

112-104-22. Annuity jackpots. (a) Each facility manager's internal control system shall include internal controls for the payment of an annuity jackpot. The internal controls shall be submitted to and approved by the commission according to K.A.R. 112-104-1. The internal controls developed and implemented by the facility manager shall include the following:

(1) Procedures to be followed by a winning patron to exercise a cash payout option;

(2) procedures with regard to the administration of the trust agreement established to ensure the future cash payments due under the annuity jackpot award; and

(3) a requirement that the trustee for the trust fund established by the trust agreement be a facility manager or, for a wide-area progressive system offering an annuity jackpot, the EGM system operator for that wide-area progressive system.

(b) Any facility manager offering an annuity jackpot payable over 10 years or more may offer a winning patron the option to be paid in a single cash payout, in lieu of the annuity jackpot, in an amount that is equal to the present value of the face amount of the jackpot payout as calculated in subsection (c).

(c) Any facility manager may offer a cash payment option. The present value of the cash payout option on an annuity shall be determined by applying a discount rate to each of the future annuity jackpot payments, taking into consideration the number of years until each jackpot payment would otherwise have been received and adding to that amount the amount of the first cash payment that would otherwise have been received.

For the purposes of this subsection, the discount rate shall equal the United States treasury constant maturity rate for 20-year United States government securities for the week ending before the date of the jackpot, as identified in the federal reserve statistical release form H.15 for selected interest rates, plus 0.5%.

(d) A facility manager shall not offer an annuity jackpot payout unless both of the following conditions are met:

(1) The terms and conditions of the annuity jackpot, including the effect on the calculation of the theoretical payout percentage, meet the requirements of the act, this article, and the technical standards approved by the commission under article 110.

(2) The commission has approved the specific offer of the annuity jackpot.

(e) Each cash payout made in connection with an annuity jackpot shall be made in accordance with K.A.R. 112-104-21. (Authorized by and implementing K.S.A. 2007 Supp. 74-8772; effective Sept. 26, 2008.)