

House and Senate Cash Balance Plans Comparison of Selected, Basic Features

	House Sub for SB 259 As Recommended by House Pensions & Benefits Committee*	Senate Sub for HB 2333 As Recommended by Senate Select Committee on KPERS*
Basic plan structure	Cash balance funded by employer and employee contributions for future members only (established under sections 401(a) and 414(d) of the Internal Revenue Code)	Cash balance funded by employer and employee contributions for future members only (established under sections 401(a) and 414(d) of the Internal Revenue Code)
Trust structure	One trust for all three tiers	One trust for all three tiers
Effective date	January 1, 2014	July 1, 2014
Employee contribution	6%	6%
Employer pay credit (as a percent of compensation, paid quarterly)	1% in first year of membership 2% in second year 3% in third year 4% in fourth year and after	4% for all years of service
Employer contribution	One actuarially determined rate (by Group -- State/School, Local), applicable to all 3 tiers of KPERS	One actuarially determined rate (by Group -- State/School, Local), applicable to all 3 tiers
Interest credit	5.00% per year Discretionary dividends may be granted in the amount of 50% of the excess returns over 8%, if the returns for the period are 10% or more. Maximum dividend of 2% .	6.00% per year for first 20 years 6.25% at 20 years 6.50% at 30 years Discretionary dividends only available for members with 10 or more years of service. Are subject to funding, market, investment return and other relevant considerations. Maximum dividend of 4%
Vesting	7 years	5 years
Normal retirement date	65 with five years of service 60 with 30 years of service	65 with five years of service 60 with 30 years of service
Early retirement	55 with 10 years of service	None
Corrections employees	Future corrections employees (Group A and B) are excluded from Tier 3 – they would go into Tier 2	Retains the existing normal retirement age for Corrections employees: Corrections Group A: age 55 with 10 years of service Corrections Group B: age 60 with 10 years of service.
Annuitization rate	5%	6%
Form of basic annuity payment	15-year life certain	Five-year life certain

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Partial lump sum option	Any fixed dollar amount or percent , up to a maximum of 30% of the total account balance (annuity savings account plus retirement annuity account).	Increments of 10% , up to a maximum of 30% of the total account balance (annuity savings account plus retirement annuity account).
Post-retirement benefit COLA	Self-funded option	Self-funded option
Other retirement benefit options	Any option available to Tier 1 and 2 members, i.e., joint annuitant options or life certain options for other periods of time.	Any option available to Tier 1 and 2 members, i.e., joint annuitant options or life certain options for other periods of time.
Death benefit for vested member not yet retirement eligible	Available for surviving spouse named as the sole primary beneficiary of a vested member who has 10 or more years of service at death and dies before normal retirement age. Surviving spouse is eligible to receive an annuity when member would have reached normal retirement age. Annuity is a single life annuity with 15-years certain.	Available for surviving spouse named as the sole primary beneficiary of a vested member who has five or more years of service at death and dies before normal retirement age. Surviving spouse is eligible to receive an annuity when member would have reached normal retirement age. Annuity is a single life annuity with five-year certain.
Ability to change provisions for current employees	Explicitly reserves right to change employer credit, interest credit, annuitization rate, and mortality rates prospectively. Reserves right to prospectively change benefits under certain stated conditions , including an employer normal cost for the plan of 6.0% or more. Under stated conditions in which the system is not sustainable and at risk of collapse, reserves right to convert plan type, distribute system assets to members or close the system.	Explicitly reserves right to change employer credit, interest credit, annuitization rate, and mortality rates prospectively.
Total contributions through 2060–future value**	State/School: \$19,034.09 million Local: \$ 4,279.32 million	State/School: \$30,141.29 million Local: \$ 8,415.42 million
Total contributions through 2060–present value as of 7/1/11 **	State/School: \$ 7,992.95 million Local: \$ 1,920.66 million	State/School: \$ 9,034.81 million Local: \$ 2,306.65 million
Maximum employer contribution Rate**	State/School: 14.70% in FY 2020 Local: 9.21% in FY 2031	State/School: 15.42% in FY 2025 Local: 10.09% in FY 2031
Final normal cost in FY 2060**	State/School: 0.00% Local: 0.00%	State/School: 2.19% Local: 1.99%

*This summary compares only the cash balance plans contained in Hs. Sub. for Senate Bill 259 and Sen. Sub. for HB 2333. It does not include any other provisions contained in these bills, including reenactment of certain provisions of 2011 Sen. Sub. for HB 2194, or any of the amendments to Sub SB 259 added by the House Committee of the Whole.

**Based on cost studies prepared by KPERS' consulting actuary, Cavanaugh MacDonald Consulting, LLC. The cost study for Sub SB 259 as recommended by the House Committee on Pensions and Benefits is dated March 20, 2012, and the cost study for Sub HB 2333 is dated March 23, 2012.

The cost studies contain important information and explanations regarding the cost projections shown in this table. Therefore, these cost projections should only be considered with the March 20 and March 23, 2012, letters.

All actuarial assumptions, including the 8% investment return, are assumed to be met each year in the future. The cost studies also assume that the provisions of Sen. Sub. for HB 2194 relating to employer contributions and member contributions and benefits are implemented.