

As Amended by House Committee

Session of 2015

HOUSE BILL No. 2095

By Committee on Pensions and Benefits

1-23

1 AN ACT concerning retirement and pensions; relating to the Kansas
2 public employees retirement system and systems thereunder; revenue
3 bonds to finance a portion of unfunded actuarial liability of KPERS;
4 requirements and procedures; employer contribution rates; amending
5 K.S.A. 2014 Supp. 74-4914d and 74-4920 and repealing the existing
6 sections.

7

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

9 New Section 1. (a) For the purpose of financing a portion of the
10 unfunded actuarial pension liability of the Kansas public employees
11 retirement system, the Kansas development finance authority is hereby
12 authorized to issue one or more series of revenue bonds under the Kansas
13 development finance authority act in an amount necessary to provide a
14 deposit or deposits to the Kansas public employees retirement system in a
15 total amount not to exceed \$1,500,000,000 plus all amounts required to
16 pay the costs of issuance of the bonds, including any credit enhancement,
17 interest costs and to provide any required reserves for the bonds. No bonds
18 shall be issued until such issuance has been approved by a resolution of the
19 state finance council. The principal amount, interest rates and final
20 maturity of such revenue bonds and any bonds issued to refund such bonds
21 or parameters for such principal amount, interest rates and final maturity
22 shall be approved by a resolution of the state finance council, except that
23 **for any one or more series of revenue bonds issued pursuant to this**
24 **section, such interest rate, all inclusive cost, shall not exceed 5%. The** The
25 bonds, and interest thereon, issued pursuant to this section shall be payable
26 from moneys appropriated by the state for such purpose. The bonds, and
27 interest thereon, issued pursuant to this section shall be obligations only of
28 the authority and in no event shall such bonds constitute an indebtedness
29 or obligation of the Kansas public employees retirement system or an
30 indebtedness or obligation for which the faith and credit or any assets of
31 the system are pledged. Neither the state nor the department of
32 administration shall have the power to pledge the full faith and credit or
33 taxing power of the state for debt service on any bonds issued pursuant to
34 this section, and any payment by the department for such purpose shall be
35 subject to and dependent on appropriations by the legislature. Any
36 obligation of the state or the department for payment of debt service on

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

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

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

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

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

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

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

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

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

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

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

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

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

41 (ii) The board shall determine for each such employer separately an
42 amount sufficient to amortize all liabilities for prior service costs which
43 shall have accrued at the time of entry into the system. On the basis of

1 such determination the board shall annually certify to each such employer
2 separately an actuarially determined estimate of the rate of contribution
3 which shall be required to be paid by that employer to pay all of the
4 liabilities for such prior service costs. Such rate shall be termed the
5 employer's prior service contribution.

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

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

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

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

43 (b) (i) Except as specifically provided in this section, for fiscal years

1 commencing in calendar year 1996 and in each subsequent calendar year,
2 the rate of contribution certified to the state of Kansas shall in no event
3 exceed the state's contribution rate for the immediately preceding fiscal
4 year by more than 0.2% of the amount of compensation upon which
5 members contribute during the period.

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

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

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

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

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

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

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

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

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

38 (8) Except as otherwise provided by law, the actuarial cost of any
39 legislation enacted by the Kansas legislature, except the actuarial cost of
40 K.S.A. 74-49,114a, and amendments thereto, shall be in addition to the
41 employer contribution rates certified for the employer contribution rate in
42 the fiscal year immediately following such enactment. Such actuarial cost
43 shall be determined by the qualified actuary employed or retained by the

1 system pursuant to K.S.A. 74-4908, and amendments thereto, and reported
2 to the system and the joint committee on pensions, investments and
3 benefits.

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

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

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

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

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

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

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

38 (16) Notwithstanding any provision of law to the contrary, each
39 participating employer shall remit quarterly, or as the board may otherwise
40 provide, all employee deductions and required employer contributions to
41 the executive director for credit to the Kansas public employees retirement
42 fund within three days after the end of the period covered by the
43 remittance by electronic funds transfer. Remittances of such deductions

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

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

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