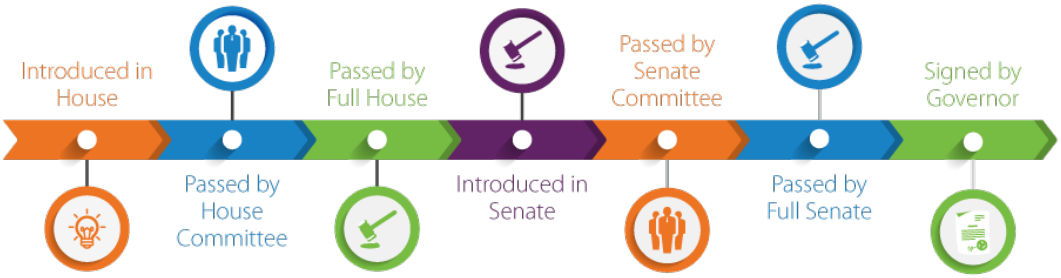
2021 Legislative Session | KPERS Bill Recap

House Bill 2243: KPERS Omnibus Legislation

Where It's At



Quick Look

HB 2243 contains several policy topics, including topics introduced in other legislation. HB 2243 now includes:

- Actuarial experience study schedule (introduced in HB 2243)
- KP&F DROP extension option (introduced in HB 2064)
- Technical changes to KPERS statutes (introduced in SB 86)
- Death and disability contribution moratorium (introduced in SB 265)

Hearings

April 21 – Signed by the Governor
April 8 – Conference Committee report adopted by Senate 39-0 and House 122-0
March 30 – Placed into Conference Committee
March 25 – Passed Full Senate 40-0
March 18 – Recommended favorable for passage by Senate Committee
March 11 – Senate Financial Institutions and Insurance
February 25 – Passed Full House 123-1
February 15 – House Insurance and Pensions
February 8 – House Insurance and Pensions

HB 2243

Current law requires KPERS to complete a "general investigation" of all actuarial assumptions every three years, which is known as the actuarial experience study. The experience study process looks at all of the economic assumptions (i.e. investment return, wage growth) and demographic assumptions (i.e. retirement rates, mortality) to ensure that the annual actuarial valuation is as accurate as possible. Most public pension plans complete an experience study every three to five years, with a five-year cycle being the most common.

HB 2243 changes the standard time period between experience studies from three years to four years. It allows the KPERS Board of Trustees to complete an experience study in as few as three years, or as long as five years if it makes sense from a fiduciary standpoint.

Practically, moving the experience study to a four-year schedule has very little impact on the operation of the System.

HB 2064

A Deferred Retirement Option Program (DROP) is a plan design feature where a member initiates the calculation of a retirement benefit, but the member makes a one-time election to continue working for 3, 4, or 5 years (the DROP period). During the DROP period, both the member and the employer continue making regular contributions to KPERS. The member's monthly retirement benefit accumulates in a DROP account. Members receive the DROP balance in a lump sum at the end of the DROP period.

The 2015 Legislature created a pilot DROP from 2016 to 2020 for the Kansas Highway Patrol troopers (KP&F members only). The 2019 Legislature extended the pilot to 2025 and expanded it to include the Kansas Bureau of Investigation (KP&F members only).

HB 2064 allows Kansas Highway Patrol and Kansas Bureau of Investigation members who elect to participate in the DROP for less than the maximum 5 years to extend their DROP period up to the maximum of 5 years.

SB 86

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act contains several provisions that impact retirement benefits and allow disbursements. The Board adopted certain provisions for the KPERS 457 plan (i.e., coronavirus-related distributions or loans, qualified birth or adoption withdrawals). However, those provisions do not apply to the Retirement System.

KPERS' IRS guidepost section (K.S.A. 74-49,123) needs to be updated during the 2021 Session to align with the federal CARES Act.

SB 265

In July 2020, the Governor released an allotment plan to address a projected budget shortfall in FY 2021. Part of the allotment plan included a moratorium on employer contributions to the KPERS Death and Disability plan.

The KPERS Death and Disability plan provides group life insurance and long-term disability benefits to KPERS members. The plan is solely funded through a 1% employer contribution on covered payroll. The plan is currently funded on a pay-as-you-go basis, meaning annual contributions are used to pay for current benefits. However, the 1% employer contribution is slightly more than is necessary to pay benefits, so a balance has accumulated in the Death and Disability Trust Fund. Based on the current cash flow, a one-year moratorium will not deplete the Death and Disability Trust Fund.

SB 265 adjusts State law to reflect the actual contributions that will be made by State and Local KPERS employers based on the Governor's allotment. KPERS death and disability benefits are not being changed in any way. KP&F death and disability benefits are in a separate plan and not a part of the moratorium.