

As Further Amended by House Committee

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Session of 2015

HOUSE BILL No. 2095

By Committee on Pensions and Benefits

1-23

1 AN ACT concerning retirement and pensions; relating to the Kansas public
2 employees retirement system and systems thereunder; revenue bonds to
3 finance a portion of unfunded actuarial liability of KPERS;
4 requirements and procedures; employer contribution rates; amending
5 K.S.A. 2014 Supp. 74-4914d and 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 **for any one or more series of revenue bonds issued pursuant to this**
24 **section, such interest rate, all inclusive cost, shall not exceed 5%. The** The
25 bonds, and interest thereon, issued pursuant to this section shall be payable
26 from moneys appropriated by the state for such purpose. The bonds, and
27 interest thereon, issued pursuant to this section shall be obligations only of
28 the authority and in no event shall such bonds constitute an indebtedness
29 or obligation of the Kansas public employees retirement system or an
30 indebtedness or obligation for which the faith and credit or any assets of
31 the system are pledged. Neither the state nor the department of
32 administration shall have the power to pledge the full faith and credit or
33 taxing power of the state for debt service on any bonds issued pursuant to
34 this section, and any payment by the department for such purpose shall be

1 subject to and dependent on appropriations by the legislature. Any
2 obligation of the state or the department for payment of debt service on
3 bonds issued pursuant to this section shall not be considered a debt or
4 obligation of the state for the purpose of section 6 of article 11 of the ~~state~~
5 constitution **of the state of Kansas**.

6 (b) As used in this section, "unfunded actuarial pension liability"
7 means the unfunded actuarially accrued liability of the state for the state of
8 Kansas' and participating employers', under K.S.A. 74-4931, and
9 amendments thereto, portion of such liability of the Kansas public
10 employees retirement system, determined as of the later of December 31,
11 2013, or the end of the most recent calendar year for which an actuarial
12 valuation report is available and certified to the Kansas development
13 finance authority by the executive director of the Kansas public employees
14 retirement system.

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

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

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

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

8 (d) The department of administration and the authority are authorized
9 to enter into one or more contracts to implement the payment arrangement
10 that is provided for in this section. The contract or contracts shall provide
11 for payment of the amounts required to be paid pursuant to this section and
12 shall set forth the procedure for the transfer of moneys for the purpose of
13 paying such moneys. The contract or contracts shall contain such terms
14 and conditions, including principal amount, interest rates and final
15 maturity, as shall be approved by resolution of the state finance council
16 and shall include, but not be limited to, terms and conditions necessary or
17 desirable to provide for repayment of and to secure any bonds of the
18 authority issued pursuant to this section.

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

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

1 preceding fiscal year; (d) for the fiscal year commencing in calendar year
2 2015, an amount not to exceed more than 1.1% of the amount of the
3 immediately preceding fiscal year; and (e) for the fiscal year commencing
4 in calendar year 2016, and in each subsequent calendar year, an amount
5 not to exceed more than 1.2% of the amount of the immediately preceding
6 fiscal year. *For the fiscal year commencing in calendar year—2016 2015,*
7 *the contribution rate provided by this section shall be reduced in the*
8 *amount of the debt service payment allocated to the department of*
9 *corrections for bonds issued pursuant to section 1, and amendments*
10 *thereto, as certified by the board.*

11 Sec. 3. K.S.A. 2014 Supp. 74-4920 is hereby amended to read as
12 follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation
13 and appraisal as provided for in ~~subsection (3)(a) of~~ K.S.A. 74-4908(3)(a),
14 and amendments thereto, the board shall certify, on or before July 15 of
15 each year, to the division of the budget in the case of the state and to the
16 agent for each other participating employer an actuarially determined
17 estimate of the rate of contribution which will be required, together with
18 all accumulated contributions and other assets of the system, to be paid by
19 each such participating employer to pay all liabilities which shall exist or
20 accrue under the system, including amortization of the actuarial accrued
21 liability as determined by the board. The board shall determine the
22 actuarial cost method to be used in annual actuarial valuations, to
23 determine the employer contribution rates that shall be certified by the
24 board. Such certified rate of contribution, amortization methods and
25 periods and actuarial cost method shall be based on the standards set forth
26 in ~~subsection (3)(a) of~~ K.S.A. 74-4908(3)(a), and amendments thereto, and
27 shall not be based on any other purpose outside of the needs of the system.

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

43 (ii) The board shall determine for each such employer separately an

1 amount sufficient to amortize all liabilities for prior service costs which
2 shall have accrued at the time of entry into the system. On the basis of
3 such determination the board shall annually certify to each such employer
4 separately an actuarially determined estimate of the rate of contribution
5 which shall be required to be paid by that employer to pay all of the
6 liabilities for such prior service costs. Such rate shall be termed the
7 employer's prior service contribution.

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

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

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

41 (5) (a) The rate of contribution certified to a participating employer as
42 provided in this section shall apply during the fiscal year of the
43 participating employer which begins in the second calendar year following

1 the year of the actuarial valuation.

2 (b) (i) Except as specifically provided in this section, for fiscal years
3 commencing in calendar year 1996 and in each subsequent calendar year,
4 the rate of contribution certified to the state of Kansas shall in no event
5 exceed the state's contribution rate for the immediately preceding fiscal
6 year by more than 0.2% of the amount of compensation upon which
7 members contribute during the period.

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

30 (iii) Except as specifically provided in this section, for fiscal years
31 commencing in calendar year 1997 and in each subsequent calendar year,
32 the rate of contribution certified to participating employers other than the
33 state of Kansas shall in no event exceed such participating employer's
34 contribution rate for the immediately preceding fiscal year by more than
35 0.15% of the amount of compensation upon which members contribute
36 during the period.

37 (iv) Except as specifically provided in this subsection, for the fiscal
38 years commencing in the following calendar years, the rate of contribution
39 certified to participating employers other than the state of Kansas shall in
40 no event exceed the contribution rate for such employers for the
41 immediately preceding fiscal year by more than the following amounts
42 expressed as a percentage of compensation upon which members
43 contribute during the period: (A) For the fiscal year commencing in

1 calendar years 2010 through 2013, an amount not to exceed more than
2 0.6% of the amount of the immediately preceding fiscal year; (B) for the
3 fiscal year commencing in calendar year 2014, an amount not to exceed
4 more than 0.9% of the amount of the immediately preceding fiscal year;
5 (C) for the fiscal year commencing in calendar year 2015, an amount not
6 to exceed more than 1% of the amount of the immediately preceding fiscal
7 year; (D) for the fiscal year commencing in calendar year 2016, an amount
8 not to exceed more than 1.1% of the amount of the immediately preceding
9 fiscal year; and (E) for the fiscal year commencing in calendar year 2017,
10 and in each subsequent calendar year, an amount not to exceed more than
11 1.2% of the amount of the immediately preceding fiscal year.

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

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

23 (vii) If the combined employer rate of contribution calculated for the
24 state of Kansas and participating employers under K.S.A. 74-4931, and
25 amendments thereto, is greater than the separate employer rate of
26 contribution for the state of Kansas, the difference in the two rates applied
27 to the actual payroll of the state of Kansas for the applicable fiscal year
28 shall be calculated. This amount shall be certified by the board for deposit
29 as additional employer contributions to the retirement benefit
30 accumulation reserve for the participating employers under K.S.A. 74-
31 4931, and amendments thereto.

32 (6) The actuarial cost of any legislation enacted in the 1994 session of
33 the Kansas legislature will be included in the June 30, 1994, actuarial
34 valuation in determining contribution rates for participating 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 employers.
38 The actuarial accrued liability incurred for the provisions of K.S.A. 74-
39 4950i, and amendments thereto, shall be amortized over 15 years.

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

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

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

12 (10) The cost of the postretirement benefit payment provided
13 pursuant to the provisions of K.S.A. 2014 Supp. 74-49,114b, and
14 amendments thereto, for retirants other than local retirants as described in
15 subsection (11) or insured disability benefit recipients shall be paid in the
16 fiscal year commencing on July 1, 2007.

17 (11) The actuarial accrued liability incurred for the provisions of
18 K.S.A. 2014 Supp. 74-49,114b, and amendments thereto, for the KPERS
19 local group and retirants who were employees of local employers which
20 affiliated with the Kansas police and firemen's retirement system shall be
21 amortized over 10 years.

22 (12) The cost of the postretirement benefit payment provided
23 pursuant to the provisions of K.S.A. 2014 Supp. 74-49,114c, and
24 amendments thereto, for retirants other than local retirants as described in
25 subsection (13) or insured disability benefit recipients shall be paid in the
26 fiscal year commencing on July 1, 2008.

27 (13) The actuarial accrued liability incurred for the provisions of
28 K.S.A. 2014 Supp. 74-49,114c, and amendments thereto, for the KPERS
29 local group and retirants who were employees of local employers which
30 affiliated with the Kansas police and firemen's retirement system shall be
31 amortized over 10 years.

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

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

40 (16) Notwithstanding any provision of law to the contrary, each
41 participating employer shall remit quarterly, or as the board may otherwise
42 provide, all employee deductions and required employer contributions to
43 the executive director for credit to the Kansas public employees retirement

1 fund within three days after the end of the period covered by the
2 remittance by electronic funds transfer. Remittances of such deductions
3 and contributions received after such date are delinquent. Delinquent
4 payments due under this subsection shall be subject to interest at the rate
5 established for interest on judgments under ~~subsection (a)~~ of K.S.A. 16-
6 204(a), and amendments thereto. At the request of the board, delinquent
7 payments which are due or interest owed on such payments, or both, may
8 be deducted from any other moneys payable to such employer by any
9 department or agency of the state.

10 Sec. 4. K.S.A. 2014 Supp. 74-4914d and 74-4920 are hereby
11 repealed.

12 Sec. 5. This act shall take effect and be in force from and after its
13 publication in the Kansas register.