

SENATE Substitute for HOUSE BILL No. 2037

AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system and systems thereunder; benefits and contributions; amending K.S.A. 10-813a, 74-4914, 74-4925b, 74-4925e, 74-4927a, 74-4932, 74-4952 and 76-746 and K.S.A. 2004 Supp. 20-2610a, 74-4902, 74-4918, 74-4920, 74-4925 and 74-4927 and repealing the existing sections.

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

Section 1. K.S.A. 10-813a is hereby amended to read as follows: 10-813a. (a) Any balance accrued from any unpaid canceled warrant issued pursuant to the Kansas public employees retirement act shall remain in the Kansas public employees retirement fund and shall be disbursed in accordance with provisions of law relating to such fund.

(b) *The director of accounts and reports is authorized to make payment to any claimant of the Kansas public employees retirement system entitled to such payment for a claim on a warrant which was canceled pursuant to the provisions of K.S.A. 10-811, and amendments thereto. Entitlement to claim payment on a canceled warrant shall expire on the date four years from the date of cancelation of such warrant. Any such payment shall be in an amount equal to the amount denoted on the canceled warrant less 10% thereof not to exceed \$30, whichever amount is less.*

Sec. 2. K.S.A. 2004 Supp. 20-2610a is hereby amended to read as follows: 20-2610a. (a) A judge may elect to have such judge's retirement annuity paid under one of the options provided in this section in lieu of having it paid in the form stated in K.S.A. 20-2610 and amendments thereto. Such election shall be made before the date of actual retirement. A specific person shall be designated as joint annuitant at the time of election of the joint and $\frac{1}{2}$ to joint annuitant survivor option, joint and survivor option and the joint and $\frac{3}{4}$ to joint annuitant survivor option. Under no circumstances may an option be changed or canceled nor the named joint annuitant changed after the date of actual retirement of the judge.

(b) The amount of retirement annuity payable under an option shall be based on the age of the judge and, if applicable, the age of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto as prescribed in subsection (c). Whenever the amount of any benefit is to be determined on the basis of actuarial assumptions, the assumptions shall be specified in a way that precludes employer discretion. In no case shall the total amount of retirement annuity payable under any option provided in this section be more than 100% of the retirement annuity which would have been otherwise payable if no option had been elected under this section.

(c) The following retirement options, which are subject to the provisions of K.S.A. 74-49,123 and amendments thereto, are available:

(1) *Joint and $\frac{1}{2}$ to joint annuitant survivor.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto and (B) the percentage equal to 91% minus .4% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus .4% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest whole year, with $\frac{1}{2}$ of that monthly amount continued to the judge's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(2) *Joint and survivor.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto and (B) the percentage equal to 83% minus .6% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus .6% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest

whole year, with that monthly amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(3) *Joint and $\frac{3}{4}$ to joint annuitant survivor.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to the product of (A) the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto and (B) the percentage equal to 87% minus .5% for each year by which the age of the judge's joint annuitant is less than the judge's age, computed to the nearest whole year, or plus .5% for each year by which the age of the judge's joint annuitant is more than the judge's age, computed to the nearest whole year, with $\frac{3}{4}$ of that monthly amount continued to the judge's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the judge. In the event that the designated joint annuitant under this option predeceases the retired judge, the amount of the retirement annuity otherwise payable to the judge under this option shall be adjusted automatically to the retirement annuity which the judge would have received if no option had been elected under this section.

(4) *Life with 5 years certain.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 98% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto and if the judge dies within the five-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the five-year certain period.

(5) *Life with 10 years certain.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 95% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto and if the judge dies within the ten-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the ten-year certain period.

(6) *Life with 15 years certain.* A reduced retirement annuity payable to the judge during the judge's lifetime in a monthly amount equal to 88% of the monthly payment of the retirement annuity otherwise payable under K.S.A. 20-2610 and amendments thereto and if the judge dies within the fifteen-year certain period, measured from the commencement of retirement annuity payments, such monthly payments shall be continued to such judge's beneficiary during the balance of the fifteen-year certain period.

(7) *Lump sum payment at retirement.* (A) Pursuant to this option, the judge must specify a lump sum amount to be paid to the judge upon the judge's retirement. The lump sum amount will be based on the actuarial present value of the benefit as provided in K.S.A. 20-2610, and amendments thereto. The lump sum amount designated by the judge must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the benefit provided in K.S.A. 20-2610, and amendments thereto. If the judge's spouse elects a lump sum payment as provided in this section pursuant to the provisions of subsection (d), the lump sum payment will be based on the present value of the retirement option selected by the spouse. The lump sum amount designated by the spouse must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the option selected in this section.

(B) Pursuant to this option, the judge must elect to have the remaining actuarial present value paid in a monthly amount under the provisions of K.S.A. 20-2610, and amendments thereto, or subsections (c)(1) through (c)(6) of this section.

(C) In the event that the designated joint annuitant pursuant to subsection (c)(1), (c)(2) or (c)(3), under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under the option shall be adjusted automatically to the retirement benefit

which the retirant would have received if no option had been elected under this section.

(D) The provisions of this subsection shall be effective on and after July 1, 2001.

(d) If a judge, who is eligible to retire, dies without having actually retired, the judge's spouse, if the spouse is the sole beneficiary for the judge's accumulated contributions, may elect to receive benefits as a joint annuitant under one of the options provided in this section in lieu of receiving the judge's accumulated contributions.

(e) On and after ~~July 1, 1993~~ *May 1, 2004*, if a judge with ~~15~~ *10* or more years of credited service dies before attaining retirement age, the judge's spouse, if the spouse is the sole beneficiary for the judge's accumulated contributions, may elect to receive benefits under one of the options provided in this section in lieu of receiving the judge's accumulated contributions. Payments under one of the options provided in this section to the judge's spouse if so elected, shall commence on the date that the judge would have ~~first attained retirement age~~ *been eligible for normal retirement pursuant to subsection (a) of K.S.A. 20-2608, and amendments thereto, or would have been eligible for early retirement pursuant to subsection (b) or (c) of K.S.A. 20-2608, and amendments thereto, if such early retirement date occurs earlier.*

(f) Benefits payable to a joint annuitant shall accrue from the first day of the month following the death of a member or retirant and, in the case of the joint and 1/2 to joint annuitant survivor option, the joint and survivor option and the joint and 3/4 to joint annuitant survivor option, shall end on the last day of the month in which the joint annuitant dies.

(g) The provisions of the law in effect on the retirement date of a judge under the retirement system for judges shall govern the retirement annuity payable to the retired judge and any joint annuitant, except, for retirement benefits payable after July 1, 1993, for judges who retired prior to July 1, 1982, in the event that the designated joint annuitant under the option provided in subsection (c)(1), (2) or (3), as applicable, predeceased the judge, the amount of the retirement benefit otherwise payable to the judge under the option provided in subsection (c)(1), (2) or (3), as applicable, shall be adjusted automatically to the retirement benefit which the judge would have received if no option had been elected under this section.

(h) Upon the death of a joint annuitant who is receiving a retirement benefit under the provisions of this section, there shall be paid to such joint annuitant's beneficiary an amount equal to the excess, if any, of the accumulated contributions of the retired judge over the sum of all retirement benefit payments made to such retired judge and such joint annuitant. Such joint annuitant shall designate a beneficiary by filing in the office of the retirement system such designation at the time of death of the retired judge. If there is no named beneficiary of such joint annuitant living at the time of death of such joint annuitant, any amount provided for by this section shall be paid to, in order of preference as follows:

- (1) The joint annuitant's surviving spouse;
- (2) the joint annuitant's dependent child or children;
- (3) the joint annuitant's dependent parent or parents;
- (4) the joint annuitant's nondependent child or children;
- (5) the joint annuitant's nondependent parent or parents; or
- (6) the estate of the deceased joint annuitant.

(i) In any event, benefits shall be adjusted as necessary to satisfy the incidental death benefits regulations under the federal internal revenue code.

Sec. 3. K.S.A. 2004 Supp. 74-4902 is hereby amended to read as follows: 74-4902. As used in articles 49 and 49a of chapter 74 and amendments thereto, unless otherwise provided or the context otherwise requires:

- (1) "Accumulated contributions" means the sum of all contributions by a member to the system which are credited to the member's account, with interest allowed thereon;
- (2) "acts" means the provisions of articles 49 and 49a of the Kansas Statutes Annotated and amendments thereto;
- (3) "actuarial equivalent" means an annuity or benefit of equal value to the accumulated contributions, annuity or benefit, when computed

upon the basis of the actuarial tables in use by the system. Whenever the amount of any benefit is to be determined on the basis of actuarial assumptions, the assumptions shall be specified in a way that precludes employer discretion;

(4) “actuarial tables” means the actuarial tables approved and in use by the board at any given time;

(5) “actuary” means the actuary or firm of actuaries employed or retained by the board at any given time;

(6) “agent” means the individual designated by each participating employer through whom system transactions and communication are directed;

(7) “beneficiary” means, subject to the provisions of K.S.A. 74-4927, and amendments thereto, any natural person or persons or estate named by a member to receive any benefits as provided for by this act. Designations of beneficiaries by a member who is a member of more than one retirement system made on or after July 1, 1987, shall be the basis of any benefits payable under all systems unless otherwise provided by law. Except as otherwise provided by subsection (33) of this section, if there is no named beneficiary living at time of member’s death, any benefits provided for by this act shall be paid to: (A) The member’s surviving spouse; (B) the member’s dependent child or children; (C) the member’s dependent parent or parents; (D) the member’s nondependent child or children; (E) the member’s nondependent parent or parents; (F) the estate of the deceased member; in the order of preference as specified in this subsection.

(8) “board of trustees,” “board” or “trustees” means the managing body of the system which is known as the Kansas public employees retirement system board of trustees;

(9) “compensation” means, except as otherwise provided, all salary, wages and other remuneration payable to a member for personal services performed for a participating employer, including maintenance or any allowance in lieu thereof provided a member as part of compensation, but not including reimbursement for travel or moving expenses or on and after July 1, 1994, payment pursuant to an early retirement incentive program made prior to the retirement of the member. Beginning with the employer’s fiscal year which begins in calendar year 1991 or for employers other than the state of Kansas, beginning with the fiscal year which begins in calendar year 1992, when the compensation of a member who remains in substantially the same position during any two consecutive years of participating service used in calculating final average salary is increased by an amount which exceeds 15%, then the amount of such increase which exceeds 15% shall not be included in compensation, except that (A) any amount of compensation for accumulated sick leave or vacation or annual leave paid to the member, (B) any increase in compensation for any member due to a reclassification or reallocation of such member’s position or a reassignment of such member’s job classification to a higher range or level and (C) any increase in compensation as provided in any contract entered into prior to January 1, 1991, and still in force on the effective date of this act, pursuant to an early retirement incentive program as provided in K.S.A. 72-5395 *et seq.* and amendments thereto, shall be included in the amount of compensation of such member used in determining such member’s final average salary and shall not be subject to the 15% limitation provided in this subsection. Any contributions by such member on the amount of such increase which exceeds 15% which is not included in compensation shall be returned to the member. Unless otherwise provided by law, beginning with the employer’s fiscal year coinciding with or following July 1, 1985, compensation shall include any amounts for tax sheltered annuities or deferred compensation plans. Beginning with the employer’s fiscal year which begins in calendar year 1991, compensation shall include amounts under sections 403b, 457 and 125 of the federal internal revenue code of 1986 and, as the board deems appropriate, any other section of the federal internal revenue code of 1986 which defers or excludes amounts from inclusion in income. For purposes of applying limits under the federal internal revenue code “compensation” shall have the meaning as provided in K.S.A. 74-49,123 and amendments thereto;

(10) “credited service” means the sum of participating service and prior service and in no event shall credited service include any service

which is credited under another retirement plan authorized under any law of this state;

(11) “dependent” means a parent or child of a member who is dependent upon the member for at least ½ of such parent or child’s support;

(12) “effective date” means the date upon which the system becomes effective by operation of law;

(13) “eligible employer” means the state of Kansas, and any county, city, township, special district or any instrumentality of any one or several of the aforementioned or any noncommercial public television or radio station located in this state which receives state funds allocated by the Kansas public broadcasting commission whose employees are covered by social security. If a class or several classes of employees of any above defined employer are not covered by social security, such employer shall be deemed an eligible employer only with respect to such class or those classes of employees who are covered by social security;

(14) “employee” means any appointed or elective officer or employee of a participating employer whose employment is not seasonal or temporary and whose employment requires at least 1,000 hours of work per year, and any such officer or employee who is concurrently employed performing similar or related tasks by two or more participating employers, who each remit employer and employee contributions on behalf of such officer or employee to the system, and whose combined employment is not seasonal or temporary, and whose combined employment requires at least 1,000 hours of work per year, but not including: (A) Any employee who is a contributing member of the United States civil service retirement system; (B) any employee who is a contributing member of the federal employees retirement system; (C) any employee who is a leased employee as provided in section 414 of the federal internal revenue code of a participating employer; and (D) any employee or class of employees specifically exempted by law. After June 30, 1975, no person who is otherwise eligible for membership in the Kansas public employees retirement system shall be barred from such membership by reason of coverage by, eligibility for or future eligibility for a retirement annuity under the provisions of K.S.A. 74-4925 and amendments thereto, except that no person shall receive service credit under the Kansas public employees retirement system for any period of service for which benefits accrue or are granted under a retirement annuity plan under the provisions of K.S.A. 74-4925 and amendments thereto. After June 30, 1982, no person who is otherwise eligible for membership in the Kansas public employees retirement system shall be barred from such membership by reason of coverage by, eligibility for or future eligibility for any benefit under another retirement plan authorized under any law of this state, except that no such person shall receive service credit under the Kansas public employees retirement system for any period of service for which any benefit accrues or is granted under any such retirement plan. Employee shall include persons who are in training at or employed by, or both, a sheltered workshop for the blind operated by the secretary of social and rehabilitation services. The entry date for such persons shall be the beginning of the first pay period of the fiscal year commencing in calendar year 1986. Such persons shall be granted prior service credit in accordance with K.S.A. 74-4913 and amendments thereto. However, such persons classified as home industry employees shall not be covered by the retirement system. Employees shall include any member of a board of county commissioners of any county and any council member or commissioner of a city whose compensation is equal to or exceeds \$5,000 per year;

(15) “entry date” means the date as of which an eligible employer joins the system. The first entry date pursuant to this act is January 1, 1962;

(16) “executive director” means the managing officer of the system employed by the board under this act;

(17) “final average salary” means in the case of a member who retires prior to January 1, 1977, and in the case of a member who retires after January 1, 1977, and who has less than five years of participating service after January 1, 1967, the average highest annual compensation paid to such member for any five years of the last 10 years of participating service immediately preceding retirement or termination of employment, or in the case of a member who retires on or after January 1, 1977, and who has five or more years of participating service after January 1, 1967, the

average highest annual compensation paid to such member on or after January 1, 1967, for any five years of participating service preceding retirement or termination of employment, or, in any case, if participating service is less than five years, then the average annual compensation paid to the member during the full period of participating service, or, in any case, if the member has less than one calendar year of participating service such member's final average salary shall be computed by multiplying such member's highest monthly salary received in that year by 12; in the case of a member who became a member under subsection (3) of K.S.A. 74-4925 and amendments thereto, or who became a member with a participating employer as defined in subsection (3) of K.S.A. 74-4931 and amendments thereto and who elects to have compensation paid in other than 12 equal installments, such compensation shall be annualized as if the member had elected to receive 12 equal installments for any such periods preceding retirement; in the case of a member who retires after July 1, 1987, the average highest annual compensation paid to such member for any four years of participating service preceding retirement or termination of employment; in the case of a member who retires on or after July 1, 1993, whose date of membership in the system is prior to July 1, 1993, and any member who is in such member's membership waiting period on July 1, 1993, and whose date of membership in the system is on or after July 1, 1993, the average highest annual compensation, as defined in subsection (9), paid to such member for any four years of participating service preceding retirement or termination of employment or the average highest annual salary, as defined in subsection (34), paid to such member for any three years of participating service preceding retirement or termination of employment, whichever is greater; and in the case of a member who retires on or after July 1, 1993, and whose date of membership in the system is on or after July 1, 1993, the average highest annual salary, as defined in subsection (34), paid to such member for any three years of participating service preceding retirement or termination of employment. Final average salary shall not include any purchase of participating service credit by a member as provided in subsection (2) of K.S.A. 74-4919h and amendments thereto which is completed within five years of retirement. For any application to purchase or repurchase service credit for a certain period of service as provided by law received by the system after May 17, 1994, for any member who will have contributions deducted from such member's compensation at a percentage rate equal to two or three times the employee's rate of contribution or will begin paying to the system a lump-sum amount for such member's purchase or repurchase and such deductions or lump-sum payment commences after the commencement of the first payroll period in the third quarter, "final average salary" shall not include any amount of compensation or salary which is based on such member's purchase or repurchase. Any application to purchase or repurchase multiple periods of service shall be treated as multiple applications. For purposes of this subsection, the date that such member is first hired as an employee for members who are employees of employers that elected to participate in the system on or after January 1, 1994, shall be the date that such employee's employer elected to participate in the system. In the case of any former member who was eligible for assistance pursuant to K.S.A. 74-4925 and amendments thereto prior to July 1, 1998, for the purpose of calculating final average salary of such member, such member's final average salary shall be based on such member's salary while a member of the system or while eligible for assistance pursuant to K.S.A. 74-4925 and amendments thereto, whichever is greater;

(18) "fiscal year" means, for the Kansas public employees retirement system, the period commencing July 1 of any year and ending June 30 of the next;

(19) "Kansas public employees retirement fund" means the fund created by this act for payment of expenses and benefits under the system and referred to as the fund;

(20) "leave of absence" means a period of absence from employment without pay, authorized and approved by the employer, and which after the effective date does not exceed one year;

(21) "member" means an eligible employee who is in the system and is making the required employee contributions; any former employee who has made the required contributions to the system and has not received

a refund if such member is within five years of termination of employment with a participating employer; or any former employee who has made the required contributions to the system, has not yet received a refund and has been granted a vested benefit;

(22) “military service” means service in the uniformed forces of the United States, for which retirement benefit credit must be given under the provisions of USERRA or service in the armed forces of the United States or in the commissioned corps of the United States public health service, which service is immediately preceded by a period of employment as an employee or by the entering into of an employment contract with a participating employer and is followed by return to employment as an employee with the same or another participating employer within 12 months immediately following discharge from such military service, except that if the board determines that such return within 12 months was made impossible by reason of a service-connected disability, the period within which the employee must return to employment with a participating employer shall be extended not more than two years from the date of discharge or separation from military service;

(23) “normal retirement date” means the date on or after which a member may retire with full retirement benefits pursuant to K.S.A. 74-4914 and amendments thereto;

(24) “participating employer” means an eligible employer who has agreed to make contributions to the system on behalf of its employees;

(25) “participating service” means the period of employment after the entry date for which credit is granted a member;

(26) “prior service” means the period of employment of a member prior to the entry date for which credit is granted a member under this act;

(27) “prior service annual salary” means the highest annual salary, not including any amounts received as payment for overtime or as reimbursement for travel or moving expense, received for personal services by the member from the current employer in any one of the three calendar years immediately preceding January 1, 1962, or the entry date of the employer, whichever is later, except that if a member entered the employment of the state during the calendar year 1961, the prior service annual salary shall be computed by multiplying such member’s highest monthly salary received in that year by 12;

(28) “retirant” means a member who has retired under this system;

(29) “retirement benefit” means a monthly income or the actuarial equivalent thereof paid in such manner as specified by the member pursuant to this act or as otherwise allowed to be paid at the discretion of the board, with benefits accruing from the first day of the month coinciding with or following retirement and ending on the last day of the month in which death occurs. Upon proper identification a surviving spouse may negotiate the warrant issued in the name of the retirant. If there is no surviving spouse, the last warrant shall be payable to the designated beneficiary;

(30) “retirement system” or “system” means the Kansas public employees retirement system as established by this act and as it may be amended;

(31) “social security” means the old age, survivors and disability insurance section of the federal social security act;

(32) ~~“total disability” means a physical or mental disability which prevents the member from engaging, for remuneration or profit, in any occupation for which the member is reasonably suited by education, training or experience;~~

~~(33)~~ “trust” means an express trust, created by a trust instrument, including a will, designated by a member to receive payment of the insured death benefit under K.S.A. 74-4927 and amendments thereto and payment of the member’s accumulated contributions under subsection (1) of K.S.A. 74-4916 and amendments thereto. A designation of a trust shall be filed with the board. If there is a designated trust at the time of the member’s death, the insured death benefit for the member under K.S.A. 74-4927 and amendments thereto and the member’s accumulated contributions under subsection (1) of K.S.A. 74-4916 and amendments thereto shall be paid to the trust in lieu of the member’s beneficiary. If no will is admitted to probate within six months after the death of the member or no trustee qualifies within such six months or if the designated

trust fails, for any reason whatsoever, the insured death benefit under K.S.A. 74-4927 and amendments thereto and the member's accumulated contributions under subsection (1) of K.S.A. 74-4916 and amendments thereto shall be paid in accordance with the provisions of subsection (7) of this section as in other cases where there is no named beneficiary living at the time of the member's death and any payments so made shall be a full discharge and release to the system from any further claims;

~~(34)~~ (33) "salary" means all salary and wages payable to a member for personal services performed for a participating employer, including maintenance or any allowance in lieu thereof provided a member as part of salary. Salary shall not include reimbursement for travel or moving expenses, payment for accumulated sick leave or vacation or annual leave, severance pay or any other payments to the member determined by the board to not be payments for personal services performed for a participating employer constituting salary or on and after July 1, 1994, payment pursuant to an early retirement incentive program made prior to the retirement of the member. When the salary of a member who remains in substantially the same position during any two consecutive years of participating service used in calculating final average salary is increased by an amount which exceeds 15%, then the amount of such increase which exceeds 15% shall not be included in salary. Any contributions by such member on the amount of such increase which exceeds 15% which is not included in compensation shall be returned to the member. Unless otherwise provided by law, salary shall include any amounts for tax sheltered annuities or deferred compensation plans. Salary shall include amounts under sections 403b, 457 and 125 of the federal internal revenue code of 1986 and, as the board deems appropriate, any other section of the federal internal revenue code of 1986 which defers or excludes amounts from inclusion in income. For purposes of applying limits under the federal internal revenue code "salary" shall have the meaning as provided in K.S.A. 74-49,123 and amendments thereto. In any case, if participating service is less than three years, then the average annual salary paid to the member during the full period of participating service, or, in any case, if the member has less than one calendar year of participating service such member's final average salary shall be computed by multiplying such member's highest monthly salary received in that year by 12;

~~(35)~~ (34) "federal internal revenue code" means the federal internal revenue code of 1954 or 1986, as in effect on July 1, 2002, and as applicable to a governmental plan; and

~~(36)~~ (35) "USERRA" means the federal uniformed services employment and reemployment rights act of 1994 as in effect on July 1, 1998.

Sec. 4. K.S.A. 74-4914 is hereby amended to read as follows: 74-4914. (1) The normal retirement date for a member of the system shall be the first day of the month coinciding with or following termination of employment with any participating employer not followed by employment with any participating employer within 30 days and the attainment of age 65 or, commencing July 1, 1993, age 62 with the completion of 10 years of credited service or the first day of the month coinciding with or following the date that the total of the number of years of credited service and the number of years of attained age of the member is equal to or more than 85. In no event shall a normal retirement date for a member be before six months after the entry date of the participating employer by whom such member is employed. A member may retire on the normal retirement date or on the first day of any month thereafter upon the filing with the office of the retirement system of an application in such form and manner as the board shall prescribe. Nothing herein shall prevent any person, member or retirant from being employed, appointed or elected as an employee, appointee, officer or member of the legislature. Elected officers may retire from the system on any date on or after the attainment of the normal retirement date, but no retirement benefits payable under this act shall be paid until the member has terminated such member's office.

(2) No retirant shall make contributions to the system or receive service credit for any service after the date of retirement.

(3) Any member who is an employee of an affiliating employer pursuant to K.S.A. 74-4954b and amendments thereto and has not withdrawn such member's accumulated contributions from the Kansas police and

firemen's retirement system may retire before such member's normal retirement date on the first day of any month coinciding with or following the attainment of age 55.

(4) Any member may retire before such member's normal retirement date on the first day of any month coinciding with or following termination of employment with any participating employer not followed by employment with any participating employer within 30 days and the attainment of age 55 with the completion of 10 years of credited service, but in no event before six months after the entry date, upon the filing with the office of the retirement system of an application for retirement in such form and manner as the board shall prescribe.

(5) If a retirant who retired on or after July 1, 1988, is employed or appointed in or to any position or office for which compensation for service is paid in an amount equal to \$15,000 or more in any one such calendar year, by any participating employer for which such retirant was employed or appointed during the final two years of such retirant's participation, such retirant shall not receive any retirement benefit for any month for which such retirant serves in such position or office. The participating employer shall report to the system within 30 days of when the compensation paid to the retirant is equal to or exceeds any limitation provided by this section. Any retirant employed by a participating employer shall not make contributions nor receive additional credit under such system for such service except as provided by this section. Upon request of the executive director of the system, the secretary of revenue shall provide such information as may be needed by the executive director to carry out the provisions of this act. The provisions of this subsection shall not apply to retirants employed as substitute teachers or officers, employees or appointees of the legislature. The provisions of this subsection shall not apply to members of the legislature prior to January 8, 2000. The provisions of this subsection shall not apply to any other elected officials prior to the term of office of such elected official which commences on or after July 1, 2000. The provisions of this subsection shall apply to any other elected official on and after the term of office of such other elected official which commences on or after July 1, 2000. Except as otherwise provided, commencing January 8, 2001, the provisions of this subsection shall apply to members of the legislature. For determination of the amount of compensation paid pursuant to this subsection, for members of the legislature, compensation shall include any amount paid as provided pursuant to subsections (a), (b), (c) and (d) of K.S.A. 46-137a, and amendments thereto, or pursuant to K.S.A. 46-137b, and amendments thereto. Notwithstanding any provision of law to the contrary, when a member of the legislature is paid an amount of compensation of \$15,000 or more in any one calendar year, the member may continue to receive any amount provided in subsections (b) and (d) of K.S.A. 46-137a, and amendments thereto, and still be entitled to receive such member's retirement benefit. *Commencing July 1, 2005, and ending June 30, 2008, the provisions of this subsection shall not apply to retirants who either retired under the provisions of subsection (1), or, if they retired under the provisions of subsection (4), were retired more than 30 days prior to the effective date of this act and are licensed professional nurses or licensed practical nurses employed by the state of Kansas at the Osawatimie state hospital, Rainbow mental health facility, Larned state hospital, Parsons state hospital and training center, Kansas neurological institute, the Kansas soldiers' home or the Kansas veterans' home. The participating employer of such retirant shall pay to the system the actuarially determined employer contribution based on the retirant's compensation during any such period of employment.*

(6) For purposes of this section, any employee of a local governmental unit which has its own pension plan who becomes an employee of a participating employer as a result of a merger or consolidation of services provided by local governmental units, which occurred on January 1, 1994, may count service with such local governmental unit in determining whether such employee has met the years of credited service requirements contained in this section.

Sec. 5. K.S.A. 2004 Supp. 74-4918 is hereby amended to read as follows: 74-4918. (1) A member may elect to have such member's retirement benefit paid under one of the options provided in this section in lieu of having it paid in the form stated in K.S.A. 74-4915 and amend-

ments thereto. Such election must be made before the date of actual retirement. A specific person must be designated as joint annuitant at the time of election of the joint and $\frac{1}{2}$ to joint annuitant survivor option, the joint and survivor option and the joint and $\frac{3}{4}$ to joint annuitant survivor option. Under no circumstances may an option be changed or canceled nor the named joint annuitant changed after the date of actual retirement of the member.

(2) The amount of retirement benefit payable under an option shall be based on the age of the member and, if applicable, the age of the joint annuitant, and shall be such amount as to be the actuarial equivalent of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto, as prescribed in subsection (3). In no case shall the total amount of retirement benefit paid under any option provided in this section be more than 100% of the retirement benefit which would have been otherwise payable if no option had been elected under this section.

(3) The following retirement options, which are subject to the provisions of K.S.A. 74-49,123 and amendments thereto, are available:

(A) *Joint and $\frac{1}{2}$ to joint annuitant survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (i) the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and (ii) the percentage equal to 91% minus .4% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus .4% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with $\frac{1}{2}$ of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(B) *Joint and survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (i) the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and (ii) the percentage equal to 83% minus .6% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus .6% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with that amount continued to the joint annuitant during the joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(C) *Joint and $\frac{3}{4}$ to joint annuitant survivor.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to the product of (i) the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and (ii) the percentage equal to 87% minus .5% for each year by which the age of the retirant's joint annuitant is less than the retirant's age, computed to the nearest whole year, or plus .5% for each year by which the age of the retirant's joint annuitant is more than the retirant's age, computed to the nearest whole year, with $\frac{3}{4}$ of that monthly amount continued to the retirant's joint annuitant during such joint annuitant's remaining lifetime, if any, after the death of the retirant. In the event that the designated joint annuitant under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(D) *Life with 5 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 98% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and if the retirant

dies within the five-year certain period, measured from the commencement of retirement benefit payments, such payments shall be continued to the retirant's beneficiary during the balance of the five-year certain period.

(E) *Life with 10 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 95% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and if the retirant dies within the ten-year certain period, measured from the commencement of retirement benefit payments, such payments shall be continued to the retirant's beneficiary during the balance of the ten-year certain period.

(F) *Life with 15 years certain.* A reduced retirement benefit is payable to the retirant during the retirant's lifetime in a monthly amount equal to 88% of the monthly payment of the retirement benefit otherwise payable under K.S.A. 74-4915 and amendments thereto and if the retirant dies within the fifteen-year certain period, measured from the commencement of retirement benefit payments, such payments shall be continued to the retirant's beneficiary during the balance of the fifteen-year certain period.

(G) *Lump sum payment at retirement.* (i) Pursuant to this option, the member must specify a lump sum amount to be paid to the member upon the member's retirement. The lump sum amount will be based on the actuarial present value of the benefit as provided in K.S.A. 74-4915, and amendments thereto. The lump sum amount designated by the member must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the benefit provided in K.S.A. 74-4915, and amendments thereto. If the member's spouse elects a lump sum payment as provided in this section pursuant to the provisions of subsection (4), the lump sum payment will be based on the present value of the retirement option selected by the spouse. The lump sum amount designated by the spouse must be in 10% increments and shall not exceed $\frac{1}{2}$ of the actuarial present value of the option selected in this section.

(ii) Pursuant to this option, the member must elect to have the remaining actuarial present value paid in a monthly amount under the provisions of K.S.A. 74-4915, and amendments thereto, or subsections (3)(A) through (3)(F) of this section.

(iii) In the event that the designated joint annuitant pursuant to subsection (3)(A), (3)(B) or (3)(C) under this option predeceases the retirant, the amount of the retirement benefit otherwise payable to the retirant under this option shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(iv) The provisions of this subsection shall be effective on and after July 1, 2001.

(4) If a member, who is eligible to retire in accordance with the provisions of K.S.A. 74-4914 and amendments thereto, dies without having actually retired, the member's spouse, if the spouse is the sole beneficiary for the member's accumulated contributions, may elect to receive benefits under one of the options provided in this section in lieu of receiving the member's accumulated contributions.

(5) The benefits of subsection (4) shall be available in the case of death within the first six months after the entry date of the member's participating employer.

(6) On and after ~~January 1, 1991~~ *May 1, 2004*, if a member with ~~15~~ *10* or more years of credited service dies before attaining retirement age, the member's spouse, if the spouse is the sole beneficiary for the member's accumulated contributions, may elect to receive benefits under one of the options provided in this section in lieu of receiving the member's accumulated contributions. Payments under one of the options provided in this section to the member's spouse if so elected, shall commence on the date that the member would have ~~attained retirement age~~ *been eligible for normal retirement pursuant to subsection (1) of K.S.A. 74-4914, and amendments thereto, or would have been eligible for early retirement pursuant to subsection (4) of K.S.A. 74-4914, and amendments thereto, if such early retirement date occurs earlier.*

(7) Benefits payable to a joint annuitant shall accrue from the first day of the month following the death of a member or retirant and, in the

case of the joint and $\frac{1}{2}$ to joint annuitant survivor option, the joint and survivor option and the joint and $\frac{3}{4}$ to joint annuitant survivor option, shall end on the last day of the month in which the joint annuitant dies.

(8) The provisions of the law in effect on the retirement date of a member under the system shall govern the retirement benefit payable to the retirant and any joint annuitant, except, for retirement benefits payable after July 1, 1993, for retirants who retired prior to July 1, 1982, in the event that the designated joint annuitant under the option provided in subsection (3)(A), (B) or (C), as applicable, predeceased the retirant, the amount of the retirement benefit otherwise payable to the retirant under the option provided in subsection (3)(A), (B) or (C), as applicable, shall be adjusted automatically to the retirement benefit which the retirant would have received if no option had been elected under this section.

(9) Upon the death of a joint annuitant who is receiving a retirement benefit under the provisions of this section, there shall be paid to such joint annuitant's beneficiary an amount equal to the excess, if any, of the accumulated contributions of the retirant over the sum of all retirement benefit payments made to such retirant and such joint annuitant. Such joint annuitant shall designate a beneficiary by filing in the office of the retirement system such designation at the time of death of the retirant. If there is no named beneficiary of such joint annuitant living at the time of death of such joint annuitant, any amount provided for by this section shall be paid to, in order of preference as follows:

- (A) The joint annuitant's surviving spouse;
- (B) the joint annuitant's dependent child or children;
- (C) the joint annuitant's dependent parent or parents;
- (D) the joint annuitant's nondependent child or children;
- (E) the joint annuitant's nondependent parent or parents; or
- (F) the estate of the deceased joint annuitant.

Sec. 6. K.S.A. 2004 Supp. 74-4920 is hereby amended to read as follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation and appraisal as provided for in subsection (3)(a) of K.S.A. 74-4908 and amendments thereto, the board shall certify, on or before July 15 of each year, to the division of the budget in the case of the state and to the agent for each other participating employer an actuarially determined estimate of the rate of contribution which will be required, together with all accumulated contributions and other assets of the system, to be paid by each such participating employer to pay all liabilities which shall exist or accrue under the system, including amortization of the actuarial accrued liability as determined by the board. The board shall determine the actuarial cost method to be used in annual actuarial valuations, to determine the employer contribution rates that shall be certified by the board. Such certified rate of contribution, amortization methods and periods and actuarial cost method shall be based on the standards set forth in subsection (3)(a) of K.S.A. 74-4908 and amendments thereto and shall not be based on any other purpose outside of the needs of the system.

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

(ii) The board shall determine for each such employer separately an amount sufficient to amortize all liabilities for prior service costs which shall have accrued at the time of entry into the system. On the basis of such determination the board shall annually certify to each such employer separately an actuarially determined estimate of the rate of contribution which shall be required to be paid by that employer to pay all of the

liabilities for such prior service costs. Such rate shall be termed the employer's prior service contribution.

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

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

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

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

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

(ii) Except as specifically provided in this subsection, for the fiscal years commencing in the following calendar years, the rate of contribution certified to the state of Kansas *and to the participating employers under K.S.A. 74-4931, and amendments thereto* shall in no event exceed the state's contribution rate for the immediately preceding fiscal year by more than the following amounts expressed as a percentage of compensation upon which members contribute during the period: (A) For the fiscal year commencing in calendar year 2005, an amount not to exceed more than 0.4% of the amount of the immediately preceding fiscal year; (B) for the fiscal year commencing in calendar year 2006, an amount not to exceed more than 0.5% of the amount of the immediately preceding fiscal year; and (C) for the fiscal year commencing in calendar year 2007 and in each subsequent calendar year, an amount not to exceed more than 0.6% of the amount of the immediately preceding fiscal year.

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

(iv) Except as specifically provided in this subsection, for the fiscal years commencing in the following calendar years, the rate of contribution

certified to participating employers other than the state of Kansas shall in no event exceed the contribution rate for such employers for the immediately preceding fiscal year by more than the following amounts expressed as a percentage of compensation upon which members contribute during the period: (A) For the fiscal year commencing in calendar year 2006, an amount not to exceed more than 0.4% of the amount of the immediately preceding fiscal year; (B) for the fiscal year commencing in calendar year 2007, an amount not to exceed more than 0.5% of the amount of the immediately preceding fiscal year; and (C) for the fiscal year commencing in calendar year 2008 and in each subsequent calendar year, an amount not to exceed more than 0.6% of the amount of the immediately preceding fiscal year.

(v) *As part of the annual actuarial valuation, there shall be ~~an~~ a separate employer rate of contribution certified to calculated for the state of Kansas. There shall be, a separate employer rate of contribution certified to calculated for participating employers under K.S.A. 74-4931 and amendments thereto, a combined employer rate of contribution calculated for the state of Kansas and participating employers under K.S.A. 74-4931, and amendments thereto, and a separate employer rate of contribution calculated for all other participating employers. There shall be a separate employer rate of contribution certified to all other participating employers.*

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

(vii) *If the combined employer rate of contribution calculated for the state of Kansas and participating employers under K.S.A. 74-4931, and amendments thereto, is greater than the separate employer rate of contribution for the state of Kansas, the difference in the two rates applied to the actual payroll of the state of Kansas for the applicable fiscal year shall be calculated. This amount shall be certified by the board as additional employer contributions for the participating employers under K.S.A. 74-4931, and amendments thereto, to the division of budget and governor who shall include in the budget each year thereafter provisions for the transfer from the state general fund of sufficient sums to satisfy this obligation. This amount shall be distributed through the same procedure as followed for the employer contribution payments under K.S.A. 74-4939 and K.S.A. 74-4939a, and amendments thereto, and then remitted by the participating employers to the Kansas public employees retirement system for deposit as additional employer contributions to the retirement benefit accumulation reserve for the participating employers under K.S.A. 74-4931, and amendments thereto.*

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

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

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

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

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

(11) For employers affiliating on and after January 1, 1999, the rates of contribution certified to the participating employer as provided in this section shall apply during the fiscal year immediately following such certification, but the rate of contribution during the first year following the employer's entry date shall be equal to 7% of the amount of compensation on which members contribute during the year. Any amount of such first year's contribution which may be in excess of the necessary current service contribution shall be credited by the board to the respective employer's prior service liability.

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

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

Sec. 7. K.S.A. 2004 Supp. 74-4925 is hereby amended to read as follows: 74-4925. (1) The state board of regents shall:

(a) ~~Assist Sponsor and maintain a retirement plan under section 403(b) of the federal internal revenue code for all those members of the faculty and other persons who are employed by the state board of regents or by educational institutions under its the board's management and who are in the unclassified service under the Kansas civil service act as provided in subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, except health care employees, as defined by subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, in the purchase of retirement annuities for their service rendered after December 31, 1961; including effective on the first day of the first payroll period commencing with or following July 1, 1994, county extension agents employed by Kansas state university under K.S.A. 2-615, and amendments thereto shall be eligible for assistance by the state board of regents in the purchase of retirement annuities under this section. the state board of regents shall not assist any such person, except not including: (i) Health care employees, as defined by subsection (1)(f) of K.S.A. 75-2935, and amendments thereto; (ii) cooperative extension service employees covered by a federal retirement plan; or (iii) student employees. An eligible employee who is employed after December 31, 1961, until such person has been employed for a waiting period of at least one year except that (i) the state board of regents may assist any newly employed person immediately if at the time of the commencement of employment the person is covered by a valid retirement annuity contract issued by a company described in subsection (2) which was entered into pursuant to a retirement pension plan adopted for faculty members or other persons, or both, employed by an institution of higher education and to which such person or such person's employer on such person's behalf has been making contributions for at least one year; and (ii) all periods of employment with (A) participating employers under the Kansas public employees retirement system, for which employment participating service credit accrued, or (B) institutions of higher education in other states for which employment retirement benefits accrued under a retirement system or plan provided for such employment, shall be credited toward satisfaction of such one-year waiting period if served, in either case, during the five years immediately preceding employment with the state board of regents or with an educational institution under its management in the unclassified service under the Kansas civil service act as provided in subsection (1)(f) of K.S.A. 75-2935 and amendments thereto; in addition to such employment with the state board of regents or with an educational institution under its management, no period of employment as a student employee, as a seasonal or temporary employee or as~~

a part-time employee, whose employment requires less than 1,000 hours of work per year, shall be credited toward the one-year waiting period under subsection (1)(a); this act shall not apply to persons employed in such temporary and part-time positions designated by the state board of regents as exceptions hereto shall participate in such retirement plan when the employee has completed one year of service with the state board of regents or an educational institution under its management, except that: (i) A newly employed eligible employee shall begin participation in the plan immediately, if at the time of the commencement of employment, the eligible employee is covered as a result of employment with an institution of higher education located in the United States, by a retirement plan or program to which employer contributions have been made and benefits accrued for at least one year within the five-year period immediately preceding employment with the state board of regents or with an educational institution under its management; and (ii) all service while in a position eligible for benefits under any state of Kansas retirement plan with respect to which the employee's participation is mandatory, including service during such plan's waiting period, shall be credited toward the year of service requirement, and an eligible employee who has at least one year in a position eligible for benefits under such retirement plan shall be immediately eligible to participate in the state board of regents retirement plan, except that this one-year period must be completed within the five-year period immediately preceding employment with the state board of regents or with an educational institution under the board's management. For purposes of the immediately preceding clauses (i) and (ii), no period of employment as a student employee, seasonal or temporary employee or employee who works less than half-time shall count toward satisfaction of the year of service requirement. The state board of regents may exclude from eligibility under this subsection any persons employed in such temporary or part-time positions as the board designates;

(b) require such members of the faculty and others described in subsection (1)(a) who are ~~so assisted by~~ eligible to participate in the retirement plan of the state board of regents, as provided in subsection (1)(a), to contribute an amount toward the purchase of such retirement annuities ~~of to such plan equal to 5.5% of their salaries~~ such member's compensation, such contributions to be made through payroll deductions and on a pretax basis;

(c) contribute an amount toward the purchase of such retirement annuities to the retirement plan of the state board of regents, as provided in subsection (1)(a), equal to the percentage amount, as prescribed by K.S.A. 74-4925e and amendments thereto, of the total amount of the salaries compensation on which such members of the faculty and ~~others~~ other persons described in subsection (1)(a) contribute during such period for which the contribution of the state board of regents is made; and

(d) ~~provide, under such rules and regulations as the state board of regents may adopt, for the retirement of any such member of the faculty or other person described in subsection (1)(a) on account of age or condition of health, retirement of such member of the faculty or other person described in subsection (1)(a) on account of age to be not earlier than the 55th birthday and prior to January 1, 1994, not later than the end of the academic year following the 70th year. On and after January 1, 1994, there shall be no mandatory retirement on account of age. Any person who retires under this section and who receives benefits from the Kansas public employees retirement system for prior service credit shall have such benefits calculated in accordance with the applicable provisions of K.S.A. 74-4914 and 74-4915 and amendments thereto make the contributions required under subsections (1)(b) and (1)(c) in accordance with section 403(b) of the federal internal revenue code and all other applicable sections of the federal internal revenue code and the applicable regulations thereunder.~~

(2) For the purposes of this section the state board of regents may contract with:

(a) Any life insurance company authorized to do business in this state; or

(b) any life insurance company organized and operated without profit to any private shareholder or individual exclusively for the purpose of aiding and strengthening educational institutions by issuing insurance and annuity contracts only to or for the benefit of such institution and indi-

~~viduals engaged in the services of such institutions, whether or not such company is authorized to do business in Kansas. No premium tax or income tax shall be due or payable on such annuity contract or contracts for such retirement programs issued by a company described in this subsection (2)(b), except that neither the purchase nor the issuance of such retirement annuities from or by a company described in this subsection (2)(b) shall constitute the effecting of a contract of insurance a bank or approved non-bank trustee or custodian under section 401(f) of the federal internal revenue code, the assets of which are invested in regulated investment company stock.~~

(3) (a) Such member of the faculty or other person described in subsection (1)(a) shall also be a member of the Kansas public employees retirement system, but only for the purpose of granting retirement benefits based on prior service only which was rendered prior to January 1, 1962, which shall be credited to the member as provided in subsection (1) of K.S.A. 74-4913 and amendments thereto, except that such member of the faculty or other person described in subsection (1)(a) who was employed prior to July 1, 1962, who has not yet retired and who is employed on July 1, 1988, on an academic year contract, shall receive credit for 12 months of prior service for each nine months of prior service for which such member or person was employed on an academic year contract prior to July 1, 1962. For the purpose of determining eligibility for a vested benefit, service by such a member of the faculty or other person after December 31, 1961, shall be construed to be credited service under subsection (2) of K.S.A. 74-4917 and amendments thereto.

(b) Any member of the faculty or other person described in subsection (1)(a) who retires after 10 years of continuous service immediately preceding retirement shall be granted a retirement benefit based on prior service only which was rendered prior to January 1, 1962. Application for such benefit shall be in such form and manner as *prescribed by the board shall prescribe of trustees of the Kansas public employees retirement system.*

(4) ~~For the purpose of establishing a procedure whereby the state board of regents and any member of the faculty or other person described in subsection (1)(a), subject to rules and regulations of the state board of regents, may take advantage of section 403(a) or (b) of the federal internal revenue code of 1986 or any other section of the federal internal revenue code of 1986 which defers or excludes amounts from inclusion in income; any member of the faculty or any other person described in subsection (1)(a), whether or not such person has satisfied the one-year waiting period requirement under subsection (1)(a), may request in writing that the state board of regents reduce such person's annual salary, as fixed by the board, in an amount equal to not less than 5% nor more than the percentage allowed under section 403(b) of the federal internal revenue code of 1986, as designated by such member of the faculty or other person described in subsection (1)(a), of the gross amount of such annual salary. In the event of such request by a faculty member or other person who is required to make the contribution as provided in subsection (1)(b), such person shall not be required to make such contribution and the state board of regents shall provide a sum equal to the percentage amount, as prescribed by K.S.A. 74-4925c and amendments thereto, of the gross annual salary of the member of the faculty or other person and shall purchase for and on behalf of each such person whose salary has been so reduced a retirement annuity contract or contracts, the annual premiums for which shall be equal to the sum of the amount of the salary reduction of the member of the faculty or other person and the amount paid by the state board of regents. In the event of such request by a faculty member or other person who is serving the one-year waiting period pursuant to subsection (1)(a) who is not required to make the contribution as provided in subsection (1)(b), the state board of regents shall purchase for and on behalf of each such person whose salary has been so reduced a retirement annuity contract or contracts, the annual premiums for which shall be equal to the sum of the amount of the salary reduction of the member of the faculty or other person, but the state board of regents shall not provide the sum equal to the percentage amount, as prescribed by K.S.A. 74-4925c and amendments thereto, of the gross annual salary of such person as provided for such person who is required to make the contribution as provided in subsection (1)(b). Such retirement annuity contracts~~

may be purchased by the state board of regents from companies described in subsection (2)(a) and subsection (2)(b) or from noninsurance companies who offer retirement plans that meet the requirements of section 403(b) of the federal internal revenue code of 1986, except that the state board of regents may require that the first 5% of the gross amount of such person's annual salary which is reduced under this subsection (4) and the amount equal to the percentage amount, as prescribed by K.S.A. 74-4925c and amendments thereto, of the gross amount of such person's annual salary which is provided by the state board of regents for the purchase of retirement annuity contracts under this subsection (4), if required to be provided under this subsection (4), shall be used to purchase such retirement annuity contracts from such company or companies as may be designated by the state board of regents for such purposes. The director of accounts and reports is authorized to draw warrants on the state treasurer upon the filing with the director of proper vouchers for the amount of the premium on the retirement annuity contract to be paid pursuant to the terms of such contracts and this act.

~~—(5) All employees who are described in subsection (1)(a) and who commence such employment on and after July 1, 1976, shall receive assistance under subsection (1) and shall be covered by a valid retirement annuity contract issued by a company described in subsection (2).~~

~~—(6) Any employee of the state board of regents or of an educational institution under its management, other than an elected official, who is receiving or is eligible for assistance by the state board of regents in the purchase of a retirement annuity under this section and who becomes ineligible for such assistance because such employee's position is reclassified to a position in the classified service under the Kansas civil service act or who becomes ineligible for such assistance because such employee transfers to a position in the classified service under the Kansas civil service act with the state board of regents or an educational institution under its management, shall become a member of the Kansas public employees retirement system in accordance with the provisions of subsection (5) of K.S.A. 74-4911 and amendments thereto, unless such employee files a written election in the office of the Kansas public employees retirement system, in the form and manner prescribed by the board of trustees thereof, to remain eligible for assistance by the state board of regents under this section.~~ *Any employee who becomes eligible to participate in the retirement plan of the state board of regents, as provided in subsection (1)(a), after a reclassification or transfer from a position covered by the Kansas public employees retirement system, and who has accrued benefits under the Kansas public employees retirement system, may file a one-time, irrevocable written election to continue participation in the Kansas public employees retirement system. Failure to file such written election shall be presumed to be an election not to continue participation in the Kansas public employees retirement system and to become a participant in the retirement plan of the state board of regents. Any participant in the retirement plan of the state board of regents who is reclassified or transferred to a position for the state board of regents or an educational institution under its management that qualifies for participation in the Kansas public employees retirement system in accordance with subsection (5) of K.S.A. 74-4911, and amendments thereto, may file a one-time irrevocable written election to continue participation in the retirement plan of the state board of regents. Failure to file such written election shall be presumed to be an election not to remain eligible for assistance by the state board of regents under this section and to become a member of the Kansas public employees retirement system under subsection (5) of K.S.A. 74-4911, and amendments thereto. Such election shall be filed prior to the first day of the first complete payroll period occurring after the effective date of such reclassification or transfer, and shall be effective on the first day of the first complete payroll period after the effective date of such reclassification or transfer. Failure to file such written election shall be presumed to be an election not to remain eligible for assistance by the state board of regents under this section and to become a member of the Kansas public employees retirement system under subsection (5) of K.S.A. 74-4911 and amendments thereto. Such election, whether to remain eligible for such assistance or to become a member of such system, shall be effective as of the effective date of such reclassification or transfer and shall be irrevocable.*

(5) A participant in the retirement plan of the state board of regents, as provided in subsection (1)(a), who takes a leave of absence and accepts a position in the executive branch of government of the state of Kansas may file a one-time, irrevocable written election to continue participation in such retirement plan. Such election shall be filed prior to the first day of the first complete payroll period after commencement of service for the executive branch of government, and shall be effective as of the effective date of such employment. Failure to file such a written election shall be presumed to be an election not to continue participation in the retirement plan of the state board of regents. The state board of regents shall contribute an amount to the retirement plan on behalf of an eligible employee who has made such an election equal to the percentage amount, as prescribed by K.S.A. 74-4925e, and amendments thereto, of the employee's compensation from the state for providing such services.

(6) A participant in the retirement plan of the state board of regents, as provided in subsection (1)(a), who takes a leave of absence and is elected or appointed as a member of the legislature of the state of Kansas may file a one-time, irrevocable written election to continue participation in such retirement plan for purposes of subsection (1)(c) only. Such election shall be filed prior to the first day of the first complete payroll period after commencement of service for the legislature or, for any employee who is a member of the legislature on January 8, 2001, prior to the first day of the first complete payroll period after July 1, 2001. Elections shall be effective as of the effective date of such employment, except that for any employee who files an election as provided in this subsection and who was a member of the legislature on January 8, 2001, such election shall be effective on January 8, 2001. Failure to file such a written election shall be presumed to be an election not to continue participation in the retirement plan of the state board of regents. The state board of regents shall contribute an amount to the retirement plan on behalf of an eligible employee who has made such an election equal to the percentage amount, as prescribed by K.S.A. 74-4925e, and amendments thereto, of the compensation of such employee in effect on the date immediately preceding such leave of absence. Any employee who makes an election as provided under this subsection shall be eligible for the insured death benefit and insured disability benefit in the same manner as provided under the provisions of K.S.A. 74-4927a, and amendments thereto. The provisions of this subsection are intended to further the public policy of encouraging persons to serve in elective office.

(7) The state board of regents shall adopt uniform rules, regulations and policies applicable to members of the faculty and other persons, ~~who are employed by the state board of regents or by any educational institution under its management and who are in the unclassified service under the Kansas civil service act as provided in subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, except health care employees, as defined by subsection (1)(f) of K.S.A. 75-2935 and amendments thereto~~ described in subsection (1)(a), for the purposes of administering the provisions of this section and the ~~provision of retirement annuities and other benefits hereunder~~ retirement plan of the state board of regents, as provided in subsection (1)(a). All ~~assistance provided~~ actions undertaken by the state board of regents for such persons, and agreements entered into ~~therefor~~, pursuant to this section prior to the effective date are hereby authorized, confirmed and validated.

~~(8) Any employee described in subsection (1)(a) who is on leave of absence and who accepts a position in the executive branch of government may file a written election in the office of the Kansas public employees retirement system, in the form and manner prescribed by the board, to remain eligible for assistance by the state board of regents under this section prior to the first day of the first complete payroll period occurring after the commencement of such service in the executive branch of government. Failure to file such written election shall be presumed to be an election not to remain eligible for assistance by the state board of regents. The state board of regents shall contribute an amount toward the purchase of retirement annuities on behalf of such employee equal to the sum of the amounts provided in subsection (1)(c).~~

~~(9) Any employee described in subsection (1)(a) who is on leave of absence and who is elected or appointed as a member of the legislature may file a written election in the office of the state board of regents, in~~

~~the form and manner prescribed by the board, to remain eligible for assistance by the state board of regents under this section prior to the first day of the first complete payroll period occurring after the commencement of such service in the legislature or for any employee who is a member of the legislature on January 8, 2001, prior to the first day of the first complete payroll period occurring after July 1, 2001. Failure to file such written election shall be presumed to be an election not to remain eligible for assistance by the state board of regents. For any employee who files an election as provided in this subsection and who was a member of the legislature on January 8, 2001, such election shall be effective on January 8, 2001. The state board of regents shall contribute an amount toward the purchase of retirement annuities on behalf of such employee equal to the percentage amount, as prescribed by K.S.A. 74-4925e, and amendments thereto, on the biweekly rate of the salary of such employee with the state board of regents in effect on the date preceding such leave of absence and continuing throughout such leave of absence. Any such employee who makes an election as provided by this subsection shall be eligible for the insured death benefit and insured disability benefit in the same manner as provided under the provisions of K.S.A. 74-4927a, and amendments thereto. The provisions of this section are intended to further the public policy of encouraging persons to serve in elective office.~~

~~—(10) Any employee who filed a written election under subsection (9) prior to July 1, 2001, and who is a member of the legislature after January 14, 2002, may file a written election in the office of the state board of regents, in a form and manner prescribed by the board, to be eligible for an amount to be contributed for any periods prior to January 8, 2001, that an employee was on leave of absence and who was elected or appointed as a member of the legislature. The board of regents shall submit a request to the director of legislative administrative services to calculate an amount to be contributed toward the purchase of the employee's retirement annuities and to include in the request a certification of the dates for leaves of absence taken by the employee prior to January 8, 2001, for the purpose of serving in the legislature during regular sessions. The amount shall be calculated by the director of legislative administrative services for periods during which the legislature was in regular session; first by annualizing the compensation and expenses allowance under subsections (a) and (b) of K.S.A. 46-137a and amendments thereto paid to any such legislator during those periods; and second, by applying the annual interest earnings assumed by the board of trustees of the Kansas public employees retirement system for the purpose of anticipating actuarial gains on investments for the same time periods. The amount calculated by the director of legislative administrative services shall be submitted to the board of regents. The board of regents shall contribute such amount submitted toward the purchase of retirement annuities on behalf of such employee.~~

Sec. 8. K.S.A. 74-4925b is hereby amended to read as follows: 74-4925b. The state board of regents may establish a procedure whereby any ~~person employed by~~ *employee of the state board of regents* or any educational institution under its control who is not described in clause (a) of subsection (1) of K.S.A. 74-4925 and including unclassified employees who are members of the cooperative extension service and appointed pursuant to the federal Smith-Lever Act, as amended, may, subject to rules and regulations of said board of regents, request said board of regents in writing for a reduction in compensation and the contribution thereof for tax sheltered annuities as permitted under the provisions of the internal revenue code of 1954, as amended. For the purposes of the Kansas public employees' retirement system, "compensation" as used in this act shall have the meaning ascribed thereto in K.S.A. 74-4932 and for cooperative extension service employees compensation shall mean the total of all salaries and wages paid by the federal, state and county for personal services performed as a member of the cooperative extension service *the board's management, but not including student employees, subject to the rules and regulations of the state board of regents, may voluntarily request that the state board of regents reduce the employee's compensation and contribute such to an investment provider who has been approved by the state board of regents to offer contracts in accord-*

ance with section 403(b) of the federal internal revenue code. The state board of regents may exclude from eligibility under this section any persons employed in such temporary or part-time positions as the board designates.

Sec. 9. K.S.A. 74-4925e is hereby amended to read as follows: 74-4925e. On and after the effective date of this act, the percentage amount to be contributed ~~or provided~~ by the state board of regents under subsection (1)(c) ~~or subsection (4)~~ of K.S.A. 74-4925, and amendments thereto, shall be computed on the basis of 8.5% for payroll periods chargeable to the fiscal year ending June 30, 1994.

Sec. 10. K.S.A. 2004 Supp. 74-4927 is hereby amended to read as follows: 74-4927. (1) The board may establish a plan of death and long-term disability benefits to be paid to the members of the retirement system as provided by this section. The long-term disability benefit shall ~~not be payable until the member has been prevented from carrying out each and every duty pertaining to the member's employment as a result of sickness or injury for a period of 180 days and the annual benefit shall not exceed an amount equal to 66²/₃% of the member's annual rate of compensation on the date such disability commenced and shall be payable in equal monthly installments. In the event that a member's compensation is not fixed at an annual rate but on an hourly, weekly, biweekly, monthly or any other basis than annual, the board shall prescribe by rule and regulation a formula for establishing a reasonable rate of annual compensation to be used in determining the amount of the death or long-term disability benefit for such member in accordance with the terms of such plan as established by the board, except that for any member who is disabled prior to the effective date of this act, the annual disability benefit amount shall be an amount equal to 66²/₃% of the member's annual rate of compensation on the date such disability commenced.~~ Such plan shall provide that:

(A) For deaths occurring prior to January 1, 1987, the right to receive such death benefit shall cease upon the member's attainment of age 70 or date of retirement whichever first occurs. The right to receive such long-term disability benefit shall cease (i) for a member who becomes eligible for such benefit before attaining age 60, upon the date that such member attains age 65 or the date of such member's retirement, whichever first occurs, *and* (ii) for a member who becomes eligible for such benefit at or after attaining age 60, the date that such member has received such benefit for a period of five years, ~~upon the date that such member attains age 70; or upon the date of such member's retirement, whichever first occurs; (iii) for all disabilities incurred on or after January 1, 1987, for a member who becomes eligible for such benefit at or after attaining age 70, the date that such member has received such benefit for a period of 12 months or upon the date of such member's retirement, whichever first occurs, and (iv) for all disabilities incurred on or after January 1, 1987, for a member who becomes eligible for such benefit at or after attaining age 75, the date that such member has received such benefit for a period of six months or upon the date of such member's retirement, whichever first occurs.~~

(B) Long-term disability benefit payments shall be in lieu of any accidental total disability benefit that a member may be eligible to receive under subsection (3) of K.S.A. 74-4916 and amendments thereto. The member must make an initial application for social security disability benefits and, if denied such benefits, the member must pursue and exhaust all administrative remedies of the social security administration which include, but are not limited to, reconsideration and hearings. Such plan may provide that any amount which a member receives as a social security benefit or a disability benefit or compensation from any source by reason of any employment including, but not limited to, workers compensation benefits may be deducted from the amount of long-term disability benefit payments under such plan. During the period in which such member is pursuing such administrative remedies prior to a final decision of the social security administration, social security disability benefits may be estimated and may be deducted from the amount of long-term disability benefit payments under such plan. ~~Such long-term disability payments shall accrue from the later of the 181st day of total disability or the first day upon which the member ceases to draw compensation from the em-~~

~~ployer.~~ If the social security benefit, workers compensation benefit, other income or wages or other disability benefit by reason of employment, or any part thereof, is paid in a lump-sum, the amount of the reduction shall be calculated on a monthly basis over the period of time for which the lump-sum is given. ~~In no case shall a member who is entitled to receive long-term disability benefits receive less than \$50 per month.~~ As used in this section, “workers compensation benefits” means the total award of disability benefit payments under the workers compensation act notwithstanding any payment of attorney fees from such benefits as provided in the workers compensation act.

(C) The plan may include other provisions relating to qualifications for benefits; schedules and graduation of benefits; limitations of eligibility for benefits by reason of termination of employment or membership; conversion privileges; limitations of eligibility for benefits by reason of leaves of absence, military service or other interruptions in service; limitations on the condition of long-term disability benefit payment by reason of improved health; requirements for medical examinations or reports; or any other reasonable provisions as established by rule and regulation of uniform application adopted by the board.

~~(D) On and after April 30, 1981, the board may provide under the plan for the continuation of long-term disability benefit payments to any former member who forfeits the entitlement to continued service credit under the retirement system or continued assistance in the purchase of retirement annuities under K.S.A. 74-4925 and amendments thereto and to continued long-term disability benefit payments and continued death benefit coverage, by reason of the member's withdrawal of contributions from the retirement system or the repurchase of retirement annuities which were purchased with assistance received under K.S.A. 74-4925 and amendments thereto. Such long-term disability benefit payments may be continued until such individual dies, attains age 65 or is no longer disabled, whichever occurs first.~~

~~—(E) Any visually impaired person who is in training at and employed by a sheltered workshop for the blind operated by the secretary of social and rehabilitation services and who would otherwise be eligible for the long-term disability benefit as described in this section shall not be eligible to receive such benefit due to visual impairment as such impairment shall be determined to be a preexisting condition.~~

(2) (A) In the event that a member becomes eligible for a long-term disability benefit under the plan authorized by this section such member shall be given participating service credit for the entire period of such disability. Such member's final average salary shall be computed in accordance with subsection (17) of K.S.A. 74-4902 and amendments thereto except that the years of participating service used in such computation shall be the years of salaried participating service.

(B) In the event that a member eligible for a long-term disability benefit under the plan authorized by this section shall be disabled for a period of five years or more immediately preceding retirement, such member's final average salary shall be adjusted upon retirement by the actuarial salary assumption rates in existence during such period of disability. Effective July 1, 1993, such member's final average salary shall be adjusted upon retirement by 5% for each year of disability after July 1, 1993, but before July 1, 1998. Effective July 1, 1998, such member's final average salary shall be adjusted upon retirement by an amount equal to the lesser of: (i) The percentage increase in the consumer price index for all urban consumers as published by the bureau of labor statistics of the United States department of labor minus 1%; or (ii) four percent per annum, measured from the member's last day on the payroll to the month that is two months prior to the month of retirement, for each year of disability after July 1, 1998.

(C) In the event that a member eligible for a long-term disability benefit under the plan authorized by this section shall be disabled for a period of five years or more immediately preceding death, such member's current annual rate shall be adjusted by the actuarial salary assumption rates in existence during such period of disability. Effective July 1, 1993, such member's current annual rate shall be adjusted upon death by 5% for each year of disability after July 1, 1993, but before July 1, 1998. Effective July 1, 1998, such member's current annual rate shall be adjusted upon death by an amount equal to the lesser of: (i) The percentage

increase in the consumer price index for all urban consumers published by the bureau of labor statistics of the United States department of labor minus 1%; or (ii) four percent per annum, measured from the member's last day on the payroll to the month that is two months prior to the month of death, for each year of disability after July 1, 1998.

(3) (A) To carry out the legislative intent to provide, within the funds made available therefor, the broadest possible coverage for members who are in active employment or involuntarily absent from such active employment, the plan of death and long-term disability benefits shall be subject to adjustment from time to time by the board within the limitations of this section. The plan may include terms and provisions which are consistent with the terms and provisions of group life and long-term disability policies usually issued to those employers who employ a large number of employees. The board shall have the authority to establish and adjust from time to time the procedures for financing and administering the plan of death and long-term disability benefits authorized by this section. Either the insured death benefit or the insured disability benefit or both such benefits may be financed directly by the system or by one or more insurance companies authorized and licensed to transact group life and group accident and health insurance in this state.

(B) The board may contract with one or more insurance companies, which are authorized and licensed to transact group life and group accident and health insurance in Kansas, to underwrite or to administer or to both underwrite and administer either the insured death benefit or the long-term disability benefit or both such benefits. Each such contract with an insurance company under this subsection shall be entered into on the basis of competitive bids solicited and administered by the board. Such competitive bids shall be based on specifications prepared by the board.

(i) In the event the board purchases one or more policies of group insurance from such company or companies to provide either the insured death benefit or the long-term disability benefit or both such benefits, the board shall have the authority to subsequently cancel one or more of such policies and, notwithstanding any other provision of law, to release each company which issued any such canceled policy from any liability for future benefits under any such policy and to have the reserves established by such company under any such canceled policy returned to the system for deposit in the group insurance reserve of the fund.

(ii) In addition, the board shall have the authority to cancel any policy or policies of group life and long-term disability insurance in existence on the effective date of this act and, notwithstanding any other provision of law, to release each company which issued any such canceled policy from any liability for future benefits under any such policy and to have the reserves established by such company under any such canceled policy returned to the system for deposit in the group insurance reserve of the fund. Notwithstanding any other provision of law, no premium tax shall be due or payable by any such company or companies on any such policy or policies purchased by the board nor shall any brokerage fees or commissions be paid thereon.

(4) (A) There is hereby created in the state treasury the group insurance reserve fund. Investment income of the fund shall be added or credited to the fund as provided by law. The cost of the plan of death and long-term disability benefits shall be paid from the group insurance reserve fund, which shall be administered by the board. Except as otherwise provided by this subsection, *for the period commencing July 1, 2005, and ending June 30, 2006*, each participating employer shall appropriate and pay to the system in such manner as the board shall prescribe in addition to the employee and employer retirement contributions an amount equal to ~~.6%~~ .8% of the amount of compensation on which the members' contributions to the Kansas public employees retirement system are based for deposit in the group insurance reserve fund. *For the period commencing July 1, 2006, and all periods thereafter*, each participating employer shall appropriate and pay to the system in such manner as the board shall prescribe in addition to the employee and employer retirement contributions an amount equal to 1.0% of the amount of compensation on which the members' contributions to the Kansas public employees retirement system are based for deposit in the group insurance reserve fund. Notwithstanding the provisions of this subsection, no participating employer shall appropriate and pay to the system any

amount provided for by this subsection for deposit in the group insurance reserve fund for the period commencing on April 1, 2000, and ending on December 31, 2001, for the period commencing July 1, 2002, and ending December 31, 2002, or for the period commencing April 1, 2003, and ending on June 30, 2004.

(B) The director of the budget and the governor shall include in the budget and in the budget request for appropriations for personal services a sum to pay the state's contribution to the group insurance reserve fund as provided by this section and shall present the same to the legislature for allowances and appropriation.

(C) The provisions of subsection (4) of K.S.A. 74-4920 and amendments thereto shall apply for the purpose of providing the funds to make the contributions to be deposited to the group insurance reserve fund.

(D) Any dividend or retrospective rate credit allowed by an insurance company or companies shall be credited to the group insurance reserve fund and the board may take such amounts into consideration in determining the amounts of the benefits under the plan authorized by this section.

(5) The death benefit provided under the plan of death and long-term disability benefits authorized by this section shall be known and referred to as insured death benefit. The long-term disability benefit provided under the plan of death and long-term disability benefits authorized by this section shall be known and referred to as long-term disability benefit.

(6) The board is hereby authorized to establish an optional death benefit plan *for employees and spouses and dependents of employees*. Except as provided in subsection (7), such optional death benefit plan shall be made available to all employees who are covered or may hereafter become covered by the plan of death and long-term disability benefits authorized by this section. The cost of the optional death benefit plan shall be paid by the applicant either by means of a system of payroll deductions or direct payment to the board. The board shall have the authority and discretion to establish such terms, conditions, specifications and coverages as it may deem to be in the best interest of the state of Kansas and its employees which should include term death benefits for the person's period of active state employment regardless of age, but in no case, shall the maximum allowable coverage be less than \$200,000. The cost of the optional death benefit plan shall not be established on such a basis as to unreasonably discriminate against any particular age group. The board shall have full administrative responsibility, discretion and authority to establish and continue such optional death benefit plan and the director of accounts and reports of the department of administration shall when requested by the board and from funds appropriated or available for such purpose establish a system to make periodic deductions from state payrolls to cover the cost of the optional death benefit plan coverage under the provisions of this subsection (6) and shall remit all deductions together with appropriate accounting reports to the system. There is hereby created in the state treasury the optional death benefit plan reserve fund. Investment income of the fund shall be added or credited to the fund as provided by law. All funds received by the board, whether in the form of direct payments, payroll deductions or otherwise, shall be accounted for separately from all other funds of the retirement system and shall be paid into the optional death benefit plan reserve fund, from which the board is authorized to make the appropriate payments and to pay the ongoing costs of administration of such optional death benefit plan as may be incurred in carrying out the provisions of this subsection (6).

(7) Any employer other than the state of Kansas which is currently a participating employer of the Kansas public employees retirement system or is in the process of affiliating with the Kansas public employees retirement system may also elect to affiliate for the purposes of subsection (6). All such employers shall make application for affiliation with such system, to be effective on January 1 *or July 1* next following application.

(8) For purposes of the death benefit provided under the plan of death and long-term disability benefits authorized by this section and the optional death benefit plan authorized by subsection (6), commencing on the effective date of this act, in the case of medical or financial hardship of the member as determined by the executive director, or otherwise

commencing January 1, 2005, the member may name a beneficiary or beneficiaries other than the beneficiary or beneficiaries named by the member to receive other benefits as provided by the provisions of K.S.A. 74-4901 et seq., and amendments thereto.

Sec. 11. K.S.A. 74-4927a is hereby amended to read as follows: 74-4927a. (1) For the purposes of providing the “insured death benefit” and “insured disability benefit” as prescribed in K.S.A. 74-4927 and amendments thereto ~~to, the term “member” as used in K.S.A. 74-4927, and amendments thereto, shall include those members of the faculty and other persons employed by educational institutions under the management of the state board of regents as defined in paragraph (a) of subsection (1) of K.S.A. 74-4925 and amendments thereto, and who are receiving assistance in the purchase of retirement annuities as therein provided, the term “member” as used in K.S.A. 74-4927 and amendments thereto shall include the aforementioned members of the faculty and other persons employed by educational institutions under the management of the state board of regents and who are receiving such assistance, as defined in subsection (1)(a) of K.S.A. 74-4925, and amendments thereto, who are eligible to participate in the retirement plan of the state board of regents as provided in K.S.A. 74-4925, and amendments thereto.~~

(2) Each *educational* institution under the *management of the* state board of regents shall pay to the Kansas public employees retirement system in such manner as the board of trustees shall prescribe each payroll period an amount sufficient to pay the employer’s contribution to the group insurance reserve as provided in K.S.A. 74-4927 and amendments thereto. Subsection (2) of K.S.A. 74-4932 and amendments thereto shall also apply in determining such contributions and benefits.

(3) Each *educational* institution under the *management of the* state board of regents shall maintain a file of the beneficiaries named by the persons covered under the provisions of this act in the form and manner as prescribed by the board of trustees.

(4) ~~In the event that a member of the faculty or other person as defined in this section becomes eligible for the insured disability benefit, the state board of regents shall continue to provide the assistance including the payment of employers and employees contributions in the purchase of the retirement annuities as provided in K.S.A. 74-4925 and amendments thereto, until the date of retirement. Except as otherwise provided, in the event that a member of the faculty or other person defined in subsection (1)(a) of K.S.A. 74-4925, and amendments thereto, who is an active participant in the retirement plan of the state board of regents becomes eligible for and begins to receive the insured disability benefit prescribed in K.S.A. 74-4927, and amendments thereto, the state board of regents shall continue to make the contributions on behalf of such individual to the retirement plan of the state board of regents provided under subsection (1)(c) of K.S.A. 74-4925 and 74-4925e, and amendments thereto, and shall also contribute to the retirement plan an amount equal to the individual’s contribution required under subsection (b)(1) of K.S.A. 74-4925, and amendments thereto. Commencing on and after July 1, 2005, such contributions shall cease at the earliest of: (A) The date that the individual is no longer entitled to an insured disability benefit under K.S.A. 74-4927, and amendments thereto; (B) the date that is five years after the date the individual becomes eligible for and begins to receive the insured disability benefit prescribed in K.S.A. 74-4927, and amendments thereto; or (C) the date required by section 403(b)(3) of the federal internal revenue code. For purposes of applying this subsection, compensation under subsections (1)(b) and (1)(c) of K.S.A. 74-4925, and amendments thereto, means the individual’s compensation at the time the individual became disabled as defined under the insured disability program prescribed in K.S.A. 74-4927, and amendments thereto. Retirement plan contributions under this subsection shall be made in accordance with the requirements of section 403(b)(3) of the federal internal revenue code.~~

(5) The state board of regents may establish a plan of long-term disability benefits to be paid to members of the faculty or other persons defined in subsection (1)(a) of K.S.A. 74-4925, and amendments thereto, who become eligible for an insured disability benefit under K.S.A. 74-4927, and amendments thereto, and who satisfy the eligibility criteria set forth in this subsection. Long-term disability benefits paid under this sub-

section shall be in the same amount payable to the retirement plan of the state board of regents under subsection (4), but shall be paid on a taxable basis. Long-term disability benefits under this subsection shall be payable to a member of the faculty or other person defined in subsection (1)(a) of K.S.A. 74-4925, and amendments thereto, who:

(A) Is an active participant in the retirement plan of the state board of regents on July 1, 2005; has less than 10 years of participation in the retirement plan of the state board of regents as of July 1, 2005; becomes entitled to the insured disability benefit prescribed in K.S.A. 74-4927, and amendments thereto, before July 1, 2010; and has been a participant in the retirement plan of the state board of regents continuously from July 1, 2005, until the date entitled to the insured disability benefit prescribed in K.S.A. 74-4927, and amendments thereto;

(B) is an active participant in the retirement plan of the state board of regents on July 1, 2005; has 10 or more years of participation in the retirement plan of the state board of regents as of July 1, 2005; becomes entitled to the insured disability benefit prescribed in K.S.A. 74-4927, and amendments thereto; and has been a participant in the retirement plan of the state board of regents continuously from July 1, 2005, until the date entitled to the insured disability benefit prescribed in K.S.A. 74-4927, and amendments thereto;

(C) is receiving the insured disability benefit prescribed in K.S.A. 74-4927, and amendments thereto, on July 1, 2005; or

(D) is disabled within the meaning of K.S.A. 74-4927, and amendments thereto, on July 1, 2005, but is still in the waiting period, if any, before the insured disability benefit prescribed in K.S.A. 74-4927, and amendments thereto, begins.

In no event is an individual who is not an active participant in the retirement plan of the state board of regents on July 1, 2005, entitled to a long-term disability benefit under this subsection. An eligible individual shall begin receiving long-term disability benefits under this subsection at such time that the individual is no longer entitled to retirement plan contributions under subsection (4), and shall cease receiving long-term disability benefits under this subsection at such time that the individual is no longer entitled to the insured disability benefit prescribed in K.S.A. 74-4927, and amendments thereto. In no event shall long-term disability benefits payable under this subsection in any way reduce the insured disability benefits prescribed in K.S.A. 74-4927, and amendments thereto, nor shall long-term disability benefits payable under this subsection in any way delay the commencement of payment of the insured disability benefits prescribed in K.S.A. 74-4927, and amendments thereto.

(6) The state board of regents shall have the authority to establish and adjust from time to time the procedures for financing and administering the long-term disability plan authorized by this section. The long-term disability benefit may be financed directly by the state board of regents or by one or more insurance companies authorized and licensed to transact group life and group accident and health insurance in Kansas. The state board of regents may also contract with one or more insurance companies authorized and licensed to transact group life and group accident and health insurance in Kansas to underwrite or to administer, or both, the long-term disability benefit under this section. Each such contract with an insurance company under this subsection shall be entered into on the basis of competitive bids solicited and administered by the state board of regents, and such competitive bids shall be based on specifications prepared by the board.

(7) In the event the state board of regents purchases one or more policies of group insurance from such company or companies to finance the long-term disability plan, the board shall have the authority to subsequently cancel one or more of such policies and, notwithstanding any other provision of law, to release each company which issued any such canceled policy from any liability for future benefits under any such policy and to have the reserves established by such company under any such canceled policy returned to the state board of regents.

(8) Any member of the faculty or other person as defined in ~~this section~~ K.S.A. 74-4927, and amendments thereto, may elect to continue to participate in the ~~plan of death and long-term disability benefits insured disability plan and insured death plan~~ as prescribed in K.S.A. 74-4927, and amendments thereto, while on leave of absence without com-

pensation from an educational institution under the management of the state board of regents. Such member or person's election is valid only if such member or person files notice of such election with such member's or person's educational institution. Such member or person shall remit an amount equal to the required contributions to such educational institution. The educational institution shall report and remit such contributions in the same form and manner as other contributions are remitted by such educational institution. Such contributions shall not be more than such contributions would have been had such member or person not commenced such leave of absence. Upon returning to employment with an educational institution under the management of the state board of regents, for such member or person who elects to continue coverage as provided in this subsection, the provisions of subsections (1) through ~~(4)~~ (5) of this section shall apply.

Sec. 12. K.S.A. 74-4932 is hereby amended to read as follows: 74-4932. As used in this act, unless the context otherwise requires:

(1) "Accumulated contributions" means the sum of all contributions by a member to the system which shall be credited to such member's account, with interest allowed thereon, plus such member's contributions transferred from the school employees savings fund of the state school retirement system;

(2) "compensation" means the same as defined in subsection (9) of K.S.A. 74-4902 and amendments thereto;

(3) "school year" means the twelve-month period beginning September 1 and ending August 31;

(4) "employee" means any employee of a participating employer which is an eligible employer, as specified in K.S.A. 74-4931 and amendments thereto, whose employment is not seasonal or temporary and whose employment requires at least 630 hours of work per year or 3.5 hours of work per day for at least 180 days or any employee who is concurrently employed by two or more eligible employers, as specified in K.S.A. 74-4931 and amendments thereto, whose combined employment is not seasonal or temporary and whose combined employment requires at least 630 hours of work per year or 3.5 hours of work per day for at least 180 days. Employee shall not include:

(a) Any employee who is covered by or eligible for or who will become eligible for retirement benefits under any retirement plan or system provided by K.S.A. 74-4925 and amendments thereto;

(b) any employee who is a contributing member of the United States civil service retirement system;

(c) any employee or class of employees specifically exempt by law, except those persons who were formerly employees of one or more of the participating employers which are eligible employers as specified in K.S.A. 74-4931 and amendments thereto, who are covered by and have contributions on deposit with the state school retirement system and who have not retired under that system on the day next preceding entry date;

(d) any employee who on entry date is covered by or eligible for or will become eligible for retirement benefits under a separate retirement system authorized or established under K.S.A. 72-1758 to 72-1769, inclusive, and amendments thereto, or K.S.A. 72-6780 and amendments thereto, except that this paragraph (d) shall not include any employee, who before September 1, 1974, elects to become a member of the Kansas public employees retirement system as provided in K.S.A. 74-4935a and amendments thereto; or

(e) on and after July 1, 1975, no person who is otherwise eligible for membership in the Kansas public employees retirement system shall be barred from such membership by reason of coverage by, eligibility for or future eligibility for a retirement annuity under the provisions of K.S.A. 74-4925 and amendments thereto. However, no person shall receive service credit under the Kansas public employees retirement system for any period of service for which benefits accrue or are granted under a retirement annuity plan under the provisions of K.S.A. 74-4925 and amendments thereto;

(5) "executive director" means the managing officer of the system as defined in subsection (16) of K.S.A. 74-4902 and amendments thereto;

(6) "military service" means the same as defined in subsection (22) of K.S.A. 74-4902 and amendments thereto, and includes such service

when followed by return to employment with the same or another participating employer on or before the beginning of the next school year following discharge or separation from such military service;

(7) “normal retirement date” means the same as defined in subsection (23) of K.S.A. 74-4902 and amendments thereto, as modified by subsection (1) of K.S.A. 74-4937 and amendments thereto;

(8) “school employment” means the employment of a member when employed by an eligible employer as specified in any of subsection (1), (2) or (3) of K.S.A. 74-4931 and amendments thereto; and

(9) “USERRA” means the same as defined in subsection ~~(35)~~ (34) of K.S.A. 74-4902 and amendments thereto.

Sec. 13. K.S.A. 74-4952 is hereby amended to read as follows: 74-4952. As used in K.S.A. 74-4951 et seq. and amendments thereto:

(1) “Accumulated contributions” means the sum of all contributions by a member to the system which shall be credited to the member’s account with interest allowed thereon after June 30, 1982.

(2) “Disability” means the total inability to perform permanently the duties of the position of a policeman or fireman.

(3) “Eligible employer” means any city, county, township or other political subdivision of the state employing one or more employees as firemen or policemen.

(4) “Employee” means any policeman or fireman employed by a participating employer whose employment for police or fireman purposes is not seasonal or temporary and requires at least 1,000 hours of work per year.

(5) “Entry date” means the date as of which an eligible employer joins the system; the first entry date pursuant to this act is January 1, 1967.

(6) “Final average salary” means:

(a) For members who are first hired as an employee, as defined in subsection (4), before July 1, 1993, the average highest annual compensation paid to a member for any three of the last five years of participating service immediately preceding retirement or termination of employment, or if participating service is less than three years, then the average annual compensation paid to the member during the full period of participating service, or if a member has less than one calendar year of participating service, then the member’s final average salary shall be computed by multiplying the member’s highest monthly salary received in that year by 12;

(b) for members who are first hired as an employee, as defined in subsection (4), on and after July 1, 1993, the average highest annual salary, as defined in subsection ~~(34)~~ (33) of K.S.A. 74-4902 and amendments thereto, paid to a member for any three of the last five years of participating service immediately preceding retirement or termination of employment, or if participating service is less than three years, then the average annual salary, as defined in subsection (34) of K.S.A. 74-4902 and amendments thereto, paid to the member during the full period of participating service, or if a member has less than one calendar year of participating service, then the member’s final average salary shall be computed by multiplying the member’s highest monthly salary received in that year by 12;

(c) for purposes of subparagraphs (a) and (b) of this subsection, the date that such member is first hired as an employee for members who are employees of employers that elected to participate in the system on or after January 1, 1994, shall be the date that such employee’s employer elected to participate in the system; and

(d) for any application to purchase or repurchase service credit for a certain period of service as provided by law received by the system after May 17, 1994, for any member who will have contributions deducted from such member’s compensation at a percentage rate equal to two or three times the employee’s rate of contribution or who will have contributions deducted from such member’s compensation at an additional rate of contribution, in addition to the employee’s rate of contribution as provided in K.S.A. 74-4919 and amendments thereto or will begin paying to the system a lump-sum amount for such member’s purchase or repurchase, and such deductions or lump-sum payment commences after the commencement of the first payroll period in the third quarter, “final average

salary” shall not include any amount of compensation or salary which is based on such member’s purchase or repurchase. Any application to purchase or repurchase multiple periods of service shall be treated as multiple applications.

(e) Notwithstanding any other provision of this section, for purposes of applying limits as provided by the federal internal revenue code, salary shall have the meaning as determined pursuant to K.S.A. 74-49,123 and amendments thereto.

(7) “Retirement benefit” means a monthly income or the actuarial equivalent thereof paid in such manner as specified by the member as provided under the system or as otherwise allowed to be paid at the discretion of the board, with benefits accruing from the first day of the month coinciding with or following retirement and ending on the last day of the month in which death occurs. Upon proper identification such surviving spouse may negotiate the warrant issued in the name of the retirant.

(8) “Normal retirement date” means the date on or after which a member may retire with eligibility for retirement benefits for age and service as provided in subsections (1) and (3) of K.S.A. 74-4957 and amendments thereto;

(9) “Retirement system” or “system” means the Kansas police and firemen’s retirement system as established by this act and as it may be hereafter amended.

(10) “Service-connected” means with regard to a death or any physical or mental disability, any such death or disability resulting from external force, violence or disease occasioned by an act of duty as a policeman or fireman and, for any member after five years of credited service, there shall be a rebuttable presumption, that any death or disability resulting from a heart disease or disease of the lung or respiratory tract or cancer as provided in this subsection, except that in the event that the member ceases to be a contributing member by reason of a service-connected disability for a period of six months or more and then again becomes a contributing member, the provision relating to death or disability resulting from a heart disease, disease of the lung or respiratory tract or cancer as provided in this subsection shall not apply until such member has again become a contributing member for a period of not less than two years or unless clear and precise evidence is presented that the heart disease, disease of the lung or respiratory tract or cancer as provided in this subsection was in fact occasioned by an act of duty as a policeman or fireman. If the retirement system receives evidence to the contrary of such presumption, the burden of proof shall be on the member or other party to present evidence that such death or disability was service-connected. The provisions of this section relating to the presumption that the death or disability resulting from cancer is service-connected shall only apply if the condition that caused the death or disability is a type of cancer which may, in general, result from exposure to heat, radiation or a known carcinogen.

(11) Prior to July 1, 1998, “fireman” or “firemen” means an employee assigned to the fire department and engaged in the fighting and extinguishment of fires and the protection of life and property therefrom or in support thereof and who is specifically designated, appointed, commissioned or styled as such by the governing body or city manager of the participating employer and certified to the retirement system as such. On and after July 1, 1998, “fireman” or “firemen” means an employee assigned to the fire department whose principal duties are engagement in the fighting and extinguishment of fires and the protection of life and property therefrom and who is specifically designated, appointed, commissioned or styled as such by the governing body or city manager of the participating employer and certified to the retirement system as such.

(12) Prior to July 1, 1998, “police,” “policeman” or “policemen” means an employee assigned to the police department and engaged in the enforcement of law and maintenance of order within the state and its political subdivisions, including sheriffs and sheriffs’ deputies, or in support thereof and who is specifically designated, appointed, commissioned or styled as such by the governing body or city manager of the participating employer and certified to the retirement system as such. On and after July 1, 1998, “police,” “policeman” or “policemen” means an employee assigned to the police department whose principal duties are en-

gagement in the enforcement of law and maintenance of order within the state and its political subdivisions, including sheriffs and sheriffs' deputies; who has successfully completed the required course of instruction for law enforcement officers approved by the Kansas law enforcement training center and is certified pursuant to the provisions of K.S.A. 74-5607a and amendments thereto; and who is specifically designated, appointed, commissioned or styled as such by the governing body or city manager of the participating employer and certified to the retirement system as such. Notwithstanding any other provisions of this subsection, "police," "policeman" or "policemen" shall include a city or county correctional officer who is specifically designated, appointed, commissioned or styled as such by the governing body or city manager of the participating employer and certified to the retirement system as such commencing on July 1, 1998, and ending on June 30, 1999.

(13) Except as otherwise defined in this act, words and phrases used in K.S.A. 74-4951 et seq. and amendments thereto, shall have the same meanings ascribed to them as are defined in K.S.A. 74-4902 and amendments thereto.

Sec. 14. K.S.A. 76-746 is hereby amended to read as follows: 76-746. (a) The state board of regents is hereby authorized to develop and implement a phased-retirement program for unclassified employees of state educational institutions under the ~~control and supervision~~ *management* of the board in accordance with the provisions of this act. Subject to rules and regulations adopted by the state board of regents, each state educational institution may enter into phased-retirement agreements under this section with unclassified employees of the institution. Such agreements shall provide that the unclassified employee shall accept an appointment in a position which is less than the employee's current appointment but which is at least ¼ time, and the state educational institution shall pay on behalf of the employee: (1) The amount specified by the Kansas state employees health care commission under K.S.A. 75-6508, and amendments thereto, as if the employee is serving under a full-time appointment as an employee of the state educational institution and participating in the state health care benefits program to provide for such participation of the employee;; (2) the amount of *contributions* required ~~to assist in the purchase of retirement annuities~~ under *subsection (1)(c) of K.S.A. 74-4925*, and amendments thereto, ~~as if the employee is serving under a full-time appointment as an employee of the state educational institution;~~ and (3) the amount required as contributions under subsection (2) of K.S.A. 74-4927a, and amendments thereto, ~~as if the employee is serving under a full-time appointment as an employee of the state educational institution at the full-time equivalent salary.~~ For each unclassified employee who has entered into a phased-retirement agreement with a state educational institution under this section, the ~~full-time equivalent salary, calculated as if the employee is serving under a full-time appointment as an employee of the state educational institution;~~ *compensation that the employee would have been entitled to receive based upon the employee's percentage appointment immediately preceding entry into phased-retirement* shall be utilized for the purposes of calculating all employer provided benefits, including but not limited to, compensation for accumulated sick leave, the insured death benefit and the insured disability benefit under K.S.A. 74-4927, and amendments thereto, ~~and calculating final average salary as defined in subsection (17) of K.S.A. 74-4902, and amendments thereto, and retirement plan contributions under subsection (1)(c) of K.S.A. 74-4925, and amendments thereto.~~

(b) For the purposes of this section, the term "unclassified employee" means an employee of a state educational institution, except health care employees, who is within the unclassified service under the Kansas civil service act, *who is a participant in the retirement plan of the state board of regents, as provided in subsection (1)(a) of K.S.A. 74-4925, and amendments thereto*, and who meets minimum age and service requirements as determined and prescribed by the board of regents.

New Sec. 15. (a) (1) Notwithstanding the provisions of K.S.A. 74-4971 and amendments thereto, on or after the effective date of this act, the office of state fire marshal shall affiliate with the Kansas police and firemen's retirement system established under the provisions of K.S.A. 74-4951 et seq., and amendments thereto, pursuant to the provisions of

this act for membership in the system of members of the staff of the office of state fire marshal who have successfully completed the required course of instruction for law enforcement officers approved by the Kansas law enforcement training center and are certified pursuant to the provisions of K.S.A. 74-5607a, and amendments thereto, and who are employed in a position which such certification is required. For purposes of such affiliation for membership in the system of such members, the office of state fire marshal shall be considered a new participating employer. The office of state fire marshal shall make application for affiliation with such system in the manner provided by K.S.A. 74-4954 and amendments thereto, to be effective on July 1, next following application. The office of state fire marshal shall affiliate for membership in the system of such members for participating service credit.

(2) The office of state fire marshal shall appropriate and pay a sum sufficient to satisfy any obligations as certified by the board of trustees of the retirement system and the employer contributions of the office of state fire marshal shall be as provided in subsection (1) of K.S.A. 74-4967, and amendments thereto.

(b) (1) Each such member of the staff employed by the office of state fire marshal on the date of affiliation, may become a member of the Kansas police and firemen's retirement system on the first day of the payroll period of such member, coinciding with or following the entry date of the office of state fire marshal as provided in this section, only by filing with the board of trustees of the system, on or before the entry date of the office of state fire marshal as provided in this section, a written election to become a member of the system. Failure to file such written election shall be presumed to be an election not to become a member of the system. Such election, whether to become or not to become a member, shall be irrevocable.

(2) Each such member of the staff of the office of state fire marshal who is on an authorized leave of absence or is in the military service on the entry date of the office of state fire marshal as provided in this section may become a member of the Kansas police and firemen's retirement system on the first day of the first payroll period of such member, coinciding with such member's return to active employment and payroll of the office of state fire marshal, only by filing with the board of trustees of the system within 10 days after such return to active employment a written election to become a member of the system. Failure to file such written election shall be presumed to be an election not to become a member of the system. Such election, whether to become a member or not to become a member, shall be irrevocable.

(c) Each such member who is employed as a member of the staff of the office of state fire marshal on or after the entry date of the office of state fire marshal into the Kansas police and firemen's retirement system as provided in this section shall become a member of the Kansas police and firemen's retirement system on the first day of such employment.

(d) If the office of state fire marshal affiliates as provided in this act and each such member of the staff of the office of state fire marshal who elects to become a member as provided in this act, the office of state fire marshal and each such member shall be subject to the provisions of K.S.A. 74-4951 et seq., and amendments thereto, as applicable.

(e) The division of the budget and the governor shall include in the budget and in the budget request for appropriations for personnel services the amount required to satisfy the employer's obligation under this act as certified by the board of trustees of the system, and shall present the same to the legislature for allowance and appropriations.

(f) The determination of retirement, death or disability benefits shall be computed upon the basis of "credited service" as used in K.S.A. 74-4951 et seq., and amendments thereto, but shall include only participating service with the person's participating employer, commencing on and after the effective date of affiliation by the participating employer with the Kansas police and firemen's retirement system.

New Sec. 16. (a) Subject to the limitations of this section, during the fiscal year ending June 30, 2006, and each fiscal year thereafter, if it appears that the resources are insufficient to meet in full the estimated expenditures as they become due to meet the financial obligations imposed by law on the death and disability program as a result of a cash

flow shortfall, the pooled money investment board is authorized and directed to loan to the Kansas public employees retirement system sufficient funds to maintain the cash flow of the death and disability program upon approval of such loan by the state finance council acting on this matter which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c and amendments thereto. No loan shall be made unless the terms thereof have been approved by the director of the budget. A copy of the terms of the loan shall be submitted to the director of the legislative research department. The pooled money investment board is authorized and directed to use any moneys in the operating accounts, investment accounts or other investments of the state of Kansas to provide the funds for such loan. Each such loan shall bear interest at a rate equal to the net earnings rate of the pooled money investment portfolio at the time of the making of such loan. Such loan shall not be deemed to be an indebtedness or debt of the state of Kansas within the meaning of section 6 of article 11 of the constitution of the state of Kansas.

(b) Upon certification by the pooled money investment board by the executive director of the Kansas public employees retirement system of the amount of each loan authorized pursuant to subsection (a), the pooled money investment board shall transfer each such amount certified by the executive director of the Kansas public employees retirement system from the state bank account or accounts prescribed in subsection (a) to the group insurance reserve fund.

(c) The principal and interest of each loan authorized pursuant to subsection (a) shall be repaid in payments payable on or before June 30, 2007, or June 30 of each subsequent year where a loan to the system has occurred pursuant to this section.

Sec. 17. K.S.A. 10-813a, 74-4914, 74-4925b, 74-4925e, 74-4927a, 74-4932, 74-4952 and 76-746 and K.S.A. 2004 Supp. 20-2610a, 74-4902, 74-4918, 74-4920, 74-4925 and 74-4927 are hereby repealed.

Sec. 18. This act shall take effect and be in force from and after its publication in the Kansas register.

I hereby certify that the above BILL originated in the HOUSE, and passed that body

HOUSE adopted
Conference Committee Report _____

Speaker of the House.

Chief Clerk of the House.

Passed the SENATE
as amended _____

SENATE adopted
Conference Committee Report _____

President of the Senate.

Secretary of the Senate.

APPROVED _____

Governor.