

SESSION OF 2008

**SUPPLEMENTAL NOTE ON
HOUSE SUBSTITUTE FOR SENATE BILL NO. 385**

As Recommended by House Committee on
Appropriations

Brief*

House Sub. for SB 385 would make technical amendments in three areas: first, relating to the new plan design for future Kansas Public Employees Retirement System (KPERS) members approved during the 2007 Session; second, relating to Internal Revenue Service (IRS) compliance matters in the KPERS statutes; and third, relating to certain withdrawals of contributions and service credit shared between retirement systems.

The amendments pertaining to the new plan for future KPERS members that is effective July 1, 2009, would:

- Clarify that employees covered under the new plan, who have forfeited prior and participating service credit under the existing plan due to termination of employment and withdrawal of contributions, may purchase that service credit under the new plan;
- Clarify the rules of service and its portability between the current plan and the new plan to determine membership applicability and vested benefits;
- Expand the definition of “employee” for new plan members to distinguish what elements of the current definition of “employee” are applicable, or not, to new plan members;
- Preserve membership in the existing plan for employees

*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>

who experience temporary breaks in service but return to covered positions with participating employers within established time frames;

- Amend early retirement provisions for the state correctional officers group to clarify that retirement benefits are actuarially reduced for members taking an early retirement option before their normal retirement date; and
- Allow non-vested members of the existing plan, who complete five or more years of service and remain employed without termination in a non-covered position with the same participating employer, to be granted a vested benefit.

The amendments pertaining to IRS compliance would:

- Update references to the Internal Revenue Code (IRC) and other pertinent federal laws (such as the Uniformed Services Employment and Reemployment Act) as they currently are in effect;
- Incorporate IRS model language, such as model language provided by the IRS regarding minimum distributions under IRC Section 401(a)(9); and
- Reflect recent changes to IRS regulations, such as the final regulations issued by the IRS regarding maximum benefits and contributions under IRC Section 415(b) and 415(c).

The amendments to statutes governing certain withdrawals of contributions and service credit shared between retirement systems would:

- Provide that members may retain the funds from improper withdrawals and forfeit service credit related to the withdrawal. Members would have the option of reinvesting

the withdrawn funds at any time by purchasing the withdrawn service, and

- Require members retiring (using credit from two systems) to withdraw their Kansas Police and Firemen's Retirement System account balance during the month immediately following retirement, allowing members to access their funds and eliminating the necessity for maintaining these accounts until the member's death.

Background

House Sub. for SB 385 contains three bills (2007 HB 2077 as introduced, 2008 SB 662 as introduced, and 2008 SB 663 as introduced). All three bills were requested by the KPERS Board of Trustees and each would make a series of technical amendments to the KPERS statutes. The Joint Committee on Pensions, Investments and Benefits recommended all three bills for introduction. A Subcommittee of the House Appropriations Committee recommended that the three bills, as introduced, be combined into a House substitute bill. The Executive Director of KPERS testified in support of each bill as introduced. There is no fiscal impact for any of the bills as introduced.

The House Committee adopted the Subcommittee Report on KPERS Issues and recommended that the three bills be included in House Sub. for SB 385, removing the original contents. SB 385 as originally passed by the Senate concerned state employees and would have implemented the Governor's FY 2008 state employee pay plan. That legislation passed the 2007 Session in a different bill.