

HOUSE Substitute for SENATE BILL No. 260

By Select Committee on Pensions

3-23

10 AN ACT concerning retirement and pensions; relating to the Kansas
11 public employees retirement system and systems thereunder; em-
12 ployer contributions; payment of certain obligations of retirement sys-
13 tem; employment after retirement; investments by the system; [**Kan-
14 sas police and firemen's retirement system, affiliation and
15 membership;**] [**retirant dividend payment;**] amending K.S.A. 38-
16 2102, 71-801, 72-5437, 72-5445, 72-7513, 74-4914, 74-4921, 74-4922,
17 74-4939, 74-4957 and 74-4967 and K.S.A. 2003 Supp. 20-2605, 74-
18 4920 and 74-4927 and repealing the existing sections.

19
20 *Be it enacted by the Legislature of the State of Kansas:*

21 Section 1. K.S.A. 2003 Supp. 20-2605 is hereby amended to read as
22 follows: 20-2605. (a) The board shall select and employ or retain a qual-
23 ified actuary who shall serve at its pleasure as its technical advisor on
24 matters regarding operation of the retirement system for judges. The
25 actuary shall:

26 (1) As soon after the effective date as practicable and once every three
27 years thereafter, make a general investigation of the actuarial experience
28 under the retirement system for judges including mortality, retirement,
29 employment turnover and interest, and recommend actuarial tables for
30 use in valuations and in calculating actuarial equivalent values based on
31 such investigation; make a valuation of the liabilities and reserves of the
32 retirement system for judges, and a determination of the contributions
33 required by the retirement system for judges to discharge its liabilities
34 and recommend to the board rates of employer contributions required
35 to establish and maintain the retirement system for judges on an actuarial
36 reserve basis.

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

38 (b) Upon the basis of the actuarial valuation and appraisal and upon
39 the recommendation of the actuary, the board shall certify, on or before
40 July 15 of each year, to the division of budget an actuarially determined
41 estimate of the rate of contribution which will be required, together with
42 all judges' contributions and other assets of the retirement system for
43 judges to pay all liabilities which shall exist or accrue under the retirement

1 system for judges, including amortization of the unfunded accrued lia-
2 bility ~~over a period of 40 years commencing on July 1, 1993 as determined~~
3 *by the board*. The rate of contribution for the state determined under
4 this section shall not include the costs of administration of the system.

5 (c) The division of the budget and the governor shall include in the
6 budget and in the budget request for appropriations for personal services
7 the sum required to satisfy the state's obligation under the retirement
8 system for judges as certified by the board and shall present the same to
9 the legislature for allowance and appropriation.

10 (d) Except as otherwise provided by law, the actuarial cost of any
11 legislation enacted by the Kansas legislature, except the actuarial cost of
12 K.S.A. 74-49,114a, *and amendments thereto*, shall be reflected in the em-
13 ployer contribution rate in the fiscal year immediately following such
14 enactment.

15 Sec. 2. K.S.A. 38-2102 is hereby amended to read as follows: 38-
16 2102. (a) There is hereby established in the state treasury the children's
17 initiatives fund which shall be administered in accordance with this sec-
18 tion and the provisions of appropriation acts.

19 (b) All moneys credited to the children's initiatives fund shall be used
20 for the purposes of providing additional funding for programs, projects,
21 improvements, services and other purposes directly or indirectly benefi-
22 cial to the physical and mental health, welfare, safety and overall well-
23 being of children in Kansas as provided by appropriation or other acts of
24 the legislature. In allocating or appropriating moneys in the children's
25 initiatives fund, the legislature shall emphasize programs and services that
26 are data-driven and outcomes-based and may emphasize programs and
27 services that are generally directed toward improving the lives of children
28 and youth by combating community-identified risk factors associated with
29 children and youth becoming involved in tobacco, alcohol, drugs or ju-
30 venile delinquency. Programs funded must have a clearly articulated ob-
31 jective to be achieved with any funds received. As a condition precedent
32 to funding, every program must demonstrate that the program's design
33 is supported by credible research, that the program as implemented will
34 constitute best practices in the field, that data is available to benchmark
35 the program's desired outcomes and that an evaluation and assessment
36 component is part of the program design and that such evaluation is
37 capable of determining program performance, needed program modifi-
38 cations to enhance performance, ways in which the program could be
39 modified for transfer to other venues, and when performance no longer
40 justifies funding. Community-based programs must demonstrate the
41 availability of sufficient community leadership and the capacity to appro-
42 priately implement and administer the program that is funded. Programs
43 which require community mobilization to successfully achieve program

1 objectives must demonstrate a specific strategy to obtain the requisite
2 levels of community mobilization. Moneys allocated or appropriated from
3 the children's initiatives fund shall not be used to replace or substitute
4 for moneys appropriated from the state general fund in the immediately
5 preceding fiscal year.

6 (c) All expenditures from the children's initiatives fund shall be made
7 in accordance with appropriation acts upon warrants of the director of
8 accounts and reports issued pursuant to vouchers approved in the manner
9 prescribed by law.

10 (d) (1) ~~On July 1, 2000, or as soon thereafter as moneys are available,~~
11 ~~the director of accounts and reports shall transfer, in the following order~~
12 ~~of priority, (A) first, \$70,740,000 from the Kansas endowment for youth~~
13 ~~fund to the state general fund and (B) second, \$30,000,000 from the~~
14 ~~Kansas endowment for youth fund to the children's initiatives fund.~~

15 ~~—(2) On July 1, 2001, or as soon thereafter as moneys are available,~~
16 ~~the director of accounts and reports shall transfer \$40,000,000 from the~~
17 ~~Kansas endowment for youth fund to the children's initiatives fund and~~
18 ~~shall transfer \$10,000,000 from the Kansas endowment for youth fund to~~
19 ~~the state general fund.~~

20 ~~—(3) On July 1, 2002, or as soon thereafter as moneys are available,~~
21 ~~the director of accounts and reports shall transfer \$45,000,000 from the~~
22 ~~Kansas endowment for youth fund to the children's initiatives fund.~~

23 ~~—(4) On July 1 of each fiscal year thereafter, 2003, through July 1,~~
24 ~~2006, or as soon thereafter after such dates as moneys are available, the~~
25 ~~director of accounts and reports shall transfer from the Kansas endow-~~
26 ~~ment for youth fund to the children's initiatives fund the amount equal~~
27 ~~to 102.5% of the amount transferred from the Kansas endowment for~~
28 ~~youth fund to the children's initiatives fund pursuant to this section during~~
29 ~~the immediately preceding fiscal year.~~

30 ~~(5) (2) On July 1, 2007, and each fiscal year thereafter, or as soon~~
31 ~~thereafter as moneys are available, the director of accounts and reports~~
32 ~~shall transfer \$40,000,000 from the Kansas endowment for youth fund to~~
33 ~~the children's initiatives fund and shall transfer the balance of moneys~~
34 ~~credited to the Kansas endowment for youth fund to the state general~~
35 ~~fund for the following purposes in the order of priority as specified: (1)~~
36 ~~The payment of principal and interest on any revenue bonds issued under~~
37 ~~the authority of K.S.A. 2003 Supp. 79-49,129, and amendments thereto;~~
38 ~~(2) the payment of principal and interest on any revenue bonds issued~~
39 ~~under the authority of K.S.A. 2003 Supp. 79-49,130, and amendments~~
40 ~~thereto; and (3) employer contributions required pursuant to law to pay~~
41 ~~liabilities which exist or shall accrue under the Kansas public employees~~
42 ~~retirement system and systems thereunder of the state of Kansas.~~

43 (3) If the amounts to be received during any fiscal year under the

1 tobacco litigation settlement agreements entered into by the attorney
2 general on behalf of the state of Kansas, or pursuant to any judgment
3 rendered, regarding the litigation against tobacco industry companies and
4 related entities, are reduced or increased from the amount that was an-
5 ticipated to be received for such fiscal year, as of the time the settlement
6 agreements were entered into, then the legislature may adjust the amount
7 otherwise provided by this subsection to be transferred from the Kansas
8 endowment for youth fund to the children's initiatives fund for such fiscal
9 year by including provisions in appropriation acts for such fiscal year that
10 proportionally reduce or increase, as appropriate, the amount otherwise
11 provided by this subsection to be transferred from the Kansas endowment
12 for youth fund to the children's initiatives fund for such fiscal year. In
13 addition, for purposes of circumstances related to the investment of mon-
14 eys in the Kansas endowment for youth fund or other circumstances or
15 matters deemed sufficient by the legislature, the legislature may adjust
16 the amount otherwise provided by this subsection to be transferred from
17 the Kansas endowment for youth fund to the children's initiatives fund
18 for any fiscal year by including provisions in appropriation acts for such
19 fiscal year that proportionally reduce or increase, as appropriate, the
20 amount otherwise provided by this subsection to be transferred from the
21 Kansas endowment for youth fund to the children's initiatives fund for
22 such fiscal year.

23 (e) It is the intent of the legislature that, except as provided by this
24 section, no amounts shall be transferred from the Kansas endowment for
25 youth fund to the children's initiatives fund or to any other fund during
26 any state fiscal year.

27 (f) On or before the 10th day of each month, the director of accounts
28 and reports shall transfer from the state general fund to the Kansas en-
29 dowment for youth fund interest earnings based on (1) the average daily
30 balance of moneys in the children's initiatives fund for the preceding
31 month and (2) the net earnings rate of the pooled money investment
32 portfolio for the preceding month.

33 Sec. 3. K.S.A. 71-801 is hereby amended to read as follows: 71-801.

34 (a) Community colleges are under the supervision of the state board of
35 regents.

36 (b) The state board of regents shall identify and approve core indi-
37 cators of quality performance for each of the community colleges sepa-
38 rately, after considering core indicators recommended by the board of
39 trustees of each respective community college, and shall establish and
40 implement a data management system that includes a process and format
41 for collecting, aggregating and reporting common and institution-specific
42 information documenting effectiveness of the colleges in meeting the role
43 and mission thereof.

1 (c) For the purposes of subsection (5)(d) of K.S.A. 74-4914, and
2 amendments thereto, the state board of regents shall determine and make
3 available a list of hard-to-fill teaching disciplines in which there is a crit-
4 ical shortage of teachers for community colleges. On or before July 1 of
5 each year, the board shall review and, if necessary, revise such list. Upon
6 request of a community college, the board may designate a vacant position
7 for a teacher for such community college which is not listed as a hard-to-
8 fill teaching discipline as a position in a hard-to-fill teaching discipline
9 for such community college. After review of the community college's re-
10 quest and any supporting documentation required by the board, the board
11 may designate such position as a hard-to-fill teaching discipline for such
12 community college. The board shall promulgate rules and regulations, if
13 necessary, to implement the provisions of this subsection and subsection
14 (5)(d) of K.S.A. 74-4914, and amendments thereto, relating to the em-
15 ployment after retirement of teachers in hard-to-fill teaching disciplines.

16 Sec. 4. K.S.A. 72-5437 is hereby amended to read as follows: 72-
17 5437. (a) All contracts of employment of teachers, as defined in K.S.A.
18 72-5436, and amendments thereto, except contracts entered into under
19 the provisions of K.S.A. 72-5412a, and amendments thereto, and con-
20 tracts with retirants to whom the provisions of subsection (5)(d) of K.S.A.
21 74-4914, and amendments thereto, do not apply, shall be deemed to con-
22 tinue for the next succeeding school year unless written notice of termi-
23 nation or nonrenewal is served as provided in this subsection. Written
24 notice to terminate a contract may be served by a board upon any teacher
25 prior to the time the contract has been completed, and written notice of
26 intention to nonrenew a contract shall be served by a board upon any
27 teacher on or before May 1. A teacher shall give written notice to a board
28 that the teacher does not desire continuation of a contract on or before
29 May 15 or, if applicable, not later than 15 days after final action is taken
30 by the board upon termination of professional negotiation absent a bind-
31 ing agreement under article 54 of chapter 72 of Kansas Statutes Anno-
32 tated, whichever is the later date.

33 (b) Terms of a contract may be changed at any time by mutual con-
34 sent of both a teacher and a board.

35 Sec. 5. K.S.A. 72-5445 is hereby amended to read as follows: 72-
36 5445. (a) (1) Subject to the provisions of subsection (b), the provisions of
37 K.S.A. 72-5438 through 72-5443, and amendments thereto, apply only to:
38 (A) Teachers who have completed not less than three consecutive years
39 of employment, and been offered a fourth contract, in the school district,
40 area vocational-technical school or community college by which any such
41 teacher is currently employed; and (B) teachers who have completed not
42 less than two consecutive years of employment, and been offered a third
43 contract, in the school district, area vocational-technical school or com-

1 munity college by which any such teacher is currently employed if at any
2 time prior to the current employment the teacher has completed the years
3 of employment requirement of subpart (A) in any school district, area
4 vocational-technical school or community college in this state.

5 (2) Any board may waive, at any time, the years of employment
6 requirements of provision (1) for any teachers employed by it.

7 (3) The provisions of this subsection are subject to the provisions of
8 K.S.A. 72-5446, and amendments thereto.

9 (b) The provisions of K.S.A. 72-5438 through 72-5443, and amend-
10 ments thereto, do not apply to any teacher whose certificate has been
11 nonrenewed or revoked by the state board of education for the reason
12 that the teacher: (1) Has been convicted of a felony under the uniform
13 controlled substances act; (2) has been convicted of a felony described in
14 any section of article 34 of chapter 21 of the Kansas Statutes Annotated
15 or an act described in K.S.A. 21-3412 or K.S.A. 2001 Supp. 21-3412a,
16 and amendments thereto, if the victim is a minor or student; (3) has been
17 convicted of a felony described in any section of article 35 of chapter 21
18 of the Kansas Statutes Annotated, or has been convicted of an act de-
19 scribed in K.S.A. 21-3517 and amendments thereto, if the victim is a
20 minor or student; (4) has been convicted of any act described in any
21 section of article 36 of chapter 21 of the Kansas Statutes Annotated; (5)
22 has been convicted of a felony described in article 37 of chapter 21 of
23 the Kansas Statutes Annotated; (6) has been convicted of an attempt
24 under K.S.A. 21-3301, and amendments thereto, to commit any act spec-
25 ified in this subsection; (7) has been convicted of any act which is de-
26 scribed in K.S.A. 21-4301, 21-4301a or 21-4301c, and amendments
27 thereto; (8) has been convicted in another state or by the federal govern-
28 ment of an act similar to any act described in this subsection; or (9) has
29 entered into a criminal diversion agreement after having been charged
30 with any offense described in this subsection.

31 (c) *The provisions of K.S.A. 72-5438 through 72-5443, and amend-*
32 *ments thereto, do not apply to any teacher who is a retirant from school*
33 *employment of the Kansas public employees retirement system to whom*
34 *the provisions of subsection (5)(d) of K.S.A. 74-4914, and amendments*
35 *thereto, do not apply.*

36 Sec. 6. K.S.A. 72-7513 is hereby amended to read as follows: 72-
37 7513. In general, but not by way of limitation, consonant with other ap-
38 plicable statutory provisions, the state board of education shall:

39 (a) Adopt and maintain standards, criteria, guidelines or rules and
40 regulations for the following:

41 (1) School libraries and other educational materials with the excep-
42 tion of textbooks;

43 (2) courses of study and curriculum;

1 (3) accreditation of schools including elementary and secondary, pub-
2 lic and nonpublic;

3 (4) certification of administrators, teachers, counselors, school nurses
4 and supervisors of school districts and of the state department of edu-
5 cation and of teachers and administrators of nonpublic schools; ~~and~~

6 (b) administer the laws of this state concerning the matters named in
7 this section and all other matters relating to general supervision of the
8 public schools and institutions under supervision of the state board of
9 education; *and*

10 (c) *for the purposes of subsection (5)(d) of K.S.A. 74-4914, and*
11 *amendments thereto, determine and make available a list of hard-to-fill*
12 *teaching disciplines in which there is a critical shortage of teachers. On*
13 *or before July 1 of each year, the board shall review and, if necessary,*
14 *revise such list. Upon request of a school district, the board may designate*
15 *a vacant position for a teacher in such district which is not listed as a*
16 *hard-to-fill teaching discipline as a position in a hard-to-fill teaching dis-*
17 *cipline for such district. After review of the school district's request and*
18 *any supporting documentation required by the board, the board may*
19 *designate such position as a hard-to-fill teaching discipline for such school*
20 *district. The board shall promulgate rules and regulations, if necessary,*
21 *to implement the provisions of this subsection and subsection (5)(d) of*
22 *K.S.A. 74-4914, and amendments thereto, relating to the employment af-*
23 *ter retirement of teachers in hard-to-fill teaching disciplines.*

24 Sec. 7. K.S.A. 74-4914 is hereby amended to read as follows: 74-
25 4914. (1) The normal retirement date for a member of the system shall
26 be the first day of the month coinciding with or following termination of
27 employment with any participating employer not followed by employ-
28 ment with any participating employer within 30 days and the attainment
29 of age 65 or, commencing July 1, 1993, age 62 with the completion of 10
30 years of credited service or the first day of the month coinciding with or
31 following the date that the total of the number of years of credited service
32 and the number of years of attained age of the member is equal to or
33 more than 85. In no event shall a normal retirement date for a member
34 be before six months after the entry date of the participating employer
35 by whom such member is employed. A member may retire on the normal
36 retirement date or on the first day of any month thereafter upon the filing
37 with the office of the retirement system of an application in such form
38 and manner as the board shall prescribe. Nothing herein shall prevent
39 any person, member or retirant from being employed, appointed or
40 elected as an employee, appointee, officer or member of the legislature.
41 Elected officers may retire from the system on any date on or after the
42 attainment of the normal retirement date, but no retirement benefits
43 payable under this act shall be paid until the member has terminated

1 such member's office.

2 (2) No retirant shall make contributions to the system or receive serv-
3 ice credit for any service after the date of retirement.

4 (3) Any member who is an employee of an affiliating employer pur-
5 suant to K.S.A. 74-4954b and amendments thereto and has not withdrawn
6 such member's accumulated contributions from the Kansas police and
7 firemen's retirement system may retire before such member's normal
8 retirement date on the first day of any month coinciding with or following
9 the attainment of age 55.

10 (4) Any member may retire before such member's normal retirement
11 date on the first day of any month coinciding with or following termination
12 of employment with any participating employer not followed by employ-
13 ment with any participating employer within 30 days and the attainment
14 of age 55 with the completion of 10 years of credited service, but in no
15 event before six months after the entry date, upon the filing with the
16 office of the retirement system of an application for retirement in such
17 form and manner as the board shall prescribe.

18 (5) (a) *Except as otherwise provided*, if a retirant who retired on or
19 after July 1, 1988, is employed or appointed in or to any position or office
20 for which compensation for service is paid in an amount equal to \$15,000
21 or more in any one such calendar year, by any participating employer for
22 which such retirant was employed or appointed during the final two years
23 of such retirant's participation, such retirant shall not receive any retire-
24 ment benefit for any month for which such retirant serves in such position
25 or office. The participating employer shall report to the system within 30
26 days of when the compensation paid to the retirant is equal to or exceeds
27 any limitation provided by this section. Any retirant employed by a par-
28 ticipating employer shall not make contributions nor receive additional
29 credit under such system for such service except as provided by this sec-
30 tion. Upon request of the executive director of the system, the secretary
31 of revenue shall provide such information as may be needed by the ex-
32 ecutive director to carry out the provisions of this act.

33 (b) The provisions of ~~this~~ subsection (5)(a) shall not apply to retirants
34 employed as substitute teachers or officers, employees or appointees of
35 the legislature.

36 (c) The provisions of ~~this~~ subsection (5)(a) shall not apply to members
37 of the legislature prior to January 8, 2000. The provisions of this subsec-
38 tion shall not apply to any other elected officials prior to the term of office
39 of such elected official which commences on or after July 1, 2000. The
40 provisions of this subsection shall apply to any other elected official on
41 and after the term of office of such other elected official which com-
42 mences on or after July 1, 2000. Except as otherwise provided, com-
43 mencing January 8, 2001, the provisions of this subsection shall apply to

1 members of the legislature. For determination of the amount of com-
2 pensation paid pursuant to this subsection, for members of the legislature,
3 compensation shall include any amount paid as provided pursuant to sub-
4 sections (a), (b), (c) and (d) of K.S.A. 46-137a, and amendments thereto,
5 or pursuant to K.S.A. 46-137b, and amendments thereto. Notwithstand-
6 ing any provision of law to the contrary, when a member of the legislature
7 is paid an amount of compensation of \$15,000 or more in any one calendar
8 year, the member may continue to receive any amount provided in sub-
9 sections (b) and (d) of K.S.A. 46-137a, and amendments thereto, and still
10 be entitled to receive such member's retirement benefit.

11 *(d) Commencing July 1, 2004, and ending June 30, 2007, except as*
12 *otherwise provided and subject to the provisions of subsection (5)(e), the*
13 *provisions of subsection (5)(a) shall not apply to: (A) Retirants who either*
14 *retired under the provisions of subsection (1), or, if such retirant retired*
15 *under the provisions of subsection (4) were retired more than 30 days*
16 *prior to July 1, 2004; and who were employed as teachers in a hard-to-*
17 *fill teaching discipline or were certified to teach in a hard-to-fill teaching*
18 *discipline during such period and is employed to teach in a hard-to-fill*
19 *teaching discipline pursuant to this act; and (B) licensed professional*
20 *nurses and licensed practical nurses with participating employers. The*
21 *provisions of this act may continue to apply after June 30, 2007, to any*
22 *such retirant still determined by such retirant's participating employer to*
23 *be teaching in a hard-to-fill teaching discipline on such date. For purposes*
24 *of this subsection: "Hard-to-fill teaching discipline" means a teaching dis-*
25 *cipline in which there is a critical shortage of teachers as determined and*
26 *specified by the state board of education or the board of regents. Deter-*
27 *mination of whether an individual teacher is teaching in a hard-to-fill*
28 *teaching discipline and whether the provisions of subsection (5)(a) shall*
29 *not apply to such individual teacher shall be made by the participating*
30 *employer of such teacher in conformity with the determination made by*
31 *the state board of education as provided in K.S.A. 72-7513, and amend-*
32 *ments thereto or the board of regents as provided in K.S.A. 71-801, and*
33 *amendments thereto. Nothing contained in this act provides a vested right*
34 *in any retirement benefit or other benefit provided in this subsection. The*
35 *participating employer of such retirant shall pay to the system the actu-*
36 *arially determined employer contribution and the employee contributions*
37 *based on the retirant's compensation during any such period of employ-*
38 *ment. No such employee shall pay all or any part of such contributions.*
39 *All such contributions shall be credited to the retirement benefit accu-*
40 *mulation reserve and shall not be credited to a reserve maintained for an*
41 *individual retirant. The employer's obligation pursuant to this subsection*
42 *related to a retirant employed as a teacher shall be paid by the partici-*
43 *parting employer pursuant to the provisions of subsections (2) and (3) of*

1 *K.S.A. 74-4939, and amendments thereto.*

2 (e) *For any retirant as described in subsection (5)(d) who is employed*
3 *or appointed in or to any position for which compensation for service is*
4 *paid, the participating employer shall designate whether the provisions*
5 *of subsection (5)(a) or (5)(d) shall be applicable to such retirant.*

6 (6) For purposes of this section, any employee of a local governmental
7 unit which has its own pension plan who becomes an employee of a
8 participating employer as a result of a merger or consolidation of services
9 provided by local governmental units, which occurred on January 1, 1994,
10 may count service with such local governmental unit in determining
11 whether such employee has met the years of credited service require-
12 ments contained in this section.

13 Sec. 8. K.S.A. 2003 Supp. 74-4920 is hereby amended to read as
14 follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation
15 and appraisal as provided for in subsection (3)(a) of K.S.A. 74-4908 and
16 amendments thereto, the board shall certify, on or before July 15 of each
17 year, to the division of the budget in the case of the state and to the agent
18 for each other participating employer an actuarially determined estimate
19 of the rate of contribution which will be required, together with all ac-
20 cumulated contributions and other assets of the system, to be paid by
21 each such participating employer to pay all liabilities which shall exist or
22 accrue under the system, including amortization of the actuarial accrued
23 liability ~~over a period of 40 years commencing on July 1, 1993, and the~~
24 ~~actuarial accrued liability for members of the faculty and other persons~~
25 ~~who are employed by the state board of regents or by educational insti-~~
26 ~~tutions under its management assisted by the state board of regents in~~
27 ~~the purchase of retirement annuities as provided in K.S.A. 74-4925 and~~
28 ~~amendments thereto, as provided in this section as determined by the~~
29 ~~board. The actuarial accrued liability for all participating employers other~~
30 ~~than the state board of regents relating to members of the faculty and~~
31 ~~other persons described in this section, shall be amortized by annual pay-~~
32 ~~ments that increase 4% for each year remaining in the amortization pe-~~
33 ~~riod. For all participating employers other than the state board of regents~~
34 ~~relating to members of the faculty and other persons described in this~~
35 ~~section, the projected unit credit~~ *The board shall determine the* actuarial
36 cost method ~~shall to be used in annual actuarial valuations, commencing~~
37 ~~with the 1993 valuation,~~ to determine the employer contribution rates
38 that shall be certified by the board. ~~The actuarial accrued liability for~~
39 ~~members of the faculty and other persons described in this subsection~~
40 ~~assisted by the state board of regents in the purchase of retirement an-~~
41 ~~nuities as provided in K.S.A. 74-4925 and amendments thereto shall be~~
42 ~~amortized by annual level payments over a period of 11 years commenc-~~
43 ~~ing July 1, 1993. Such certified rate of contribution, amortization methods~~

1 *and periods and actuarial cost method* shall be based on the standards
2 set forth in subsection (3)(a) of K.S.A. 74-4908 and amendments thereto
3 and shall not be based on any other purpose outside of the needs of the
4 system.

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

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

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

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

39 (4) Each participating employer is hereby authorized to pay the em-
40 ployer's contribution from the same fund that the compensation for which
41 such contribution is made is paid from or from any other funds available
42 to it for such purpose. Each political subdivision, other than an instru-
43 mentality of the state, which is by law authorized to levy taxes for other

1 purposes, may levy annually at the time of its levy of taxes, a tax which
2 may be in addition to all other taxes authorized by law for the purpose of
3 making its contributions under this act and, in the case of cities and coun-
4 ties, to pay a portion of the principal and interest on bonds issued under
5 the authority of K.S.A. 12-1774 and amendments thereto by cities located
6 in the county, which tax, together with any other fund available, shall be
7 sufficient to enable it to make such contribution. In lieu of levying the
8 tax authorized in this subsection, any taxing subdivision may pay such
9 costs from any employee benefits contribution fund established pursuant
10 to K.S.A. 12-16,102 and amendments thereto. Each participating em-
11 ployer which is not by law authorized to levy taxes as described above,
12 but which prepares a budget for its expenses for the ensuing year and
13 presents the same to a governing body which is authorized by law to levy
14 taxes as described above, may include in its budget an amount sufficient
15 to make its contributions under this act which may be in addition to all
16 other taxes authorized by law. Such governing body to which the budget
17 is submitted for approval, may levy a tax sufficient to allow the partici-
18 pating employer to make its contributions under this act, which tax, to-
19 gether with any other fund available, shall be sufficient to enable the
20 participating employer to make the contributions required by this act.

21 (5) (a) The rate of contribution certified to a participating employer
22 as provided in this section shall apply during the fiscal year of the partici-
23 pating employer which begins in the second calendar year following the
24 year of the actuarial valuation. ~~For the fiscal year commencing in calendar~~
25 ~~year 1993, the employer rate of contribution for the state of Kansas and~~
26 ~~for participating employers under K.S.A. 74-4931 and amendments~~
27 ~~thereto shall be 3.1% of the amount of compensation upon which mem-~~
28 ~~bers contribute during the period. For the fiscal year commencing in~~
29 ~~calendar year 1994, the employer rate of contribution for the state of~~
30 ~~Kansas and for participating employers under K.S.A. 74-4931 and amend-~~
31 ~~ments thereto shall be 3.2% of the amount of compensation upon which~~
32 ~~members contribute during the period. For the fiscal year commencing~~
33 ~~in calendar year 1994, the employer rate of contribution for participating~~
34 ~~employers other than the state of Kansas shall be 2.2% of the amount of~~
35 ~~compensation upon which members contribute during the period. Except~~
36 ~~as specifically provided in this section, for the fiscal year commencing in~~
37 ~~calendar year 1995, the rate of contribution certified to a participating~~
38 ~~employer shall in no event exceed such participating employer's contri-~~
39 ~~bution rate for the immediately preceding fiscal year by more than 0.1%~~
40 ~~of the amount of compensation upon which members contribute during~~
41 ~~the period.~~

42 (b) (i) Except as specifically provided in this section, for fiscal years
43 commencing in calendar year 1996 and in each subsequent calendar year,

1 the rate of contribution certified to the state of Kansas shall in no event
2 exceed the state's contribution rate for the immediately preceding fiscal
3 year by more than 0.2% of the amount of compensation upon which
4 members contribute during the period.

5 (ii) Except as specifically provided in this subsection, for the fiscal
6 years commencing in the following calendar years, the rate of contribution
7 certified to the state of Kansas shall in no event exceed the state's con-
8 tribution rate for the immediately preceding fiscal year by more than the
9 following amounts expressed as a percentage of compensation upon
10 which members contribute during the period: ~~(a)~~ (A) For the fiscal year
11 commencing in calendar year 2005, an amount not to exceed more than
12 0.4% of the amount of the immediately preceding fiscal year; ~~(b)~~ (B) for
13 the fiscal year commencing in calendar year 2006, an amount not to ex-
14 ceed more than 0.5% of the amount of the immediately preceding fiscal
15 year; and ~~(c)~~ (C) for the fiscal year commencing in calendar year 2007
16 and in each subsequent calendar year, an amount not to exceed more
17 than 0.6% of the amount of the immediately preceding fiscal ~~years~~ year.

18 (iii) Except as specifically provided in this section, for fiscal years
19 commencing in calendar year 1997 and in each subsequent calendar year,
20 the rate of contribution certified to participating employers other than
21 the state of Kansas shall in no event exceed such participating employer's
22 contribution rate for the immediately preceding fiscal year by more than
23 0.15% of the amount of compensation upon which members contribute
24 during the period.

25 (iv) *Except as specifically provided in this subsection, for the fiscal*
26 *years commencing in the following calendar years, the rate of contribution*
27 *certified to participating employers other than the state of Kansas shall*
28 *in no event exceed the contribution rate for such employers for the im-*
29 *mediately preceding fiscal year by more than the following amounts ex-*
30 *pressed as a percentage of compensation upon which members contribute*
31 *during the period: (A) For the fiscal year commencing in calendar year*
32 *2006, an amount not to exceed more than 0.4% of the amount of the*
33 *immediately preceding fiscal year; (B) for the fiscal year commencing in*
34 *calendar year 2007, an amount not to exceed more than 0.5% of the*
35 *amount of the immediately preceding fiscal year; and (C) for the fiscal*
36 *year commencing in calendar year 2008 and in each subsequent calendar*
37 *year, an amount not to exceed more than 0.6% of the amount of the*
38 *immediately preceding fiscal year.*

39 (v) There shall be an employer rate of contribution certified to the
40 state of Kansas ~~and~~. *There shall be a separate employer rate of contri-*
41 *bution certified to participating employers under K.S.A. 74-4931 and*
42 *amendments thereto. There shall be a separate employer rate of contri-*
43 *bution certified to all other participating employers ~~other than the state~~*

1 ~~of Kansas.~~

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

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

10 (8) Except as otherwise provided by law, the actuarial cost of any
11 legislation enacted by the Kansas legislature, except the actuarial cost of
12 K.S.A. 74-49,114a, and amendments thereto, shall be in addition to the
13 employer contribution rates certified for the employer contribution rate
14 in the fiscal year immediately following such enactment.

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

21 **[(10) The actuarial accrued liability incurred for the provisions**
22 **of section 15, and amendments thereto, shall be amortized over**
23 **15 years.]**

24 ~~(10)~~ [(11)] The board with the advice of the actuary may fix the con-
25 tribution rates for participating employers joining the system after one
26 year from the first entry date or for employers who exercise the option
27 contained in K.S.A. 74-4912 and amendments thereto at rates different
28 from the rate fixed for employers joining within one year of the first entry
29 date.

30 ~~(11)~~ [(12)] For employers affiliating on and after January 1, 1999, the
31 rates of contribution certified to the participating employer as provided
32 in this section shall apply during the fiscal year immediately following
33 such certification, but the rate of contribution during the first year fol-
34 lowing the employer's entry date shall be equal to 7% of the amount of
35 compensation on which members contribute during the year. Any amount
36 of such first year's contribution which may be in excess of the necessary
37 current service contribution shall be credited by the board to the respec-
38 tive employer's prior service liability.

39 ~~(12)~~ [(13)] Employer contributions shall in no way be limited by any
40 other act which now or in the future establishes or limits the compen-
41 sation of any member.

42 ~~(13)~~ [(14)] Notwithstanding any provision of law to the contrary, each
43 participating employer shall remit quarterly, or as the board may other-

1 wise provide, all employee deductions and required employer contribu-
2 tions to the executive director for credit to the Kansas public employees
3 retirement fund within three days after the end of the period covered by
4 the remittance by electronic funds transfer. Remittances of such deduc-
5 tions and contributions received after such date are delinquent. Delin-
6 quent payments due under this subsection shall be subject to interest at
7 the rate established for interest on judgments under subsection (a) of
8 K.S.A. 16-204 and amendments thereto. At the request of the board,
9 delinquent payments which are due or interest owed on such payments,
10 or both, may be deducted from any other moneys payable to such em-
11 ployer by any department or agency of the state.

12 Sec. 9. K.S.A. 74-4921 is hereby amended to read as follows: 74-
13 4921. (1) There is hereby created in the state treasury the Kansas public
14 employees retirement fund. All employee and employer contributions
15 shall be deposited in the state treasury to be credited to the Kansas public
16 employees retirement fund. The fund is a trust fund and shall be used
17 solely for the exclusive purpose of providing benefits to members and
18 member beneficiaries and defraying reasonable expenses of administering
19 the fund. Investment income of the fund shall be added or credited to
20 the fund as provided by law. All benefits payable under the system, refund
21 of contributions and overpayments, purchases or investments under the
22 law and expenses in connection with the system unless otherwise provided
23 by law shall be paid from the fund. The director of accounts and reports
24 is authorized to draw warrants on the state treasurer and against such
25 fund upon the filing in the director's office of proper vouchers executed
26 by the chairperson or the executive director of the board. As an alterna-
27 tive, payments from the fund may be made by credits to the accounts of
28 recipients of payments in banks, savings and loan associations and credit
29 unions. A payment shall be so made only upon the written authorization
30 and direction of the recipient of payment and upon receipt of such au-
31 thorization such payments shall be made in accordance therewith. Orders
32 for payment of such claims may be contained on (a) a letter, memoran-
33 dum, telegram, computer printout or similar writing, or (b) any form of
34 communication, other than voice, which is registered upon magnetic tape,
35 disc or any other medium designed to capture and contain in durable
36 form conventional signals used for the electronic communication of
37 messages.

38 (2) The board shall have the responsibility for the management of
39 the fund and shall discharge the board's duties with respect to the fund
40 solely in the interests of the members and beneficiaries of the system for
41 the exclusive purpose of providing benefits to members and such mem-
42 ber's beneficiaries and defraying reasonable expenses of administering
43 the fund and shall invest and reinvest moneys in the fund and acquire,

1 retain, manage, including the exercise of any voting rights and disposal of
2 investments of the fund within the limitations and according to the pow-
3 ers, duties and purposes as prescribed by this section.

4 (3) Moneys in the fund shall be invested and reinvested to achieve
5 the investment objective which is preservation of the fund to provide
6 benefits to members and member beneficiaries, as provided by law and
7 accordingly providing that the moneys are as productive as possible, sub-
8 ject to the standards set forth in this act. No moneys in the fund shall be
9 invested or reinvested if the sole or primary investment objective is for
10 economic development or social purposes or objectives.

11 (4) In investing and reinvesting moneys in the fund and in acquiring,
12 retaining, managing and disposing of investments of the fund, the board
13 shall exercise the judgment, care, skill, prudence and diligence under the
14 circumstances then prevailing, which persons of prudence, discretion and
15 intelligence acting in a like capacity and familiar with such matters would
16 use in the conduct of an enterprise of like character and with like aims
17 by diversifying the investments of the fund so as to minimize the risk of
18 large losses, unless under the circumstances it is clearly prudent not to
19 do so, and not in regard to speculation but in regard to the permanent
20 disposition of similar funds, considering the probable income as well as
21 the probable safety of their capital.

22 (5) Notwithstanding subsection (4): (a) Total investments in common
23 stock may be made in the amount of up to 60% of the total book value
24 of the fund;

25 (b) the board may invest or reinvest moneys of the fund in alternative
26 investments if the following conditions are satisfied:

27 (i) The total of ~~such the annual alternative investments investment~~
28 does not exceed more than ~~5%~~ 1% of the total ~~market value of~~ investment
29 assets of the fund. ~~If the total of such alternative investments exceeds~~
30 ~~more than 5% of the total investment assets of the fund on the effective~~
31 ~~date of this act, the board shall not invest or reinvest any moneys of the~~
32 ~~fund in alternative investments until the total of such alternative invest-~~
33 ~~ments is less the 5% of the total investment assets of the fund subject to~~
34 ~~the 5% limitation contained in this subsection. Nothing in this subsection~~
35 ~~requires the board to liquidate or sell the system's holdings in any alter-~~
36 ~~native investment held by the system on the effective date of this act,~~
37 ~~unless such liquidation or sale would be in the best interest of the mem-~~
38 ~~bers and beneficiaries of the system and be prudent under the standards~~
39 ~~contained in this section. The 5% limitation contained in this section shall~~
40 ~~not have been violated if the total of such alternative investments exceeds~~
41 ~~5% of the total investment assets of the fund as a result of market forces~~
42 ~~acting to increase the value of such alternative investments relative to the~~
43 ~~rest of the system's investments; however, the board shall not invest or~~

1 ~~reinvest any moneys of the fund in alternative investments until the total~~
2 ~~of such alternative investments is less than 5% of the total investment~~
3 ~~assets of the fund subject to the 5% limitation contained in this subsection~~
4 ~~as measured from the end of the preceding calendar year;~~

5 (ii) if in addition to the system, there are at least two other sophisti-
6 cated investors, as defined by section 301 of the securities and exchange
7 act of 1933;

8 (iii) the system's share in any individual alternative investment is lim-
9 ited to an investment representing not more than 20% of any such indi-
10 vidual alternative investment;

11 (iv) the system has received a favorable and appropriate recommen-
12 dation from a qualified, independent expert in investment management
13 or analysis in that particular type of alternative investment;

14 (v) the alternative investment is consistent with the system's invest-
15 ment policies and objectives as provided in subsection (6);

16 (vi) the individual alternative investment does not exceed more than
17 2.5% of the total alternative investments made under this subsection. If
18 the alternative investment is made pursuant to participation by the system
19 in a multi-investor pool, the 2.5% limitation contained in this subsection
20 is applied to the underlying individual assets of such pool and not to
21 investment in the pool itself. The total of such alternative investments
22 made pursuant to participation by the system in any one individual multi-
23 investor pool shall not exceed more than 20% of the total of alternative
24 investments made by the system pursuant to this subsection. Nothing in
25 this subsection requires the board to liquidate or sell the system's holdings
26 in any alternative investments made pursuant to participation by the sys-
27 tem in any one individual multi-investor pool held by the system on the
28 effective date of this act, unless such liquidation or sale would be in the
29 best interest of the members and beneficiaries of the system and be pru-
30 dent under the standards contained in this section. The 20% limitation
31 contained in this subsection shall not have been violated if the total of
32 such investment in any one individual multi-investor pool exceeds 20%
33 of the total alternative investments of the fund as a result of market forces
34 acting to increase the value of such a multi-investor pool relative to the
35 rest of the system's alternative investments; however, the board shall not
36 invest or reinvest any moneys of the fund in any such individual multi-
37 investor pool until the value of such individual multi-investor pool is less
38 than 20% of the total alternative investments of the fund;

39 (vii) the board has received and considered the investment manager's
40 due diligence findings submitted to the board as required by subsection
41 (6)(c); and

42 (viii) prior to the time the alternative investment is made, the system
43 has in place procedures and systems to ensure that the investment is

- 1 properly monitored and investment performance is accurately measured.
2 For purposes of this act, “alternative investment” means nontraditional
3 investments outside the established nationally recognized public stock
4 exchanges and government securities market. Alternative investments
5 shall include, but not be limited to, private placements, venture capital,
6 partnerships, limited partnerships and leveraged buyout partnerships; and
7 (c) except as otherwise provided, the board may invest or reinvest
8 moneys of the fund in real estate investments if the following conditions
9 are satisfied:
- 10 (i) The system has received a favorable and appropriate recommen-
11 dation from a qualified, independent expert in investment management
12 or analysis in that particular type of real estate investment;
 - 13 (ii) the real estate investment is consistent with the system’s invest-
14 ment policies and objectives as provided in subsection (6); and
 - 15 (iii) the ~~board~~ *system* has received and considered the investment
16 manager’s due diligence findings ~~submitted to the board as required by~~
17 ~~subsection (6)(c)~~.
- 18 (6) Subject to the objective set forth in subsection (3) and the stan-
19 dards set forth in subsections (4) and (5) the board shall formulate policies
20 and objectives for the investment and reinvestment of moneys in the fund
21 and the acquisition, retention, management and disposition of invest-
22 ments of the fund. Such policies and objectives shall include:
- 23 (a) Specific asset allocation standards and objectives;
 - 24 (b) establishment of criteria for evaluating the risk versus the poten-
25 tial return on a particular investment;
 - 26 (c) a requirement that all investment managers submit such man-
27 ager’s due diligence findings on each investment to the board or invest-
28 ment advisory committee for approval or rejection prior to making any
29 alternative investment;
 - 30 (d) a requirement that all investment managers shall immediately re-
31 port all instances of default on investments to the board and provide the
32 board with recommendations and options, including, but not limited to,
33 curing the default or withdrawal from the investment; and
 - 34 (e) establishment of criteria that would be used as a guideline for
35 determining when no additional add-on investments or reinvestments
36 would be made and when the investment would be liquidated.
- 37 The board shall review such policies and objectives, make changes con-
38 sidered necessary or desirable and readopt such policies and objectives
39 on an annual basis.
- 40 (7) The board may enter into contracts with one or more persons
41 whom the board determines to be qualified, whereby the persons under-
42 take to perform the functions specified in subsection (2) to the extent
43 provided in the contract. Performance of functions under contract so

1 entered into shall be paid pursuant to rates fixed by the board subject to
2 provisions of appropriation acts and shall be based on specific contractual
3 fee arrangements. The system shall not pay or reimburse any expenses of
4 persons contracted with pursuant to this subsection, except that after
5 approval of the board, the system may pay approved investment related
6 expenses subject to provisions of appropriation acts. The board shall re-
7 quire that a person contracted with to obtain commercial insurance which
8 provides for errors and omissions coverage for such person in an amount
9 to be specified by the board, provided that such coverage shall be at least
10 the greater of \$500,000 or 1% of the funds entrusted to such person up
11 to a maximum of \$10,000,000. The board shall require a person con-
12 tracted with to give a fidelity bond in a penal sum as may be fixed by law
13 or, if not so fixed, as may be fixed by the board, with corporate surety
14 authorized to do business in this state. Such persons contracted with the
15 board pursuant to this subsection and any persons contracted with such
16 persons to perform the functions specified in subsection (2) shall be
17 deemed to be agents of the board and the system in the performance of
18 contractual obligations.

19 (8) (a) In the acquisition or disposition of securities, the board may
20 rely on the written legal opinion of a reputable bond attorney or attorneys,
21 the written opinion of the attorney of the investment counselor or man-
22 agers, or the written opinion of the attorney general certifying the legality
23 of the securities.

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

27 (9) (a) Except as provided in subsection (7) and this subsection, the
28 custody of money and securities of the fund shall remain in the custody
29 of the state treasurer, except that the board may arrange for the custody
30 of such money and securities as it considers advisable with one or more
31 member banks or trust companies of the federal reserve system or with
32 one or more banks in the state of Kansas, or both, to be held in safe-
33 keeping by the banks or trust companies for the collection of the principal
34 and interest or other income or of the proceeds of sale. The services
35 provided by the banks or trust companies shall be paid pursuant to rates
36 fixed by the board subject to provisions of appropriation acts.

37 (b) The state treasurer and the board shall collect the principal and
38 interest or other income of investments or the proceeds of sale of secu-
39 rities in the custody of the state treasurer and pay same when so collected
40 into the fund.

41 (c) The principal and interest or other income or the proceeds of sale
42 of securities as provided in clause (a) of this subsection (9) shall be re-
43 ported to the state treasurer and the board and credited to the fund.

1 (10) The board shall with the advice of the director of accounts and
2 reports establish the requirements and procedure for reporting any and
3 all activity relating to investment functions provided for in this act in order
4 to prepare a record monthly of the investment income and changes made
5 during the preceding month. The record will reflect a detailed summary
6 of investment, reinvestment, purchase, sale and exchange transactions
7 and such other information as the board may consider advisable to reflect
8 a true accounting of the investment activity of the fund.

9 (11) The board shall provide for an examination of the investment
10 program annually. The examination shall include an evaluation of current
11 investment policies and practices and of specific investments of the fund
12 in relation to the objective set forth in subsection (3), the standard set
13 forth in subsection (4) and other criteria as may be appropriate, and rec-
14 ommendations relating to the fund investment policies and practices and
15 to specific investments of the fund as are considered necessary or desir-
16 able. The board shall include in its annual report to the governor as pro-
17 vided in K.S.A. 74-4907, and amendments thereto, a report or a summary
18 thereof covering the investments of the fund.

19 (12) (a) An annual financial-compliance audit of the system, includ-
20 ing any performance audit subjects which are directed to be included in
21 such annual audit by the legislative post audit committee, performance
22 audits of the system as prescribed under the Kansas governmental op-
23 erations law, and such other audits as are directed by the legislative post
24 audit committee under the Kansas legislative post audit act shall be con-
25 ducted. The annual financial-compliance audit shall include, but not be
26 limited to, a review of alternative investments of the system with any
27 estimates of permanent impairments to the value of such alternative in-
28 vestments reported by the system pursuant to K.S.A. 74-4907, and
29 amendments thereto.

30 (b) In accordance with this subsection (12), the annual financial-com-
31 pliance audit may include one or more performance audit subjects as
32 directed by the legislative post audit committee. In considering perform-
33 ance audit subjects to be included in any financial-compliance audit con-
34 ducted pursuant to this subsection (12), the legislative post audit com-
35 mittee shall consider recommendations and requests for performance
36 audits, relating to the system or the management thereof, by the joint
37 committee on pensions, investments and benefits or by any other com-
38 mittee or individual member of the legislature. Commencing with the
39 financial-compliance audit for the fiscal year ending June 30, 1998, the
40 legislative post audit committee shall specify if one or more performance
41 audit subjects shall be included in the financial-compliance audit con-
42 ducted pursuant to this subsection (12), in addition to such other subjects
43 as may be directed to be included in the financial-compliance audit by

1 the legislative post audit committee. Except as otherwise determined by
2 the legislative post audit committee pursuant to this subsection (12), com-
3 mencing with the financial-compliance audit for the fiscal year ending
4 June 30, 1998, one or more performance audit subjects specified by the
5 legislative post audit committee shall be included at least once every two
6 fiscal years in a financial-compliance audit conducted pursuant to this
7 subsection (12). The legislative post audit committee may direct that one
8 or more performance audit subjects are to be included in a financial-
9 compliance audit conducted pursuant to this subsection (12) not more
10 than once during a specific period of three fiscal years, in lieu of once
11 every two fiscal years.

12 (c) The auditor to conduct the financial-compliance audit required
13 pursuant to this subsection (12) shall be specified in accordance with
14 K.S.A. 46-1122, and amendments thereto. If the legislative post audit
15 committee specifies under such statute that a firm, as defined by K.S.A.
16 46-1112, and amendments thereto, is to perform all or part of the audit
17 work of such audit, such firm shall be selected and shall perform such
18 audit work as provided in K.S.A. 46-1123, and amendments thereto, and
19 K.S.A. 46-1125 through 46-1127, and amendments thereto. The audits
20 required pursuant to this subsection (12) shall be conducted in accord-
21 ance with generally accepted governmental auditing standards. The fi-
22 nancial-compliance audit required pursuant to this subsection (12) shall
23 be conducted as soon after the close of the fiscal year as practicable, but
24 shall be completed no later than six months after the close of the fiscal
25 year. The post auditor shall annually compute the reasonably anticipated
26 cost of providing the financial-compliance audit pursuant to this subsec-
27 tion (12), subject to review and approval by the contract audit committee
28 established by K.S.A. 46-1120, and amendments thereto. Upon such ap-
29 proval, the system shall reimburse the division of post audit for the
30 amount approved by the contract audit committee. The furnishing of the
31 financial-compliance audit pursuant to this subsection (12) shall be a
32 transaction between the legislative post auditor and the system and shall
33 be settled in accordance with the provisions of K.S.A. 75-5516, and
34 amendments thereto.

35 (d) Any internal assessment or examination of alternative investments
36 of the system performed by any person or entity employed or retained
37 by the board which evaluates or monitors the performance of alternative
38 investments shall be reported to the legislative post auditor so that such
39 report may be reviewed in accordance with the annual financial-compli-
40 ance audits conducted pursuant to this subsection (12).

41 Sec. 10. K.S.A. 74-4922 is hereby amended to read as follows: 74-
42 4922. The executive director shall maintain such records as are necessary
43 to determine the following reserves.

1 (a) *Member's accumulated contribution reserve.* This reserve shall be
2 maintained within the fund for each member and for each member having
3 a vested benefit. Each such reserve account shall be credited with the
4 employee's contributions upon receipt thereof and shall be credited on
5 June 30 each year with interest: (1) At the actuarial assumption rate
6 adopted by the board on the balance in the employee's account as of the
7 preceding December 31 for those who first became members prior to
8 July 1, 1993; and (2) 4% for those who first became members on and
9 after July 1, 1993. For the purposes of crediting interest upon accumu-
10 lated contributions, the term member shall include the beneficiary of a
11 member during the twelve-month period following the death of a mem-
12 ber and the beneficiary of a member pursuant to subsection (6) of K.S.A.
13 74-4918 and amendments thereto during any period commencing on the
14 date of death of such member and ending on the date that the member
15 would have attained retirement age. Refunds of employee's accumulated
16 contributions prior to retirement shall be made from this reserve. Upon
17 commencement of payments of the retirement benefit, the amount in
18 this reserve account for the retiring member or members, shall be trans-
19 ferred to the retirement benefit payment reserve.

20 (b) *Retirement benefit accumulation reserve.* This reserve within the
21 fund shall be credited with the portion of employer contributions for
22 retirement benefits both for prior service and for participating service,
23 *employer and employee contributions as provided in subsection (5)(d) of*
24 *K.S.A. 74-4914 and amendments thereto* and with income of the fund not
25 otherwise directed by law to a different reserve. The board shall credit
26 interest to all other reserves and reserve accounts as provided by law at
27 rates determined by the board. Interest so credited shall be transferred
28 from the retirement benefit accumulation reserve. Separate reserve ac-
29 counts shall not be maintained for each participating employer joining
30 the system on the first entry date. The board shall determine whether or
31 not separate reserve accounts shall be maintained for each participating
32 employer joining the system after the first entry date.

33 (c) *Retirement benefit payment reserve.* (i) This reserve within the
34 fund will be credited with the amount transferred from the member's
35 accumulated contributions reserve and from the retirement benefit ac-
36 cumulation reserve and with interest allocated to this reserve at the rate
37 determined each year by the board. This reserve shall be charged with
38 payments of retirement benefits including payments upon death of the
39 excess of member's accumulated contributions over retirement benefit
40 payments paid to date of death. Annually, upon receipt of the actuarial
41 valuation as of the end of the previous fiscal year the board shall cause
42 certain adjustments to be made which shall be made prior to the end of
43 the fiscal year immediately following the fiscal year for which the actuarial

1 valuation is applicable.

2 (ii) The amount of these adjustments shall be the difference between
3 the amount required by the current actuarial valuation and the amount
4 required by the previous year's actuarial valuation plus amounts trans-
5 ferred to this reserve less amounts paid out of this reserve during the
6 fiscal year to be adjusted. Such adjustments required to maintain this
7 reserve on an actuarial reserve basis as of June 30 of the previous fiscal
8 year shall be accomplished by transfers to or from, as applicable, the
9 retirement benefit accumulation reserve.

10 (d) *Expense reserve.* This reserve within the fund shall be credited
11 with interest allocated to this reserve at the rate determined each year by
12 the board. It shall be charged with payments of all expenses incurred in
13 connection with the administration of the system.

14 Sec. 11. K.S.A. 2003 Supp. 74-4927 is hereby amended to read as
15 follows: 74-4927. (1) The board may establish a plan of death and long-
16 term disability benefits to be paid to the members of the retirement
17 system as provided by this section. The long-term disability benefit shall
18 not be payable until the member has been prevented from carrying out
19 each and every duty pertaining to the member's employment as a result
20 of sickness or injury for a period of 180 days and the annual benefit shall
21 not exceed an amount equal to 66 2/3% of the member's annual rate of
22 compensation on the date such disability commenced and shall be payable
23 in equal monthly installments. In the event that a member's compensation
24 is not fixed at an annual rate but on an hourly, weekly, biweekly, monthly
25 or any other basis than annual, the board shall prescribe by rule and
26 regulation a formula for establishing a reasonable rate of annual compen-
27 sation to be used in determining the amount of the death or long-term
28 disability benefit for such member. Such plan shall provide that:

29 (A) For deaths occurring prior to January 1, 1987, the right to receive
30 such death benefit shall cease upon the member's attainment of age 70
31 or date of retirement whichever first occurs. The right to receive such
32 long-term disability benefit shall cease (i) for a member who becomes
33 eligible for such benefit before attaining age 60, upon the date that such
34 member attains age 65 or the date of such member's retirement, which-
35 ever first occurs, (ii) for a member who becomes eligible for such benefit
36 at or after attaining age 60, the date that such member has received such
37 benefit for a period of five years, upon the date that such member attains
38 age 70, or upon the date of such member's retirement, whichever first
39 occurs, (iii) for all disabilities incurred on or after January 1, 1987, for a
40 member who becomes eligible for such benefit at or after attaining age
41 70, the date that such member has received such benefit for a period of
42 12 months or upon the date of such member's retirement, whichever first
43 occurs, and (iv) for all disabilities incurred on or after January 1, 1987,

1 for a member who becomes eligible for such benefit at or after attaining
2 age 75, the date that such member has received such benefit for a period
3 of six months or upon the date of such member's retirement, whichever
4 first occurs.

5 (B) Long-term disability benefit payments shall be in lieu of any ac-
6 cidental total disability benefit that a member may be eligible to receive
7 under subsection (3) of K.S.A. 74-4916 and amendments thereto. The
8 member must make an initial application for social security disability ben-
9 efits and, if denied such benefits, the member must pursue and exhaust
10 all administrative remedies of the social security administration which
11 include, but are not limited to, reconsideration and hearings. Such plan
12 may provide that any amount which a member receives as a social security
13 benefit or a disability benefit or compensation from any source by reason
14 of any employment including, but not limited to, workers compensation
15 benefits may be deducted from the amount of long-term disability benefit
16 payments under such plan. During the period in which such member is
17 pursuing such administrative remedies prior to a final decision of the
18 social security administration, social security disability benefits may be
19 estimated and may be deducted from the amount of long-term disability
20 benefit payments under such plan. Such long-term disability payments
21 shall accrue from the later of the 181st day of total disability or the first
22 day upon which the member ceases to draw compensation from the em-
23 ployer. If the social security benefit, workers compensation benefit, other
24 income or wages or other disability benefit by reason of employment, or
25 any part thereof, is paid in a lump-sum, the amount of the reduction shall
26 be calculated on a monthly basis over the period of time for which the
27 lump-sum is given. In no case shall a member who is entitled to receive
28 long-term disability benefits receive less than \$50 per month. As used in
29 this section, "workers compensation benefits" means the total award of
30 disability benefit payments under the workers compensation act notwith-
31 standing any payment of attorney fees from such benefits as provided in
32 the workers compensation act.

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

42 (D) On and after April 30, 1981, the board may provide under the
43 plan for the continuation of long-term disability benefit payments to any

1 former member who forfeits the entitlement to continued service credit
2 under the retirement system or continued assistance in the purchase of
3 retirement annuities under K.S.A. 74-4925 and amendments thereto and
4 to continued long-term disability benefit payments and continued death
5 benefit coverage, by reason of the member's withdrawal of contributions
6 from the retirement system or the repurchase of retirement annuities
7 which were purchased with assistance received under K.S.A. 74-4925 and
8 amendments thereto. Such long-term disability benefit payments may be
9 continued until such individual dies, attains age 65 or is no longer disa-
10 bled, whichever occurs first.

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

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

24 (B) In the event that a member eligible for a long-term disability
25 benefit under the plan authorized by this section shall be disabled for a
26 period of five years or more immediately preceding retirement, such
27 member's final average salary shall be adjusted upon retirement by the
28 actuarial salary assumption rates in existence during such period of dis-
29 ability. Effective July 1, 1993, such member's final average salary shall be
30 adjusted upon retirement by 5% for each year of disability after July 1,
31 1993, but before July 1, 1998. Effective July 1, 1998, such member's final
32 average salary shall be adjusted upon retirement by an amount equal to
33 the lesser of: (i) The percentage increase in the consumer price index for
34 all urban consumers as published by the bureau of labor statistics of the
35 United States department of labor minus 1%; or (ii) four percent per
36 annum, measured from the member's last day on the payroll to the month
37 that is two months prior to the month of retirement, for each year of
38 disability after July 1, 1998.

39 (C) In the event that a member eligible for a long-term disability
40 benefit under the plan authorized by this section shall be disabled for a
41 period of five years or more immediately preceding death, such member's
42 current annual rate shall be adjusted by the actuarial salary assumption
43 rates in existence during such period of disability. Effective July 1, 1993,

1 such member's current annual rate shall be adjusted upon death by 5%
2 for each year of disability after July 1, 1993, but before July 1, 1998.
3 Effective July 1, 1998, such member's current annual rate shall be ad-
4 justed upon death by an amount equal to the lesser of: (i) The percentage
5 increase in the consumer price index for all urban consumers published
6 by the bureau of labor statistics of the United States department of labor
7 minus 1%; or (ii) four percent per annum, measured from the member's
8 last day on the payroll to the month that is two months prior to the month
9 of death, for each year of disability after July 1, 1998.

10 (3) (A) To carry out the legislative intent to provide, within the funds
11 made available therefor, the broadest possible coverage for members who
12 are in active employment or involuntarily absent from such active em-
13 ployment, the plan of death and long-term disability benefits shall be
14 subject to adjustment from time to time by the board within the limita-
15 tions of this section. The plan may include terms and provisions which
16 are consistent with the terms and provisions of group life and long-term
17 disability policies usually issued to those employers who employ a large
18 number of employees. The board shall have the authority to establish and
19 adjust from time to time the procedures for financing and administering
20 the plan of death and long-term disability benefits authorized by this
21 section. Either the insured death benefit or the insured disability benefit
22 or both such benefits may be financed directly by the system or by one
23 or more insurance companies authorized and licensed to transact group
24 life and group accident and health insurance in this state.

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

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

42 (ii) In addition, the board shall have the authority to cancel any policy
43 or policies of group life and long-term disability insurance in existence

1 on the effective date of this act and, notwithstanding any other provision
2 of law, to release each company which issued any such canceled policy
3 from any liability for future benefits under any such policy and to have
4 the reserves established by such company under any such canceled policy
5 returned to the system for deposit in the group insurance reserve of the
6 fund. Notwithstanding any other provision of law, no premium tax shall
7 be due or payable by any such company or companies on any such policy
8 or policies purchased by the board nor shall any brokerage fees or com-
9 missions be paid thereon.

10 (4) (A) There is hereby created in the state treasury the group in-
11 surance reserve fund. Investment income of the fund shall be added or
12 credited to the fund as provided by law. The cost of the plan of death
13 and long-term disability benefits shall be paid from the group insurance
14 reserve fund, which shall be administered by the board. Except as oth-
15 erwise provided by this subsection, each participating employer shall ap-
16 propriate and pay to the system in such manner as the board shall pre-
17 scribe in addition to the employee and employer retirement contributions
18 an amount equal to .6%, *or commencing on July 1, 2005, and thereafter,*
19 *1.0%* of the amount of compensation on which the members' contribu-
20 tions to the Kansas public employees retirement system are based for
21 deposit in the group insurance reserve fund. Notwithstanding the provi-
22 sions of this subsection, no participating employer shall appropriate and
23 pay to the system any amount provided for by this subsection for deposit
24 in the group insurance reserve fund for the period commencing on April
25 1, 2000, and ending on December 31, 2001, for the period commencing
26 July 1, 2002, and ending December 31, 2002, or for the period com-
27 mencing April 1, 2003, and ending on June 30, 2004.

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

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

36 (D) Any dividend or retrospective rate credit allowed by an insurance
37 company or companies shall be credited to the group insurance reserve
38 fund and the board may take such amounts into consideration in deter-
39 mining the amounts of the benefits under the plan authorized by this
40 section.

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

1 vided under the plan of death and long-term disability benefits authorized
2 by this section shall be known and referred to as long-term disability
3 benefit.

4 (6) The board is hereby authorized to establish an optional death
5 benefit plan. Except as provided in subsection (7), such optional death
6 benefit plan shall be made available to all employees who are covered or
7 may hereafter become covered by the plan of death and long-term disa-
8 bility benefits authorized by this section. The cost of the optional death
9 benefit plan shall be paid by the applicant either by means of a system
10 of payroll deductions or direct payment to the board. The board shall
11 have the authority and discretion to establish such terms, conditions, spec-
12 ifications and coverages as it may deem to be in the best interest of the
13 state of Kansas and its employees which should include term death ben-
14 efits for the person's period of active state employment regardless of age,
15 but in no case, on and after January 1, 1989, shall the maximum allowable
16 coverage be less than \$200,000. The cost of the optional death benefit
17 plan shall not be established on such a basis as to unreasonably discrim-
18 inate against any particular age group. The board shall have full admin-
19 istrative responsibility, discretion and authority to establish and continue
20 such optional death benefit plan and the director of accounts and reports
21 of the department of administration shall when requested by the board
22 and from funds appropriated or available for such purpose establish a
23 system to make periodic deductions from state payrolls to cover the cost
24 of the optional death benefit plan coverage under the provisions of this
25 subsection (6) and shall remit all deductions together with appropriate
26 accounting reports to the system. There is hereby created in the state
27 treasury the optional death benefit plan reserve fund. Investment income
28 of the fund shall be added or credited to the fund as provided by law. All
29 funds received by the board, whether in the form of direct payments,
30 payroll deductions or otherwise, shall be accounted for separately from
31 all other funds of the retirement system and shall be paid into the optional
32 death benefit plan reserve fund, from which the board is authorized to
33 make the appropriate payments and to pay the ongoing costs of admin-
34 istration of such optional death benefit plan as may be incurred in carrying
35 out the provisions of this subsection (6).

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

1 Sec. 12. K.S.A. 74-4939 is hereby amended to read as follows: 74-
2 4939. (1) Except as otherwise provided in this section, the provisions of
3 K.S.A. 74-4919 and 74-4920, and amendments thereto, shall apply to
4 employee and employer contributions and obligations.

5 (2) The employer contribution rate for participating employers who
6 are eligible employers as specified in subsections (1), (2) and (3) of K.S.A.
7 74-4931 and amendments thereto shall be as certified by the board. Par-
8 ticipating employers shall certify to the state board of education before
9 September 15 of each year the anticipated total compensation to be paid
10 during the next fiscal year to employees who are or are to become mem-
11 bers. The state board of education shall transmit the information neces-
12 sary to the division of the budget and the governor who shall include in
13 the budget and budget document each year thereafter provisions for the
14 transfer from the state general fund of sufficient sums to satisfy the par-
15 ticipating employer's obligation under this act. The director of accounts
16 and reports shall make a transfer therefor to the system quarterly, at the
17 same time such employee contributions are remitted by such participating
18 employers. Such transfer from the general fund of sufficient sums to
19 satisfy the participating employer's obligation shall not include any ad-
20 justments for individual employee's service in prior periods and any re-
21 quired payment by a participating employer pursuant to *subsection (5)(d)*
22 *of K.S.A. 74-4914, and K.S.A. 74-4990 and amendments thereto and*
23 ~~K.S.A. 74-49,126, and amendments thereto.~~ The employer's obligation
24 for such adjustments shall be paid by the participating employer. Trans-
25 fers required by this subsection shall be provided for annually by act of
26 the legislature.

27 (3) Participating employers who are eligible employers as specified
28 in subsection (4) of K.S.A. 74-4931 and amendments thereto shall pay to
29 the system employer contributions at a rate of contribution as certified
30 by the board.

31 (4) Upon the effective date of this act, the transfers for the employer's
32 obligation pursuant to subsection (2) for the quarter commencing on Jan-
33 uary 1, 1987, shall be made on July 1, 1987, together with interest thereon
34 at the rate of 6.72% per annum from the date the payment would have
35 been made as provided in this section immediately prior to this amend-
36 ment until the date paid.

37 Sec. 13. K.S.A. 74-4957 is hereby amended to read as follows: 74-
38 4957. (1) The normal retirement date for a member of the system who
39 is appointed or employed prior to July 1, 1989, and who does not make
40 an election pursuant to K.S.A. 74-4955a and amendments thereto shall
41 be the first day of the month coinciding with or following termination of
42 employment not followed by employment with any participating em-
43 ployer within 30 days, and the attainment of age 55 and the completion

1 of 20 years of credited service *or the completion of 32 years of credited*
2 *service regardless of the age of the member.* Any member may retire on
3 such member's normal retirement date or on the first day of any month
4 thereafter.

5 (2) *Early retirement.* Any member who is appointed or employed
6 prior to July 1, 1989, and who does not make an election pursuant to
7 K.S.A. 74-4955a and amendments thereto may retire before such mem-
8 ber's normal retirement date on the first day of any month coinciding
9 with or following termination of employment not followed by employ-
10 ment with any participating employer within 30 days and the attainment
11 of age 50 and the completion of 20 years of credited service.

12 (3) Notwithstanding the provisions of subsections (1) and (2) of this
13 section and K.S.A. 74-4955a, 74-4957a, 74-4958a, 74-4960a, 74-4963a and
14 74-4964a and amendments thereto, the normal retirement date for any
15 member who was, up to the entry date of such member's employer, cov-
16 ered by a pension system under the provisions of K.S.A. 13-14a01 to 13-
17 14a14, inclusive, or 14-10a01 to 14-10a15, inclusive, and amendments
18 thereto, shall be the first day of the month coinciding with or following
19 the attainment of age 50 and the completion of 25 years of credited
20 service.

21 (4) In no event shall a member be eligible to retire until such member
22 has been a contributing member of the system for 12 months of partici-
23 pating service, and shall have given such member's employer prior notice
24 of retirement.

25 (5) If a retirant who retired on or after July 1, 1994, is employed,
26 elected or appointed in or to any position or office for which compensa-
27 tion for service is paid in an amount equal to \$15,000 or more in any one
28 such calendar year, by the same state agency or the same police or fire
29 department of any county, city, township or special district or the same
30 sheriff's office of a county during the final two years of such retirant's
31 participation, such retirant shall not receive any retirement benefit for
32 any month for which such retirant serves in such position or office. The
33 participating employer shall report to the system within 30 days of when
34 the compensation paid to the retirant is equal to or exceeds any limitation
35 provided by this section. Any retirant employed by a participating em-
36 ployer in the Kansas police and firemen's retirement system shall not
37 make contributions nor receive additional credit under such system for
38 such service except as provided by this section. Upon request of the ex-
39 ecutive director of the system, the secretary of revenue shall provide such
40 information as may be needed by the executive director to carry out the
41 provisions of this act.

42 Sec. 14. K.S.A. 74-4967 is hereby amended to read as follows: 74-
43 4967. (1) Upon the basis of an annual actuarial valuation and appraisal of

1 the system conducted in the manner provided for in K.S.A. 74-4908 and
2 amendments thereto, the board shall certify, on or before July 15 of each
3 year to each participating employer an actuarially determined estimate of
4 the rate of contribution which shall be required to be paid by each such
5 participating employer to pay all of the liabilities which shall accrue under
6 the system from and after the entry date as determined by the board,
7 upon recommendation of the actuary. Such rate shall be uniform for all
8 participating employers, and shall be comprised of a rate for benefits
9 accruing after June 30, 1993, and a rate for amortization of the additional
10 liability for benefits provided by this act which is attributable to service
11 rendered before July 1, 1993. Such additional liability shall be amortized
12 ~~over a period of 40 years commencing on July 1, 1993, by annual payments~~
13 ~~that increase 4% for each year remaining in the amortization period as~~
14 *determined by the board.* The employer's rate of contribution determined
15 under this section shall not include the costs of administration of the
16 system.

17 (2) The board shall determine for each employer separately an
18 amount sufficient to amortize ~~over a period of not to exceed 40 years~~ all
19 liabilities for past service costs which shall have accrued at the time of
20 entry into the system. On the basis of such determination the board shall
21 annually certify to each participating employer separately an actuarially
22 determined estimate of the rate of contribution which shall be required
23 to be paid by that participating employer to pay all of the liabilities for
24 such past service costs. Such rate shall be termed the employer's prior
25 service contribution. The board may enter into agreements with any par-
26 ticipating employer which has employees or retirants under the special
27 pension systems established under K.S.A. 13-14a01 to 13-14a14, inclu-
28 sive, and amendments thereto or K.S.A. 14-10a01 to 14-10a15, inclusive,
29 and amendments thereto, for the purpose of scheduling the payment of
30 such past service costs in an orderly manner which will tend to stabilize
31 the annual total financial burden on such employers in meeting their
32 present and future obligations under this system and such special systems,
33 but in no event shall the annual prior service contribution be less than
34 the interest cost on the total of such past service liability.

35 (3) Each participating employer shall appropriate and pay to the sys-
36 tem a sum sufficient to satisfy the obligations under this act as certified
37 by the board.

38 (4) Each participating employer is hereby authorized to pay the em-
39 ployer's contribution from the same fund that the compensation for which
40 such contribution is made is paid from or from any other funds available
41 to it for such purpose. Each employer may levy annually at the time of
42 its levy of taxes, a tax which may be in addition to all other taxes authorized
43 by law for the purpose of making its contributions under this act, and, in

1 the case of cities and counties, to pay a portion of the principal and in-
2 terest on bonds issued by cities under the authority of K.S.A. 12-1774,
3 and amendments thereto, for the financing of redevelopment projects
4 upon property located in such county which tax, together with any other
5 fund available, shall be sufficient to enable it to make such contribution.
6 In lieu of levying the tax authorized in this subsection, any taxing subdivi-
7 sion may pay such costs from any employee benefits contribution fund
8 established pursuant to K.S.A. 12-16,102 and amendments thereto.

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

12 (6) The rate of contribution certified to each participating employer
13 as provided in this section shall apply during the fiscal year of such partici-
14 pating employer which begins in the second calendar year following
15 the year of the actuarial valuation, but the rate of contribution during the
16 first year following the employer's entry date shall be equal to 16% of the
17 amount of compensation on which members contribute during the year.

18 (7) Each participating employer shall remit quarterly, or as the board
19 may otherwise provide, all employee deductions and required employer
20 contributions to the executive director for credit to the Kansas public
21 employees retirement fund within 20 days after the end of the period
22 covered by the remittance or within 25 days after forms or written in-
23 structions from the system were mailed by the system to such employer,
24 whichever is later. Remittances of such deductions and contributions re-
25 ceived after such date are delinquent. Delinquent payments due under
26 this subsection (7) shall be subject to interest at the rate established for
27 interest on judgments under subsection (a) of K.S.A. 16-204 and amend-
28 ments thereto. At the request of the board, delinquent payments which
29 are due or interest owed on such payments, or both, may be deducted
30 from any other moneys payable to such employer by any department or
31 agency of the state.

32 (8) Except as otherwise provided by law, the actuarial cost of any
33 legislation enacted by the Kansas legislature, except the actuarial cost of
34 K.S.A. 74-49,114a, shall be reflected in the employer contribution rate in
35 the fiscal year immediately following such enactment.

36 **[New Sec. 15. (a) (1) Notwithstanding the provisions of K.S.A.**
37 **74-4971 and amendments thereto, on or after the effective date of**
38 **this act, the Kansas highway patrol shall affiliate with the Kansas**
39 **police and firemen's retirement system established under the pro-**
40 **visions of K.S.A. 74-4951 et seq. and amendments thereto pursuant**
41 **to the provisions of this act for membership in the system of mem-**
42 **bers of the capitol area security patrol who have successfully com-**
43 **pleted the required course of instruction for law enforcement of-**

1 **fficers approved by the Kansas law enforcement training center and**
2 **are certified pursuant to the provisions of K.S.A. 74-5607a, and**
3 **amendments thereto. For purposes of such affiliation for mem-**
4 **bership in the system of members of the capitol area security pa-**
5 **trol, the Kansas highway patrol shall be considered a new partic-**
6 **ipating employer. The Kansas highway patrol shall make**
7 **application for affiliation with such system in the manner provided**
8 **by K.S.A. 74-4954 and amendments thereto, to be effective on July**
9 **1 next following application. The Kansas highway patrol shall af-**
10 **filiate for membership in the system of such members of the capitol**
11 **area security patrol for participating service credit.**

12 **[(2) The Kansas highway patrol shall appropriate and pay a**
13 **sum sufficient to satisfy any obligations as certified by the board**
14 **of trustees of the retirement system and the employer contribu-**
15 **tions of the Kansas highway patrol shall be as provided in subsec-**
16 **tion (1) of K.S.A. 74-4967 and amendments thereto.**

17 **[(b) (1) Each such member of the capitol area security patrol**
18 **employed by the Kansas highway patrol on the date of affiliation,**
19 **may become a member of the Kansas police and firemen’s retire-**
20 **ment system on the first day of the payroll period of such member,**
21 **coinciding with or following the entry date of the Kansas highway**
22 **patrol as provided in this section, only by filing with the board of**
23 **trustees of the system, on or before the entry date of the Kansas**
24 **highway patrol as provided in this section, a written election to**
25 **become a member of the system. Failure to file such written elec-**
26 **tion shall be presumed to be an election not to become a member**
27 **of the system. Such election, whether to become or not to become**
28 **a member, shall be irrevocable.**

29 **[(2) Each such member of the capitol area security patrol who**
30 **is on an authorized leave of absence or is in the military service**
31 **on the entry date of the Kansas highway patrol as provided in this**
32 **section may become a member of the Kansas police and firemen’s**
33 **retirement system on the first day of the first payroll period of**
34 **such member, coinciding with such member’s return to active em-**
35 **ployment and payroll of the Kansas highway patrol, only by filing**
36 **with the board of trustees of the system within 10 days after such**
37 **return to active employment a written election to become a mem-**
38 **ber of the system. Failure to file such written election shall be**
39 **presumed to be an election not to become a member of the system.**
40 **Such election, whether to become a member or not to become a**
41 **member, shall be irrevocable.**

42 **[(c) Every such person who is employed as a member of the**
43 **capitol area security patrol on or after the entry date of the Kansas**

1 Highway patrol into the Kansas police and firemen's retirement
2 system as provided in this section shall become a member of the
3 Kansas police and firemen's retirement system on the first day of
4 such employment.

5 [(d) If the Kansas highway patrol affiliates as provided in this
6 act and each such member of the capitol area security patrol who
7 elects to become a member as provided in this act, the Kansas
8 highway patrol and each such member shall be subject to the pro-
9 visions of K.S.A. 74-4951 *et seq.* and amendments thereto as
10 applicable.

11 [(e) The division of the budget and the governor shall include
12 in the budget and in the budget request for appropriations for
13 personnel services the amount required to satisfy the employer's
14 obligation under this act as certified by the board of trustees of
15 the system, and shall present the same to the legislature for allow-
16 ance and appropriations.

17 [(f) The determination of retirement, death or disability ben-
18 efits shall be computed upon the basis of "credited service" as used
19 in K.S.A. 74-4951 *et seq.*, and amendments thereto, but shall in-
20 clude only participating service with the person's participating em-
21 ployer, commencing on and after the effective date of affiliation
22 by the participating employer with the Kansas police and fireman's
23 retirement system.]

24 [New Sec. 16. (a) (1) Notwithstanding the provisions of K.S.A.
25 74-4971 and amendments thereto, on or after the effective date of
26 this act, the Kansas highway patrol shall affiliate with the Kansas
27 police and firemen's retirement system established under the pro-
28 visions of K.S.A. 74-4951 *et seq.* and amendments thereto pursuant
29 to the provisions of this act for membership in the system of mem-
30 bers of the motor carriers inspection staff of the Kansas highway
31 patrol who have successfully completed the required course of in-
32 struction for law enforcement officers approved by the Kansas law
33 enforcement training center and are certified pursuant to the pro-
34 visions of K.S.A. 74-5607a, and amendments thereto. For purposes
35 of such affiliation for membership in the system of such members,
36 the Kansas highway patrol shall be considered a new participating
37 employer. The Kansas highway patrol shall make application for
38 affiliation with such system in the manner provided by K.S.A. 74-
39 4954 and amendments thereto, to be effective on July 1 next fol-
40 lowing application. The Kansas highway patrol shall affiliate for
41 membership in the system of such members for participating serv-
42 ice credit.

43 [(2) The Kansas highway patrol shall appropriate and pay a

1 sum sufficient to satisfy any obligations as certified by the board
2 of trustees of the retirement system and the employer contribu-
3 tions of the Kansas highway patrol shall be as provided in subsec-
4 tion (1) of K.S.A. 74-4967 and amendments thereto.

5 [(b) (1) Each such member of the motor carriers inspection
6 staff employed by the Kansas highway patrol on the date of affili-
7 ation, may become a member of the Kansas police and firemen's
8 retirement system on the first day of the payroll period of such
9 member, coinciding with or following the entry date of the Kansas
10 highway patrol as provided in this section, only by filing with the
11 board of trustees of the system, on or before the entry date of the
12 Kansas highway patrol as provided in this section, a written elec-
13 tion to become a member of the system. Failure to file such written
14 election shall be presumed to be an election not to become a mem-
15 ber of the system. Such election, whether to become or not to
16 become a member, shall be irrevocable.

17 [(2) Each such member of the motor carriers inspection staff
18 of the Kansas highway patrol who is on an authorized leave of
19 absence or is in the military service on the entry date of the Kansas
20 highway patrol as provided in this section may become a member
21 of the Kansas police and firemen's retirement system on the first
22 day of the first payroll period of such member, coinciding with
23 such member's return to active employment and payroll of the
24 Kansas highway patrol, only by filing with the board of trustees of
25 the system within 10 days after such return to active employment
26 a written election to become a member of the system. Failure to
27 file such written election shall be presumed to be an election not
28 to become a member of the system. Such election, whether to be-
29 come a member or not to become a member, shall be irrevocable.

30 [(c) Every such person who is employed as a member of the
31 motor carriers inspection staff of the Kansas highway patrol on or
32 after the entry date of the Kansas Highway patrol into the Kansas
33 police and firemen's retirement system as provided in this section
34 shall become a member of the Kansas police and firemen's retire-
35 ment system on the first day of such employment.

36 [(d) If the Kansas highway patrol affiliates as provided in this
37 act and each such member of the motor carriers inspection staff
38 of the Kansas highway patrol who elects to become a member as
39 provided in this act, the Kansas highway patrol and each such
40 member shall be subject to the provisions of K.S.A. 74-4951 *et seq.*
41 and amendments thereto as applicable.

42 [(e) The division of the budget and the governor shall include
43 in the budget and in the budget request for appropriations for

1 personnel services the amount required to satisfy the employer's
2 obligation under this act as certified by the board of trustees of
3 the system, and shall present the same to the legislature for allow-
4 ance and appropriations.

5 [(f) The determination of retirement, death or disability ben-
6 efits shall be computed upon the basis of "credited service" as used
7 in K.S.A. 74-4951 *et seq.*, and amendments thereto, but shall in-
8 clude only participating service with the person's participating em-
9 ployer, commencing on and after the effective date of affiliation
10 by the participating employer with the Kansas police and fireman's
11 retirement system.]

12 [New Sec. 17. (a) Each retirant who is entitled to receive a
13 retirement benefit, pension or annuity payment from a retirement
14 system or who is a local school annuitant shall be entitled to receive
15 a retirant dividend payment as specified in this section. Such re-
16 tirant dividend payment shall be paid in addition to the amount of
17 the annual retirement benefit, pension or annuity payment to
18 which the retirant is otherwise entitled and shall be paid in the
19 form of an additional payment which shall be made on October 1,
20 2004.

21 [(b) Each such retirement dividend payment as provided in this
22 section shall be payable to the retirant in an amount equal to 100%
23 of the retirement benefit payment such retirant is entitled to re-
24 ceive on July 1, 2004.

25 [(c) Each such retirant dividend payment shall be paid by the
26 retirement system to the retirant and the local school annuitant
27 and shall be payable from the Kansas public employees retirement
28 fund.

29 [(d) As used in this section:

30 [(1) "Retirant" means (A) any person who is a member of a
31 retirement system and who retired prior to July 1, 2003, (B) any
32 person who is a special member of a retirement system and who
33 retired prior to July 1, 2003, (C) any person who is a joint annuitant
34 or beneficiary of any member described in clause (A) or any special
35 member described in clause (B), and (D) any insured disability
36 benefit recipient.

37 [(2) "Retirement system" means the Kansas public employees
38 retirement system, the Kansas police and firemen's retirement sys-
39 tem, the state school retirement system and the retirement system
40 for judges.

41 [(3) "Local school annuitant" means (A) any person who is an
42 annuitant with 10 or more years of service, who is receiving an
43 annuity, whose annuity is not included, in whole or in part, in pay-

1 **ments made to such school district under K.S.A. 72-5512b and**
2 **amendments thereto, and who is not a member of a group I or of**
3 **group II as defined in K.S.A. 72-5518 and amendments thereto,**
4 **and (B) any person who is receiving an annuity and who retired**
5 **prior to September 1, 1981.**

6 **[(4) “Insured disability benefit recipient” means any person re-**
7 **ceiving an insured disability benefit under K.S.A. 74-4927, and**
8 **amendments thereto, prior to July 1, 2003.]**

9 Sec. ~~15~~. **[18.]** K.S.A. 38-2102, 71-801, 72-5437, 72-5445, 72-7513,
10 74-4914, 74-4921, 74-4922, 74-4939, 74-4957 and 74-4967 and K.S.A.
11 2003 Supp. 20-2605, 74-4920 and 74-4927 are hereby repealed.

12 Sec. ~~16~~. **[19.]** This act shall take effect and be in force from and after
13 its publication in the statute book.