

Does the Kansas Thrift Savings Plan (SB553) Meet Retirement Best Practices?



Gold Standard	Senate Bill 553 (2022)
<p>Defined Plan Objectives <i>Ensure plan objectives are defined in writing as part of a comprehensive benefits policy statement.</i></p>	<p>YES</p>
<p>Communication and Education <i>Ensure members are educated on the available choices and have all relevant information to make competent retirement choices.</i></p>	<p>YES</p>
<p>Auto Enrollment <i>Enroll new employees into the Kansas Thrift Savings Plan by default.</i></p>	<p>YES</p>
<p>Adequate Contributions <i>Replace approximately 80% of a worker's final salary.</i></p>	<p>YES</p>
<p>Retirement Specific Portfolio Design <i>Offer "one-touch" investment options for employees who are not sophisticated investors and do not want to avail themselves of in-plan investment advice.</i></p>	<p>YES</p>
<p>Benefit Portability <i>Safeguard the ability to recruit highly mobile 21st Century employees.</i></p>	<p>YES COULD IMPROVE W/ SHORTER VESTING PERIOD</p>
<p>Offer Distribution Options <i>Provide members with a variety of asset distribution methods while limiting borrowing.</i></p>	<p>YES</p>
<p>Disability Coverage <i>Offer a separate disability insurance benefit from a quality insurer.</i></p>	<p>YES</p>

Objective	Gold Standard	Senate Bill 553 (2022)
Defined Plan Objectives	Defines objectives in writing as part of a comprehensive “benefits policy statement” or at least within a “retirement plan policy statement.”	<i>Senate Bill 553 would provide a formal statement of legislative intent and plan objective that is consistent with best practices: “The plan and related trust shall be established with the primary objective of providing a share of the retirement income needed to replace a member’s pre-retirement standard of living throughout retirement following a full career of employment and to help meet participating employer workplace objectives for recruiting and retaining qualified employees.”</i>
Communication and Education	Educated members on the available choices and relevant information needed to make competent retirement decisions.	<i>The current communication and education offering are solid and consistent with best practices. Changes would be needed to reflect the new retirement income focused objective of SB 553 and portability features of the KTSP, but if current standards are continued members should be provided with the most timely and pertinent information.</i>
Auto Enrollment	Defaults members into a defined contribution retirement plan.	<i>After 2024, new hires would be auto-enrolled into the new Senate Bill 553-created Thrift Savings Plan. Active employees would have a 90-day option to transfer assets from the current retirement plan to the new TSP.</i>
Adequate Contributions	Replace approximately 80% of a worker’s final salary.	<i>Retirement experts agree that a total contribution rate of between 10% and 15% is necessary over a career to adequately fund retirement when combined with Social Security and personal savings. The KTSP contribution design of 10% (6% employee/4% employer) with potential additional contributions and matching through the deferred compensation option would meet these best practice contribution standards.</i>
Retirement Specific Portfolio Design	Offer “one-touch” investment options for employees who are not sophisticated investors and do not want to avail themselves of in-plan investment advice.	<i>Senate Bill 553 would provide substantial guidelines by authorizing the use of a wide variety of investments under the plan including annuities, mutual funds and other similar investment products and professionally managed portfolio options.</i>
Benefit Portability	Safeguard the ability to recruit highly mobile 21st Century employees.	<i>Employer contributions into the Kansas Thrift Savings Plan would fully vest after five (5) years of service. While the 5-year vesting parallels the vesting period for the state’s cash balance plan, a shorter requirement would make this new plan more useful to modern employees. Full and immediate vesting would be preferred.</i>
Offer Distribution Options	Provide members with a variety of asset distribution methods while limiting borrowing.	<i>The distribution methods offered under the KTSP would depend on the vendor but would generally include a wide variety of options that will meet best practice standards, including annuities, full or partial lump-sum withdrawals and periodic payments.</i>
Disability Coverage	Offer a separate disability insurance benefit from a quality insurer.	<i>Disability coverage in the KTSP would mirror the current coverage of the current retirement plan. Employers are required to make separate contributions to help fund the benefit, in line with best practices.</i>