AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system; retirement annuity options; certain member elections; internal revenue service review requirements; retirement benefit determinations, one-time payment; membership; amending K.S.A. 2012 Supp. 20-2610a, 74-4915, 74-4919, 74-4964, 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. 20-2610a is hereby amended to read as follows:

20-2610a. (a) A judge may elect to have such judge's retirement annuity paid under one of the options provided in this section in lieu of having it paid in the form stated in K.S.A. 20-2610, and amendments thereto. Such election shall be made before the date of actual retirement. A specific person shall be designated as joint annuitant at the time of election of the joint and 1/2 to joint annuitant survivor option, joint and survivor option and the joint and 3/4 to joint annuitant survivor option. Under no circumstances may an option elected by a member as provided in this section not be changed or canceled nor shall the named joint annuitant be changed after the date of actual retirement of the judge. If a retirant is divorced after the retirant's date of actual retirement, and the retirant has named the retirant's ex-spouse as a joint annuitant under subsection (c), the joint annuitant option may be canceled and the retirant's benefit returned to the maximum amount of such retirant's retirement benefit commencing the first month following the date such cancellation is ordered by the district court of the county where the divorce action was filed. The retirant shall not receive a refund or interest of any amounts already paid to fund the original joint annuitant benefit. The retirant may not name a subsequent joint annuitant once the original joint annuitant
option has been canceled.

(b) The amount of retirement annuity payable under an option shall be based on the age of the judge and, if applicable, the age of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement annuity otherwise payable under K.S.A. 20-2610, and amendments thereto, as prescribed in subsection (c). Whenever the amount of any benefit is to be determined on the basis of actuarial assumptions, the assumptions shall be specified in a way that precludes employer discretion. In no case shall the total amount of retirement annuity payable under any option provided in this section be more than 100% of the retirement annuity which would have been otherwise payable if no option had been elected under this section.

(c) The following retirement options, which are subject to the provisions of K.S.A. 74-49,123, and amendments thereto, are available:

(1) Joint and $\frac{1}{2}$ to joint annuitant survivor. A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and amendments thereto, and (B) the percentage equal to 91% minus 0.4% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus 0.4% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest whole year, with $\frac{1}{2}$ of that monthly amount continued to the judge's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(2) Joint and survivor. A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and amendments thereto, and (B) the percentage equal to 83% minus 0.6% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus 0.6% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest whole year, with that monthly amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be
adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(3) Joint and \( \frac{3}{4} \) to joint annuitant survivor. A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and amendments thereto, and (B) the percentage equal to 87\% minus 0.5\% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus 0.5\% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest whole year, with \( \frac{3}{4} \) of that monthly amount continued to the judge's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(4) Life with 5 years certain. A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 98\% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and if the judge dies within the five-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the five-year certain period.

(5) Life with 10 years certain. A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 95\% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and if the judge dies within the ten-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the ten-year certain period.

(6) Life with 15 years certain. A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 88\% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610, and if the judge dies within the fifteen-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the fifteen-year certain period.

(7) Lump sum payment at retirement. (A) Pursuant to this option,
the judge must specify a lump sum amount to be paid to the judge upon
the judge's retirement. The lump sum amount will be based on the
actuarial present value of the benefit as provided in K.S.A. 20-2610, and
amendments thereto. The lump sum amount designated by the judge
must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial
present value of the benefit provided in K.S.A. 20-2610, and
amendments thereto. If the judge's spouse elects a lump sum payment as
provided in this section pursuant to the provisions of subsection (d), the
lump sum payment will be based on the present value of the retirement
option selected by the spouse. The lump sum amount designated by the
spouse must be in 10% increments and shall not exceed $\frac{1}{2}$ of the
actuarial present value of the option selected in this section.

(B) Pursuant to this option, the judge must elect to have the
remaining actuarial present value paid in a monthly amount under the
provisions of K.S.A. 20-2610, and amendments thereto, or subsections
(c)(1) through (c)(6) of this section.

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

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

(d) If a judge, who is eligible to retire, dies without having actually
retired, the judge's spouse, if the spouse is the sole beneficiary for the
judge's accumulated contributions, may elect to receive benefits as a
joint annuitant under one of the options provided in this section in lieu
of receiving the judge's accumulated contributions.

(e) On and after May 1, 2004, if a judge with 10 or more years of
credited service dies before attaining retirement age, the judge's spouse,
if the spouse is the sole beneficiary for the judge's accumulated
contributions, may elect to receive benefits under one of the options
provided in this section in lieu of receiving the judge's accumulated
contributions. Payments under one of the options provided in this
section to the judge's spouse if so elected, shall commence on the date
that the judge would have been eligible for normal retirement pursuant
to subsection (a) of K.S.A. 20-2608, and amendments thereto, or would
have been eligible for early retirement pursuant to subsection (b) or (c)
of K.S.A. 20-2608, and amendments thereto, if such early retirement
date occurs earlier.

(f) Benefits payable to a joint annuitant shall accrue from the first
day of the month following the death of a member or retirant and, in the
case of the joint and 1/2 to joint annuitant survivor option, the joint and
survivor option and the joint and 3/4 to joint annuitant survivor option,
shall end on the last day of the month in which the joint annuitant dies.

(g) The provisions of the law in effect on the retirement date of a
judge under the retirement system for judges shall govern the retirement
annuity payable to the retired judge and any joint annuitant, except, for
retirement benefits payable after July 1, 1993, for judges who retired
prior to July 1, 1982, in the event that the designated joint annuitant
under the option provided in subsection (c)(1), (2) or (3), as applicable,
predeceased the judge, the amount of the retirement benefit otherwise
payable to the judge under the option provided in subsection (c)(1), (2)
or (3), as applicable, shall be adjusted automatically to the retirement
benefit which the judge would have received if no option had been
elected under this section.

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

(1) The joint annuitant's surviving spouse;
(2) the joint annuitant's dependent child or children;
(3) the joint annuitant's dependent parent or parents;
(4) the joint annuitant's nondependent child or children;
(5) the joint annuitant's nondependent parent or parents; or
(6) the estate of the deceased joint annuitant.

(i) In any event, benefits shall be adjusted as necessary to satisfy
the incidental death benefits regulations under the federal internal
revenue code.

{Sec. 2. K.S.A. 2012 Supp. 74-4964 is hereby amended to read as
follows: 74-4964. (1) A member may elect to have such member's
retirement benefit paid under one of the options provided in this section
in lieu of having it paid in the form stated in subsections (1) and (2) of
K.S.A. 74-4958, and amendments thereto. Such election must be made
before the date of actual retirement. Only a specific individual person
may be designated as a joint annuitant at the time of election of the joint
and 1/2 to joint annuitant survivor option, the joint and survivor option
and the joint and 3/4 to joint annuitant survivor option. Under no-
circumstances may be changed or canceled nor shall the named joint annuitant be changed after the date of actual retirement of the member. If a retirant is divorced after the retirant's date of actual retirement, and the retirant has named the retirant's ex-spouse as a joint annuitant under subsection (5), the joint annuitant option may be canceled and the retirant's benefit returned to the maximum amount of such retirant's retirement benefit commencing the first month following the date such cancellation is ordered by the district court of the county where the divorce action was filed. The retirant shall not receive a refund or interest of any amounts already paid to fund the original joint annuitant benefit. The retirant may not name a subsequent joint annuitant once the original joint annuitant option has been canceled.

(2) The amount of a retirement benefit payable under an option shall be based on the age of the member and, if applicable, the age of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement benefit otherwise payable under subsections (1) or (2) of K.S.A. 74-4958, and amendments thereto, as prescribed under subsection (5). In no case shall the total amount of retirement benefit paid under any option provided in this section be more than 100% of the retirement benefit which would have been otherwise payable if no option had been elected under this section.

(3) If a member who was, up to the entry date of such member's employer, covered by a pension system under the provisions of K.S.A. 13-14a01 to 13-14a14, inclusive, or 14-10a01 through to 14-10a15, inclusive, and amendments thereto, so elects one of the options under this section, payment of such option shall be in lieu of any payments provided in subsection (3) of K.S.A. 74-4958, and amendments thereto.

(4) Such election of an option shall become null and void upon the death of a member prior to such member's retirement, except that if a member, who is eligible to retire in accordance with the provisions of subsections (1) and (2) of K.S.A. 74-4958, and amendments thereto, dies without having actually retired the member's spouse, if the spouse is beneficiary for the member's accumulated contributions, and no benefits are payable under subsections (1) and (2) of K.S.A. 74-4959, and amendments thereto, may elect to receive benefits under one of the options provided in this section, in lieu of receiving the member's accumulated contributions.

(5) The following retirement options which are subject to the provisions of K.S.A. 74-49,123, and amendments thereto, are available:

(A) Joint and 1/2 to joint annuitant survivor. A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (A) the monthly payment of the
retirement annuity otherwise payable under K.S.A. 74-4958, and amendments thereto and (B) the percentage equal to 94.5% minus 0.2% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus 0.2% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with $\frac{1}{2}$ of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(B) Joint and survivor. A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 74-4958, and amendments thereto, and (B) the percentage equal to 88% minus 0.4% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus 0.4% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with that monthly amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(C) Joint and $\frac{3}{4}$ to joint annuitant survivor. A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 74-4958, and amendments thereto, and (B) the percentage equal to 91% minus 0.3% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus 0.3% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with $\frac{3}{4}$ of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted
automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(D) Life with 5 years certain. A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 99% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958, and amendments thereto, and if the retirant dies within the five-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the five-year certain period.

(E) Life with 10 years certain. A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 98% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958, and amendments thereto, and if the retirant dies within the ten-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the ten-year certain period.

(F) Life with 15 years certain. A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 92% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958, and amendments thereto, and if the retirant dies within the fifteen-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the fifteen-year certain period.

(G) Lump sum payment at retirement. (i) Pursuant to this option, the member must specify a lump sum amount to be paid to the member upon the member's retirement. The lump sum amount will be based on the actuarial present value of the benefit as provided in K.S.A. 74-4958, and amendments thereto. The lump sum amount designated by the member must be in 10% increments and shall not exceed \( \frac{1}{2} \) of the actuarial present value of the benefit provided in K.S.A. 74-4958, and amendments thereto. If the member's spouse elects a lump sum payment as provided in this section pursuant to the provisions of subsection (6), the lump sum payment will be based on the present value of the retirement option selected by the spouse. The lump sum amount designated by the spouse must be in 10% increments and shall not exceed \( \frac{1}{2} \) of the actuarial present value of the option selected in this section.

(ii) Pursuant to this option, the member must elect to have the remaining actuarial present value paid in a monthly amount under the provisions of K.S.A. 74-4958, and amendments thereto, or subsections
(5)(A) through (5)(F) of this section.

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

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

(6) On and after July 1, 1996, if a member with 20 or more years of credited service dies before attaining retirement age, the member's spouse, if the spouse is the sole beneficiary for the member's accumulated contributions, may elect to receive benefits under one of the options provided in this section in lieu of receiving the member's accumulated contributions or in lieu of receiving benefits as provided in K.S.A. 74-4959, and amendments thereto. Payments under one of the options provided in this section to the member's spouse if so elected, shall commence on the date that the member would have attained retirement age.

(7) Benefits payable to a joint annuitant shall accrue from the first day of the month following the death of a member or retirant and, in the case of the joint and 1/2 to joint annuitant survivor option, the joint and survivor option and the joint and 3/4 to joint annuitant survivor option, shall end on the last day of the month in which the joint annuitant dies.

(8) The provisions of the law in effect on the retirement date of a member under the system shall govern the retirement benefit payable to the retirant and any joint annuitant, except, for retirement benefits payable after July 1, 1993, for retirants who retired prior to July 1, 1982, in the event that the designated joint annuitant under the option provided in subsection (5)(A), (B) or (C), as applicable, predeceased the retirant, the amount of the retirement benefit otherwise payable to the retirant under the option provided in subsection (5)(A), (B) or (C), as applicable, shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(9) Upon the death of a joint annuitant who is receiving a retirement benefit under the provisions of this section, there shall be paid to such joint annuitant's beneficiary an amount equal to the excess, if any, of the accumulated contributions of the retirant over the sum of all retirement benefit payments made to such retirant and such joint annuitant. Such joint annuitant shall designate a beneficiary by filing in the office of the retirement system such designation at the time of death of the retirant. If there is no named beneficiary of such joint annuitant
living at the time of death of such joint annuitant, any amount provided
for by this section shall be paid to, in order of preference as follows:
(A) The joint annuitant's surviving spouse;
(B) the joint annuitant's dependent child or children;
(C) the joint annuitant's dependent parent or parents;
(D) the joint annuitant's nondependent child or children;
(E) the joint annuitant's nondependent parent or parents; or
(F) the estate of the deceased joint annuitant.
(10) The provisions of this section shall apply only to members who
were appointed or employed prior to July 1, 1989, and who did not make
an election pursuant to K.S.A. 74-4955a, and amendments thereto.

Section 1. (Sec. 3.) 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 retirant, any joint annuitant and any beneficiary.

Sec. 2. K.S.A. 2012 Supp. 74-4919 is hereby amended to read as follows:

74-4919. 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) 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.
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)(f) 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)(g) 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)(h) 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)(i) 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.

(i)(j) 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 pre-2015 plan. Upon filing a written application
with the board after the death of a member receiving a benefit under
subsection 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. 8. K.S.A. 2012 Supp. 74-4915, 74-4919,
{74-4964,} 74-49,135, 74-49,205, 74-49,301, 74-49,306, 74-49,308, 74-
49,313 and 74-49,315 are hereby repealed.

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