

CONFERENCE COMMITTEE REPORT

MR. PRESIDENT and MR. SPEAKER: Your committee on conference on Senate amendments to **HB 2333** submits the following report:

The House accedes to all Senate amendments to the bill, and your committee on conference further agrees to amend the bill as printed with Senate Committee of the Whole amendments, as follows:

On page 1, in line 16, by striking "2014" and inserting "2015"; in line 18, by striking "July 1, 2014" and inserting "January 1, 2015"; in line 23, by striking the first "and"; in line 24, after "thereto" by inserting ", and security officers as provided in K.S.A. 74-4914a, and amendments thereto"; in line 26, by striking "pre-2014" and inserting "pre-2015";

On page 2, in line 13, before "employed" by inserting "first"; also in line 13, by striking "July 1,"; in line 14, by striking "2014" and inserting "January 1, 2015"; in line 21, by striking "2014" and inserting "2015"; in line 32, by striking "July 1, 2014" and inserting "January 1, 2015"; in line 33, by striking "July 1,"; in line 34, by striking "2014" and inserting "January 1, 2015"; in line 36, by striking "July 1,"; in line 37, by striking "2014" and inserting "January 1, 2015"; in line 38, by striking "July 1, 2014" and inserting "January 1, 2015"; in line 40, by striking "July 1, 2014" and inserting "January 1, 2015"; in line 42, by striking "July 1, 2014" and inserting "January 1, 2015"; in line 43, by striking "July 1, 2014" and inserting "January 1, 2015";

On page 3, in line 2, by striking "July 1, 2014" and inserting "January 1, 2015"; in line 4, by striking "July 1, 2014" and inserting "January 1, 2015"; in line 7, by striking

"July 1, 2014" and inserting "January 1, 2015"; in line 12, by striking all after "service"; by striking all in line 13; in line 14, by striking all before the semicolon; in line 17, by striking "pre-2014" and inserting "pre-2015";

On page 4, in line 24, by striking "July 1, 2014" and inserting "January 1, 2015"; also in line 24, by striking "6%" and inserting "5.25%"; also in line 24, by striking ", except that"; by striking all in lines 25 and 26; in line 27, by striking all before the period; by striking all in line 34 and inserting the following:

"(2) if the funding ratio of the system as a whole is equal to or more than 80% as certified by the board, the board shall provide for an additional interest credit which may not exceed the lesser of 4% or a percentage of the rate of return on the system's assets that is above 8% for a fiscal year which such percentage is equal to the funding ratio of the system as a whole for each fiscal year;

(3) the additional interest rate for a fiscal year shall not be granted unless the rate of return on the system's assets is at least 10% for that fiscal year; and";

Also on page 4, in line 35, by striking "(3)" and inserting "(4) if the funding ratio of the system as a whole is less than 80% as certified by the board,"; in line 40, after "credits" by inserting "under subsections (a) and (b)"; in line 41, by striking "fifth" and inserting "second";

On page 5, in line 3, by striking "paid"; in line 4, by striking "out" and inserting "posted to the account"; in line 5, by striking "A participating employer shall credit,"; in line 6, by striking "4%" and inserting "a percentage"; also in line 6, after "compensation" by inserting "shall be credited"; also in line 6, after "account" by inserting: ", as follows:

(1) Three percent of compensation for each member who has less than five years of service;

(2) four percent of compensation for each member who has at least five but less than 12 years of service;

(3) five percent of compensation for each member who has at least 12 but less than 24 years of service; and

(4) six percent of compensation for each member who has 24 or more years of service";

Also on page 5, in line 17, by striking "July"; in line 18, by striking "1, 2014" and inserting "January 1, 2015"; also in line 18, by striking "6%" and inserting "5.25%"; also in line 18, by striking all after "annum"; by striking all in lines 19 and 20; in line 21, by striking all before the period; by striking all in line 28, and inserting the following:

"(2) if the funding ratio of the system as a whole, is equal to or more than 80% as certified by the board, the board shall provide for an additional interest credit which may not exceed the lesser of 4% or a percentage of the rate of return on the system's assets that is above 8% for a fiscal year which such percentage is equal to the overall funded ratio of the system as a whole for each fiscal year;

(3) the additional interest rate for a fiscal year shall not be granted unless the rate of return on the system's assets is at least 10% for that fiscal year; and";

Also on page 5, in line 29, by striking "(3)" and inserting "(4) if the funding ratio of the system as a whole is less than 80% as certified by the board,"; in line 33, by striking "paid"; in line 34, by striking "out" and inserting "posted to the account"; in line 35, after

"credits" by inserting "under subsections (a) and (b)"; in line 36, by striking "fifth" and inserting "second"; in line 41, after "the" by inserting "member's service credit,";

On page 6, in line 6, by striking all after "account"; in line 7, by striking all before the period; in line 21, after "(a)" by inserting "or (b)"; in line 22, after the second "distribution" by inserting "shall be made using mortality rates and interest rates as provided in subsection (a) of section 13, and amendments thereto, and"; in line 23, by striking "(b)" and inserting "(c)"; in line 27, by striking "in 10% increments" and inserting "of any fixed dollar amount or percent"; in line 29, by striking "(b)" and inserting "(c)"; in line 32, after "(a)" by inserting "or (b)";

On page 7, in line 5, by striking "normal"; in line 6, by striking "five-year" and inserting "10-year"; in line 16, after "service" by inserting ", employer credits and interest credits"; in line 18, by striking "(d)" and inserting "(e)"; in line 27, by striking "rate" and inserting "rates"; after line 28, by inserting the following:

"(b) Except as provided in subsection (e), a member who has a vested interest in the member's retirement annuity account, who terminates after attainment of age 55 with the completion of at least 10 years of service, shall receive an annuity based upon employer credits and interest credits in such member's retirement annuity account, using mortality rates established by the board by official action as of the member's annuity start date and an interest rate established by the legislature as of the member's annuity start date, and such interest rate shall initially be 6%. The legislature may from time to time prospectively change the interest rate and the board may from time to time prospectively change the mortality rates, and the legislature expressly reserves such rights to do so.";

And by redesignating subsections accordingly;

Also on page 7, in line 29, by striking "normal"; also in line 29, by striking "subsection (a)" and inserting "subsections (a) and (b)"; in line 30, by striking "five-year" and inserting "10-year"; in line 32, by striking "adjustment"; in line 40, by striking "in 10% increments" and inserting "of any fixed dollar amount or percent";

On page 8, in line 12, by striking "normal"; also in line 12, by striking "five-year" and inserting "10-year"; in line 14, after the comma, by inserting "or the total of the member's vested retirement annuity account and annuity savings account balance is less than \$1,000,"; also in line 14, after "balance" by inserting "or balances"; in line 31, by striking "2014" and inserting "2015";

On page 9, in line 10, after "law" by inserting "or the terms of the plan as established by the board";

On page 11, in line 2, by striking "24" and inserting "25"; in line 6, by striking "24" and inserting "25"; in line 10, by striking "in no event"; in line 11, by striking "shall"; in line 12, before "be" by inserting "shall"; also in line 12, by striking all after "rate"; in line 13, by striking all before the period and inserting "which equals 1.4% of the member's final average salary for members that elect the 1.4% multiplier pursuant to subsection (b) (2) of section 25, and amendments thereto, and 1.75% of the member's final average salary for members that elect the 1.85% multiplier pursuant to subsection (b)(1) of section 25, and amendments thereto";

On page 13, in line 7, by striking "24" and inserting "25"; in line 18, by striking "24" and inserting "25"; in line 20, by striking "24" and inserting "25";

On page 18, in line 6, after the period, by inserting "Such actuarial cost shall be determined by the qualified actuary employed or retained by the system pursuant to K.S.A. 74-4908, and amendments thereto, and reported to the system and the joint committee on pensions, investments and benefits.";

On page 19, in line 14, by striking all after the comma; in line 15, by striking all before "the" the second time it appears, and inserting "but prior to January 1, 2014"; in line 17, after "salary" by inserting ", and for any member who retires after such member's normal retirement date, and on and after January 1, 2014, the amount for participating service shall be equal to 1.85% of the member's final average salary,"; in line 18, by striking "earned prior to January 1, 2014,"; in line 19, by striking all after "benefit"; by striking all in lines 20 through 28; in line 29, by striking all before the period; by striking all in lines 30 through 43;

On page 20, by striking all in lines 1 and 2; by striking all in lines 24 through 40; in line 41, by striking "(d)(1)" and inserting "(c)(1)";

On page 21, by striking all in lines 4 through 9; in line 10, by striking "(4)" and inserting "(3)"; in line 11, by striking "or (d)(3)";

On page 33, after line 33, by inserting the following:

"New Sec. 29. In addition to all requirements for fiscal notes pursuant to law, fiscal notes for bills which provide a new benefit, an increase in existing benefits or any other type of benefit enhancement for members of the Kansas public employees retirement system and systems thereunder, including a cost-of-living adjustment or postretirement benefit increase, shall include an actuarial valuation and appraisal of the

liability to the system and the required contributions necessary to discharge such liability and maintain the system on an actuarial reserve basis created by such benefit enhancement to be conducted by the qualified actuary employed or retained by the system pursuant to K.S.A. 74-4908, and amendments thereto. Such fiscal note shall be available to members of any standing committee of the legislature to which such bill has been assigned prior to such committee taking any action on such bill.

Sec. 30. K.S.A. 2011 Supp. 74-8768 is hereby amended to read as follows: 74-8768. (a) There is hereby created the expanded lottery act revenues fund in the state treasury. All expenditures and transfers from such fund shall be made in accordance with appropriation acts. All moneys credited to such fund shall be expended or transferred only for the purposes of reduction of state debt, state infrastructure improvements, the university engineering initiative act, ~~and~~ reduction of local *ad valorem* tax in the same manner as provided for allocation of amounts in the local *ad valorem* tax reduction fund and reduction of the unfunded actuarial liability of the system attributable to the state of Kansas and participating employers under K.S.A. 74-4931, and amendments thereto, by the Kansas public employees retirement system.

(b) On July 1, 2012, July 1, 2013, July 1, 2014, July 1, 2015, July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, and July 1, 2021, or as soon thereafter such date as moneys are available, the first \$10,500,000 credited to the expanded lottery act revenues fund shall be transferred by the director of accounts and reports from the expanded lottery act revenues fund in one or more substantially equal amounts, to each of the following: the Kan-grow engineering fund – KU, Kan-grow engineering fund – KSU

and Kan-grow engineering fund – WSU. Each such special revenue fund shall receive \$3,500,000 annually in each of such years. Commencing in fiscal year 2014, after such transfer has been made, 50% of the remaining moneys credited to the fund shall be transferred on a quarterly basis by the director of accounts and reports from the fund to the Kansas public employees retirement system fund to be applied to reduce the unfunded actuarial liability of the system attributable to the state of Kansas and participating employers under K.S.A. 74-4931 et seq., and amendments thereto, until the system as a whole attains an 80% funding ratio as certified by the board of trustees of the Kansas public employees retirement system.

Sec. 31. K.S.A. 2011 Supp. 75-6609 is hereby amended to read as follows: 75-6609. (a) When used in this section, "surplus real estate" means real estate which is no longer needed by the state agency which owns such real estate as determined in accordance with this section.

(b) (1) The secretary of administration shall develop criteria for the identification of surplus real estate, including, but not limited to, a review of any legal restrictions associated with the real estate and the reasons for the state agency to keep the real estate. In accordance with such criteria, the secretary shall assist state agencies in the identification of surplus real estate. The secretary of administration shall periodically review the status of all real estate of state agencies subject to this section to determine if any of the real estate owned by state agencies is potentially surplus real estate. If any real estate owned by a state agency is determined by the secretary of administration, in consultation with the head of the state agency, to be surplus real estate in accordance with

the criteria developed under subsection (a), then the secretary of administration shall recommend to the governor that such real estate be sold under the procedures prescribed by this section.

(2) The secretary of administration shall develop guidelines for the sale of surplus real estate. In accordance with such guidelines and upon the approval of the governor, after consultation with the head of the state agency which owns such surplus real estate, after consultation with the joint committee on state building construction and after approval by the state finance council under subsection (c), the secretary may offer such property for sale by one of the following means: (A) Public auction; (B) by listing the surplus property with a licensed real estate broker or salesperson; or (C) by sealed bid. Subject to the approval of the state finance council as required by subsection (c), the secretary of administration may sell surplus real estate and any improvements thereon on behalf of the state agency which owns such property.

(c) Prior to the sale of any surplus real estate under subsection (b), the state finance council shall approve the sale, which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711, and amendments thereto. The matter may be submitted to the state finance council for approval at any time, including periods of time during which the legislature is in session.

(d) Prior to offering any real estate for sale, such property shall be appraised pursuant to K.S.A. 75-3043a, and amendments thereto, unless the appraisal is waived as provided in this subsection. The secretary of administration may waive the requirement for appraisal for any parcel of surplus real estate that is to be sold at public auction under this

section if the secretary of administration determines that it is in the best interests of the state to waive the requirement for appraisal for such parcel of surplus real estate. The costs of any such appraisal may be paid from the proceeds of the sale.

(e) Conveyance of title in surplus real estate offered for sale by the secretary of administration shall be executed on behalf of the state agency by the secretary of administration. The deed for the conveyance may be by warranty deed or by quitclaim deed as determined to be in the best interests of the state by the secretary of administration in consultation with the head of the state agency which owns the surplus real estate.

(f) (1) Any proceeds from the sale of surplus real estate and any improvements thereon, after deduction of the expenses of such sale and any cost of appraisal of the surplus real estate, shall be deposited in the state treasury as prescribed by this subsection, unless otherwise authorized by law. On and after ~~the effective date of this act~~ July 1, 2012, 20% of the proceeds from each such sale deposited in the state treasury shall be credited to the surplus real estate fund or another appropriate special revenue fund of the state agency which owned the surplus real estate, as is prescribed by law or as may be determined by the state agency, unless otherwise required by state or federal law or by the limitations or restrictions of the state's title to the real estate being sold. In the case of proceeds from the sale of surplus real estate at a state mental health institution or a state mental retardation institution, such portion of the proceeds shall be credited to the client benefit fund of such institution or to another special revenue fund of such institution for: (A) Rehabilitation and repair or other capital improvements for such

institution; or (B) one-time expenditures for community mental health organizations if the real estate sold was at a state mental health institution or for community developmental disabilities organizations if the real estate sold was at a state mental retardation institution, and, in any such case, shall be expended in accordance with the provisions of appropriation acts. The remaining 80% of the proceeds from each such sale deposited in the state treasury shall be credited to the ~~state general fund~~ Kansas public employees retirement fund to be applied to the payment, in full or in part, of the unfunded actuarial pension liability as directed by the Kansas public employees retirement system. As used in this section, "unfunded actuarial pension liability" means the unfunded actuarially accrued liability of the state for the state of Kansas and participating employers under K.S.A. 74-4931, and amendments thereto, portion of such liability of the Kansas public employees retirement system, determined as of the later of December 31, 2011, or the end of the most recent calendar year for which an actuarial valuation report is available.

(2) The amount of expenses and the cost of appraisal for each sale of surplus real estate pursuant to this section shall be transferred and credited to the property contingency fund created under K.S.A. 75-3652, and amendments thereto, and may be expended for any operations of the department of administration.

(3) Any state agency owning real estate may apply to the director of accounts and reports to establish a surplus real estate special revenue fund in the state treasury. Subject to the provisions of appropriation acts, moneys in a surplus real estate special revenue fund may be expended for the operating expenditures of the state agency.

(g) Any sale of property by the secretary of transportation pursuant to K.S.A. 68-413, and amendments thereto, shall not be subject to the provisions of this section. The provisions of this section shall not be applicable to real estate given as an endowment, bequest, or gift to a state educational institution as defined in K.S.A. 72-4412, and amendments thereto, or to the university of Kansas medical center.

(h) Sale of the Olathe travel information center shall not be subject to the provisions of this section.

New Sec. 32.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

On and after July 1, 2012, during the fiscal year ending June 30, 2013, in addition to other purposes for which expenditures may be made by the above agency from the agency operations account of the Kansas public employees retirement fund for fiscal year 2013 as authorized by any appropriation act of the 2012 regular session of the legislature, notwithstanding the provisions of any other statute, expenditures shall be made by the above agency to implement the provisions of the Kansas public employees retirement system act of 2015. All such expenditures shall be in addition to any other expenditure limitation imposed on expenditures from the agency operations account of the Kansas public employees retirement fund for fiscal year 2013, except that such expenditures shall not exceed \$2,750,000.";

And by renumbering sections accordingly;

Also on page 33, in line 36, by striking "and" and inserting a comma; also in line 36,

after "74-49,213" by inserting ", 74-8768 and 75-6609";

On page 1, in the title, in line 3, by striking "2014" and inserting "2015"; in line 8, before "amending" by inserting "fiscal notes on bills that provide retirement benefit enhancements, actuarial cost; sale of real estate of state agencies, disposition of proceeds to KPERS fund; authorized transfers from expanded lottery act revenues fund; making certain appropriations for fiscal year 2013;"; in line 11, by striking "and 74-49,213" and inserting ", 74-8768 and 75-6609"; also in line 11, after "sections" by inserting "; also repealing K.S.A. 2011 Supp. 74-49,213";

And your committee on conference recommends the adoption of this report.

Conferees on part of Senate

Conferees on part of House