

Senate Substitute for HOUSE BILL No. 2101

By Select Committee on KPERs

3-20

1 AN ACT concerning retirement and pensions; relating to the Kansas police
2 and firemen's retirement system; enacting the Kansas deferred
3 retirement option program act; providing terms, conditions,
4 requirements, benefits and contributions related thereto; relating to
5 member election; eligible employer affiliation; interest credits; account
6 distribution.

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

9 Section 1. (a) The provisions of sections 1 through 8, and
10 amendments thereto, shall be known and may be cited as the Kansas
11 deferred retirement option program act.

12 (b) The provisions of this act shall be part of and supplemental to the
13 provisions of K.S.A. 74-4901 et seq., and amendments thereto, subject to
14 the limitations contained in this act.

15 Sec. 2. (a) As used in this act, unless otherwise provided or the
16 context otherwise requires:

17 (1) "Act" means the Kansas deferred retirement option program act;

18 (2) "board" means the board of trustees of the Kansas public
19 employees retirement system;

20 (3) "DROP" means the deferred retirement option program
21 established by section 3, and amendments thereto;

22 (4) "DROP account" means the notional account to which is credited
23 the monthly DROP accrual;

24 (5) "DROP period" means the period of time that a member
25 irrevocably elects to participate in the DROP pursuant to section 5, and
26 amendments thereto;

27 (6) "member" means a member in the Kansas police and firemen's
28 retirement system who is eligible to participate in the DROP and who
29 elects to participate in the DROP as provided in this act and who is: (A)
30 Employed by the state of Kansas; or (B) employed by a participating
31 employer other than the state of Kansas;

32 (7) "monthly DROP accrual" means the amount equal to the monthly
33 retirement benefit that would have been payable to the member had the
34 member terminated service and retired on the day the member elected; and

35 (8) "system" means the Kansas police and firemen's retirement
36 system.

1 (b) Unless specifically provided in this section or in this act, words
2 and phrases used in this act shall have the meanings ascribed to them as
3 provided under the provisions of K.S.A. 74-4901 et seq. and K.S.A. 74-
4 4951 et seq., and amendments thereto.

5 Sec. 3. (a) The board shall establish within the Kansas police and
6 firemen's retirement system a deferred retirement option program for
7 members. The board shall administer the DROP in compliance with the
8 federal internal revenue code and applicable treasury regulations,
9 including, but not limited to, the incidental benefit and required minimum
10 distribution requirements of section 401(a)(9) of the federal internal
11 revenue code.

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

19 Sec. 4. (a) An eligible employer, as defined by K.S.A. 74-4952, and
20 amendments thereto, shall affiliate with the DROP established under this
21 act. Eligible employers shall make application for affiliation with the
22 DROP in the manner provided by K.S.A. 74-4954, and amendments
23 thereto, to be effective on the January 1 next following application.

24 (b) Each participating employer shall appropriate and pay to the
25 system a sum sufficient to satisfy the obligations hereunder as certified by
26 the board.

27 Sec. 5. (a) (1) A member who is appointed or employed prior to July
28 1, 1989, and who did not make an election pursuant to K.S.A. 74-4955a,
29 and amendments thereto, may elect to participate in the DROP by making
30 application in such form prescribed by the system at the attainment of age
31 55 and the completion of 20 years of credited service or at the completion
32 of 32 years of credited service regardless of the age of such member.

33 (2) A member who is appointed or employed on or after July 1, 1989,
34 or who made an election pursuant to K.S.A. 74-4955a, and amendments
35 thereto, may elect to participate in the DROP by making application in
36 such form prescribed by the system at the attainment of age 55 and the
37 completion of 20 years of credited service, age 50 and the completion of
38 25 years of credited service or age 60 with the completion of 15 years of
39 credited service.

40 (b) A member shall indicate on the application the DROP period such
41 member wishes to participate in the DROP. A member may elect to
42 participate in the DROP for a minimum of three years and may not
43 participate for more than five years from the effective date of the election

1 to participate in the DROP. A member may participate in the DROP only
2 once. An election under this section is a one-time irrevocable election.
3 Once the application is accepted by the system, such member becomes a
4 DROP participant. If a member fails to participate in the DROP for a
5 minimum of three years, all of the member's interest credits shall be
6 forfeited, unless such member retires due to disability as defined in K.S.A.
7 74-4952, and amendments thereto. A member who remains in active
8 service at the expiration of the member's elected DROP period shall not be
9 eligible for any additional interest credits.

10 (c) A member who makes an election under this section shall
11 continue in the active service under the Kansas police and firemen's
12 retirement system but shall not earn service credit under K.S.A. 74-4951 et
13 seq., and amendments thereto, after the election's effective date. On and
14 after the effective date of the member's election to participate, such
15 member is ineligible to purchase service credit under K.S.A. 74-4901 et
16 seq., and amendments thereto.

17 (d) Participation in the DROP by a member does not guarantee
18 continued employment. During a member's participation in the DROP,
19 employer contributions under K.S.A. 74-4967, and amendments thereto,
20 and member contributions under K.S.A. 74-4965, and amendments
21 thereto, shall be made to the retirement system. No member or employer
22 contributions shall be applied to a member's DROP account.

23 Sec. 6. (a) For each DROP member, the board shall calculate a
24 monthly DROP accrual. The system shall determine the DROP member's
25 retirement benefit under K.S.A. 74-4958 or 74-4958a, and amendments
26 thereto. In determining the retirement benefit, the system shall use the
27 member's total service credit and final average salary as of the last day of
28 the employer's payroll period immediately prior to the effective date of the
29 member's election to participate in the DROP. Before entering the DROP, a
30 member may elect to have such member's retirement benefit determined
31 under one of the options provided in K.S.A. 74-4964 or 74-4964a, and
32 amendments thereto, in lieu of having it determined in the form stated in
33 K.S.A. 74-4958 or 74-4958a, and amendments thereto, except such
34 member may not elect the lump sum payment option. During the DROP
35 period, an amount equal to the monthly DROP accrual shall be credited to
36 the member's DROP account. The calculation of the monthly DROP
37 accrual will be calculated using the member's age and, if the member
38 elected a joint and survivor option, the age of the beneficiary as of the
39 calendar year which contains the beginning of the DROP period. The
40 monthly DROP accrual shall comply with the requirements of section
41 401(a)(9) of the federal internal revenue code and treasury regulation §
42 1.401(a)9-6, Q&A-2(c).

43 (b) A member shall not receive a monthly retirement benefit, as

1 calculated pursuant to K.S.A. 74-4958 or 74-4958a, and amendments
2 thereto, until termination of such member's DROP participation and
3 commencement of retirement. A DROP member shall not have any claim
4 to any funds in such member's DROP account until such member retires at
5 the termination of such member's DROP participation. Upon terminating
6 DROP participation, a member is entitled to such member's retirement
7 benefit, including any postretirement benefit adjustment for which the
8 member is eligible.

9 Sec. 7. (a) A member's participation in the DROP ceases on the
10 occurrence of the earliest of the following:

11 (1) Termination of the member's active service with a participating
12 employer;

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

15 (3) retirement due to disability as defined in K.S.A. 74-4952, and
16 amendments thereto; or

17 (4) the member's death.

18 (b) If a member dies before taking a distribution from such member's
19 DROP account, the member's designated beneficiary shall receive a lump-
20 sum payment equal to the member's DROP account balance. If the DROP
21 member has not named a beneficiary for such member's DROP account,
22 the amount in the DROP account shall be paid to the beneficiary of the
23 member's retirement benefit.

24 Sec. 8. (a) A member, who satisfies the requirements of this act, shall
25 be entitled to a distribution of such member's DROP account. Such
26 distribution may be through any combination of the following payout
27 options, each of which is subject to the applicable provisions of the federal
28 internal revenue code and the applicable regulations of the internal
29 revenue service:

30 (1) A direct rollover to an eligible retirement plan; or

31 (2) a lump-sum distribution.

32 (b) The board may specify minimum account balances for purposes
33 of allowing benefit payment options and rollovers in accordance with
34 federal law.

35 Sec. 9. This act shall take effect and be in force from and after
36 January 1, 2016, and its publication in the statute book.