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300 SW TENTH AVENUE ▪ SUITE 24-E ▪ TOPEKA, KS 66612 ▪ (785) 296-2321

MEMORANDUM

To: Chairman Longbine and Members of the Joint Committee on Pensions, Investments and Benefits.

From: David Wiese, Assistant Revisor

Date: December 2, 2020

Subject: **KPERS Legislation Considered During the 2020 Session.**

The following memo is a brief overview of KPERS policy and funding bills that had committee consideration during the 2020 legislative session.

KPERS Policy Bills

HB 2452 – Providing certain KP&F tier II spousal and children's benefits for death resulting from a service-connected disability.

House Bill No. 2452 provides additional benefits for a KP&F tier II member's spouse and children if the member dies from a service-connected disability. Under current law, there is no distinction between service-connected and nonservice-connected disability benefits for KP&F tier II members. Currently, if a disabled member dies before being eligible for a KP&F retirement benefit, the member's spouse shall receive a lump-sum payment equal to 50% of the member's final average salary and a monthly benefit equal to 50% of the member's disability benefit. If the member has no spouse, the member's dependent children shall receive the benefits in equal shares. The bill provides that on and after July 1, 2019, if the member's death is service-connected and if no death benefits are payable, the member's spouse shall receive a benefit equal to 50% of the member's final average salary or, if the member has no dependents, the retirement benefit that the member would have been entitled had the member retired, whichever is greater.

The bill also provides benefits to each of the member's children under the age of 18 or, if the child is a full-time student, under the age of 23. Each child shall receive an annual benefit equal to 10% of the member's final average salary. The benefit shall end on the last day of the month in which the child turns 18 or, if the child is a full-time student, when the child turns 23. The total combined spousal and children's benefits payable for a death resulting from a service-connected disability shall not exceed 75% of the member's final average salary.

The bill was recommended favorably for passage by the House Financial Institutions and Pensions Committee and it passed the House on final action, 125-0. The Senate Financial Institutions and Insurance Committee recommended that the bill be passed on 5/21/20, but it died on Senate General Orders.

HB 2619 – Adjusting the frequency of the KPERS actuarial experience study.

House Bill No. 2619 adjusts the frequency of the KPERS actuarial experience study from once every three years to once every four years. This change in frequency begins from the most recently completed actuarial study. The bill also delegates to the KPERS board the power to adjust the frequency of such study from the four years specified in the bill to not more frequently than once every three years and not less frequently than once every five years if the board deems it necessary in their fiduciary duty to act in the best interest of the KPERS trust fund.

The bill was recommended favorably for passage by the House Financial Institutions and Pensions Committee, and it passed the House on final action, 118-7. The Senate Financial Institutions and Insurance Committee struck the contents of the bill and substituted them with financial institutions-related legislation. Senate Substitute for HB 2619 was vetoed by the Governor.

SB 269 – Increasing the mandatory retirement age for judges to 80 years of age.

Senate Bill No. 269 amends K.S.A. 20-2608, a statute concerning the retirement system for judges. Current law provides that a judge shall retire upon reaching age 75, except that "such judge may, if such judge desires, finish serving the term during which such judge attains the age of 75." The bill amends age 75 to age 80 and strikes the language allowing the judge to finish serving the term during which such judge attains the age of 75. Pursuant to K.S.A. 20-2601(c), "judge" in K.S.A. 20-2608 means justice of the supreme court, judge of the court of appeals, judge of the district court and district magistrate judge.

The bill was amended by the Senate Judiciary Committee to change the age from 80 to 79 and the effective date from publication in the statute book to publication in the Kansas Register on 1/30/20. The bill was rereferred back to Senate Judiciary on 2/3/20, and it died in committee.

KPERS Funding Bills

HB 2503/SB 321 – Amortizing the state and school KPERS unfunded actuarial liability over a 25-year period; authorizing the transfer of $268,412,000 from the state general fund to the KPERS fund during fiscal year 2020; and eliminating certain level-dollar employer contribution payments.

House Bill No. 2503 and Senate Bill No. 321 amortize the KPERS unfunded actuarial liability of the state of Kansas and school participating employers that existed under the system on December 31, 2015, over a period of 25 years commencing on December 31, 2017, and require the KPERS board of trustees to certify the employer contribution rates for such participating employers based upon such new amortization schedule.

Section 1 of the bill transfers $268,412,000 from the state general fund to the Kansas public employees retirement fund of KPERS in FY 2020 to pay the remaining balance of delayed KPERS state and school employer contributions from FY 2017 and FY 2019. It also eliminates the level-dollar employer contribution payments of $6.4 million and $19.4 million per year for 20 years, which were placed in statute after such FY 2017 and FY 2019 employer contribution delays.

New Section 2 of the bill provides the mechanism for the FY 2021 budget savings due to reamortization by providing that if any legislation is passed and enacted into law on July 1, 2020, authorizing the amortization of the KPERS unfunded actuarial liability for the state of Kansas and school participating employers over a period of 25 years, the amount in each account of the state general fund of each state agency that is appropriated for FY 2021 that is equal to the difference between the amount budgeted for KPERS employer contributions under current law and the amount required for employer contributions under the new amortization period is lapsed from the FY 2021 budget. The same procedure shall take place to reduce expenditure limitations for special revenue funds in the state treasury.

HB 2503 was reported without recommendation by the House Financial Institutions and Pensions Committee. A House floor amendment struck the reamortization portions of the bill, leaving only the transfer and elimination of the level-dollar contribution payments. The amended HB 2503 passed the House on final action, 125-0, and was referred to the Senate Ways and Means Committee. The bill had a hearing in the Senate Ways and Means Committee in conjunction with SB 368 on 3/11/20 but the bill died in committee. SB 321 had a hearing in Senate Ways and Means Committee on 2/10/20. No action was taken on SB 321, and the bill died in committee.

SB 368 –Transferring $268,412,000 from the state general fund to the Kansas public employees retirement fund in FY 2020 and eliminating certain level-dollar KPERS employer contribution payments.

Senate Bill No. 368 transfers $268,412,000 from the state general fund to the Kansas public employees retirement fund of KPERS in FY 2020 to pay the remaining balance of delayed KPERS state and school employer contributions from FY 2017 and FY 2019. It also eliminates the level-dollar employer contribution payments of $6.4 million and $19.4 million per year for 20 years, which were placed in statute after such FY 2017 and FY 2019 employer contribution delays.

The bill was recommended favorably for passage by the Senate Ways and Means Committee on 3/11/20. The bill died on Senate General Orders.