

MEMORANDUM

To: Senate Financial Institutions and Insurance Committee

From: Alan D. Conroy, Executive Director *A.D.C.*

Date: February 4, 2021

Subject: Proponent Testimony for Senate Bill 86 – KPERS Technical Changes

The Congress passed two pieces of legislation over the past 14 months that affect retirement plans:

- Setting Every Community Up for Retirement Enhancement (SECURE) Act passed in December 2012; and
- Coronavirus Aid, Relief, and Economic Security (CARES) Act passed in March 2020.

Both Acts included provisions on required minimum distributions from retirement plans that affected the KPERS 457 plan. KPERS' tax and compliance counsel, Ice Miller LLP, has advised that KPERS' IRS guidepost section (K.S.A. 74-49,123) needs to be updated during the 2021 Session of the Legislature to align all requirements of the Internal Revenue Service (IRS).

Ice Miller has recommended updating the 457 plan's companion 401(a) plan language affected by the SECURE Act as well. The SECURE Act changes are not required by the IRS until 2024. However, if a technical adjustment for the CARES Act is being made it provides an opportunity to address the SECURE Act changes as well.

To maintain compliance with federal law this guidepost section needs to be updated to match the new required minimum distribution levels established in the SECURE and CARES Acts. The changes include:

- Changing the age that benefits must begin receiving distributions from retirement accounts from 70 ½ to 72; and
- Maintaining the age for required minimum distributions at 70 ½ for members before July 1, 1949.

Senate Bill 86 makes the required technical changes to keep KPERS in compliance with IRS regulations. We would appreciate the Committee's support on these technical changes.

I would be pleased to answer any questions the Committee may have.

