

**SENATE BILL No. 168**

By Select Committee on KPERS

2-6

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

1 bonds issued pursuant to this section shall not be considered a debt or  
2 obligation of the state for the purpose of section 6 of article 11 of the  
3 constitution of the state of Kansas.

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

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

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

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

42 (4) Revenue bonds may be issued pursuant to this section without  
43 obtaining the consent of any department, division, commission, board or

1 agency of the state, other than the approvals of the state finance council  
2 required by this section, and without any other proceedings or the  
3 occurrence of any other conditions or other things other than those  
4 proceedings, conditions or things which are specifically required by the  
5 Kansas development finance authority act.

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

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

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

1 contribution shall be 10.91%, except that if bonds issued pursuant to  
2 section 1, and amendments thereto, have debt service payments that are  
3 fully or partially financed through the use of capitalized interest, or have  
4 capitalized interest-only debt service payments, the employer rate of  
5 contribution shall be **an amount not to exceed more than 1.1% of the**  
6 **amount of the immediately preceding fiscal year;** ~~and (e) for the fiscal~~  
7 **year commencing in calendar year 2016, the employer rate of**  
8 **contribution shall be 10.81% and for the fiscal year commencing in**  
9 **calendar year 2017, the employer rate of contribution shall be 10.48%,**  
10 **except that if bonds issued pursuant to section 1, and amendments thereto,**  
11 **have debt service payments that are fully or partially financed through the**  
12 **use of capitalized interest, or have capitalized interest-only debt service**  
13 **payments, the employer rate of contribution for both years shall be an**  
14 **amount not to exceed more than 1.2% of the amount of the immediately**  
15 **preceding fiscal year; and (f) in each subsequent calendar year, an**  
16 **amount not to exceed more than 1.2% of the amount of the immediately**  
17 **preceding fiscal year. As used in this section, "capitalized interest" means**  
18 **interest payments on the bonds that are pre-funded or financed from bond**  
19 **proceeds as part of the issue for a specified period of time in order to**  
20 **offset one or more initial debt service payments.**

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

39 **(b) (i) For employers affiliating on and after January 1, 1999, upon**  
40 **the basis of an annual actuarial valuation and appraisal of the system**  
41 **conducted in the manner provided for in K.S.A. 74-4908, and**  
42 **amendments thereto, the board shall certify, on or before July 15 of each**  
43 **year to each such employer an actuarially determined estimate of the**

1 *rate of contribution which shall be required to be paid by each such*  
2 *employer to pay all of the liabilities which shall accrue under the system*  
3 *from and after the entry date as determined by the board, upon*  
4 *recommendation of the actuary. Such rate shall be termed the*  
5 *employer's participating service contribution and shall be uniform for*  
6 *all participating employers. Such additional liability shall be amortized*  
7 *as determined by the board. For all participating employers described in*  
8 *this section, the board shall determine the actuarial cost method to be*  
9 *used in annual actuarial valuations to determine the employer*  
10 *contribution rates that shall be certified by the board.*

11 *(ii) The board shall determine for each such employer separately an*  
12 *amount sufficient to amortize all liabilities for prior service costs which*  
13 *shall have accrued at the time of entry into the system. On the basis of*  
14 *such determination the board shall annually certify to each such*  
15 *employer separately an actuarially determined estimate of the rate of*  
16 *contribution which shall be required to be paid by that employer to pay*  
17 *all of the liabilities for such prior service costs. Such rate shall be termed*  
18 *the employer's prior service contribution.*

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

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

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

1 *for its expenses for the ensuing year and presents the same to a*  
2 *governing body which is authorized by law to levy taxes as described*  
3 *above, may include in its budget an amount sufficient to make its*  
4 *contributions under this act which may be in addition to all other taxes*  
5 *authorized by law. Such governing body to which the budget is submitted*  
6 *for approval, may levy a tax sufficient to allow the participating*  
7 *employer to make its contributions under this act, which tax, together*  
8 *with any other fund available, shall be sufficient to enable the*  
9 *participating employer to make the contributions required by this act.*

10 *(5) (a) The rate of contribution certified to a participating employer*  
11 *as provided in this section shall apply during the fiscal year of the*  
12 *participating employer which begins in the second calendar year*  
13 *following the year of the actuarial valuation.*

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

20 *(ii) Except as specifically provided in this subsection, for the fiscal*  
21 *years commencing in the following calendar years, the rate of*  
22 *contribution certified to the state of Kansas and to the participating*  
23 *employers under K.S.A. 74-4931, and amendments thereto, shall in no*  
24 *event exceed the state's contribution rate for the immediately preceding*  
25 *fiscal year by more than the following amounts expressed as a*  
26 *percentage of compensation upon which members contribute during the*  
27 *period: (A) For the fiscal year commencing in calendar years 2010*  
28 *through 2012, an amount not to exceed more than 0.6% of the amount*  
29 *of the immediately preceding fiscal year; (B) for the fiscal year*  
30 *commencing in calendar year 2013, an amount not to exceed more than*  
31 *0.9% of the amount of the immediately preceding fiscal year; (C) for the*  
32 *fiscal year commencing in calendar year 2014, an amount not to exceed*  
33 *more than 1% of the amount of the immediately preceding fiscal year;*  
34 *(D) for the fiscal year commencing in calendar year 2015, the employer*  
35 *rate of contribution shall be 10.91%, except that if bonds issued pursuant*  
36 *to section 1, and amendments thereto, have debt service payments that are*  
37 *fully or partially financed through the use of capitalized interest, or have*  
38 *capitalized interest-only debt service payments, the employer rate of*  
39 *contribution shall be an amount not to exceed more than 1.1% of the*  
40 *amount of the immediately preceding fiscal year; ~~and~~ (E) for the fiscal*  
41 *year commencing in calendar year 2016, the employer rate of*  
42 *contribution shall be 10.81% and for the fiscal year commencing in*  
43 *calendar year 2017, the employer rate of contribution shall be 10.48%,*

1 *except that if bonds issued pursuant to section 1, and amendments thereto,*  
2 *have debt service payments that are fully or partially financed through the*  
3 *use of capitalized interest, or have capitalized interest-only debt service*  
4 *payments, the employer rate of contribution for both years shall be an*  
5 *amount not to exceed more than 1.2% of the amount of the immediately*  
6 *preceding fiscal year; and (F) in each subsequent calendar year, an*  
7 ***amount not to exceed more than 1.2% of the amount of the immediately***  
8 ***preceding fiscal year.*** *As used in this subsection, "capitalized interest"*  
9 *means interest payments on the bonds that are pre-funded or financed*  
10 *from bond proceeds as part of the issue for a specified period of time in*  
11 *order to offset one or more initial debt service payments.*

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

19 *(iv) Except as specifically provided in this subsection, for the fiscal*  
20 *years commencing in the following calendar years, the rate of*  
21 *contribution certified to participating employers other than the state of*  
22 *Kansas shall in no event exceed the contribution rate for such employers*  
23 *for the immediately preceding fiscal year by more than the following*  
24 *amounts expressed as a percentage of compensation upon which*  
25 *members contribute during the period: (A) For the fiscal year*  
26 *commencing in calendar years 2010 through 2013, an amount not to*  
27 *exceed more than 0.6% of the amount of the immediately preceding*  
28 *fiscal year; (B) for the fiscal year commencing in calendar year 2014, an*  
29 *amount not to exceed more than 0.9% of the amount of the immediately*  
30 *preceding fiscal year; (C) for the fiscal year commencing in calendar*  
31 *year 2015, an amount not to exceed more than 1% of the amount of the*  
32 *immediately preceding fiscal year; (D) for the fiscal year commencing in*  
33 *calendar year 2016, an amount not to exceed more than 1.1% of the*  
34 *amount of the immediately preceding fiscal year; and (E) for the fiscal*  
35 *year commencing in calendar year 2017, and in each subsequent*  
36 *calendar year, an amount not to exceed more than 1.2% of the amount*  
37 *of the immediately preceding fiscal year.*

38 *(v) As part of the annual actuarial valuation, there shall be a*  
39 *separate employer rate of contribution calculated for the state of Kansas,*  
40 *a separate employer rate of contribution calculated for participating*  
41 *employers under K.S.A. 74-4931, and amendments thereto, a combined*  
42 *employer rate of contribution calculated for the state of Kansas and*  
43 *participating employers under K.S.A. 74-4931, and amendments thereto,*

1 *and a separate employer rate of contribution calculated for all other*  
2 *participating employers.*

3 *(vi) There shall be a combined employer rate of contribution*  
4 *certified to the state of Kansas and participating employers under K.S.A.*  
5 *74-4931, and amendments thereto. There shall be a separate employer*  
6 *rate of contribution certified to all other participating employers.*

7 *(vii) If the combined employer rate of contribution calculated for*  
8 *the state of Kansas and participating employers under K.S.A. 74-4931,*  
9 *and amendments thereto, is greater than the separate employer rate of*  
10 *contribution for the state of Kansas, the difference in the two rates*  
11 *applied to the actual payroll of the state of Kansas for the applicable*  
12 *fiscal year shall be calculated. This amount shall be certified by the*  
13 *board for deposit as additional employer contributions to the retirement*  
14 *benefit accumulation reserve for the participating employers under*  
15 *K.S.A. 74-4931, and amendments thereto.*

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

19 *(7) The actuarial cost of the provisions of K.S.A. 74-4950i, and*  
20 *amendments thereto, will be included in the June 30, 1998, actuarial*  
21 *valuation in determining contribution rates for participating employers.*  
22 *The actuarial accrued liability incurred for the provisions of K.S.A. 74-*  
23 *4950i, and amendments thereto, shall be amortized over 15 years.*

24 *(8) Except as otherwise provided by law, the actuarial cost of any*  
25 *legislation enacted by the Kansas legislature, except the actuarial cost of*  
26 *K.S.A. 74-49,114a, and amendments thereto, shall be in addition to the*  
27 *employer contribution rates certified for the employer contribution rate*  
28 *in the fiscal year immediately following such enactment. Such actuarial*  
29 *cost shall be determined by the qualified actuary employed or retained*  
30 *by the system pursuant to K.S.A. 74-4908, and amendments thereto, and*  
31 *reported to the system and the joint committee on pensions, investments*  
32 *and benefits.*

33 *(9) Notwithstanding the provisions of subsection (8), the actuarial*  
34 *cost of the provisions of K.S.A. 74-49,109 et seq., and amendments*  
35 *thereto, shall be first reflected in employer contribution rates effective*  
36 *with the first day of the first payroll period for the fiscal year 2005. The*  
37 *actuarial accrued liability incurred for the provisions of K.S.A. 74-*  
38 *49,109 et seq., and amendments thereto, shall be amortized over 10*  
39 *years.*

40 *(10) The cost of the postretirement benefit payment provided*  
41 *pursuant to the provisions of K.S.A. 2014 Supp. 74-49,114b, and*  
42 *amendments thereto, for retirants other than local retirants as described*  
43 *in subsection (11) or insured disability benefit recipients shall be paid in*



1 *the fiscal year commencing on July 1, 2007.*

2 *(11) The actuarial accrued liability incurred for the provisions of*  
3 *K.S.A. 2014 Supp. 74-49,114b, and amendments thereto, for the KPERs*  
4 *local group and retirants who were employees of local employers which*  
5 *affiliated with the Kansas police and firemen's retirement system shall*  
6 *be amortized over 10 years.*

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

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

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

23 *(15) Employer contributions shall in no way be limited by any other*  
24 *act which now or in the future establishes or limits the compensation of*  
25 *any member.*

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

40 *Sec. 4. K.S.A. 2014 Supp. 74-4914d and 74-4920 are hereby*  
41 *repealed.*

42 *Sec. 5. This act shall take effect and be in force from and after its*  
43 *publication in the Kansas register.*