

HCS HB 152 & 180 -- KANSAS CITY POLICE RETIREMENT SYSTEM

SPONSOR: Smith, 118 (Johnson, 47)

COMMITTEE ACTION: Voted "do pass by consent" by the Committee on Retirement by a vote of 12 to 0.

Regarding the Kansas City Police Retirement System, this substitute:

- (1) Requires benefits and conditions to always be adjusted to qualify for tax-exempt status;
- (2) Requires a member's benefits to be 100% vested and nonforfeitable upon the member's attainment of the normal retirement age;
- (3) Requires the distribution of retirement benefits to begin no later than April 1 of the year following the calendar year during which the member becomes 70 1/2 years of age;
- (4) Prohibits benefits in excess of the limits set by Section 415 of the Internal Revenue Code;
- (5) Limits the total salary taken into account for any purpose for any member to no more than \$200,000 per year, subject to adjustments permitted by the Internal Revenue Code;
- (6) Gives the Retirement Board authority to change actuarial assumptions at any time annually, but a change in actuarial assumptions may not result in any decrease in benefits accrued as of the effective date of the change;
- (7) Allows a member or beneficiary to transfer an eligible rollover distribution to another eligible retirement plan;
- (8) Gives the board authority to provide fiduciary liability insurance; and
- (9) Makes other changes to conform with the Internal Revenue Code.

The substitute also changes the requirements for the five elected members of the Kansas City Police Retirement Board. If Kansas City has established a Civilian Employees' Retirement System of the police department, the substitute requires the elected members to consist of three restricted members and two open members. The three restricted members will consist of a retired member, an active member below the rank of sergeant, and a civilian member. If Kansas City has not established a Civilian

Employees' Retirement System of the police department, three members will be open members. (Kansas City has established a Civilian Employees' Retirement System.) Open members will have no qualification requirements. Current law has no requirement that the board have an open member. The substitute outlines a staggered election process.

The substitute further allows members of the Police Retirement System and the Civilian Employees' Retirement System to receive a partial lump-sum option payment. Police officers who have a minimum of 26 years of service are eligible to receive up to three years of benefit payments in a lump-sum, depending on their years of creditable service. The member would then receive a reduced pension on a normal monthly basis. Civilian employees working one year beyond their earliest eligible retirement date would also be eligible for the partial lump-sum option. The election to receive a lump-sum distribution and reduced monthly base pension is void if the member dies before retirement and amounts due a beneficiary will be determined without regard to the election.

Finally, the substitute makes the retirement board a state agency for the purpose of the administrative procedure and review process.

FISCAL NOTE: No impact on state funds.

PROPOSERS: Supporters say that the bill will make the retirement system compliant with the Internal Revenue Code in order to maintain a tax-exempt status. Vested members can transfer certain funds to certain plans without penalty. The bill designates members of the Retirement Board and makes the board a state agency for the purpose of implementing the retirement plans.

Testifying for the bill were Representative Johnson (47); James Pyle, Executive Director, Kansas City Police and Civilian Retirement System; and St. Louis Police Retirement System.

OPPOSERS: There was no opposition voiced to the committee.

Joseph Deering, Legislative Analyst