

Attachment 1: July 22, 2011

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MEMORANDUM

TO: KPERS Study Commission

RE: Review of Provisions of 2011 HB No. 2194

From: Office of Revisor of Statutes

Date: July 22, 2011

Quick Summary

HB 2194 provides for:

- (1) The establishment of KPERS Study Commission;
- (2) an appropriation for KPERS expenditures not to exceed \$60,000 for actuarial services;
- (3) increase in employer contributions;
- (4) for employees, an election related to their contribution rate and retirement benefit multiplier and COLA. This election provision must be approved by the IRS; and
- (5) the disposition of certain proceeds on the sale of real estate of state agencies to the KPERS fund

The increase in employer contributions, employee benefit changes and increase in contributions, and state asset sale provisions do not take effect until the occurrence of both the publication of notice of certification of legislative action taken, and July 1, 2012.

Detailed Summary

KPERS Study Commission Related Provisions

(1) **Establishing KPERS Study Commission** and prescribing membership, purpose and duties.

The commission shall:

"Study and analyze the current KPERS retirement system and systems related thereto, and develop a viable plan to ensure the long-term sustainability of the system."

The commission shall particularly:

"Study and review the advantages and disadvantages of implementing a defined benefit, defined contribution or hybrid defined benefit/defined contribution retirement benefit plan, or other plan options."

Membership: 13 members, as follows:

(a) Four members of Legislature, one each appointed by:

- (1) President of Senate
- (2) Minority Leader of Senate
- (3) Speaker of House, and
- (4) Minority Leader of House

(b) Four at-large members one each appointed by:

- (1) President of Senate
- (2) Minority Leader of Senate
- (3) Speaker of House, and
- (4) Minority Leader of House

(c) Five members appointed by the Governor, one of which shall be a lawyer admitted to practice law and have engaged in practice of law.

(d) Four non-voting ex officio members as follows:

- (1) KPERS Executive Director
- (2) Director of the Budget
- (3) Revisor of Statutes, and
- (4) Director of Legislative Research

Chairperson

Elected from voting members.

Staff Assistance

Legislative staff agencies to provide assistance.

Duties

- (A) Study and analyze as previously noted
- (B) Submit a report to the Legislature and Joint Committee on Pensions, Investments and Benefits prior to January 6, 2012. Such report shall contain findings and recommended legislation.

(C) During 2012 Legislative Session, two bills with exact provisions as recommended by the Study Commission shall be introduced, one in the Senate and one in the House.

Location in bill:
New Section 9.

(2) **Certification Trigger:**

The Revisor of Statutes and the Director of Legislative Research shall jointly certify to the Secretary of State that the Legislature has received and taken action during the 2012 session of the Legislature on the recommendations, including any legislation, of the KPERS Study Commission. "Taken action" means at least one house of the Legislature holding a public hearing in one or more committees and voting on final action by any such committee on a bill which contains the exact same provisions as those recommendations of the Study Commission, and the other house of the Legislature voting on final action in Committee of the Whole on a bill which contains the exact same provisions as those recommendations of the Study Commission. Upon receipt of such certification, the Secretary of State shall cause to be published a notice of the certification in the Kansas Register. The statutory changes described in this bill are effective upon the publication of the notice of certification and July 1, 2012.

Location in bill:
New Section 10.

(3) **Appropriation** for expenditures by the Kansas Public Employees Retirement System for FY 2012 to provide actuarial services for KPERS Study Commission in an amount not to exceed \$60,000.

Location in bill:
New Section 11.

Provisions affecting current KPERS statutes

(1) Employer Contributions:

Provides for an increase in employer contributions in future years commencing in fiscal year 2014 by increasing the current statutory cap which limits the increase in employer contributions from one year to the next.

Current cap	FY 2014	FY2015	FY2016	FY2017+ thereafter
0.60%	0.90%	1.00%	1.10%	1.20%

This change affects state, school and local employers.

Location in bill:

Section 1. (Page 1) 74-4914d State corrections.

Section 4. (Page 5) 74-4920 State, school and local.

(2) KPERS benefit changes:

The bill contains a provision that, subject to IRS approval, would allow for an election for both Tier 1 and Tier 2 members on July 1, 2013. Tier 1 members may elect to increase their contributions to 5% in 2014 and to 6% for 2015 and all years thereafter and receive an increased multiplier from 1.75% to 1.85% for service earned on and after January 1, 2014 or they may choose to continue to contribute 4% and receive a 1.4% multiplier for service on and after January 1, 2014. Tier 1 members who fail to make an election shall contribute 6% and would receive the increased 1.85% multiplier.

Tier 2 members may elect to keep their multiplier at the current 1.75% and forgo any COLA or they may elect to take a reduced 1.4% multiplier for service earned on and after January 1, 2014 and maintain their COLA (currently 2% annual increase). Tier 2 members' contribution rate would remain at 6% no matter which option the member chooses. Tier 2 members who do not make an election shall contribute 6% with the 1.75% multiplier and shall not receive a COLA.

Elections shall be one-time and irrevocable, and shall be made within a 90-day period established by the KPERS board.

If the IRS does not grant approval of the election, Tier 1 members shall have their employee contribution rate increased to 6% and receive a 1.85% multiplier, and Tier 2 members shall not be eligible for a COLA and receive a 1.75% multiplier.

Location in bill:

Section 2. K.S.A. 74-4915 tier 1 multiplier rate

Section 3. K.S.A. 74-4919 tier 1 employee contribution rate

Section 5. K.S.A. 74-49,205 tier 2 multiplier rate

Section 6. K.S.A. 74-49,213 tier 2 COLA

New Sec. 8. Employee election provisions

(3) **Certain proceeds from sale of surplus real estate of the state** shall be (80%) credited to KPERS Fund and applied to payment of the unfunded actuarial pension liability as directed by KPERS system.

Location in bill:

Section 7. K.S.A. 75-6609