(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.

(g)(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) 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

(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
Sec. 7. 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. 8. 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 subsections (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.