

SESSION OF 2015

**SUPPLEMENTAL NOTE ON SENATE SUBSTITUTE FOR
HOUSE BILL NO. 2101**

As Recommended by Senate Select Committee
on KPERs

Brief*

Senate Sub. for HB 2101 would enact the Kansas Deferred Retirement Option Program (DROp) within the Kansas Police and Firemen's (KP&F) Retirement System. KP&F members, upon attaining normal retirement age, would have the option of participating in the DROp plan for a minimum of three years and no more than five years. This would be a one-time, irrevocable election. Participation in the DROp plan would not guarantee continued employment.

After electing to participate, a member's monthly retirement benefit, as determined by existing law, would be deposited into the member's DROp account for the duration of the DROp period. The DROp account would accrue interest on an annual basis in the range of 0 percent to 3 percent, subject to certain investment rate of return requirements. During the member's DROp period, the member would remain in active service. Employer and employee contributions would continue to be made to KP&F, but the member would not earn any additional service credit after the effective date of the DROp election. If a member were to fail to participate in the DROp plan for a minimum of three years, all of the member's interest credits would be forfeited. However, a disabled member would not forfeit interest earned. At the end of the DROp period, a member would be entitled to a distribution from the DROp account, which either could be rolled over into an eligible retirement plan or taken out as a lump-sum distribution.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

The bill would take effect on January 1, 2016.

Background

The Senate Select Committee on KPERS deleted the contents of HB 2101, which would have added a provision to the Uniform Trust Code, and inserted the amended contents of SB 284 and recommended a substitute bill be passed. The following provides the background of SB 284.

The bill was introduced at the request of the Kansas Highway Patrol (KHP). The Interim Superintendent of the KHP spoke in favor of the bill, stating it would be a means to lower the retirement rate. In 2006, KHP had 501 troopers; currently there are 408 troopers. Representatives of the Kansas State Troopers Association, the Kansas State Council of Fire Fighters, and the Kansas Associations of Chiefs of Police, Sheriffs, and Peace Officers spoke in support of the bill as well.

There was no opponent testimony.

A representative of the Kansas Public Employees Retirement System (KPERS) provided neutral testimony, explaining it is difficult to determine the number of participants that would be in a DROP plan. Members would have to decide whether it would be advantageous to receive a higher benefit for a shorter period of time compared to a lower benefit for a longer period of time.

The Senate Select Committee on KPERS amended the bill to increase the eligibility to all KP&F members and to reduce the maximum amount of interest a DROP account could earn, from 7 percent to 3 percent.

According to the fiscal note prepared by the Division of the Budget, in consultation with KPERS, the estimated actuarial costs for the State are \$1.0 million in FY 2016 and \$2.1 million in FY 2017, since only KP&F members who were

state employees would be eligible. If the DROP plan were to be made available to all KP&F members, the state employer contribution costs would be \$93,068 in FY 2016 and \$193,581 in FY 2017. KPERS estimates the administrative costs to be \$228,471 and 1.0 FTE position in FY 2016, which includes \$48,231 for salaries and wages, \$10,000 for other operating expenditures, and \$170,240 for one-time IT costs. For FY 2017 and FY 2018, costs are estimated to be approximately \$59,000.