

## MEMORANDUM

TO: KPERS Designated Agents

FROM: Joan Hancock, General Counsel  
Laurie McKinnon, Assistant General Counsel

DATE: June 13, 2001

RE: **2001 Legislation Affecting KPERS**

- (1) Employer Is Responsible to Pay Erroneously Reported Contributions
- (2) Board of Regents Employees Taking Leave of Absence to Serve in Legislature
- (3) Death & Disability Contributions; Suspension Extended
- (4) Miscellaneous Changes Affecting KP&F Members Only
- (5) Retired Members May Direct \$4,000 Death Benefit to Funeral Establishments
- (6) Lump Sum Service Purchase Affecting Judges Members Only
- (7) New Purchase Affecting Active KPERS Members Withdrawn from Board of Regents Retirement Plan

**(1) Employer Is Responsible to Pay Erroneously Reported Contributions**

For retirements effective on and after July 1, 2001, KPERS will be paying out up to half the actuarial present value of a retiring member's benefit in an initial lump sum. This is referred to as the partial lump sum option or PLSO. If the benefit calculation has been based on incorrect information received from the employer, KPERS risks distributing too much to the retirant in the PLSO. Therefore a new law provides that in the event an employer certifies an incorrectly inflated amount of contributions for an employee who is retiring, the employer will be responsible for paying in the contributions as reported, rather than simply filing a form showing an adjustment. Procedures are being developed to correct any erroneous PLSO distribution and monthly benefit payments to the member that result from erroneous employer reporting.

**(2) Board of Regents Employees Taking Leave of Absence to Serve in Legislature**

Any member of the Legislature who is on leave of absence from an unclassified position at the Board of Regents or an educational institution under its management may elect to remain eligible for participation in the Board of Regents' retirement plan while on such leave. This new law provides that during the leave of absence the Board of Regents shall contribute, toward the purchase of retirement annuities on behalf of such employee, an amount that is the same as the amount the employer would have paid based on the employee's biweekly salary rate at the time the leave of absence to serve in the Legislature begins. During the leave of absence, the employee-legislator who elects this option remains covered by KPERS' death and disability benefits.

**(3) Death & Disability Contributions; Suspension Extended**

The Legislature has extended for two additional quarters (the final two payroll quarters in Calendar Year 2001) the moratorium on employer contributions into the death and disability fund administered by KPERS.

**(4) Miscellaneous Changes Affecting KP&F Members Only**

- (a) Repurchase of KP&F Service Credit: Allows members to repurchase forfeited KP&F service credit at an actuarially-determined amount, either as a lump sum or over time through payroll deductions.
- (b) Tier I Disability: For disabilities that commence on or after July 1, 2001, this provision limits the availability of minor-child benefits to children born, conceived or adopted before the commencement of the disability.
- (c) Board May Waive Filing Deadline: The KPERS Board of Trustees may waive the two-year requirement for filing applications for KP&F disability benefits if evidence clearly indicates such waiver is warranted.

**(5) Retired Members May Direct \$4,000 Death Benefit to Funeral Establishments**

Beginning July 1, 2001, retirants can choose to name a funeral establishment (instead of a person, estate, or trust) as the beneficiary for their \$4,000 KPERS retirant death benefit. A retirant may wish to do this because, under federal tax law, the \$4,000 KPERS death benefit is counted as taxable income to the beneficiary. Thus, without this change, even if the beneficiary, after the retirant's death, assigns the death benefit to a funeral home to go toward the retirant's burial expense, the beneficiary nevertheless receives a 1099R the next January showing the benefit amount as taxable income. Under this new provision, if the retirant chooses to name a funeral establishment instead of an individual as beneficiary, the \$4,000 will go directly to the establishment and no individual will be taxed for it.

**(6) Lump Sum Service Purchase Affecting Judges Members Only**

Any judge who has retired under the Retirement System for Judges and who later works in the Senior Judges Program will be eligible to buy service credit at the full actuarial cost for the senior judge service years. This is relevant for judges who retired without sufficient service to qualify for the maximum judicial pension.

**(7) New Purchase Affecting Active KPERS Members Withdrawn from Board of Regents Retirement Plan**

Active members of KPERS who formerly participated in the Board of Regents Retirement Plan (BOR plan) under K.S.A. 74-4925 and amendments thereto, who have withdrawn all their money from that plan, may purchase service credit in KPERS for the BOR plan's statutory waiting period. The purchase is available at actuarial cost by means of a single, lump-sum payment.