

## HOUSE BILL No. 2619

By Representatives Penn and K. Williams

1-29

1 AN ACT concerning retirement and pensions; relating to the Kansas  
2 deferred retirement option program act; expanding such program  
3 membership to all members of the Kansas public employees retirement  
4 system; amending K.S.A. 74-4986m and 74-4986o and K.S.A. 2023  
5 Supp. 74-4986l, 74-4986n and 74-4986p and repealing the existing  
6 sections.

7  
8 *Be it enacted by the Legislature of the State of Kansas:*

9 Section 1. K.S.A. 2023 Supp. 74-4986l is hereby amended to read as  
10 follows: 74-4986l. (a) As used in this act, unless otherwise provided or the  
11 context otherwise requires:

- 12 (1) "Act" means the Kansas deferred retirement option program act;  
13 (2) "board" means the board of trustees of the Kansas public  
14 employees retirement system;  
15 (3) "DROP" means the deferred retirement option program  
16 established by K.S.A. 74-4986m, and amendments thereto;  
17 (4) "DROP account" means the notional account to which is credited  
18 the monthly DROP accrual;  
19 (5) "DROP period" means the period of time that a member elects to  
20 participate in the DROP pursuant to K.S.A. 74-4986n, and amendments  
21 thereto;  
22 (6) "member" means any member of the Kansas *public employees*  
23 *retirement system or the Kansas* police and firemen's retirement system  
24 who is eligible to participate in the DROP and who elects to participate in  
25 the DROP as provided in this act;  
26 (7) "monthly DROP accrual" means the amount equal to the monthly  
27 retirement benefit that would have been payable to the member had the  
28 member terminated service and retired on the day the member elected; and  
29 (8) "system" means the Kansas *public employees retirement system*  
30 *and the Kansas* police and firemen's retirement system.  
31 (b) Unless specifically provided in this section or in this act, words  
32 and phrases used in this act mean the same as provided under the  
33 provisions of K.S.A. 74-4901 et seq. and 74-4951 et seq., and amendments  
34 thereto.

35 Sec. 2. K.S.A. 74-4986m is hereby amended to read as follows: 74-  
36 4986m. (a) The board shall establish within the ~~Kansas police and~~

1 ~~firemen's retirement~~ system a deferred retirement option program for  
2 members. The board shall administer the DROP in compliance with the  
3 federal internal revenue code and applicable treasury regulations,  
4 including, but not limited to, the incidental benefit and required minimum  
5 distribution requirements of section 401(a)(9) of the federal internal  
6 revenue code.

7 (b) The board shall establish a DROP account for each member. Each  
8 DROP account shall be credited annually with interest as provided in this  
9 subsection. Interest may only be credited in a year in which the actual rate  
10 of return on the market value on the investments of the DROP reach the  
11 system's assumed investment rate of return. Such interest credit may not  
12 exceed 50% of the actual rate of return, and such interest credit shall not  
13 exceed 3%.

14 Sec. 3. K.S.A. 2023 Supp. 74-4986n is hereby amended to read as  
15 follows: 74-4986n. (a) (1) A member *of the Kansas police and firemen's*  
16 *retirement system* who is appointed or employed prior to July 1, 1989, and  
17 who did not make an election pursuant to K.S.A. 74-4955a, and  
18 amendments thereto, may elect to participate in the DROP by making  
19 application in such form prescribed by the system at the attainment of age  
20 55 and the completion of 20 years of credited service or at the completion  
21 of 32 years of credited service regardless of the age of such member.

22 (2) A member *of the Kansas police and firemen's retirement system*  
23 who is appointed or employed on or after July 1, 1989, or who made an  
24 election pursuant to K.S.A. 74-4955a, and amendments thereto, may elect  
25 to participate in the DROP by making application in such form prescribed  
26 by the system at the attainment of age 55 and the completion of 20 years of  
27 credited service, age 50 and the completion of 25 years of credited service  
28 or age 60 with the completion of 15 years of credited service.

29 (b) (1) *Except as provided by paragraph (3), a member of the*  
30 *Kansas public employees retirement system who is first employed with a*  
31 *participating employer prior to July 1, 2009, may elect to participate in*  
32 *the DROP by making application in such form prescribed by the system at*  
33 *the attainment of of:*

34 (A) *Age 65 with the completion of one year of credited service;*

35 (B) *age 62 with the completion of 10 years of credited service; or*

36 (C) *the total of the number of years of credited service and the*  
37 *number of years of attained age of the member is equal to or more than*  
38 *85.*

39 (2) *Except as provided by paragraph (3), a member of the Kansas*  
40 *public employees retirement system who is first employed with a*  
41 *participating employer on or after July 1, 2009, may elect to participate in*  
42 *the DROP by making application in such form prescribed by the system at*  
43 *the attainment of age:*

1 (A) 65 with the completion of five years of credited service; or

2 (B) 60 with the completion of 30 years of credited service.

3 (3) A member of the Kansas public employees retirement system who  
4 is a security officer as defined in K.S.A. 74-4914a, and amendments  
5 thereto, may elect to participate in the DROP by making application in  
6 such form prescribed by the system at the attainment of the normal  
7 retirement date for such security officer in accordance with K.S.A. 74-  
8 4914c, and amendments thereto.

9 (c) A member shall indicate on the application the DROP period such  
10 member wishes to participate in the DROP. A member may elect to  
11 participate in the DROP for a minimum of three years and may not  
12 participate for more than five years from the effective date of the election  
13 to participate in the DROP. A member may participate in the DROP only  
14 once. Once the application is accepted by the system, such member  
15 becomes a DROP participant. If a member fails to participate in the DROP  
16 for a minimum of three years, all of the member's interest credits shall be  
17 forfeited, unless such member retires due to disability as defined in K.S.A.  
18 74-4914e or 74-4952, and amendments thereto, or receives a long-term  
19 disability benefit under K.S.A. 74-4927, and amendments thereto. A  
20 member who remains in active service at the expiration of the member's  
21 elected DROP period shall not be eligible for any additional interest  
22 credits. A member who first elected a DROP period of less than five years  
23 may extend, with the employer's authorization, such DROP period upon  
24 making application to the system. The total aggregate DROP period for a  
25 member shall be consecutive and shall not exceed five years from the  
26 effective date of the initial election to participate in the DROP.

27 ~~(e)(d)~~ A member who makes an election under this section shall  
28 continue in the active service under the ~~Kansas police and firemen's~~  
29 ~~retirement system~~ but shall not earn service credit under K.S.A. 74-4951 et  
30 ~~seq., and amendments thereto~~, after the election's effective date. On and  
31 after the effective date of the member's election to participate, such  
32 member is ineligible to purchase service credit under K.S.A. 74-4901 et  
33 ~~seq., and amendments thereto~~.

34 ~~(d)(e)~~ Participation in the DROP by a member does not guarantee  
35 continued employment. During a member's participation in the DROP,  
36 employer contributions under K.S.A. 74-4920 or 74-4967, and  
37 amendments thereto, and member contributions under K.S.A. 74-4919, 74-  
38 4965, 74-49,210 or 74-49,305, and amendments thereto, shall be made to  
39 the retirement system. No member or employer contributions shall be  
40 applied to a member's DROP account.

41 Sec. 4. K.S.A. 74-4986o is hereby amended to read as follows: 74-  
42 4986o. (a) (1) For each DROP member, the board shall calculate a monthly  
43 DROP accrual. The system shall determine the DROP member's retirement

1 benefit under K.S.A. 74-4915, 74-4958~~or~~, 74-4958a, 74-49,205, 74-  
2 49,311 and 74-49,313, and amendments thereto.

3 (2) *Except as provided in paragraph (3), in determining the*  
4 *retirement benefit, the system shall use the member's total service credit*  
5 *and final average salary as of the last day of the employer's payroll period*  
6 *immediately prior to the effective date of the member's election to*  
7 *participate in the DROP.*

8 (3) *A member of the Kansas public employees retirement system act*  
9 *of 2015 shall have such member's retirement benefit determined in the*  
10 *manner prescribed in K.S.A. 74-49,311 and 74-49,313, and amendments*  
11 *thereto, as of the last day of the employer's payroll period immediately*  
12 *prior to the effective date of the member's election to participate in the*  
13 *DROP.*

14 (4) Before entering the DROP, a member may elect to have such  
15 member's retirement benefit determined under one of the options provided  
16 in K.S.A. 74-4918, 74-4964 or 74-4964a, and amendments thereto, in lieu  
17 of having it determined in the form stated in K.S.A. 74-4915, 74-4958~~or~~,  
18 74-4958a, 74-49,205, 74-49,311 or 74-49,313, and amendments thereto,  
19 except such member may not elect the lump sum payment option. During  
20 the DROP period, an amount equal to the monthly DROP accrual shall be  
21 credited to the member's DROP account. The calculation of the monthly  
22 DROP accrual will be calculated using the member's age and, if the  
23 member elected a joint and survivor option, the age of the beneficiary as of  
24 the calendar year which contains the beginning of the DROP period. The  
25 monthly DROP accrual shall comply with the requirements of section  
26 401(a)(9) of the federal internal revenue code and treasury regulation §  
27 1.401(a)9-6, Q&A-2(c).

28 (b) A member shall not receive a monthly retirement benefit,~~as~~  
29 ~~calculated pursuant to K.S.A. 74-4958 or 74-4958a, and amendments~~  
30 ~~thereto,~~ until termination of such member's DROP participation and  
31 commencement of retirement. A DROP member shall not have any claim  
32 to any funds in such member's DROP account until such member retires at  
33 the termination of such member's DROP participation. Upon terminating  
34 DROP participation, a member is entitled to such member's retirement  
35 benefit, including any postretirement benefit adjustment for which the  
36 member is eligible and any change in the retirement benefit resulting from  
37 the recalculation of the member's final average salary as provided in  
38 subsection (c).

39 (c) A member may have such member's final average salary  
40 recalculated at the time of retirement to include any payments of the  
41 member's accumulated sick and annual leave compensation made at  
42 retirement. If the member's recalculated final average salary is higher than  
43 the final average salary used in calculating the member's monthly DROP

1 accrual, the retirement benefit shall be based on the recalculated final  
2 average salary.

3 (d) An amount equal to the difference between the member's monthly  
4 DROP accrual and the monthly retirement benefit calculated under  
5 subsection (c), if any, times the number of months the member participated  
6 in the DROP, shall be credited as a lump sum to the member's DROP  
7 account at termination of participation and commencement of retirement.  
8 No interest shall be credited to such lump sum credit.

9 (e) If a member who selected a joint and survivor retirement benefit  
10 option dies during the DROP period, the joint survivor benefit shall be  
11 calculated as provided in subsection (c) and any lump sum credit that  
12 would have been payable to the member under subsection (d) shall be  
13 applied prior to distribution of the DROP account to the member's  
14 beneficiary as provided in K.S.A. 74-4986p(b), and amendments thereto.

15 Sec. 5. K.S.A. 2023 Supp. 74-4986p is hereby amended to read as  
16 follows: 74-4986p. (a) A member's participation in the DROP ceases on  
17 the occurrence of the earliest of the following:

18 (1) Termination of the member's active service with a participating  
19 employer of the system;

20 (2) the last day of the member's elected DROP period that begins on  
21 the effective date of the member's election to participate in the DROP;

22 (3) retirement due to disability as defined in K.S.A. 74-4914e or 74-  
23 4952, and amendments thereto; ~~or~~

24 (4) *payment of a long-term disability benefit under K.S.A. 74-4927,*  
25 *and amendments thereto; or*

26 (5) the member's death.

27 (b) If a member dies before taking a distribution from such member's  
28 DROP account, the member's designated beneficiary shall receive a lump-  
29 sum payment equal to the member's DROP account balance, including any  
30 lump sum credited as provided in K.S.A. 74-4986o(d), and amendments  
31 thereto. If the DROP member has not named a beneficiary for such  
32 member's DROP account, the amount in the DROP account shall be paid  
33 to the beneficiary of the member's retirement benefit.

34 Sec. 6. K.S.A. 74-4986m and 74-4986o and K.S.A. 2023 Supp. 74-  
35 4986l, 74-4986n and 74-4986p are hereby repealed.

36 Sec. 7. This act shall take effect and be in force from and after its  
37 publication in the statute book.