

HCS HB 418 -- KANSAS CITY POLICE AND CIVILIAN EMPLOYEE RETIREMENT SYSTEMS

SPONSOR: Neth

COMMITTEE ACTION: Voted "Do Pass" by the Committee on Retirement by a vote of 12 to 0.

This substitute changes the law regarding the police retirement system of Kansas City and the civilian employees' retirement system of the police department of Kansas City. In its main provisions the substitute:

POLICE RETIREMENT SYSTEM OF KANSAS CITY

- (1) Creates a two tier retirement system; Tier I members consist of any person who became a member prior to August 28, 2013 and who continues to be a member after that date; Tier II members consist of members who joined on or after August 28, 2013;
- (2) Specifies that the final average compensation for Tier I members will be calculated by averaging the highest 24 months of service in which monthly contributions were made whether consecutive or otherwise;
- (3) Specifies that the final average compensation for Tier II members will be calculated by averaging the highest 36 months of service in which monthly contributions were made whether consecutive or otherwise;
- (4) Requires the city's contribution rate to meet the actuarially required contributions plus \$200 per month for each member entitled to receive supplemental benefits;
- (5) Requires members accruing creditable service to contribute a percentage of his or her compensation to the member's pension fund as determined by the retirement board. The substitute repeals the provision requiring the deduction to be at least 6% of the member's compensation;
- (6) Prohibits creditable service from being accrued when a member is not making contributions, unless the member is on leave for military service;
- (7) Allows members accruing service on or after August 28, 2013, to earn up to 32 years of creditable service;
- (8) Limits the accumulation of creditable service to 5 years for members on leave of absence for military service, except for

certain situations authorized by federal law;

(9) Repeals the mandatory retirement provision. Currently, members can retire after 25 years but must retire after 30 of creditable service;

(10) Specifies that the pension of Tier I members retiring on or after August 28, 2013, must not exceed 80% of the member's final average compensation;

(11) Specifies that Tier II members can retire after 27 years of creditable service, and the base pension will be 2.5% of a member's final average compensation times the number of years of total creditable service, not to exceed 80% of the member's final average compensation. Tier II members can also choose a 75% or 100% optional joint and survivor benefit;

(12) Allows Tier II members who have been terminated and have at least 15 years of creditable service to choose to receive his or her base pension beginning the first day of the month following the month he or she turns 60 years of age;

(13) Prohibits any member convicted of a felony prior to separation from active service from receiving any retirement benefits, except for his or her own contributions made to the fund;

(14) Specifies that any member, after August 28, 2013, who has to retire due to a job related illness or injury will receive 80% of his or her final compensation as a base pension. This amount may be reduced by the amounts paid or payable under any workers' compensation law;

(15) Allows Tier II members to be eligible for a partial lump sum option plan. The normal pension of any member choosing the partial lump sum option, will be reduced as specified in the substitute;

(16) Specifies that Tier II members retiring with 32 years of creditable service will receive a cost-of-living adjustment (COLA) beginning the following year after retirement. Any member retiring with less than 32 years of creditable service will receive a COLA the year following the year he or she would have reached 32 years of active service;

(17) Allows any Tier II member retiring due to disability caused by performance of duty to receive a COLA the year following retirement. COLAs for non-duty related disability retirement will begin following the fifth year of retirement or the year following the year that the member would have attained 32 years of active service, whichever is earlier;

(18) Specifies the COLA provisions for surviving spouses of Tier II members;

(19) Allows eligible Tier II members to receive a supplemental retirement benefit of \$200 per month;

(20) Specifies that a surviving spouse of a retired Tier II member who has not elected an optional annuity under Section 86.1151, RSMo, will receive a survivor benefit equal to 50% of the member's base pension upon the members death;

(21) Specifies that a Tier II member will be fully vested after 27 years of creditable service or after turning 60 years of age with 15 years of creditable service; and

(22) Changes from January 10 to October 15 the date the retirement board must certify to the chief financial officer of the city the amount to be paid by the city under the retirement pension system for the succeeding fiscal year.

CIVILIAN EMPLOYEES' RETIREMENT SYSTEM

(1) Creates a two tier retirement system; Tier I members consist of any person who became a member prior to August 28, 2013 and who continues to be a member after that date; Tier II members consist of members who joined on or after August 28, 2013;

(2) Limits the accumulation of creditable service to 5 years for members on leave of absence for military service, except for certain situations authorized by federal law;

(3) Specifies that the age of 67 or 20 years of employment is the normal retirement date for Tier II members;

(4) Allows a Tier II member to choose early retirement at age 62 if he or she has 5 years of creditable service. The benefits will be reduced as specified in the substitute; and

(5) Allows a Tier II member to retire if he or she is at least 55 years old and the member's total age and years of service equals or exceeds 80.

PROPONENTS: Supporters say that the bill creates a two tier retirement system that will help reduce costs to the system and increase the actuarial value. This will make the system more sound and decrease the city's contribution amount.

Testifying for the bill were Representative Neth; James Pyle,

Police Retirement System of Kansas City; and Kansas City Missouri;

OPPONENTS: There was no opposition voiced to the committee.