

HOUSE BILL No. 2403

By Committee on Appropriations

3-18

1 AN ACT concerning retirement and pensions; relating to the Kansas public
2 employees retirement system and systems thereunder; revenue bonds to
3 finance unfunded liability of KPERs; requirements and procedures;
4 **employer contribution rates; amending K.S.A. 2012 Supp. 74-**
5 **4914d and K.S.A. 2012 Supp. 74-4920 and repealing the existing**
6 **sections.**
7

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

9 **New** Section 1. (a) For the purpose of financing a portion of the
10 unfunded actuarial pension liability of the Kansas public employees
11 retirement system, the Kansas development finance authority is hereby
12 authorized to issue one or more series of revenue bonds under the Kansas
13 development finance authority act in an amount necessary to provide a
14 deposit or deposits to the Kansas public employees retirement system in a
15 total amount not to exceed \$1,500,000,000 plus all amounts required to
16 pay the costs of issuance of the bonds, including any credit enhancement,
17 interest costs and to provide any required reserves for the bonds. No bonds
18 shall be issued until such issuance has been approved by a resolution of the
19 state finance council. The principal amount, interest rates and final
20 maturity of such revenue bonds and any bonds issued to refund such bonds
21 or parameters for such principal amount, interest rates and final maturity
22 shall be approved by a resolution of the state finance council, except that
23 such interest rate shall not exceed ~~5%~~ 4%. The bonds, and interest thereon,
24 issued pursuant to this section shall be payable from moneys appropriated
25 by the state for such purpose. The bonds and interest thereon, issued
26 pursuant to this section shall be obligations only of the authority and in no
27 event shall such bonds constitute an indebtedness or obligation of the
28 Kansas public employees retirement system or an indebtedness or
29 obligation for which the faith and credit or any assets of the system are
30 pledged.

31 (b) As used in this section, "unfunded actuarial pension liability"
32 means the unfunded actuarially accrued liability of the state for the state of
33 Kansas and participating employers under K.S.A. 74-4931, and
34 amendments thereto, portion of such liability of the Kansas public

1 employees retirement system, determined as of the later of December 31,
2 2011, or the end of the most recent calendar year for which an actuarial
3 valuation report is available and certified to the Kansas development
4 finance authority by the executive director of the Kansas public employees
5 retirement system.

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

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

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

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

42 (d) The department of administration and the authority are authorized
43 to enter into one or more contracts to implement the payment arrangement

1 that is provided for in this section. The contract or contracts shall provide
2 for payment of the amounts required to be paid pursuant to this section and
3 shall set forth the procedure for the transfer of moneys for the purpose of
4 paying such moneys. The contract or contracts shall contain such terms
5 and conditions including principal amount, interest rates and final maturity
6 as shall be approved by resolution of the state finance council and shall
7 include, but not be limited to, terms and conditions necessary or desirable
8 to provide for repayment of and to secure any bonds of the authority issued
9 pursuant to this section.

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

15 **Sec. 2. K.S.A. 2012 Supp. 74-4914d is hereby amended to read as**
16 **follows: 74-4914d. Any additional cost resulting from the normal**
17 **retirement date and retirement before such normal retirement date**
18 **for security officers as provided in K.S.A. 74-4914c, and amendments**
19 **thereto, and disability benefits as provided in K.S.A. 74-4914e, and**
20 **amendments thereto, shall be added to the employer rate of**
21 **contribution for the department of corrections as otherwise**
22 **determined under K.S.A. 74-4920, and amendments thereto, except**
23 **that the employer rate of contribution for the department of**
24 **corrections including any such additional cost added to such employer**
25 **rate of contribution pursuant to this section shall in no event exceed**
26 **the employer rate of contribution for the department of corrections**
27 **for the immediately preceding fiscal year by more than the following**
28 **amounts expressed as a percentage of compensation upon which**
29 **security officers contribute during the period: (a) For the fiscal year**
30 **commencing in calendar years 2010 through 2012, an amount not to**
31 **exceed more than 0.6% of the amount of the immediately preceding**
32 **fiscal year; (b) for the fiscal year commencing in calendar year 2013,**
33 **an amount not to exceed more than 0.9% of the amount of the**
34 **immediately preceding fiscal year; (c) for the fiscal year commencing**
35 **in calendar year 2014, an amount not to exceed more than 1% of the**
36 **amount of the immediately preceding fiscal year; (d) for the fiscal year**
37 **commencing in calendar year 2015, an amount not to exceed more**
38 **than 1.1% of the amount of the immediately preceding fiscal year; and**
39 **(e) for the fiscal year commencing in calendar year 2016, and in each**
40 **subsequent calendar year, an amount not to exceed more than 1.2% of**
41 **the amount of the immediately preceding fiscal year. For the fiscal year**
42 *commencing in calendar year 2014, the contribution rate provided by this*
43 *section shall be reduced in the amount of the debt service payment*

1 *allocated to the department of corrections for bonds issued pursuant to*
2 *section 1, and amendments thereto, as certified by the board.*

3 **Sec. 3. K.S.A. 2012 Supp. 74-4920 is hereby amended to read as**
4 **follows: 74-4920.(1) (a) Upon the basis of each annual actuarial**
5 **valuation and appraisal as provided for in subsection (3)(a) of K.S.A.**
6 **74-4908, and amendments thereto, the board shall certify, on or before**
7 **July 15 of each year, to the division of the budget in the case of the**
8 **state and to the agent for each other participating employer an**
9 **actuarially determined estimate of the rate of contribution which will**
10 **be required, together with all accumulated contributions and other**
11 **assets of the system, to be paid by each such participating employer to**
12 **pay all liabilities which shall exist or accrue under the system,**
13 **including amortization of the actuarial accrued liability as determined**
14 **by the board. The board shall determine the actuarial cost method to**
15 **be used in annual actuarial valuations, to determine the employer**
16 **contribution rates that shall be certified by the board. Such certified**
17 **rate of contribution, amortization methods and periods and actuarial**
18 **cost method shall be based on the standards set forth in subsection (3)**
19 **(a) of K.S.A. 74-4908, and amendments thereto, and shall not be based**
20 **on any other purpose outside of the needs of the system.**

21 **(b) (i) For employers affiliating on and after January 1, 1999,**
22 **upon the basis of an annual actuarial valuation and appraisal of the**
23 **system conducted in the manner provided for in K.S.A. 74-4908, and**
24 **amendments thereto, the board shall certify, on or before July 15 of**
25 **each year to each such employer an actuarially determined estimate of**
26 **the rate of contribution which shall be required to be paid by each**
27 **such employer to pay all of the liabilities which shall accrue under the**
28 **system from and after the entry date as determined by the board,**
29 **upon recommendation of the actuary. Such rate shall be termed the**
30 **employer's participating service contribution and shall be uniform for**
31 **all participating employers. Such additional liability shall be**
32 **amortized as determined by the board. For all participating employers**
33 **described in this section, the board shall determine the actuarial cost**
34 **method to be used in annual actuarial valuations to determine the**
35 **employer contribution rates that shall be certified by the board.**

36 **(ii) The board shall determine for each such employer separately**
37 **an amount sufficient to amortize all liabilities for prior service costs**
38 **which shall have accrued at the time of entry into the system. On the**
39 **basis of such determination the board shall annually certify to each**
40 **such employer separately an actuarially determined estimate of the**
41 **rate of contribution which shall be required to be paid by that**
42 **employer to pay all of the liabilities for such prior service costs. Such**
43 **rate shall be termed the employer's prior service contribution.**

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

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

9 (4) Each participating employer is hereby authorized to pay the
10 employer's contribution from the same fund that the compensation for
11 which such contribution is made is paid from or from any other funds
12 available to it for such purpose. Each political subdivision, other than
13 an instrumentality of the state, which is by law authorized to levy
14 taxes for other purposes, may levy annually at the time of its levy of
15 taxes, a tax which may be in addition to all other taxes authorized by
16 law for the purpose of making its contributions under this act and, in
17 the case of cities and counties, to pay a portion of the principal and
18 interest on bonds issued under the authority of K.S.A. 12-1774, and
19 amendments thereto, by cities located in the county, which tax,
20 together with any other fund available, shall be sufficient to enable it
21 to make such contribution. In lieu of levying the tax authorized in this
22 subsection, any taxing subdivision may pay such costs from any
23 employee benefits contribution fund established pursuant to K.S.A.
24 12-16,102, and amendments thereto. Each participating employer
25 which is not by law authorized to levy taxes as described above, but
26 which prepares a budget for its expenses for the ensuing year and
27 presents the same to a governing body which is authorized by law to
28 levy taxes as described above, may include in its budget an amount
29 sufficient to make its contributions under this act which may be in
30 addition to all other taxes authorized by law. Such governing body to
31 which the budget is submitted for approval, may levy a tax sufficient
32 to allow the participating employer to make its contributions under
33 this act, which tax, together with any other fund available, shall be
34 sufficient to enable the participating employer to make the
35 contributions required by this act.

36 (5) (a) The rate of contribution certified to a participating
37 employer as provided in this section shall apply during the fiscal year
38 of the participating employer which begins in the second calendar
39 year following the year of the actuarial valuation.

40 (b) (i) Except as specifically provided in this section, for fiscal
41 years commencing in calendar year 1996 and in each subsequent
42 calendar year, the rate of contribution certified to the state of Kansas
43 shall in no event exceed the state's contribution rate for the

1 immediately preceding fiscal year by more than 0.2% of the amount of
2 compensation upon which members contribute during the period.

3 (ii) Except as specifically provided in this subsection, for the fiscal
4 years commencing in the following calendar years, the rate of
5 contribution certified to the state of Kansas and to the participating
6 employers under K.S.A. 74-4931, and amendments thereto, shall in no
7 event exceed the state's contribution rate for the immediately
8 preceding fiscal year by more than the following amounts expressed as
9 a percentage of compensation upon which members contribute during
10 the period: (A) For the fiscal year commencing in calendar years 2010
11 through 2012, an amount not to exceed more than 0.6% of the amount
12 of the immediately preceding fiscal year; (B) for the fiscal year
13 commencing in calendar year 2013, an amount not to exceed more
14 than 0.9% of the amount of the immediately preceding fiscal year; (C)
15 for the fiscal year commencing in calendar year 2014, an amount not
16 to exceed more than 1% of the amount of the immediately preceding
17 fiscal year; (D) for the fiscal year commencing in calendar year 2015,
18 an amount not to exceed more than 1.1% of the amount of the
19 immediately preceding fiscal year; and (E) for the fiscal year
20 commencing in calendar year 2016, and in each subsequent calendar
21 year, an amount not to exceed more than 1.2% of the amount of the
22 immediately preceding fiscal year. *For the fiscal year commencing in*
23 *calendar year 2014, the contribution rate provided by this subsection shall*
24 *be reduced in the amount of the debt service payment for bonds issued*
25 *pursuant to section 1, and amendments thereto, as certified by the board.*

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

33 (iv) Except as specifically provided in this subsection, for the
34 fiscal years commencing in the following calendar years, the rate of
35 contribution certified to participating employers other than the state
36 of Kansas shall in no event exceed the contribution rate for such
37 employers for the immediately preceding fiscal year by more than the
38 following amounts expressed as a percentage of compensation upon
39 which members contribute during the period: (A) For the fiscal year
40 commencing in calendar years 2010 through 2013, an amount not to
41 exceed more than 0.6% of the amount of the immediately preceding
42 fiscal year; (B) for the fiscal year commencing in calendar year 2014,
43 an amount not to exceed more than 0.9% of the amount of the

1 immediately preceding fiscal year; (C) for the fiscal year commencing
2 in calendar year 2015, an amount not to exceed more than 1% of the
3 amount of the immediately preceding fiscal year; (D) for the fiscal
4 year commencing in calendar year 2016, an amount not to exceed
5 more than 1.1% of the amount of the immediately preceding fiscal
6 year; and (E) for the fiscal year commencing in calendar year 2017,
7 and in each subsequent calendar year, an amount not to exceed more
8 than 1.2% of the amount of the immediately preceding fiscal year.

9 (v) As part of the annual actuarial valuation, there shall be a
10 separate employer rate of contribution calculated for the state of
11 Kansas, a separate employer rate of contribution calculated for
12 participating employers under K.S.A. 74-4931, and amendments
13 thereto, a combined employer rate of contribution calculated for the
14 state of Kansas and participating employers under K.S.A. 74-4931,
15 and amendments thereto, and a separate employer rate of
16 contribution calculated for all other participating employers.

17 (vi) There shall be a combined employer rate of contribution
18 certified to the state of Kansas and participating employers under
19 K.S.A. 74-4931, and amendments thereto. There shall be a separate
20 employer rate of contribution certified to all other participating
21 employers.

22 (vii) If the combined employer rate of contribution calculated for
23 the state of Kansas and participating employers under K.S.A. 74-4931,
24 and amendments thereto, is greater than the separate employer rate of
25 contribution for the state of Kansas, the difference in the two rates
26 applied to the actual payroll of the state of Kansas for the applicable
27 fiscal year shall be calculated. This amount shall be certified by the
28 board for deposit as additional employer contributions to the
29 retirement benefit accumulation reserve for the participating
30 employers under K.S.A. 74-4931, and amendments thereto.

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

35 (7) The actuarial cost of the provisions of K.S.A. 74-4950i, and
36 amendments thereto, will be included in the June 30, 1998, actuarial
37 valuation in determining contribution rates for participating
38 employers. The actuarial accrued liability incurred for the provisions
39 of K.S.A. 74-4950i, and amendments thereto, shall be amortized over
40 15 years.

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

1 the employer contribution rates certified for the employer
2 contribution rate in the fiscal year immediately following such
3 enactment. Such actuarial cost shall be determined by the qualified
4 actuary employed or retained by the system pursuant to K.S.A. 74-
5 4908, and amendments thereto, and reported to the system and the
6 joint committee on pensions, investments and benefits.

7 (9) Notwithstanding the provisions of subsection (8), the actuarial
8 cost of the provisions of K.S.A. 74-49,109 et seq., and amendments
9 thereto, shall be first reflected in employer contribution rates effective
10 with the first day of the first payroll period for the fiscal year 2005.
11 The actuarial accrued liability incurred for the provisions of K.S.A.
12 74-49,109 et seq., and amendments thereto, shall be amortized over 10
13 years.

14 (10) The cost of the postretirement benefit payment provided
15 pursuant to the provisions of K.S.A. 2012 Supp. 74-49,114b, and
16 amendments thereto, for retirants other than local retirants as
17 described in subsection (11) or insured disability benefit recipients
18 shall be paid in the fiscal year commencing on July 1, 2007.

19 (11) The actuarial accrued liability incurred for the provisions of
20 K.S.A. 2012 Supp. 74-49,114b, and amendments thereto, for the
21 KPERs local group and retirants who were employees of local
22 employers which affiliated with the Kansas police and firemen's
23 retirement system shall be amortized over 10 years.

24 (12) The cost of the postretirement benefit payment provided
25 pursuant to the provisions of K.S.A. 2012 Supp. 74-49,114c, and
26 amendments thereto, for retirants other than local retirants as
27 described in subsection (13) or insured disability benefit recipients
28 shall be paid in the fiscal year commencing on July 1, 2008.

29 (13) The actuarial accrued liability incurred for the provisions of
30 K.S.A. 2012 Supp. 74-49,114c, and amendments thereto, for the
31 KPERs local group and retirants who were employees of local
32 employers which affiliated with the Kansas police and firemen's
33 retirement system shall be amortized over 10 years.

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

40 (15) Employer contributions shall in no way be limited by any
41 other act which now or in the future establishes or limits the
42 compensation of any member.

43 (16) Notwithstanding any provision of law to the contrary, each

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

14 Sec. 4. K.S.A. 2012 Supp. 74-4914d and 74-4920 are hereby
15 repealed.

16 Sec.~~2~~ 5. This act shall take effect and be in force from and after its
17 publication in the Kansas register.