

HOUSE BILL No. 2014

AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system and systems thereunder; benefits; purchase of service credit; appointment of officers and employees by board of regents; employer contribution rates; retirement annuities of certain members of the legislature; death and disability benefits; membership; issuance of revenue bonds; retirement payment dividends; amending K.S.A. 74-4902, 74-4908, 74-4911f, 74-4918, 74-4920, 74-4925, 74-4927, 74-4927f, 74-4927k, 74-4963, 74-4963a, 74-4964, 74-4964a and 74-49,110 and K.S.A. 2002 Supp. 20-2610a and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2002 Supp. 20-2610a is hereby amended to read as follows: 20-2610a. (a) A judge may elect to have such judge's retirement annuity paid under one of the options provided in this section in lieu of having it paid in the form stated in K.S.A. 20-2610 and amendments thereto. Such election shall be made before the date of actual retirement. A specific person shall be designated as joint annuitant at the time of election of the joint and $\frac{1}{2}$ to joint annuitant survivor option, joint and survivor option and the joint and $\frac{3}{4}$ to joint annuitant survivor option. Under no circumstances may an option be changed or canceled nor the named joint annuitant changed after the date of actual retirement of the judge.

(b) The amount of retirement annuity payable under an option shall be based on the age of the judge and, if applicable, the age of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto as prescribed in subsection (c). Whenever the amount of any benefit is to be determined on the basis of actuarial assumptions, the assumptions shall be specified in a way that precludes employer discretion. In no case shall the total amount of retirement annuity payable under any option provided in this section be more than 100% of the retirement annuity which would have been otherwise payable if no option had been elected under this section.

(c) The following retirement options, which are subject to the provisions of K.S.A. 74-49,123 and amendments thereto, are available:

(1) *Joint and $\frac{1}{2}$ to joint annuitant survivor.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto and (B) the percentage equal to 91% minus .4% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus .4% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest whole year, with $\frac{1}{2}$ of that monthly amount continued to the judge's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(2) *Joint and survivor.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto and (B) the percentage equal to 83% minus .6% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus .6% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest whole year, with that monthly amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(3) *Joint and $\frac{3}{4}$ to joint annuitant survivor.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments

thereto and (B) the percentage equal to 87% minus .5% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus .5% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest whole year, with $\frac{3}{4}$ of that monthly amount continued to the judge's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(4) *Life with 5 years certain.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 98% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto and if the judge dies within the five-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the five-year certain period.

(5) *Life with 10 years certain.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 95% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto and if the judge dies within the ten-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the ten-year certain period.

(6) *Life with 15 years certain.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 88% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto and if the judge dies within the fifteen-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the fifteen-year certain period.

(7) *Lump sum payment at retirement.* (A) Pursuant to this option, the judge must specify a lump sum amount to be paid to the judge upon the judge's retirement. The lump sum amount will be based on the actuarial present value of the benefit as provided in K.S.A. 20-2610, and amendments thereto. The lump sum amount designated by the judge must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the benefit provided in K.S.A. 20-2610, and amendments thereto. *If the judge's spouse elects a lump sum payment as provided in this section pursuant to the provisions of subsection (d), the lump sum payment will be based on the present value of the retirement option selected by the spouse. The lump sum amount designated by the spouse must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the option selected in this section.*

(B) Pursuant to this option, the judge must elect to have the remaining actuarial present value paid in a monthly amount under the provisions of K.S.A. 20-2610, and amendments thereto, or subsections (c)(1) through (c)(6) of this section.

(C) In the event that the designated joint annuitant pursuant to subsection (c)(1), (c)(2) or (c)(3), under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under the option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(D) The provisions of this subsection shall be effective on and after July 1, 2001.

(d) If a judge, who is eligible to retire, dies without having actually retired, the judge's spouse, if the spouse is the sole beneficiary for the judge's accumulated contributions, may elect to receive benefits as a joint annuitant under one of the options provided in this section in lieu of receiving the judge's accumulated contributions.

(e) On and after July 1, 1993, if a judge with 15 or more years of credited service dies before attaining retirement age, the judge's spouse,

if the spouse is the sole beneficiary for the judge's accumulated contributions, may elect to receive benefits under one of the options provided in this section in lieu of receiving the judge's accumulated contributions. Payments under one of the options provided in this section to the judge's spouse if so elected, shall commence on the date that the judge would have first attained retirement age.

(f) Benefits payable to a joint annuitant shall accrue from the first day of the month following the death of a member or retirant and, in the case of the joint and $\frac{1}{2}$ to joint annuitant survivor option, the joint and survivor option and the joint and $\frac{3}{4}$ to joint annuitant survivor option, shall end on the last day of the month in which the joint annuitant dies.

(g) The provisions of the law in effect on the retirement date of a judge under the retirement system for judges shall govern the retirement annuity payable to the retired judge and any joint annuitant, except, for retirement benefits payable after July 1, 1993, for judges who retired prior to July 1, 1982, in the event that the designated joint annuitant under the option provided in subsection (c)(1), (2) or (3), as applicable, predeceased the judge, the amount of the retirement benefit otherwise payable to the judge under the option provided in subsection (c)(1), (2) or (3), as applicable, shall be adjusted automatically to the retirement benefit which the judge would have received if no option had been elected under this section.

(h) Upon the death of a joint annuitant who is receiving a retirement benefit under the provisions of this section, there shall be paid to such joint annuitant's beneficiary an amount equal to the excess, if any, of the accumulated contributions of the retired judge over the sum of all retirement benefit payments made to such retired judge and such joint annuitant. Such joint annuitant shall designate a beneficiary by filing in the office of the retirement system such designation at the time of death of the retired judge. If there is no named beneficiary of such joint annuitant living at the time of death of such joint annuitant, any amount provided for by this section shall be paid to, in order of preference as follows:

- (1) The joint annuitant's surviving spouse;
- (2) the joint annuitant's dependent child or children;
- (3) the joint annuitant's dependent parent or parents;
- (4) the joint annuitant's nondependent child or children;
- (5) the joint annuitant's nondependent parent or parents; or
- (6) the estate of the deceased joint annuitant.

(i) In any event, benefits shall be adjusted as necessary to satisfy the incidental death benefits regulations under the federal internal revenue code.

Sec. 2. K.S.A. 74-4902 is hereby amended to read as follows: 74-4902. As used in articles 49 and 49a of chapter 74 and amendments thereto, unless otherwise provided or the context otherwise requires:

(1) "Accumulated contributions" means the sum of all contributions by a member to the system which are credited to the member's account, with interest allowed thereon;

(2) "acts" means the provisions of articles 49 and 49a of the Kansas Statutes Annotated and amendments thereto;

(3) "actuarial equivalent" means an annuity or benefit of equal value to the accumulated contributions, annuity or benefit, when computed upon the basis of the actuarial tables in use by the system. Whenever the amount of any benefit is to be determined on the basis of actuarial assumptions, the assumptions shall be specified in a way that precludes employer discretion;

(4) "actuarial tables" means the actuarial tables approved and in use by the board at any given time;

(5) "actuary" means the actuary or firm of actuaries employed or retained by the board at any given time;

(6) "agent" means the individual designated by each participating employer through whom system transactions and communication are directed;

(7) "beneficiary" means any natural person or persons or estate named by a member to receive any benefits as provided for by this act. Designations of beneficiaries by a member who is a member of more than one retirement system made on or after July 1, 1987, shall be the basis of any benefits payable under all systems unless otherwise provided

by law. Except as otherwise provided by subsection (33) of this section, if there is no named beneficiary living at time of member's death, any benefits provided for by this act shall be paid to: (A) The member's surviving spouse; (B) the member's dependent child or children; (C) the member's dependent parent or parents; (D) the member's nondependent child or children; (E) the member's nondependent parent or parents; (F) the estate of the deceased member; in the order of preference as specified in this subsection.

(8) "board of trustees," "board" or "trustees" means the managing body of the system which is known as the Kansas public employees retirement system board of trustees;

(9) "compensation" means, except as otherwise provided, all salary, wages and other remuneration payable to a member for personal services performed for a participating employer, including maintenance or any allowance in lieu thereof provided a member as part of compensation, but not including reimbursement for travel or moving expenses or on and after July 1, 1994, payment pursuant to an early retirement incentive program made prior to the retirement of the member. Beginning with the employer's fiscal year which begins in calendar year 1991 or for employers other than the state of Kansas, beginning with the fiscal year which begins in calendar year 1992, when the compensation of a member who remains in substantially the same position during any two consecutive years of participating service used in calculating final average salary is increased by an amount which exceeds 15%, then the amount of such increase which exceeds 15% shall not be included in compensation, except that (A) any amount of compensation for accumulated sick leave or vacation or annual leave paid to the member, (B) any increase in compensation for any member due to a reclassification or reallocation of such member's position or a reassignment of such member's job classification to a higher range or level and (C) any increase in compensation as provided in any contract entered into prior to January 1, 1991, and still in force on the effective date of this act, pursuant to an early retirement incentive program as provided in K.S.A. 72-5395 *et seq.* and amendments thereto, shall be included in the amount of compensation of such member used in determining such member's final average salary and shall not be subject to the 15% limitation provided in this subsection. Any contributions by such member on the amount of such increase which exceeds 15% which is not included in compensation shall be returned to the member. Unless otherwise provided by law, beginning with the employer's fiscal year coinciding with or following July 1, 1985, compensation shall include any amounts for tax sheltered annuities or deferred compensation plans. Beginning with the employer's fiscal year which begins in calendar year 1991, compensation shall include amounts under sections 403b, 457 and 125 of the federal internal revenue code of 1986 and, as the board deems appropriate, any other section of the federal internal revenue code of 1986 which defers or excludes amounts from inclusion in income. For purposes of applying limits under the federal internal revenue code "compensation" shall have the meaning as provided in K.S.A. 74-49,123 and amendments thereto;

(10) "credited service" means the sum of participating service and prior service and in no event shall credited service include any service which is credited under another retirement plan authorized under any law of this state;

(11) "dependent" means a parent or child of a member who is dependent upon the member for at least ½ of such parent or child's support;

(12) "effective date" means the date upon which the system becomes effective by operation of law;

(13) "eligible employer" means the state of Kansas, and any county, city, township, special district or any instrumentality of any one or several of the aforementioned or any noncommercial public television or radio station located in this state which receives state funds allocated by the Kansas public broadcasting commission whose employees are covered by social security. If a class or several classes of employees of any above defined employer are not covered by social security, such employer shall be deemed an eligible employer only with respect to such class or those classes of employees who are covered by social security;

(14) "employee" means any appointed or elective officer or employee of a participating employer whose employment is not seasonal or tem-

porary and whose employment requires at least 1,000 hours of work per year, and any such officer or employee who is concurrently employed performing similar or related tasks by two or more participating employers, who each remit employer and employee contributions on behalf of such officer or employee to the system, and whose combined employment is not seasonal or temporary, and whose combined employment requires at least 1,000 hours of work per year, but not including: (A) Any employee who is a contributing member of the United States civil service retirement system; (B) any employee who is a contributing member of the federal employees retirement system; (C) any employee who is a leased employee as provided in section 414 of the federal internal revenue code of a participating employer; and (D) any employee or class of employees specifically exempted by law. After June 30, 1975, no person who is otherwise eligible for membership in the Kansas public employees retirement system shall be barred from such membership by reason of coverage by, eligibility for or future eligibility for a retirement annuity under the provisions of K.S.A. 74-4925 and amendments thereto, except that no person shall receive service credit under the Kansas public employees retirement system for any period of service for which benefits accrue or are granted under a retirement annuity plan under the provisions of K.S.A. 74-4925 and amendments thereto. After June 30, 1982, no person who is otherwise eligible for membership in the Kansas public employees retirement system shall be barred from such membership by reason of coverage by, eligibility for or future eligibility for any benefit under another retirement plan authorized under any law of this state, except that no such person shall receive service credit under the Kansas public employees retirement system for any period of service for which any benefit accrues or is granted under any such retirement plan. Employee shall include persons who are in training at or employed by, or both, a sheltered workshop for the blind operated by the secretary of social and rehabilitation services. The entry date for such persons shall be the beginning of the first pay period of the fiscal year commencing in calendar year 1986. Such persons shall be granted prior service credit in accordance with K.S.A. 74-4913 and amendments thereto. However, such persons classified as home industry employees shall not be covered by the retirement system. Employees shall include any member of a board of county commissioners of any county and any council member or commissioner of a city whose compensation is equal to or exceeds \$5,000 per year;

(15) “entry date” means the date as of which an eligible employer joins the system. The first entry date pursuant to this act is January 1, 1962;

(16) “executive director” means the managing officer of the system employed by the board under this act;

(17) “final average salary” means in the case of a member who retires prior to January 1, 1977, and in the case of a member who retires after January 1, 1977, and who has less than five years of participating service after January 1, 1967, the average highest annual compensation paid to such member for any five years of the last 10 years of participating service immediately preceding retirement or termination of employment, or in the case of a member who retires on or after January 1, 1977, and who has five or more years of participating service after January 1, 1967, the average highest annual compensation paid to such member on or after January 1, 1967, for any five years of participating service preceding retirement or termination of employment, or, in any case, if participating service is less than five years, then the average annual compensation paid to the member during the full period of participating service, or, in any case, if the member has less than one calendar year of participating service such member’s final average salary shall be computed by multiplying such member’s highest monthly salary received in that year by 12; in the case of a member who became a member under subsection (3) of K.S.A. 74-4925 and amendments thereto, or who became a member with a participating employer as defined in subsection (3) of K.S.A. 74-4931 and amendments thereto and who elects to have compensation paid in other than 12 equal installments, such compensation shall be annualized as if the member had elected to receive 12 equal installments for any such periods preceding retirement; in the case of a member who retires after July 1, 1987, the average highest annual compensation paid to such member for any four years of participating service preceding retirement or

termination of employment; in the case of a member who retires on or after July 1, 1993, whose date of membership in the system is prior to July 1, 1993, and any member who is in such member's membership waiting period on July 1, 1993, and whose date of membership in the system is on or after July 1, 1993, the average highest annual compensation, as defined in subsection (9), paid to such member for any four years of participating service preceding retirement or termination of employment or the average highest annual salary, as defined in subsection (34), paid to such member for any three years of participating service preceding retirement or termination of employment, whichever is greater; and in the case of a member who retires on or after July 1, 1993, and whose date of membership in the system is on or after July 1, 1993, the average highest annual salary, as defined in subsection (34), paid to such member for any three years of participating service preceding retirement or termination of employment. Final average salary shall not include any purchase of participating service credit by a member as provided in subsection (2) of K.S.A. 74-4919h and amendments thereto which is completed within five years of retirement. For any application to purchase or repurchase service credit for a certain period of service as provided by law received by the system after May 17, 1994, for any member who will have contributions deducted from such member's compensation at a percentage rate equal to two or three times the employee's rate of contribution or will begin paying to the system a lump-sum amount for such member's purchase or repurchase and such deductions or lump-sum payment commences after the commencement of the first payroll period in the third quarter, "final average salary" shall not include any amount of compensation or salary which is based on such member's purchase or repurchase. Any application to purchase or repurchase multiple periods of service shall be treated as multiple applications. For purposes of this subsection, the date that such member is first hired as an employee for members who are employees of employers that elected to participate in the system on or after January 1, 1994, shall be the date that such employee's employer elected to participate in the system. In the case of any former member who was eligible for assistance pursuant to K.S.A. 74-4925 and amendments thereto prior to July 1, 1998, for the purpose of calculating final average salary of such member, such member's final average salary shall be based on such member's salary while a member of the system or while eligible for assistance pursuant to K.S.A. 74-4925 and amendments thereto, whichever is greater;

(18) "fiscal year" means, for the Kansas public employees retirement system, the period commencing July 1 of any year and ending June 30 of the next;

(19) "Kansas public employees retirement fund" means the fund created by this act for payment of expenses and benefits under the system and referred to as the fund;

(20) "leave of absence" means a period of absence from employment without pay, authorized and approved by the employer, and which after the effective date does not exceed one year;

(21) "member" means an eligible employee who is in the system and is making the required employee contributions; any former employee who has made the required contributions to the system and has not received a refund if such member is within five years of termination of employment with a participating employer; or any former employee who has made the required contributions to the system, has not yet received a refund and has been granted a vested benefit;

(22) "military service" means service in the uniformed forces of the United States, for which retirement benefit credit must be given under the provisions of USERRA or service in the armed forces of the United States or in the commissioned corps of the United States public health service, which service is immediately preceded by a period of employment as an employee or by the entering into of an employment contract with a participating employer and is followed by return to employment as an employee with the same or another participating employer within 12 months immediately following discharge from such military service, except that if the board determines that such return within 12 months was made impossible by reason of a service-connected disability, the period within which the employee must return to employment with a par-

ticipating employer shall be extended not more than two years from the date of discharge or separation from military service;

(23) “normal retirement date” means the date on or after which a member may retire with full retirement benefits pursuant to K.S.A. 74-4914 and amendments thereto;

(24) “participating employer” means an eligible employer who has agreed to make contributions to the system on behalf of its employees;

(25) “participating service” means the period of employment after the entry date for which credit is granted a member;

(26) “prior service” means the period of employment of a member prior to the entry date for which credit is granted a member under this act;

(27) “prior service annual salary” means the highest annual salary, not including any amounts received as payment for overtime or as reimbursement for travel or moving expense, received for personal services by the member from the current employer in any one of the three calendar years immediately preceding January 1, 1962, or the entry date of the employer, whichever is later, except that if a member entered the employment of the state during the calendar year 1961, the prior service annual salary shall be computed by multiplying such member’s highest monthly salary received in that year by 12;

(28) “retirant” means a member who has retired under this system;

(29) “retirement benefit” means a monthly income or the actuarial equivalent thereof paid in such manner as specified by the member pursuant to this act or as otherwise allowed to be paid at the discretion of the board, with benefits accruing from the first day of the month coinciding with or following retirement and ending on the last day of the month in which death occurs. Upon proper identification a surviving spouse may negotiate the warrant issued in the name of the retirant. If there is no surviving spouse, the last warrant shall be payable to the designated beneficiary;

(30) “retirement system” or “system” means the Kansas public employees retirement system as established by this act and as it may be amended;

(31) “social security” means the old age, survivors and disability insurance section of the federal social security act;

(32) “total disability” means a physical or mental disability which prevents the member from engaging, for remuneration or profit, in any occupation for which the member is reasonably suited by education, training or experience;

(33) “trust” means an express trust, created by a trust instrument, including a will, designated by a member to receive payment of the insured death benefit under K.S.A. 74-4927 and amendments thereto and payment of the member’s accumulated contributions under subsection (1) of K.S.A. 74-4916 and amendments thereto. A designation of a trust shall be filed with the board. If there is a designated trust at the time of the member’s death, the insured death benefit for the member under K.S.A. 74-4927 and amendments thereto and the member’s accumulated contributions under subsection (1) of K.S.A. 74-4916 and amendments thereto shall be paid to the trust in lieu of the member’s beneficiary. If no will is admitted to probate within six months after the death of the member or no trustee qualifies within such six months or if the designated trust fails, for any reason whatsoever, the insured death benefit under K.S.A. 74-4927 and amendments thereto and the member’s accumulated contributions under subsection (1) of K.S.A. 74-4916 and amendments thereto shall be paid in accordance with the provisions of subsection (7) of this section as in other cases where there is no named beneficiary living at the time of the member’s death and any payments so made shall be a full discharge and release to the system from any further claims;

(34) “salary” means all salary and wages payable to a member for personal services performed for a participating employer, including maintenance or any allowance in lieu thereof provided a member as part of salary. Salary shall not include reimbursement for travel or moving expenses, payment for accumulated sick leave or vacation or annual leave, severance pay or any other payments to the member determined by the board to not be payments for personal services performed for a participating employer constituting salary or on and after July 1, 1994, payment pursuant to an early retirement incentive program made prior to the

retirement of the member. When the salary of a member who remains in substantially the same position during any two consecutive years of participating service used in calculating final average salary is increased by an amount which exceeds 15%, then the amount of such increase which exceeds 15% shall not be included in salary. Any contributions by such member on the amount of such increase which exceeds 15% which is not included in compensation shall be returned to the member. Unless otherwise provided by law, salary shall include any amounts for tax sheltered annuities or deferred compensation plans. Salary shall include amounts under sections 403b, 457 and 125 of the federal internal revenue code of 1986 and, as the board deems appropriate, any other section of the federal internal revenue code of 1986 which defers or excludes amounts from inclusion in income. For purposes of applying limits under the federal internal revenue code “salary” shall have the meaning as provided in K.S.A. 74-49,123 and amendments thereto. In any case, if participating service is less than three years, then the average annual salary paid to the member during the full period of participating service, or, in any case, if the member has less than one calendar year of participating service such member’s final average salary shall be computed by multiplying such member’s highest monthly salary received in that year by 12;

(35) “federal internal revenue code” means the federal internal revenue code of 1954 or 1986, as in effect on July 1, ~~1998~~ 2002, and as applicable to a governmental plan; and

(36) “USERRA” means the federal uniformed services employment and reemployment rights act of 1994 as in effect on July 1, 1998.

Sec. 3. K.S.A. 74-4908 is hereby amended to read as follows: 74-4908. (1) The board shall appoint an executive director and shall establish the compensation therefor. Subject to the direction of the board, the executive director shall be the managing officer of the system and as such shall have charge of the office, records and supervision and direction of the employees of the system. The executive director shall be in the unclassified service under the Kansas civil service act.

(2) The executive director shall recommend to the board the administrative organization, the number and qualifications of employees necessary to carry out the intent of this act and the directions of the board. Upon approval of the board, the executive director is authorized to employ such persons in accordance with the Kansas civil service act.

(3) The board of trustees shall select and employ or retain a qualified actuary who shall serve at its pleasure as its technical advisor on matters regarding operation of the system. The actuary shall:

(a) Make an annual valuation of the liabilities and reserves of the system, and a determination of the contributions required by the system to discharge its liabilities and administrative costs under this act, and recommend to the board rates of employer contributions required to establish and maintain the system on an actuarial reserve basis. Such recommended employer contributions shall not be based on any other purpose outside of the needs of the system as prescribed by this subsection.

(b) As soon after the effective date as practicable and once every three years thereafter, make a general investigation of the actuarial experience under the system including mortality, retirement, employment turnover and interest, and recommend actuarial tables for use in valuations and in calculating actuarial equivalent values based on such investigation.

(c) Cooperate with and provide any assistance to the actuary, the legislative coordinating council and the joint committee on pensions, investments and benefits related to the independent actuarial audit and evaluation as provided in K.S.A. 74-4908a and amendments thereto.

(d) Perform such other duties as may be assigned by the board.

(4) The attorney general of the state shall furnish such legal services as may be necessary upon receipt of a request from the board, except that legal services may be furnished by other counsel as the board in its discretion deems necessary and prudent.

(5) The board shall employ or retain qualified investment counsel or counselors or may negotiate with a trust company to assist and advise in the judicious investment of funds as herein provided.

(6) ~~The~~ *Subject to limitations imposed pursuant to this subsection and*

otherwise provided by law, the board may appoint a deputy executive director, an investment officer, an investment analyst, a real estate manager, a direct placement manager, a chief fiscal officer, a member services officer, an attorney, an assistant investment officer, an information resource officer and an investment operations analyst such officers and employees necessary to advise and assist the board in the performance of powers, duties and functions relating to the management and investment of the fund and in such other matters as may be directed by the board. Such appointed officers and employees shall be in the unclassified service under the Kansas civil service act. Not more than 25% of the total number of officers and employees appointed or employed by the system shall be in the unclassified service. The provisions of this subsection shall not affect the classified status of any employee in the classified service under the Kansas civil service act who is employed on the date immediately preceding the effective date of this act. The board is authorized to assign any new or vacant position created by the system on or after the effective date of this act to the classified or unclassified service under the Kansas civil service act. The compensation of such appointed officers and employees in the unclassified service under the Kansas civil service act shall be established by the board.

(7) The board may establish a program for the paying of bonus awards to unclassified officers and employees pursuant to procedures established by the board.

Sec. 4. K.S.A. 74-4918 is hereby amended to read as follows: 74-4918. (1) A member may elect to have such member's retirement benefit paid under one of the options provided in this section in lieu of having it paid in the form stated in K.S.A. 74-4915 and amendments thereto. Such election must be made before the date of actual retirement. A specific person must be designated as joint annuitant at the time of election of the joint and $\frac{1}{2}$ to joint annuitant survivor option, the joint and survivor option and the joint and $\frac{3}{4}$ to joint annuitant survivor option. Under no circumstances may an option be changed or canceled nor the named joint annuitant changed after the date of actual retirement of the member.

(2) The amount of retirement benefit payable under an option shall be based on the age of the member and, if applicable, the age of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto, as prescribed in subsection (3). In no case shall the total amount of retirement benefit paid under any option provided in this section be more than 100% of the retirement benefit which would have been otherwise payable if no option had been elected under this section.

(3) The following retirement options, which are subject to the provisions of K.S.A. 74-49,123 and amendments thereto, are available:

(A) *Joint and $\frac{1}{2}$ to joint annuitant survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (i) the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and (ii) the percentage equal to 91% minus .4% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus .4% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with $\frac{1}{2}$ of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(B) *Joint and survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (i) the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and (ii) the percentage equal to 83% minus .6% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus .6% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the

nearest whole year, with that amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(C) *Joint and $\frac{3}{4}$ to joint annuitant survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (i) the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and (ii) the percentage equal to 87% minus .5% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus .5% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with $\frac{3}{4}$ of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(D) *Life with 5 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 98% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and if the retirant dies within the five-year certain period, measured from the commencement of retirement benefit payments, such payments shall be continued to the retirant's beneficiary during the balance of the five-year certain period.

(E) *Life with 10 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 95% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and if the retirant dies within the ten-year certain period, measured from the commencement of retirement benefit payments, such payments shall be continued to the retirant's beneficiary during the balance of the ten-year certain period.

(F) *Life with 15 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 88% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and if the retirant dies within the fifteen-year certain period, measured from the commencement of retirement benefit payments, such payments shall be continued to the retirant's beneficiary during the balance of the fifteen-year certain period.

(G) *Lump sum payment at retirement.* (i) Pursuant to this option, the member must specify a lump sum amount to be paid to the member upon the member's retirement. The lump sum amount will be based on the actuarial present value of the benefit as provided in K.S.A. 74-4915, and amendments thereto. The lump sum amount designated by the member must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the benefit provided in K.S.A. 74-4915, and amendments thereto. *If the member's spouse elects a lump sum payment as provided in this section pursuant to the provisions of subsection (4), the lump sum payment will be based on the present value of the retirement option selected by the spouse. The lump sum amount designated by the spouse must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the option selected in this section.*

(ii) Pursuant to this option, the member must elect to have the remaining actuarial present value paid in a monthly amount under the provisions of K.S.A. 74-4915, and amendments thereto, or subsections (3)(A) through (3)(F) of this section.

(iii) In the event that the designated joint annuitant pursuant to subsection (3)(A), (3)(B) or (3)(C) under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit

which the retirant would have received if no option had been elected under this section.

(iv) The provisions of this subsection shall be effective on and after July 1, 2001.

(4) If a member, who is eligible to retire in accordance with the provisions of K.S.A. 74-4914 and amendments thereto, dies without having actually retired, the member's spouse, if the spouse is the sole beneficiary for the member's accumulated contributions, may elect to receive benefits under one of the options provided in this section in lieu of receiving the member's accumulated contributions.

(5) The benefits of subsection (4) shall be available in the case of death within the first six months after the entry date of the member's participating employer.

(6) On and after January 1, 1991, if a member with 15 or more years of credited service dies before attaining retirement age, the member's spouse, if the spouse is the sole beneficiary for the member's accumulated contributions, may elect to receive benefits under one of the options provided in this section in lieu of receiving the member's accumulated contributions. Payments under one of the options provided in this section to the member's spouse if so elected, shall commence on the date that the member would have attained retirement age.

(7) Benefits payable to a joint annuitant shall accrue from the first day of the month following the death of a member or retirant and, in the case of the joint and $\frac{1}{2}$ to joint annuitant survivor option, the joint and survivor option and the joint and $\frac{3}{4}$ to joint annuitant survivor option, shall end on the last day of the month in which the joint annuitant dies.

(8) The provisions of the law in effect on the retirement date of a member under the system shall govern the retirement benefit payable to the retirant and any joint annuitant, except, for retirement benefits payable after July 1, 1993, for retirants who retired prior to July 1, 1982, in the event that the designated joint annuitant under the option provided in subsection (3)(A), (B) or (C), as applicable, predeceased the retirant, the amount of the retirement benefit otherwise payable to the retirant under the option provided in subsection (3)(A), (B) or (C), as applicable, shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(9) Upon the death of a joint annuitant who is receiving a retirement benefit under the provisions of this section, there shall be paid to such joint annuitant's beneficiary an amount equal to the excess, if any, of the accumulated contributions of the retirant over the sum of all retirement benefit payments made to such retirant and such joint annuitant. Such joint annuitant shall designate a beneficiary by filing in the office of the retirement system such designation at the time of death of the retirant. If there is no named beneficiary of such joint annuitant living at the time of death of such joint annuitant, any amount provided for by this section shall be paid to, in order of preference as follows:

- (A) The joint annuitant's surviving spouse;
- (B) the joint annuitant's dependent child or children;
- (C) the joint annuitant's dependent parent or parents;
- (D) the joint annuitant's nondependent child or children;
- (E) the joint annuitant's nondependent parent or parents; or
- (F) the estate of the deceased joint annuitant.

Sec. 5. K.S.A. 74-4920 is hereby amended to read as follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation and appraisal as provided for in subsection (3)(a) of K.S.A. 74-4908 and amendments thereto, the board shall certify, on or before July 15 of each year, to the division of the budget in the case of the state and to the agent for each other participating employer an actuarially determined estimate of the rate of contribution which will be required, together with all accumulated contributions and other assets of the system, to be paid by each such participating employer to pay all liabilities which shall exist or accrue under the system, including amortization of the actuarial accrued liability over a period of 40 years commencing on July 1, 1993, and the actuarial accrued liability for members of the faculty and other persons who are employed by the state board of regents or by educational institutions under its management assisted by the state board of regents in the purchase of retirement annuities as provided in K.S.A. 74-4925 and amend-

ments thereto, as provided in this section. The actuarial accrued liability for all participating employers other than the state board of regents relating to members of the faculty and other persons described in this section, shall be amortized by annual payments that increase 4% for each year remaining in the amortization period. For all participating employers other than the state board of regents relating to members of the faculty and other persons described in this section, the projected unit credit actuarial cost method shall be used in annual actuarial valuations, commencing with the 1993 valuation, to determine the employer contribution rates that shall be certified by the board. The actuarial accrued liability for members of the faculty and other persons described in this subsection assisted by the state board of regents in the purchase of retirement annuities as provided in K.S.A. 74-4925 and amendments thereto shall be amortized by annual level payments over a period of 11 years commencing July 1, 1993. Such certified rate of contribution shall be based on the standards set forth in subsection (3)(a) of K.S.A. 74-4908 and amendments thereto and shall not be based on any other purpose outside of the needs of the system.

(b) (i) For employers affiliating on and after January 1, 1999, upon the basis of an annual actuarial valuation and appraisal of the system conducted in the manner provided for in K.S.A. 74-4908 and amendments thereto, the board shall certify, on or before July 15 of each year to each such employer an actuarially determined estimate of the rate of contribution which shall be required to be paid by each such employer to pay all of the liabilities which shall accrue under the system from and after the entry date as determined by the board, upon recommendation of the actuary. Such rate shall be termed the employer's participating service contribution and shall be uniform for all participating employers. Such additional liability shall be amortized over a period of 34 years commencing on July 1, 1999, by annual payments that increase 4% for each year remaining in the amortization period. For all participating employers described in this section, the projected unit credit actuarial cost method shall be used in annual actuarial valuations to determine the employer contribution rates that shall be certified by the board.

(ii) The board shall determine for each such employer separately an amount sufficient to amortize over a period of not to exceed 34 years commencing July 1, 1999, all liabilities for prior service costs which shall have accrued at the time of entry into the system. On the basis of such determination the board shall annually certify to each such employer separately an actuarially determined estimate of the rate of contribution which shall be required to be paid by that employer to pay all of the liabilities for such prior service costs. Such rate shall be termed the employer's prior service contribution.

(2) The division of the budget and the governor shall include in the budget and in the budget request for appropriations for personal services the sum required to satisfy the state's obligation under this act as certified by the board and shall present the same to the legislature for allowance and appropriation.

(3) Each other participating employer shall appropriate and pay to the system a sum sufficient to satisfy the obligation under this act as certified by the board.

(4) Each participating employer is hereby authorized to pay the employer's contribution from the same fund that the compensation for which such contribution is made is paid from or from any other funds available to it for such purpose. Each political subdivision, other than an instrumentality of the state, which is by law authorized to levy taxes for other purposes, may levy annually at the time of its levy of taxes, a tax which may be in addition to all other taxes authorized by law for the purpose of making its contributions under this act and, in the case of cities and counties, to pay a portion of the principal and interest on bonds issued under the authority of K.S.A. 12-1774 and amendments thereto by cities located in the county, which tax, together with any other fund available, shall be sufficient to enable it to make such contribution. In lieu of levying the tax authorized in this subsection, any taxing subdivision may pay such costs from any employee benefits contribution fund established pursuant to K.S.A. 12-16,102 and amendments thereto. Each participating employer which is not by law authorized to levy taxes as described above, but which prepares a budget for its expenses for the ensuing year and

presents the same to a governing body which is authorized by law to levy taxes as described above, may include in its budget an amount sufficient to make its contributions under this act which may be in addition to all other taxes authorized by law. Such governing body to which the budget is submitted for approval, may levy a tax sufficient to allow the participating employer to make its contributions under this act, which tax, together with any other fund available, shall be sufficient to enable the participating employer to make the contributions required by this act.

(5) The rate of contribution certified to a participating employer as provided in this section shall apply during the fiscal year of the participating employer which begins in the second calendar year following the year of the actuarial valuation. For the fiscal year commencing in calendar year 1993, the employer rate of contribution for the state of Kansas and for participating employers under K.S.A. 74-4931 and amendments thereto shall be 3.1% of the amount of compensation upon which members contribute during the period. For the fiscal year commencing in calendar year 1994, the employer rate of contribution for the state of Kansas and for participating employers under K.S.A. 74-4931 and amendments thereto shall be 3.2% of the amount of compensation upon which members contribute during the period. For the fiscal year commencing in calendar year 1994, the employer rate of contribution for participating employers other than the state of Kansas shall be 2.2% of the amount of compensation upon which members contribute during the period. Except as specifically provided in this section, for the fiscal year commencing in calendar year 1995, the rate of contribution certified to a participating employer shall in no event exceed such participating employer's contribution rate for the immediately preceding fiscal year by more than 0.1% of the amount of compensation upon which members contribute during the period. Except as specifically provided in this section, for fiscal years commencing in calendar year 1996 and in each subsequent calendar year, the rate of contribution certified to the state of Kansas shall in no event exceed the state's contribution rate for the immediately preceding fiscal year by more than 0.2% of the amount of compensation upon which members contribute during the period. *Except as specifically provided in this subsection, for the fiscal years commencing in the following calendar years, the rate of contribution certified to the state of Kansas shall in no event exceed the state's contribution rate for the immediately preceding fiscal year by more than the following amounts expressed as a percentage of compensation upon which members contribute during the period: (a) For the fiscal year commencing in calendar year 2005, an amount not to exceed more than 0.4% of the amount of the immediately preceding fiscal year; (b) for the fiscal year commencing in calendar year 2006, an amount not to exceed more than 0.5% of the amount of the immediately preceding fiscal year; and (c) for the fiscal year commencing in calendar year 2007 and in each subsequent calendar year, an amount not to exceed more than 0.6% of the amount of the immediately preceding fiscal years.* Except as specifically provided in this section, for fiscal years commencing in calendar year 1997 and in each subsequent calendar year, the rate of contribution certified to participating employers other than the state of Kansas shall in no event exceed such participating employer's contribution rate for the immediately preceding fiscal year by more than 0.15% of the amount of compensation upon which members contribute during the period. There shall be an employer rate of contribution certified to the state of Kansas and participating employers under K.S.A. 74-4931 and amendments thereto. There shall be a separate employer rate of contribution certified to all other participating employers other than the state of Kansas.

(6) The actuarial cost of any legislation enacted in the 1994 session of the Kansas legislature will be included in the June 30, 1994, actuarial valuation in determining contribution rates for participating employers.

(7) The actuarial cost of the provisions of K.S.A. 74-4950i will be included in the June 30, 1998, actuarial valuation in determining contribution rates for participating employers. The actuarial accrued liability incurred for the provisions of K.S.A. 74-4950i shall be amortized over 15 years.

(8) Except as otherwise provided by law, the actuarial cost of any legislation enacted by the Kansas legislature, except the actuarial cost of K.S.A. 74-49,114a, and amendments thereto, shall be in addition to the

employer contribution rates certified for the employer contribution rate in the fiscal year immediately following such enactment.

(9) *Notwithstanding the provisions of subsection (8), the actuarial cost of the provisions of K.S.A. 74-49,109 et seq. and amendments thereto shall be first reflected in employer contribution rates effective with the first day of the first payroll period for the fiscal year 2005. The actuarial accrued liability incurred for the provisions of K.S.A. 74-49,109 et seq. and amendments thereto shall be amortized over 10 years.*

(10) The board with the advice of the actuary may fix the contribution rates for participating employers joining the system after one year from the first entry date or for employers who exercise the option contained in K.S.A. 74-4912 and amendments thereto at rates different from the rate fixed for employers joining within one year of the first entry date.

~~(10)~~ (11) For employers affiliating on and after January 1, 1999, the rates of contribution certified to the participating employer as provided in this section shall apply during the fiscal year immediately following such certification, but the rate of contribution during the first year following the employer's entry date shall be equal to 7% of the amount of compensation on which members contribute during the year. Any amount of such first year's contribution which may be in excess of the necessary current service contribution shall be credited by the board to the respective employer's prior service liability.

~~(11)~~ (12) Employer contributions shall in no way be limited by any other act which now or in the future establishes or limits the compensation of any member.

~~(12)~~ (13) Notwithstanding any provision of law to the contrary, each participating employer shall remit quarterly, or as the board may otherwise provide, all employee deductions and required employer contributions to the executive director for credit to the Kansas public employees retirement fund within three days after the end of the period covered by the remittance by electronic funds transfer. Remittances of such deductions and contributions received after such date are delinquent. Delinquent payments due under this subsection shall be subject to interest at the rate established for interest on judgments under subsection (a) of K.S.A. 16-204 and amendments thereto. At the request of the board, delinquent payments which are due or interest owed on such payments, or both, may be deducted from any other moneys payable to such employer by any department or agency of the state.

Sec. 6. K.S.A. 74-4925 is hereby amended to read as follows: 74-4925. (1) The state board of regents shall:

(a) Assist all those members of the faculty and other persons who are employed by the state board of regents or by educational institutions under its management and who are in the unclassified service under the Kansas civil service act as provided in subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, except health care employees, as defined by subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, in the purchase of retirement annuities for their service rendered after December 31, 1961. Effective on the first day of the first payroll period commencing with or following July 1, 1994, county extension agents employed by Kansas state university under K.S.A. 2-615 and amendments thereto shall be eligible for assistance by the state board of regents in the purchase of retirement annuities under this section. The state board of regents shall not assist any such person who is employed after December 31, 1961, until such person has been employed for a waiting period of at least one year except that (i) the state board of regents may assist any newly employed person immediately if at the time of the commencement of employment the person is covered by a valid retirement annuity contract issued by a company described in subsection (2) which was entered into pursuant to a retirement pension plan adopted for faculty members or other persons, or both, employed by an institution of higher education and to which such person or such person's employer on such person's behalf has been making contributions for at least one year, and (ii) all periods of employment with (A) participating employers under the Kansas public employees retirement system, for which employment participating service credit accrued, or (B) institutions of higher education in other states for which employment retirement benefits accrued under a retirement system or plan provided for such employment, shall be credited

toward satisfaction of such one-year waiting period if served, in either case, during the five years immediately preceding employment with the state board of regents or with an educational institution under its management in the unclassified service under the Kansas civil service act as provided in subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, in addition to such employment with the state board of regents or with an educational institution under its management; no period of employment as a student employee, as a seasonal or temporary employee or as a part-time employee, whose employment requires less than 1,000 hours of work per year, shall be credited toward the one-year waiting period under subsection (1)(a); this act shall not apply to persons employed in such temporary and part-time positions designated by the state board of regents as exceptions hereto;

(b) require such members of the faculty and others described in subsection (1)(a) who are so assisted by the state board of regents to contribute an amount toward the purchase of such retirement annuities of 5.5% of their salaries, such contributions to be made through payroll deductions and on a pretax basis;

(c) contribute an amount toward the purchase of such retirement annuities equal to the percentage amount, as prescribed by K.S.A. 74-4925e and amendments thereto, of the total amount of the salaries on which such members of the faculty and others described in subsection (1)(a) contribute during such period for which the contribution of the state board of regents is made;

(d) provide, under such rules and regulations as the state board of regents may adopt, for the retirement of any such member of the faculty or other person described in subsection (1)(a) on account of age or condition of health, retirement of such member of the faculty or other person described in subsection (1)(a) on account of age to be not earlier than the 55th birthday and prior to January 1, 1994, not later than the end of the academic year following the 70th year. On and after January 1, 1994, there shall be no mandatory retirement on account of age. Any person who retires under this section and who receives benefits from the Kansas public employees retirement system for prior service credit shall have such benefits calculated in accordance with the applicable provisions of K.S.A. 74-4914 and 74-4915 and amendments thereto.

(2) For the purposes of this section the state board of regents may contract with:

(a) Any life insurance company authorized to do business in this state; or

(b) any life insurance company organized and operated without profit to any private shareholder or individual exclusively for the purpose of aiding and strengthening educational institutions by issuing insurance and annuity contracts only to or for the benefit of such institution and individuals engaged in the services of such institutions, whether or not such company is authorized to do business in Kansas. No premium tax or income tax shall be due or payable on such annuity contract or contracts for such retirement programs issued by a company described in this subsection (2)(b), except that neither the purchase nor the issuance of such retirement annuities from or by a company described in this subsection (2)(b) shall constitute the effecting of a contract of insurance.

(3) (a) Such member of the faculty or other person described in subsection (1)(a) shall also be a member of the Kansas public employees retirement system, but only for the purpose of granting retirement benefits based on prior service only which was rendered prior to January 1, 1962, which shall be credited to the member as provided in subsection (1) of K.S.A. 74-4913 and amendments thereto, except that such member of the faculty or other person described in subsection (1)(a) who was employed prior to July 1, 1962, who has not yet retired and who is employed on July 1, 1988, on an academic year contract, shall receive credit for 12 months of prior service for each nine months of prior service for which such member or person was employed on an academic year contract prior to July 1, 1962. For the purpose of determining eligibility for a vested benefit, service by such a member of the faculty or other person after December 31, 1961, shall be construed to be credited service under subsection (2) of K.S.A. 74-4917 and amendments thereto.

(b) Any member of the faculty or other person described in subsection (1)(a) who retires after 10 years of continuous service immediately

preceding retirement shall be granted a retirement benefit based on prior service only which was rendered prior to January 1, 1962. Application for such benefit shall be in such form and manner as the board shall prescribe.

(4) For the purpose of establishing a procedure whereby the state board of regents and any member of the faculty or other person described in subsection (1)(a), subject to rules and regulations of the state board of regents, may take advantage of section 403(a) or (b) of the federal internal revenue code of 1986 or any other section of the federal internal revenue code of 1986 which defers or excludes amounts from inclusion in income, any member of the faculty or any other person described in subsection (1)(a), whether or not such person has satisfied the one-year waiting period requirement under subsection (1)(a), may request in writing that the state board of regents reduce such person's annual salary, as fixed by the board, in an amount equal to not less than 5% nor more than the percentage allowed under section 403(b) of the federal internal revenue code of 1986, as designated by such member of the faculty or other person described in subsection (1)(a), of the gross amount of such annual salary. In the event of such request by a faculty member or other person who is required to make the contribution as provided in subsection (1)(b), such person shall not be required to make such contribution and the state board of regents shall provide a sum equal to the percentage amount, as prescribed by K.S.A. 74-4925e and amendments thereto, of the gross annual salary of the member of the faculty or other person and shall purchase for and on behalf of each such person whose salary has been so reduced a retirement annuity contract or contracts, the annual premiums for which shall be equal to the sum of the amount of the salary reduction of the member of the faculty or other person and the amount paid by the state board of regents. In the event of such request by a faculty member or other person who is serving the one-year waiting period pursuant to subsection (1)(a) who is not required to make the contribution as provided in subsection (1)(b), the state board of regents shall purchase for and on behalf of each such person whose salary has been so reduced a retirement annuity contract or contracts, the annual premiums for which shall be equal to the sum of the amount of the salary reduction of the member of the faculty or other person, but the state board of regents shall not provide the sum equal to the percentage amount, as prescribed by K.S.A. 74-4925e and amendments thereto, of the gross annual salary of such person as provided for such person who is required to make the contribution as provided in subsection (1)(b). Such retirement annuity contracts may be purchased by the state board of regents from companies described in subsection (2)(a) and subsection (2)(b) or from noninsurance companies who offer retirement plans that meet the requirements of section 403(b) of the federal internal revenue code of 1986, except that the state board of regents may require that the first 5% of the gross amount of such person's annual salary which is reduced under this subsection (4) and the amount equal to the percentage amount, as prescribed by K.S.A. 74-4925e and amendments thereto, of the gross amount of such person's annual salary which is provided by the state board of regents for the purchase of retirement annuity contracts under this subsection (4), if required to be provided under this subsection (4), shall be used to purchase such retirement annuity contracts from such company or companies as may be designated by the state board of regents for such purposes. The director of accounts and reports is authorized to draw warrants on the state treasurer upon the filing with the director of proper vouchers for the amount of the premium on the retirement annuity contract to be paid pursuant to the terms of such contracts and this act.

(5) All employees who are described in subsection (1)(a) and who commence such employment on and after July 1, 1976, shall receive assistance under subsection (1) and shall be covered by a valid retirement annuity contract issued by a company described in subsection (2).

(6) Any employee of the state board of regents or of an educational institution under its management, other than an elected official, who is receiving or is eligible for assistance by the state board of regents in the purchase of a retirement annuity under this section and who becomes ineligible for such assistance because such employee's position is reclassified to a position in the classified service under the Kansas civil service act or who becomes ineligible for such assistance because such employee

transfers to a position in the classified service under the Kansas civil service act with the state board of regents or an educational institution under its management, shall become a member of the Kansas public employees retirement system in accordance with the provisions of subsection (5) of K.S.A. 74-4911 and amendments thereto, unless such employee files a written election in the office of the Kansas public employees retirement system, in the form and manner prescribed by the board of trustees thereof, to remain eligible for assistance by the state board of regents under this section prior to the first day of the first complete payroll period occurring after the effective date of such reclassification or transfer. Failure to file such written election shall be presumed to be an election not to remain eligible for assistance by the state board of regents under this section and to become a member of the Kansas public employees retirement system under subsection (5) of K.S.A. 74-4911 and amendments thereto. Such election, whether to remain eligible for such assistance or to become a member of such system, shall be effective as of the effective date of such reclassification or transfer and shall be irrevocable.

(7) The state board of regents shall adopt uniform policies applicable to members of the faculty and other persons, who are employed by the state board of regents or by any educational institution under its management and who are in the unclassified service under the Kansas civil service act as provided in subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, except health care employees, as defined by subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, for the purposes of administering the provisions of this section and the provision of retirement annuities and other benefits hereunder. All assistance provided by the state board of regents for such persons, and agreements entered into therefor, pursuant to this section prior to the effective date are hereby authorized, confirmed and validated.

(8) Any employee described in subsection (1)(a) who is on leave of absence and who accepts a position in the executive branch of government may file a written election in the office of the Kansas public employees retirement system, in the form and manner prescribed by the board, to remain eligible for assistance by the state board of regents under this section prior to the first day of the first complete payroll period occurring after the commencement of such service in the executive branch of government. Failure to file such written election shall be presumed to be an election not to remain eligible for assistance by the state board of regents. The state board of regents shall contribute an amount toward the purchase of retirement annuities on behalf of such employee equal to the sum of the amounts provided in subsection (1)(c).

(9) Any employee described in subsection (1)(a) who is on leave of absence and who is elected or appointed as a member of the legislature may file a written election in the office of the ~~Kansas public employees retirement system~~ *state board of regents*, in the form and manner prescribed by the board, to remain eligible for assistance by the state board of regents under this section prior to the first day of the first complete payroll period occurring after the commencement of such service in the legislature or for any employee who is a member of the legislature on January 8, 2001, prior to the first day of the first complete payroll period occurring after July 1, 2001. Failure to file such written election shall be presumed to be an election not to remain eligible for assistance by the state board of regents. For any employee who files an election as provided in this subsection and who was a member of the legislature on January 8, 2001, such election shall be effective on January 8, 2001. The state board of regents shall contribute an amount toward the purchase of retirement annuities on behalf of such employee equal to the percentage amount, as prescribed by K.S.A. 74-4925e, and amendments thereto, on the biweekly rate of the salary of such employee with the state board of regents in effect on the date preceding such leave of absence and continuing throughout such leave of absence. Any such employee who makes an election as provided by this subsection shall be eligible for the insured death benefit and insured disability benefit in the same manner as provided under the provisions of K.S.A. 74-4927a, and amendments thereto. The provisions of this section are intended to further the public policy of encouraging persons to serve in elective office.

(10) *Any employee who filed a written election under subsection (9) prior to July 1, 2001, and who is a member of the legislature after January*

14, 2002, may file a written election in the office of the state board of regents, in a form and manner prescribed by the board, to be eligible for an amount to be contributed for any periods prior to January 8, 2001, that an employee was on leave of absence and who was elected or appointed as a member of the legislature. The board of regents shall submit a request to the director of legislative administrative services to calculate an amount to be contributed toward the purchase of the employee's retirement annuities and to include in the request a certification of the dates for leaves of absence taken by the employee prior to January 8, 2001, for the purpose of serving in the legislature during regular sessions. The amount shall be calculated by the director of legislative administrative services for periods during which the legislature was in regular session, first by annualizing the compensation and expenses allowance under subsections (a) and (b) of K.S.A. 46-137a and amendments thereto paid to any such legislator during those periods; and second, by applying the annual interest earnings assumed by the board of trustees of the Kansas public employees retirement system for the purpose of anticipating actuarial gains on investments for the same time periods. The amount calculated by the director of legislative administrative services shall be submitted to the board of regents. The board of regents shall contribute such amount submitted toward the purchase of retirement annuities on behalf of such employee.

Sec. 7. K.S.A. 74-4911f is hereby amended to read as follows: 74-4911f. (a) Subject to procedures or limitations prescribed by the governor, any person who is not an employee and who becomes a state officer may elect to not become a member of the system. The election to not become a member of the system must be filed within 90 days of assuming the position of state officer. Such election shall be irrevocable. If such election is not filed by such state officer, such state officer shall be a member of the system.

(b) Any such state officer who is a member of the Kansas public employees retirement system, on or after the effective date of this act, may elect to not be a member by filing an election with the office of the retirement system. The election to not become a member of the system must be filed within 90 days of assuming the position of state officer. If such election is not filed by such state officer, such state officer shall be a member of the system.

(c) Subject to limitations prescribed by the secretary of administration, the state agency employing any employee who has filed an election as provided under subsection (a) or (b) and who has entered into an employee participation agreement, as provided in K.S.A. 75-5524 and amendments thereto for deferred compensation pursuant to the Kansas public employees deferred compensation plan shall contribute to such plan on such employee's behalf an amount equal to 8% of the employee's salary, as such salary has been approved pursuant to K.S.A. 75-2935b and amendments thereto or as otherwise prescribed by law. *With regard to a state officer who is a member of the legislature who has retired pursuant to the Kansas public employees retirement system and who files an election as provided in this section, employee's salary means per diem compensation as provided by law as a member of the legislature.*

(d) As used in this section and K.S.A. 74-4927k and amendments thereto, "state officer" means the secretary of administration, secretary on aging, secretary of commerce and housing, secretary of corrections, secretary of health and environment, secretary of human resources, secretary of revenue, secretary of social and rehabilitation services, secretary of transportation, secretary of wildlife and parks, superintendent of the Kansas highway patrol, secretary of agriculture, executive director of the Kansas lottery, executive director of the Kansas racing commission, president of the Kansas development finance authority, state fire marshal, state librarian, securities commissioner, adjutant general, members of the state board of tax appeals, members of the Kansas parole board, members of the state corporation commission, any unclassified employee on the staff of officers of both houses of the legislature, any unclassified employee appointed to the governor's or lieutenant governor's staff ~~and~~, any person employed by the legislative branch of the state of Kansas, other than any such person receiving service credited under the Kansas public employees retirement system or any other retirement system of the state

of Kansas therefor, who elected to be covered by the provisions of this section as provided in subsection (e) of K.S.A. 46-1302 and amendments thereto or who is first employed on or after July 1, 1996, by the legislative branch of the state of Kansas *and any member of the legislature who has retired pursuant to the Kansas public employees retirement system.*

(e) The provisions of this section shall not apply to any state officer who has elected to remain eligible for assistance by the state board of regents as provided in subsection (a) of K.S.A. 74-4925 and amendments thereto.

Sec. 8. K.S.A. 74-4927 is hereby amended to read as follows: 74-4927. (1) The board may establish a plan of death and long-term disability benefits to be paid to the members of the retirement system as provided by this section. The long-term disability benefit shall not be payable until the member has been prevented from carrying out each and every duty pertaining to the member's employment as a result of sickness or injury for a period of 180 days and the annual benefit shall not exceed an amount equal to 66 2/3% of the member's annual rate of compensation on the date such disability commenced and shall be payable in equal monthly installments. In the event that a member's compensation is not fixed at an annual rate but on an hourly, weekly, biweekly, monthly or any other basis than annual, the board shall prescribe by rule and regulation a formula for establishing a reasonable rate of annual compensation to be used in determining the amount of the death or long-term disability benefit for such member. Such plan shall provide that:

(A) For deaths occurring prior to January 1, 1987, the right to receive such death benefit shall cease upon the member's attainment of age 70 or date of retirement whichever first occurs. The right to receive such long-term disability benefit shall cease (i) for a member who becomes eligible for such benefit before attaining age 60, upon the date that such member attains age 65 or the date of such member's retirement, whichever first occurs, (ii) for a member who becomes eligible for such benefit at or after attaining age 60, the date that such member has received such benefit for a period of five years, upon the date that such member attains age 70, or upon the date of such member's retirement, whichever first occurs, (iii) for all disabilities incurred on or after January 1, 1987, for a member who becomes eligible for such benefit at or after attaining age 70, the date that such member has received such benefit for a period of 12 months or upon the date of such member's retirement, whichever first occurs, and (iv) for all disabilities incurred on or after January 1, 1987, for a member who becomes eligible for such benefit at or after attaining age 75, the date that such member has received such benefit for a period of six months or upon the date of such member's retirement, whichever first occurs.

(B) Long-term disability benefit payments shall be in lieu of any accidental total disability benefit that a member may be eligible to receive under subsection (3) of K.S.A. 74-4916 and amendments thereto. The member must make an initial application for social security disability benefits and, if denied such benefits, the member must pursue and exhaust all administrative remedies of the social security administration which include, but are not limited to, reconsideration and hearings. Such plan may provide that any amount which a member receives as a social security benefit or a disability benefit or compensation from any source by reason of any employment including, but not limited to, workers compensation benefits may be deducted from the amount of long-term disability benefit payments under such plan. During the period in which such member is pursuing such administrative remedies prior to a final decision of the social security administration, social security disability benefits may be estimated and may be deducted from the amount of long-term disability benefit payments under such plan. Such long-term disability payments shall accrue from the later of the 181st day of total disability or the first day upon which the member ceases to draw compensation from the employer. If the social security benefit, workers compensation benefit, other income or wages or other disability benefit by reason of employment, or any part thereof, is paid in a lump-sum, the amount of the reduction shall be calculated on a monthly basis over the period of time for which the lump-sum is given. In no case shall a member who is entitled to receive long-term disability benefits receive less than \$50 per month. As used in

this section, “workers compensation benefits” means the total award of disability benefit payments under the workers compensation act notwithstanding any payment of attorney fees from such benefits as provided in the workers compensation act.

(C) The plan may include other provisions relating to qualifications for benefits; schedules and graduation of benefits; limitations of eligibility for benefits by reason of termination of employment or membership; conversion privileges; limitations of eligibility for benefits by reason of leaves of absence, military service or other interruptions in service; limitations on the condition of long-term disability benefit payment by reason of improved health; requirements for medical examinations or reports; or any other reasonable provisions as established by rule and regulation of uniform application adopted by the board.

(D) On and after April 30, 1981, the board may provide under the plan for the continuation of long-term disability benefit payments to any former member who forfeits the entitlement to continued service credit under the retirement system or continued assistance in the purchase of retirement annuities under K.S.A. 74-4925 and amendments thereto and to continued long-term disability benefit payments and continued death benefit coverage, by reason of the member’s withdrawal of contributions from the retirement system or the repurchase of retirement annuities which were purchased with assistance received under K.S.A. 74-4925 and amendments thereto. Such long-term disability benefit payments may be continued until such individual dies, attains age 65 or is no longer disabled, whichever occurs first.

(E) Any visually impaired person who is in training at and employed by a sheltered workshop for the blind operated by the secretary of social and rehabilitation services and who would otherwise be eligible for the long-term disability benefit as described in this section shall not be eligible to receive such benefit due to visual impairment as such impairment shall be determined to be a preexisting condition.

(2) (A) In the event that a member becomes eligible for a long-term disability benefit under the plan authorized by this section such member shall be given participating service credit for the entire period of such disability. Such member’s final average salary shall be computed in accordance with subsection (17) of K.S.A. 74-4902 and amendments thereto except that the years of participating service used in such computation shall be the years of salaried participating service.

(B) In the event that a member eligible for a long-term disability benefit under the plan authorized by this section shall be disabled for a period of five years or more immediately preceding retirement, such member’s final average salary shall be adjusted upon retirement by the actuarial salary assumption rates in existence during such period of disability. Effective July 1, 1993, such member’s final average salary shall be adjusted upon retirement by 5% for each year of disability after July 1, 1993, but before July 1, 1998. Effective July 1, 1998, such member’s final average salary shall be adjusted upon retirement by an amount equal to the lesser of: (i) The percentage increase in the consumer price index for all urban consumers as published by the bureau of labor statistics of the United States department of labor minus 1%; or (ii) four percent per annum, measured from the member’s last day on the payroll to the month that is two months prior to the month of retirement, for each year of disability after July 1, 1998.

(C) In the event that a member eligible for a long-term disability benefit under the plan authorized by this section shall be disabled for a period of five years or more immediately preceding death, such member’s current annual rate shall be adjusted by the actuarial salary assumption rates in existence during such period of disability. Effective July 1, 1993, such member’s current annual rate shall be adjusted upon death by 5% for each year of disability after July 1, 1993, but before July 1, 1998. Effective July 1, 1998, such member’s current annual rate shall be adjusted upon death by an amount equal to the lesser of: (i) The percentage increase in the consumer price index for all urban consumers published by the bureau of labor statistics of the United States department of labor minus 1%; or (ii) four percent per annum, measured from the member’s last day on the payroll to the month that is two months prior to the month of death, for each year of disability after July 1, 1998.

(3) (A) To carry out the legislative intent to provide, within the funds

made available therefor, the broadest possible coverage for members who are in active employment or involuntarily absent from such active employment, the plan of death and long-term disability benefits shall be subject to adjustment from time to time by the board within the limitations of this section. The plan may include terms and provisions which are consistent with the terms and provisions of group life and long-term disability policies usually issued to those employers who employ a large number of employees. The board shall have the authority to establish and adjust from time to time the procedures for financing and administering the plan of death and long-term disability benefits authorized by this section. Either the insured death benefit or the insured disability benefit or both such benefits may be financed directly by the system or by one or more insurance companies authorized and licensed to transact group life and group accident and health insurance in this state.

(B) The board may contract with one or more insurance companies, which are authorized and licensed to transact group life and group accident and health insurance in Kansas, to underwrite or to administer or to both underwrite and administer either the insured death benefit or the long-term disability benefit or both such benefits. Each such contract with an insurance company under this subsection shall be entered into on the basis of competitive bids solicited and administered by the board. Such competitive bids shall be based on specifications prepared by the board.

(i) In the event the board purchases one or more policies of group insurance from such company or companies to provide either the insured death benefit or the long-term disability benefit or both such benefits, the board shall have the authority to subsequently cancel one or more of such policies and, notwithstanding any other provision of law, to release each company which issued any such canceled policy from any liability for future benefits under any such policy and to have the reserves established by such company under any such canceled policy returned to the system for deposit in the group insurance reserve of the fund.

(ii) In addition, the board shall have the authority to cancel any policy or policies of group life and long-term disability insurance in existence on the effective date of this act and, notwithstanding any other provision of law, to release each company which issued any such canceled policy from any liability for future benefits under any such policy and to have the reserves established by such company under any such canceled policy returned to the system for deposit in the group insurance reserve of the fund. Notwithstanding any other provision of law, no premium tax shall be due or payable by any such company or companies on any such policy or policies purchased by the board nor shall any brokerage fees or commissions be paid thereon.

(4) (A) There is hereby created in the state treasury the group insurance reserve fund. Investment income of the fund shall be added or credited to the fund as provided by law. The cost of the plan of death and long-term disability benefits shall be paid from the group insurance reserve fund, which shall be administered by the board. Except as otherwise provided by this subsection, each participating employer shall appropriate and pay to the system in such manner as the board shall prescribe in addition to the employee and employer retirement contributions an amount equal to .6% of the amount of compensation on which the members' contributions to the Kansas public employees retirement system are based for deposit in the group insurance reserve fund. Notwithstanding the provisions of this subsection, no participating employer shall appropriate and pay to the system any amount provided for by this subsection for deposit in the group insurance reserve fund for the period commencing on April 1, 2000, and ending on December 31, 2001, ~~or~~ for the period commencing July 1, 2002, and ending December 31, 2002, *or for the period commencing April 1, 2003, and ending on June 30, 2004.*

(B) The director of the budget and the governor shall include in the budget and in the budget request for appropriations for personal services a sum to pay the state's contribution to the group insurance reserve fund as provided by this section and shall present the same to the legislature for allowances and appropriation.

(C) The provisions of subsection (4) of K.S.A. 74-4920 and amendments thereto shall apply for the purpose of providing the funds to make the contributions to be deposited to the group insurance reserve fund.

(D) Any dividend or retrospective rate credit allowed by an insurance

company or companies shall be credited to the group insurance reserve fund and the board may take such amounts into consideration in determining the amounts of the benefits under the plan authorized by this section.

(5) The death benefit provided under the plan of death and long-term disability benefits authorized by this section shall be known and referred to as insured death benefit. The long-term disability benefit provided under the plan of death and long-term disability benefits authorized by this section shall be known and referred to as long-term disability benefit.

(6) The board is hereby authorized to establish an optional death benefit plan. Except as provided in subsection (7), such optional death benefit plan shall be made available to all employees who are covered or may hereafter become covered by the plan of death and long-term disability benefits authorized by this section. The cost of the optional death benefit plan shall be paid by the applicant either by means of a system of payroll deductions or direct payment to the board. The board shall have the authority and discretion to establish such terms, conditions, specifications and coverages as it may deem to be in the best interest of the state of Kansas and its employees which should include term death benefits for the person's period of active state employment regardless of age, but in no case, on and after January 1, 1989, shall the maximum allowable coverage be less than \$200,000. The cost of the optional death benefit plan shall not be established on such a basis as to unreasonably discriminate against any particular age group. The board shall have full administrative responsibility, discretion and authority to establish and continue such optional death benefit plan and the director of accounts and reports of the department of administration shall when requested by the board and from funds appropriated or available for such purpose establish a system to make periodic deductions from state payrolls to cover the cost of the optional death benefit plan coverage under the provisions of this subsection (6) and shall remit all deductions together with appropriate accounting reports to the system. There is hereby created in the state treasury the optional death benefit plan reserve fund. Investment income of the fund shall be added or credited to the fund as provided by law. All funds received by the board, whether in the form of direct payments, payroll deductions or otherwise, shall be accounted for separately from all other funds of the retirement system and shall be paid into the optional death benefit plan reserve fund, from which the board is authorized to make the appropriate payments and to pay the ongoing costs of administration of such optional death benefit plan as may be incurred in carrying out the provisions of this subsection (6).

(7) Any employer other than the state of Kansas which is currently a participating employer of the Kansas public employees retirement system or is in the process of affiliating with the Kansas public employees retirement system may also elect to affiliate for the purposes of subsection (6). All such employers shall make application for affiliation with such system, to be effective on January 1 next following application. Such optional death benefit plan shall not be available for employees of employers specified under this subsection until after July 1, 1988.

Sec. 9. K.S.A. 74-4927f is hereby amended to read as follows: 74-4927f. (a) For the purposes of providing the "insured death benefit" as prescribed in K.S.A. 74-4927 and amendments thereto, to all persons who are members of the retirement system for judges, the term "member" as used in K.S.A. 74-4927 and amendments thereto, and as used in this section shall include members of the retirement system for judges.

(b) Except as otherwise provided by this subsection, the employer of any member who is a member of the retirement system for judges shall pay to the Kansas public employees retirement system in such manner as the board of trustees shall prescribe, an amount equal to .4% of the amount of compensation on which the member's contributions to the retirement system for judges are based for deposit in the group insurance reserve of the Kansas public employees retirement fund, in lieu of the amount required to be paid under subsection (4) of K.S.A. 74-4927 and amendments thereto. Notwithstanding the provisions of this subsection, no employer shall pay to the system any amount provided for by this subsection for deposit in the group insurance reserve fund for the period

commencing on April 1, 2000, and ending on December 31, 2001, ~~or~~ for the period commencing July 1, 2002, and ending on December 31, 2002, *or for the period commencing on April 1, 2003, and ending on June 30, 2004.*

Sec. 10. K.S.A. 74-4927k is hereby amended to read as follows: 74-4927k. (a) For the purposes of providing the “insured death benefit” and “long-term disability benefit” as prescribed in K.S.A. 74-4927 and amendments thereto and of providing the “accidental death benefit” as prescribed in subsection (2) of K.S.A. 74-4916 and amendments thereto, to all state officers who have filed an election as provided in subsection (a) or (b) of K.S.A. 74-4911f, and amendments thereto, the term “member” as used in K.S.A. 74-4927 and amendments thereto and subsection (2) of K.S.A. 74-4916 and amendments thereto and as used in this section shall include such state officers.

(b) The state agency employing any member shall pay to the Kansas public employees retirement system in such manner as the board of trustees shall prescribe, an amount sufficient to pay the employer’s contribution to the group insurance reserve as provided in subsection (4) of K.S.A. 74-4927 and amendments thereto.

(c) The state agency employing any member shall maintain a file of the beneficiaries named by the persons covered under this section in the form and manner as prescribed by the board of trustees of the Kansas public employees retirement system.

(d) Notwithstanding any provision of law to the contrary, the provisions of this section shall not apply to any person employed by the legislative branch of the state of Kansas who elected to be covered by the provisions of K.S.A. 74-4911f, and amendments thereto, as provided in subsection (e) of K.S.A. 46-1302, and amendments thereto, or who is first employed on or after July 1, 1996, by the legislative branch of the state of Kansas as described in K.S.A. 46-1302, and amendments thereto.

(e) Notwithstanding any provision of law to the contrary, the provisions of this section shall not apply to any member of the legislature who has retired pursuant to the Kansas public employees retirement system and who elected to be covered by the provisions of K.S.A. 74-4911f and amendments thereto.

Sec. 11. K.S.A. 74-4963 is hereby amended to read as follows: 74-4963. (1) Upon termination of employment prior to the completion of 20 years of credited service, after 30 days after such termination a member may withdraw such member’s accumulated contributions or elect to leave such accumulated contributions on deposit with the system. If the member elects to leave the accumulated contributions on deposit with the system and if the member returns to employment with the same or another participating employer within five years, such member shall receive credit for such member’s service prior to such termination. If the member does not elect to leave the accumulated contributions on deposit or if the member does not return to covered employment within five years, such member shall no longer be a member of the system and the sum of such member’s accumulated contributions then on deposit with this system shall be paid to such member after making application in a form prescribed by the board and after the system has a reasonable time to process the application for withdrawal. Upon proper notification by the system, member contributions not on deposit with the system shall be paid to the member by the participating employer.

(2) If, after termination and withdrawal of accumulated contributions, a former member returns to covered employment, except as otherwise provided in subsection (1), the former member shall become a member of the system as provided in subsection (2) of K.S.A. 74-4955 and amendments thereto. Any former member returning to covered employment may, at the former member’s option, purchase service credit for such previously forfeited service credit, subject to the provisions of K.S.A. 74-49,123, and amendments thereto, at an additional rate of contribution, in addition to the employee’s rate of contribution as provided in K.S.A. ~~74-4919~~ 74-4965, and amendments thereto, based upon the member’s attained age at the time of purchase and using actuarial assumptions and tables in use by the retirement system at such time of purchase for such periods of service. Such additional rate of contribution shall commence at the beginning of the quarter following such election

and shall remain in effect until all quarters of such service have been purchased. Subject to the provisions of K.S.A. 74-49,123, and amendments thereto, such member may elect to effect such purchase by means of a single lump-sum payment in lieu of the increased amount of the employee's contribution rate otherwise provided for in this act in an amount equal to the then present value of the benefits being purchased determined by the actuary using the member's attained age, annual compensation at the time of purchase and the actuarial assumptions and tables then in use by the retirement system. The lump-sum payment shall be made immediately upon being notified of the amount due. Upon receipt of such payment by the system the member shall receive full credit for the number of previously forfeited quarters of participating service which the member has elected to repurchase. Any member who repurchases all of the member's previously forfeited participating service credit shall also receive all of the member's previously forfeited prior service credit.

(3) Upon termination and withdrawal of accumulated contributions, any member whose employment was, up to the member's employer's entry date, covered by a pension system established under the provisions of K.S.A. 13-14a01 through 13-14a14, and amendments thereto, or K.S.A. 14-10a01 through 14-10a15, and amendments thereto, shall be entitled to receive from the member's employer the sum of the member's accumulated contributions to the previous pension system.

(4) If a member has completed 20 years of credited service at date of termination, the member shall be granted automatically a vested retirement benefit in the system, but any time prior to the commencement of retirement benefit payments and before attaining age 55 the member may withdraw the member's accumulated contributions, whereupon the member's membership in this system ceases and no other amounts shall be payable for the member's prior and participating service credit. Eligibility of such member, who has not withdrawn the member's accumulated contributions, for retirement benefits and procedures for making application for retirement benefits shall be in accordance with K.S.A. 74-4957 and amendments thereto, except that in lieu of the three-month notice of intention to retire being made to the employer, such member shall make application for retirement in a form prescribed by the board and retirement benefits shall accrue from the first day of the month following receipt of such application. The amount of the retirement benefit shall be determined as provided in K.S.A. 74-4958 and amendments thereto.

(5) If a member, who has a vested retirement benefit, again becomes an employee of a participating employer, the amount of the member's vested retirement benefit shall remain in effect, and any retirement benefit such member subsequently accrues shall be calculated separately based on credited service after again becoming an employee and shall be added to that which had been vested by virtue of previous service. Eligibility of such member for retirement benefits and procedures for making application for retirement benefits shall be in accordance with K.S.A. 74-4957 and amendments thereto.

(6) Any member of this system who was previously a member of the Kansas public employees retirement system or the retirement system for judges and who forfeited service credit under either of those systems by reason of termination of employment and withdrawal of their contributions to that system, may elect, subject to the provisions of K.S.A. 74-49,123 and amendments thereto, to purchase service credit for the previously forfeited service credit by means of a single lump-sum payment and such service shall be recredited to that system. The amount of the lump-sum payment shall be determined by the actuary using the member's then current annual rate of compensation and the actuarial assumptions and tables then currently in use by that retirement system.

(7) The provisions of this section shall apply only to members who were appointed or employed prior to July 1, 1989, and who did not make an election pursuant to K.S.A. 74-4955a and amendments thereto.

Sec. 12. K.S.A. 74-4963a is hereby amended to read as follows: 74-4963a. (1) Upon termination of employment prior to the completion of 15 years of credited service, after 30 days after such termination a member may withdraw such member's accumulated contributions or elect to leave such accumulated contributions on deposit with the system. If the

member elects to leave the accumulated contributions on deposit with the system and if the member returns to employment with the same or another participating employer within five years, such member shall receive credit for such member's service prior to such termination. If the member does not elect to leave the accumulated contributions on deposit or if the member does not return to covered employment within five years, such member shall no longer be a member of the system and the sum of such member's accumulated contributions then on deposit with this system shall be paid to such member after making application in a form prescribed by the board and after the system has a reasonable time to process the application for withdrawal. Upon proper notification by the system, member contributions not on deposit with the system shall be paid to the member by the participating employer.

(2) If, after termination and withdrawal of accumulated contributions, a former member returns to covered employment, except as otherwise provided in subsection (1), the former member shall become a member of the system as provided in subsection (2) of K.S.A. 74-4955 and amendments thereto. Any former member returning to covered employment may, at the former member's option, purchase service credit for such previously forfeited service credit, subject to the provisions of K.S.A. 74-49,123, and amendments thereto, at an additional rate of contribution, in addition to the employee's rate of contribution as provided in K.S.A. ~~74-4919~~ 74-4965, and amendments thereto, based upon the member's attained age at the time of purchase and using actuarial assumptions and tables in use by the retirement system at such time of purchase for such periods of service. Such additional rate of contribution shall commence at the beginning of the quarter following such election and shall remain in effect until all quarters of such service have been purchased. Subject to the provisions of K.S.A. 74-49,123, and amendments thereto, such member may elect to effect such purchase by means of a single lump-sum payment in lieu of the increased amount of the employee's contribution rate otherwise provided for in this act in an amount equal to the then present value of the benefits being purchased determined by the actuary using the member's attained age, annual compensation at the time of purchase and the actuarial assumptions and tables then in use by the retirement system. The lump-sum payment shall be made immediately upon being notified of the amount due. Upon receipt of such payment by the system the member shall receive full credit for the number of previously forfeited quarters of participating service which the member has elected to repurchase. Any member who repurchases all of the member's previously forfeited participating service credit shall also receive all of the member's previously forfeited prior service credit.

(3) Upon termination and withdrawal of accumulated contributions, any member whose employment was, up to the member's employer's entry date, covered by a pension system established under the provisions of K.S.A. 13-14a01 through 13-14a14, and amendments thereto, or K.S.A. 14-10a01 through 14-10a15, and amendments thereto, shall be entitled to receive from the member's employer the sum of the member's accumulated contributions to the previous pension system.

(4) If a member has completed 15 years of credited service at date of termination, the member shall be granted automatically a vested retirement benefit in the system, but any time prior to the commencement of retirement benefit payments and before attaining age 55 the member may withdraw the member's accumulated contributions, whereupon the member's membership in this system ceases and no other amounts shall be payable for the member's prior and participating service credit. Eligibility of such member, who has not withdrawn the member's accumulated contributions, for retirement benefits and procedures for making application for retirement benefits shall be in accordance with K.S.A. 74-4957 and amendments thereto, except that in lieu of the three-month notice of intention to retire being made to the employer, such member shall make application for retirement in a form prescribed by the board and retirement benefits shall accrue from the first day of the month following receipt of such application. The amount of the retirement benefit shall be determined as provided in K.S.A. 74-4958 and amendments thereto.

(5) If a member, who has a vested retirement benefit, again becomes an employee of a participating employer, the amount of the member's

vested retirement benefit shall remain in effect, and any retirement benefit such member subsequently accrues shall be calculated separately based on credited service after again becoming an employee and shall be added to that which had been vested by virtue of previous service. Eligibility of such member for retirement benefits and procedures for making application for retirement benefits shall be in accordance with K.S.A. 74-4957 and amendments thereto.

(6) Any member of this system who was previously a member of the Kansas public employees retirement system or the retirement system for judges and who forfeited service credit under either of those systems by reason of termination of employment and withdrawal of their contributions to that system, may elect, subject to the provisions of K.S.A. 74-49,123 and amendments thereto, to purchase service credit for the previously forfeited service credit by means of a single lump-sum payment and such service shall be recredited to that system. The amount of the lump-sum payment shall be determined by the actuary using the member's then current annual rate of compensation and the actuarial assumptions and tables then currently in use by that retirement system.

(7) The provisions of this section shall be effective on and after July 1, 1989 and shall apply only to members who were appointed or employed prior to July 1, 1989, and who made an election pursuant to K.S.A. 74-4955a and amendments thereto; and persons appointed or employed on or after July 1, 1989.

Sec. 13. K.S.A. 74-4964 is hereby amended to read as follows: 74-4964. (1) A member may elect to have such member's retirement benefit paid under one of the options provided in this section in lieu of having it paid in the form stated in subsections (1) and (2) of K.S.A. 74-4958 and amendments thereto. Such election must be made before the date of actual retirement. Only a specific individual person may be designated as a joint annuitant at the time of election of the joint and $\frac{1}{2}$ to joint annuitant survivor option, the joint and survivor option and the joint and $\frac{3}{4}$ to joint annuitant survivor option. Under no circumstances may an option be changed or canceled nor the named joint annuitant changed after the date of actual retirement of the member.

(2) The amount of a retirement benefit payable under an option shall be based on the age of the member and, if applicable, the age of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement benefit otherwise payable under subsections (1) or (2) of K.S.A. 74-4958 and amendments thereto as prescribed under subsection (5). In no case shall the total amount of retirement benefit paid under any option provided in this section be more than 100% of the retirement benefit which would have been otherwise payable if no option had been elected under this section.

(3) If a member who was, up to the entry date of such member's employer, covered by a pension system under the provisions of K.S.A. 13-14a01 to 13-14a14, inclusive or 14-10a01 through 14-10a15, inclusive, and amendments thereto so elects one of the options under this section, payment of such option shall be in lieu of any payments provided in subsection (3) of K.S.A. 74-4958 and amendments thereto.

(4) Such election of an option shall become null and void upon the death of a member prior to such member's retirement, except that if a member, who is eligible to retire in accordance with the provisions of subsections (1) and (2) of K.S.A. 74-4958 and amendments thereto, dies without having actually retired the member's spouse, if the spouse is beneficiary for the member's accumulated contributions, and no benefits are payable under subsections (1) and (2) of K.S.A. 74-4959 and amendments thereto, may elect to receive benefits under one of the options provided in this section, in lieu of receiving the member's accumulated contributions.

(5) The following retirement options which are subject to the provisions of K.S.A. 74-49,123 and amendments thereto, are available:

(A) *Joint and $\frac{1}{2}$ to joint annuitant survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 74-4958 and amendments thereto and (B) the percentage equal to 94.5% minus .2% for each year by which the age of the retirant's joint annuitant is less than the retirant's

age, computed to the nearest whole year, or plus .2% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with $\frac{1}{2}$ of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(B) *Joint and survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 74-4958 and amendments thereto and (B) the percentage equal to 88% minus .4% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus .4% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with that monthly amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(C) *Joint and $\frac{3}{4}$ to joint annuitant survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 74-4958 and amendments thereto and (B) the percentage equal to 91% minus .3% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus .3% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with $\frac{3}{4}$ of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(D) *Life with 5 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 99% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958 and amendments thereto, and if the retirant dies within the five-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the five-year certain period.

(E) *Life with 10 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 98% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958 and amendments thereto, and if the retirant dies within the ten-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the ten-year certain period.

(F) *Life with 15 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 92% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958 and amendments thereto, and if the retirant dies within the fifteen-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the fifteen-year certain period.

(G) *Lump sum payment at retirement.* (i) Pursuant to this option, the member must specify a lump sum amount to be paid to the member upon the member's retirement. The lump sum amount will be based on

the actuarial present value of the benefit as provided in K.S.A. 74-4958, and amendments thereto. The lump sum amount designated by the member must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the benefit provided in K.S.A. 74-4958, and amendments thereto. *If the member's spouse elects a lump sum payment as provided in this section pursuant to the provisions of subsection (6), the lump sum payment will be based on the present value of the retirement option selected by the spouse. The lump sum amount designated by the spouse must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the option selected in this section.*

(ii) Pursuant to this option, the member must elect to have the remaining actuarial present value paid in a monthly amount under the provisions of K.S.A. 74-4958, and amendments thereto, or subsections (5)(A) through (5)(F) of this section.

(iii) In the event that the designated joint annuitant pursuant to subsection (5)(A), (5)(B) or (5)(C) under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(iv) The provisions of this subsection shall be effective on and after July 1, 2001.

(6) On and after July 1, 1996, if a member with 20 or more years of credited service dies before attaining retirement age, the member's spouse, if the spouse is the sole beneficiary for the member's accumulated contributions, may elect to receive benefits under one of the options provided in this section in lieu of receiving the member's accumulated contributions or in lieu of receiving benefits as provided in K.S.A. 74-4959 and amendments thereto. Payments under one of the options provided in this section to the member's spouse if so elected, shall commence on the date that the member would have attained retirement age.

(7) Benefits payable to a joint annuitant shall accrue from the first day of the month following the death of a member or retirant and, in the case of the joint and $\frac{1}{2}$ to joint annuitant survivor option, the joint and survivor option and the joint and $\frac{3}{4}$ to joint annuitant survivor option, shall end on the last day of the month in which the joint annuitant dies.

(8) The provisions of the law in effect on the retirement date of a member under the system shall govern the retirement benefit payable to the retirant and any joint annuitant, except, for retirement benefits payable after July 1, 1993, for retirants who retired prior to July 1, 1982, in the event that the designated joint annuitant under the option provided in subsection (5)(A), (B) or (C), as applicable, predeceased the retirant, the amount of the retirement benefit otherwise payable to the retirant under the option provided in subsection (5)(A), (B) or (C), as applicable, shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(9) Upon the death of a joint annuitant who is receiving a retirement benefit under the provisions of this section, there shall be paid to such joint annuitant's beneficiary an amount equal to the excess, if any, of the accumulated contributions of the retirant over the sum of all retirement benefit payments made to such retirant and such joint annuitant. Such joint annuitant shall designate a beneficiary by filing in the office of the retirement system such designation at the time of death of the retirant. If there is no named beneficiary of such joint annuitant living at the time of death of such joint annuitant, any amount provided for by this section shall be paid to, in order of preference as follows:

- (A) The joint annuitant's surviving spouse;
- (B) the joint annuitant's dependent child or children;
- (C) the joint annuitant's dependent parent or parents;
- (D) the joint annuitant's nondependent child or children;
- (E) the joint annuitant's nondependent parent or parents; or
- (F) the estate of the deceased joint annuitant.

(10) The provisions of this section shall apply only to members who were appointed or employed prior to July 1, 1989, and who did not make an election pursuant to K.S.A. 74-4955a and amendments thereto.

Sec. 14. K.S.A. 74-4964a is hereby amended to read as follows: 74-4964a. (1) A member may elect to have such member's retirement benefit

paid under one of the options provided in this section in lieu of having it paid in the form stated in subsections (1) and (2) of K.S.A. 74-4958 and amendments thereto. Such election must be made before the date of actual retirement. Only a specific individual person may be designated as a joint annuitant at the time of election of the joint and $\frac{1}{2}$ to joint annuitant survivor option, the joint and survivor option and the joint and $\frac{3}{4}$ to joint annuitant survivor option. Under no circumstances may an option be changed or canceled nor the named joint annuitant changed after the date of actual retirement of the member.

(2) The amount of a retirement benefit payable under an option shall be based on the age of the member and, if applicable, the age of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement benefit otherwise payable under subsections (1) or (2) of K.S.A. 74-4958 and amendments thereto as prescribed under subsection (5). In no case shall the total amount of retirement benefit paid under any option provided in this section be more than 100% of the retirement benefit which would have been otherwise payable if no option had been elected under this section.

(3) If a member who was, up to the entry date of such member's employer, covered by a pension system under the provisions of K.S.A. 13-14a01 through 13-14a14, inclusive or 14-10a01 through 14-10a15, inclusive, and amendments thereto so elects one of the options under this section, payment of such option shall be in lieu of any payments provided in subsection (3) of K.S.A. 74-4958 and amendments thereto.

(4) Such election of an option shall become null and void upon the death of a member prior to such member's retirement, except that if a member, who is eligible to retire in accordance with the provisions of subsections (1) and (2) of K.S.A. 74-4958 and amendments thereto, dies without having actually retired the member's spouse, if the spouse is beneficiary for the member's accumulated contributions, and no benefits are payable under subsections (1) and (2) of K.S.A. 74-4959 and amendments thereto, may elect to receive benefits under one of the options provided in this section, in lieu of receiving the member's accumulated contributions.

(5) The following retirement options which are subject to the provisions of K.S.A. 74-49,123 and amendments thereto, are available:

(A) *Joint and $\frac{1}{2}$ to joint annuitant survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 74-4958 and amendments thereto and (B) the percentage equal to 94.5% minus .2% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus .2% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with $\frac{1}{2}$ of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(B) *Joint and survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 74-4958 and amendments thereto and (B) the percentage equal to 88% minus .4% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus .4% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with that monthly amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(C) *Joint and $\frac{3}{4}$ to joint annuitant survivor.* A reduced retirement

benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 74-4958 and amendments thereto and (B) the percentage equal to 91% minus .3% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus .3% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with $\frac{3}{4}$ of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(D) *Life with 5 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 99% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958 and amendments thereto, and if the retirant dies within the five-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the five-year certain period.

(E) *Life with 10 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 98% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958 and amendments thereto, and if the retirant dies within the ten-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the ten-year certain period.

(F) *Life with 15 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 92% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4958 and amendments thereto, and if the retirant dies within the fifteen-year certain period, measured from the commencement of retirement benefit payments, such payments will be continued to the retirant's beneficiary during the balance of the fifteen-year certain period.

(G) *Lump sum payment at retirement.* (i) Pursuant to this option, the member must specify a lump sum amount to be paid to the member upon the member's retirement. The lump sum amount will be based on the actuarial present value of the benefit as provided in K.S.A. 74-4958a, and amendments thereto. The lump sum amount designated by the member must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the benefit provided in K.S.A. 74-4958a, and amendments thereto. *If the member's spouse elects a lump sum payment as provided in this section pursuant to the provisions of subsection (6), the lump sum payment will be based on the present value of the retirement option selected by the spouse. The lump sum amount designated by the spouse must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the option selected in this section.*

(ii) Pursuant to this option, the member must elect to have the remaining actuarial present value paid in a monthly amount under the provisions of K.S.A. 74-4958a, and amendments thereto, or subsections (5)(A) through (5)(F) of this section.

(iii) In the event that the designated joint annuitant pursuant to subsection (5)(A), (5)(B) or (5)(C) under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(iv) The provisions of this subsection shall be effective on and after July 1, 2001.

(6) On and after July 1, 1996, if a member with 20 or more years of credited service dies before attaining retirement age, the member's spouse, if the spouse is the sole beneficiary for the member's accumulated contributions, may elect to receive benefits under one of the options

provided in this section in lieu of receiving the member's accumulated contributions or in lieu of receiving benefits as provided in K.S.A. 74-4959 and amendments thereto. Payments under one of the options provided in this section to the member's spouse if so elected, shall commence on the date that the member would have attained retirement age.

(7) Benefits payable to a joint annuitant shall accrue from the first day of the month following the death of a member or retirant and, in the case of the joint and $\frac{1}{2}$ to joint annuitant survivor option, the joint and survivor option and the joint and $\frac{3}{4}$ to joint annuitant survivor option, shall end on the last day of the month in which the joint annuitant dies.

(8) The provisions of the law in effect on the retirement date of a member under the system shall govern the retirement benefit payable to the retirant and any joint annuitant, except, for retirement benefits payable after July 1, 1993, for retirants who retired prior to July 1, 1982, in the event that the designated joint annuitant under the option provided in subsection (5)(A), (B) or (C), as applicable, predeceased the retirant, the amount of the retirement benefit otherwise payable to the retirant under the option provided in subsection (5)(A), (B) or (C), as applicable, shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(9) Upon the death of a joint annuitant who is receiving a retirement benefit under the provisions of this section, there shall be paid to such joint annuitant's beneficiary an amount equal to the excess, if any, of the accumulated contributions of the retirant over the sum of all retirement benefit payments made to such retirant and such joint annuitant. Such joint annuitant shall designate a beneficiary by filing in the office of the retirement system such designation at the time of death of the retirant. If there is no named beneficiary of such joint annuitant living at the time of death of such joint annuitant, any amount provided for by this section shall be paid to, in order of preference as follows:

- (A) The joint annuitant's surviving spouse;
- (B) the joint annuitant's dependent child or children;
- (C) the joint annuitant's dependent parent or parents;
- (D) the joint annuitant's nondependent child or children;
- (E) the joint annuitant's nondependent parent or parents; or
- (F) the estate of the deceased joint annuitant.

(10) The provisions of this section shall be effective on and after July 1, 1989, and shall apply only to members who were appointed or employed prior to July 1, 1989, and who made an election pursuant to K.S.A. 74-4955a and amendments thereto; and persons appointed or employed on or after July 1, 1989.

Sec. 15. K.S.A. 74-49,110 is hereby amended to read as follows: 74-49,110. There is hereby created the retirant dividend payment reserve in the Kansas public employees retirement fund. Prior to ~~October 1, 1980,~~ and each October 1 thereafter, the board of trustees of the Kansas public employees retirement system shall credit to the retirant dividend payment reserve an amount equal to the lesser of (1) the amount equal to fifteen percent (15%) of the net amount of interest and dividend income during the fiscal year ending on the next preceding June 30 on the investment of the moneys in the fund, adjusted for all realized gains and losses at the end of such fiscal year or (2) the amount equal to the total of (A) the amount required to pay the maximum benefits under K.S.A. 74-49,111, and amendments thereto during the current year and (B) the amount which was required to pay the maximum benefits under K.S.A. 74-49,111 during the preceding year, except that in no case shall the amount credited under this section result in a carryover balance in the retirant dividend payment reserve, after payment of all retirant dividend payments that year, of more than an amount equal to the amount which was required to pay the maximum benefits under K.S.A. 74-49,111 during the preceding year. Such amounts shall be credited from the retirement benefit accumulation reserve.

New Sec. 16. (a) For the purpose of financing a portion of the unfunded actuarial pension liability of the Kansas public employees retirement system, the Kansas development finance authority is hereby authorized to issue one or more series of revenue bonds under the Kansas development finance authority act in an amount necessary to provide a deposit or deposits in a total amount not to exceed \$500,000,000 to the

Kansas public employees retirement system and to pay the costs of issuance of the bonds, including any credit enhancement, and provide any required reserves for the bonds. The principal amount, interest rates and final maturity of such revenue bonds and any bonds issued to refund such bonds or parameters for such principal amount, interest rates and final maturity shall be approved by a resolution of the state finance council. The state finance council shall review and determine the lowest cost method for financing such bonds, including, but not limited to, issues related to the tax status of the bonds. The bonds, and interest thereon, issued pursuant to this section shall be payable from moneys appropriated by the state for such purpose. The bonds and interest thereon, issued pursuant to this section shall be obligations only of the authority and in no event shall such bonds constitute an indebtedness or obligation of the Kansas public employees retirement system or an indebtedness or obligation for which the faith and credit or any assets of the system are pledged.

(b) As used in this section, “unfunded actuarial pension liability” means the unfunded actuarially accrued liability of the state for the state of Kansas and participating employers under K.S.A. 74-4931 and amendments thereto portion of such liability of the Kansas public employees retirement system, determined as of the later of December 31, 2001, or the end of the most recent calendar year for which an actuarial valuation report is available and certified to the Kansas development finance authority by the executive secretary of the Kansas public employees retirement system.

(c) (1) The authority may pledge the contract or contracts authorized in subsection (d), or any part thereof, for the payment or redemption of the bonds, and covenant as to the use and disposition of money available to the authority for payments of the bonds. The authority is authorized to enter into any agreements necessary or desirable to effectuate the purposes of this section.

(2) The proceeds from the sale of the bonds, other than refunding bonds, issued pursuant to this section, after payment of any costs related to the issuance of such bonds, shall be paid by the authority to the Kansas public employees retirement system to be applied to the payment, in full or in part, of the unfunded accrued pension liability as directed by the Kansas public employees retirement system.

(3) The state hereby pledges and covenants with the holders of any bonds issued pursuant to the provisions of this section, that it will not limit or alter the rights or powers vested in the authority by this section, nor limit or alter the rights or powers of the authority, the department of administration or the Kansas public employees retirement system, in any manner which would jeopardize the interest of the holders or any trustee of such holders or inhibit or prevent performance or fulfillment by the authority, the department of administration or the Kansas public employees retirement system with respect to the terms of any agreement made with the holders of the bonds or agreements made pursuant to this section, except that the failure of the legislature to appropriate moneys for any purpose shall not be deemed a violation of this pledge and covenant. The department of administration is hereby specifically authorized to include this pledge and covenant in any agreement with the authority. The authority is hereby specifically authorized to include this pledge and covenant in any bond resolution, trust indenture or agreement for the benefit of holders of the bonds.

(4) Revenue bonds may be issued pursuant to this section without obtaining the consent of any department, division, commission, board or agency of the state, other than the approvals of the state finance council required by this section, and without any other proceedings or the occurrence of any other conditions or other things other than those proceedings, conditions or things which are specifically required by the Kansas development finance authority act.

(d) The department of administration and the authority are authorized to enter into one or more contracts to implement the payment arrangement that is provided for in this section. The contract or contracts shall provide for payment of the amounts required to be paid pursuant to this section and shall set forth the procedure for the transfer of moneys for the purpose of paying such moneys. The contract or contracts shall contain such terms and conditions including principal amount, interest

rates and final maturity as shall be approved by resolution of the state finance council and shall include, but not be limited to, terms and conditions necessary or desirable to provide for repayment of and to secure any bonds of the authority issued pursuant to this section.

(e) The approvals by the state finance council required by subsection (a) and (d) are hereby characterized as matters of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c and amendments thereto. Such approvals may be given by the state finance council when the legislature is in session.

(f) No bonds shall be issued pursuant to this section prior to the review of and recommendation to the state finance council of such issuance by the joint committee on pensions, investments and benefits.

New Sec. 17. (a) For the purposes of providing the “insured death benefit” and “long-term disability benefit” as prescribed in K.S.A. 74-4927 and amendments thereto and of providing the “accidental death benefit” as prescribed in subsection (2) of K.S.A. 74-4916 and amendments thereto, to all members of the legislature who have failed to file the election to become a member of the retirement system pursuant to K.S.A. 74-4911 and amendments thereto, and who have filed an election to be covered pursuant to the provisions of K.S.A. 74-4916 and 74-4927 and amendments thereto as provided in this subsection, the term “member” as used in K.S.A. 74-4927 and amendments thereto and subsection (2) of K.S.A. 74-4916 and amendments thereto and as used in this section shall include such members of the legislature. Such election as provided in this subsection shall be filed with the system within 90 days of the effective date of this act or within 90 days after taking the oath of office. If a member of the legislature fails to file such election as provided in this subsection, it shall be presumed such member of the legislature has elected to not be covered pursuant to the provisions of K.S.A. 74-4916 and 74-4927 and amendments thereto.

(b) The division of legislative administrative services shall pay to the Kansas public employees retirement system in such manner as the board of trustees shall prescribe, an amount sufficient to pay the employer’s contribution to the group insurance reserve as provided in subsection (4) of K.S.A. 74-4927 and amendments thereto.

(c) The division of legislative administrative services shall maintain a file of the beneficiaries named by the persons covered under this section in the form and manner as prescribed by the board of trustees of the Kansas public employees retirement system.

New Sec. 18. An employee of a participating employer, as defined in K.S.A. 74-4902, and amendments thereto, in the Kansas public employees retirement system, who is a fireman as defined in K.S.A. 74-4952, and amendments thereto; an emergency medical service technician as defined in K.S.A. 74-4954a, and amendments thereto; or a policeman as defined in K.S.A. 74-4952, and amendments thereto; and who is, or who will be, upon satisfying any required eligibility waiting period, an active member in either: (a) A retirement plan originally established by a not-for-profit, nongovernmental fire department as of January 1, 1969, and subsequently maintained by a participating employer; or (b) a retirement plan for policemen established by a participating employer as of March 1, 1968, to replace a retirement plan for policemen that was originally established on April 6, 1961, shall be exempt from membership in the system.

New Sec. 19. On and after the effective date of this act, each person who has retired and has been receiving or who will become eligible to receive a benefit as provided under subsection (3) of K.S.A. 74-4925, and amendments thereto and each person who is a former member who was eligible for assistance pursuant to K.S.A. 74-4925 and amendments thereto prior to July 1, 1998, shall be a special member of the Kansas public employees retirement system.

New Sec. 20. (a) For the purpose of financing the unfunded actuarial pension liability of the Kansas public employees retirement system related to persons designated as special members pursuant to section 19 and amendments thereto and related to persons entitled to benefits pursuant to the provisions of K.S.A. 74-49,109 and amendments thereto, the Kansas development finance authority is hereby authorized to issue one or more series of revenue bonds under the Kansas development finance

authority act in an amount necessary to provide a deposit or deposits in a total amount not to exceed \$40,400,000 of which no more than \$15,500,000 of such deposit or deposits shall be related to persons designated as special members pursuant to section 19 and amendments thereto and no more than \$24,900,000 of such deposit or deposits shall be related to persons entitled to benefits pursuant to the provisions of K.S.A. 74-49,109 and amendments thereto, to the Kansas public employees retirement system and to pay all amounts required for costs of issuance of the bonds, including any credit enhancement, and to provide any required reserves for the bonds, capitalized interest and refunding bonds. The principal amount, interest rates and final maturity of such revenue bonds and any bonds issued to refund such bonds or parameters for such principal amount, interest rates and final maturity shall be approved by the secretary of administration, except that the final maturity of such revenue bonds shall not exceed 10 years. The bonds, and interest thereon, issued pursuant to this section shall be payable from moneys appropriated by the state for such purpose. The bonds and interest thereon, issued pursuant to this section shall be obligations only of the authority and in no event shall such bonds constitute an indebtedness or obligation of the Kansas public employees retirement system or an indebtedness or obligation for which the faith and credit or any assets of the system are pledged.

(b) As used in this section, “unfunded actuarial pension liability” means the unfunded actuarially accrued liability of the state for persons designated as special members pursuant to section 19 and amendments thereto and for persons entitled to benefits pursuant to the provisions of K.S.A. 74-49,109 and amendments thereto, determined as of the later of December 31, 2001, or the end of the most recent calendar year for which an actuarial valuation report is available and certified to the Kansas development finance authority by the executive secretary of the Kansas public employees retirement system.

(c) (1) The authority may pledge the contract or contracts authorized in subsection (d), or any part thereof, for the payment or redemption of the bonds, and covenant as to the use and disposition of money available to the authority for payments of the bonds. The authority is authorized to enter into any agreements necessary or desirable to effectuate the purposes of this section.

(2) The proceeds from the sale of the bonds, other than refunding bonds, issued pursuant to this section, after payment of any costs related to the issuance of such bonds, any required reserves and any capitalized interest, shall be paid by the authority to the Kansas public employees retirement system to be applied to the payment, in full or in part, of the unfunded accrued pension liability as directed by the Kansas public employees retirement system.

(3) The state hereby pledges and covenants with the holders of any bonds issued pursuant to the provisions of this section, that it will not limit or alter the rights or powers vested in the authority by this section, nor limit or alter the rights or powers of the authority, the state board of regents or the Kansas public employees retirement system, in any manner which would jeopardize the interest of the holders or any trustee of such holders or inhibit or prevent performance or fulfillment by the authority, the state board of regents or the Kansas public employees retirement system with respect to the terms of any agreement made with the holders of the bonds or agreements made pursuant to this section, except that the failure of the state to appropriate moneys for any purpose shall not be deemed a violation of this pledge and covenant. The state board of regents and the Kansas public employees retirement system are hereby specifically authorized to include this pledge and covenant in any agreement with the authority. The authority is hereby specifically authorized to include this pledge and covenant in any bond resolution, trust indenture or agreement for the benefit of holders of the bonds.

(4) Revenue bonds may be issued pursuant to this section without obtaining the consent of any department, division, commission, board or agency of the state, other than the approvals of the state finance council required by this section, and without any other proceedings or the occurrence of any other conditions or other things other than those proceedings, conditions or things which are specifically required by the Kansas development finance authority act.

(d) The state board of regents, the Kansas public employees retirement system and the authority are authorized to enter into one or more contracts to implement the payment arrangement that is provided for in this section. The contract or contracts shall provide for payment of the amounts required to be paid pursuant to this section and shall set forth the procedure for the transfer of moneys for the purpose of paying such moneys. The contract or contracts shall contain such terms and conditions including principal amount, interest rates and final maturity as shall be approved by the secretary of administration and shall include, but not be limited to, terms and conditions necessary or desirable to provide for repayment of and to secure any bonds of the authority issued pursuant to this section.

Sec. 21. K.S.A. 74-4902, 74-4908, 74-4911f, 74-4918, 74-4920, 74-4925, 74-4927, 74-4927f, 74-4927k, 74-4963, 74-4963a, 74-4964, 74-4964a and 74-49,110 and K.S.A. 2002 Supp. 20-2610a are hereby repealed.

Sec. 22. This act shall take effect and be in force from and after its publication in the Kansas register.

I hereby certify that the above BILL originated in the HOUSE, and passed that body

HOUSE adopted
Conference Committee Report _____

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE
as amended _____

SENATE adopted
Conference Committee Report _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.