

HOUSE BILL No. 2502

By Joint Committee on Pensions, Investments and Benefits

1-12

AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system and systems thereunder; employer contributions; amending K.S.A. 74-4967 and K.S.A. 2003 Supp. 20-2605 and 74-4920 and repealing the existing sections.

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

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

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

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

(b) Upon the basis of the actuarial valuation and appraisal and upon the recommendation of the actuary, the board shall certify, on or before July 15 of each year, to the division of budget an actuarially determined estimate of the rate of contribution which will be required, together with all judges' contributions and other assets of the retirement system for judges to pay all liabilities which shall exist or accrue under the retirement system for judges, including amortization of the unfunded accrued liability ~~over a period of 40 years commencing on July 1, 1993 as determined by the board.~~ The rate of contribution for the state determined under this section shall not include the costs of administration of the system.

(c) The division of the budget and the governor shall include in the budget and in the budget request for appropriations for personal services

1 the sum required to satisfy the state's obligation under the retirement
2 system for judges as certified by the board and shall present the same to
3 the legislature for allowance and appropriation.

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

9 Sec. 2. K.S.A. 2003 Supp. 74-4920 is hereby amended to read as
10 follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation
11 and appraisal as provided in subsection (3)(a) of K.S.A. 74-4908 and
12 amendments thereto, the board shall certify, on or before July 15 of each
13 year, to the division of the budget in the case of the state and to the agent
14 for each other participating employer an actuarially determined estimate
15 of the rate of contribution which will be required, together with all ac-
16 cumulated contributions and other assets of the system, to be paid by
17 each such participating employer to pay all liabilities which shall exist or
18 accrue under the system, including amortization of the actuarial accrued
19 liability ~~over a period of 40 years commencing on July 1, 1993, and the~~
20 ~~actuarial accrued liability for members of the faculty and other persons~~
21 ~~who are employed by the state board of regents or by educational insti-~~
22 ~~tutions under its management assisted by the state board of regents in~~
23 ~~the purchase of retirement annuities as provided in K.S.A. 74-4925 and~~
24 ~~amendments thereto, as provided in this section as determined by the~~
25 ~~board. The actuarial accrued liability for all participating employers other~~
26 ~~than the state board of regents relating to members of the faculty and~~
27 ~~other persons described in this section, shall be amortized by annual pay-~~
28 ~~ments that increase 4% for each year remaining in the amortization pe-~~
29 ~~riod. For all participating employers other than the state board of regents~~
30 ~~relating to members of the faculty and other persons described in this~~
31 ~~section, the projected unit credit~~ *The board shall determine the* actuarial
32 cost method ~~shall~~ *to be used in annual actuarial valuations, commencing*
33 ~~with the 1993 valuation,~~ to determine the employer contribution rates
34 that shall be certified by the board. ~~The actuarial accrued liability for~~
35 ~~members of the faculty and other persons described in this subsection~~
36 ~~assisted by the state board of regents in the purchase of retirement an-~~
37 ~~nuities as provided in K.S.A. 74-4925 and amendments thereto shall be~~
38 ~~amortized by annual level payments over a period of 11 years commene-~~
39 ~~ing July 1, 1993.~~ Such certified rate of contribution, *amortization methods*
40 *and periods and actuarial cost method* shall be based on the standards
41 set forth in subsection (3)(a) of K.S.A. 74-4908 and amendments thereto
42 and shall not be based on any other purpose outside of the needs of the
43 system.

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

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

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

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

35 (4) Each participating employer is hereby authorized to pay the em-
36 ployer's contribution from the same fund that the compensation for which
37 such contribution is made is paid from or from any other funds available
38 to it for such purpose. Each political subdivision, other than an instru-
39 mentality of the state, which is by law authorized to levy taxes for other
40 purposes, may levy annually at the time of its levy of taxes, a tax which
41 may be in addition to all other taxes authorized by law for the purpose of
42 making its contributions under this act and, in the case of cities and coun-
43 ties, to pay a portion of the principal and interest on bonds issued under

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

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

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

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

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

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

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

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

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

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

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

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

22 (11) For employers affiliating on and after January 1, 1999, the rates
23 of contribution certified to the participating employer as provided in this
24 section shall apply during the fiscal year immediately following such cer-
25 tification, but the rate of contribution during the first year following the
26 employer's entry date shall be equal to 7% of the amount of compensation
27 on which members contribute during the year. Any amount of such first
28 year's contribution which may be in excess of the necessary current serv-
29 ice contribution shall be credited by the board to the respective em-
30 ployer's prior service liability.

31 (12) Employer contributions shall in no way be limited by any other
32 act which now or in the future establishes or limits the compensation of
33 any member.

34 (13) Notwithstanding any provision of law to the contrary, each par-
35 ticipating employer shall remit quarterly, or as the board may otherwise
36 provide, all employee deductions and required employer contributions to
37 the executive director for credit to the Kansas public employees retire-
38 ment fund within three days after the end of the period covered by the
39 remittance by electronic funds transfer. Remittances of such deductions
40 and contributions received after such date are delinquent. Delinquent
41 payments due under this subsection shall be subject to interest at the rate
42 established for interest on judgments under subsection (a) of K.S.A. 16-
43 204 and amendments thereto. At the request of the board, delinquent

1 payments which are due or interest owed on such payments, or both, may
2 be deducted from any other moneys payable to such employer by any
3 department or agency of the state.

4 Sec. 3. K.S.A. 74-4967 is hereby amended to read as follows: 74-
5 4967. (1) Upon the basis of an annual actuarial valuation and appraisal of
6 the system conducted in the manner provided for in K.S.A. 74-4908 and
7 amendments thereto, the board shall certify, on or before July 15 of each
8 year to each participating employer an actuarially determined estimate of
9 the rate of contribution which shall be required to be paid by each such
10 participating employer to pay all of the liabilities which shall accrue under
11 the system from and after the entry date as determined by the board,
12 upon recommendation of the actuary. Such rate shall be uniform for all
13 participating employers, and shall be comprised of a rate for benefits
14 accruing after June 30, 1993, and a rate for amortization of the additional
15 liability for benefits provided by this act which is attributable to service
16 rendered before July 1, 1993. Such additional liability shall be amortized
17 ~~over a period of 40 years commencing on July 1, 1993, by annual payments~~
18 ~~that increase 4% for each year remaining in the amortization period as~~
19 ~~determined by the board.~~ The employer's rate of contribution determined
20 under this section shall not include the costs of administration of the
21 system.

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

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

43 (4) Each participating employer is hereby authorized to pay the em-

1 ployer's contribution from the same fund that the compensation for which
2 such contribution is made is paid from or from any other funds available
3 to it for such purpose. Each employer may levy annually at the time of
4 its levy of taxes, a tax which may be in addition to all other taxes authorized
5 by law for the purpose of making its contributions under this act, and, in
6 the case of cities and counties, to pay a portion of the principal and inter-
7 est on bonds issued by cities under the authority of K.S.A. 12-1774,
8 and amendments thereto, for the financing of redevelopment projects
9 upon property located in such county which tax, together with any other
10 fund available, shall be sufficient to enable it to make such contribution.
11 In lieu of levying the tax authorized in this subsection, any taxing subdivi-
12 sion may pay such costs from any employee benefits contribution fund
13 established pursuant to K.S.A. 12-16,102 and amendments thereto.

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

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

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

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

41 Sec. 4. K.S.A. 74-4967 and K.S.A. 2003 Supp. 20-2605 and 74-4920
42 are hereby repealed.

43

1 Sec. 5. This act shall take effect and be in force from and after its
2 publication in the statute book.
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