AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system; interest credits and annuity interest rate; amending K.S.A. 2012 Supp. 74-49,306, 74-49,308 and 74-49,313 and repealing the existing sections.

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

Section 1. 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
posted to the account.
Sec. 2. 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. 3. 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% 5%. 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 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. 5. This act shall take effect and be in force from and after its publication in the statute book.