

## HOUSE BILL No. 2732

By Committee on Pensions and Benefits

2-10

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1 AN ACT concerning retirement and pensions; relating to the Kansas public  
2 employees retirement system and systems thereunder; fiscal notes on  
3 bills that provide retirement benefit enhancements; actuarial cost  
4 thereof; amending K.S.A. 2011 Supp. 74-4920 and repealing the  
5 existing section.  
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7 *Be it enacted by the Legislature of the State of Kansas:*

8 New Section 1. In addition to all requirements for fiscal notes  
9 pursuant to law, fiscal notes for bills which provide a new benefit, an  
10 increase in existing benefits or any other type of benefit enhancement for  
11 members of the Kansas public employees retirement system and systems  
12 thereunder, including a cost-of-living adjustment or postretirement benefit  
13 increase, shall include an actuarial valuation and appraisal of the liability  
14 to the system and the required contributions necessary to discharge such  
15 liability and maintain the system on an actuarial reserve basis created by  
16 such benefit enhancement to be conducted by the qualified actuary  
17 employed or retained by the system pursuant to K.S.A. 79-4908, and  
18 amendments thereto. Such fiscal note shall be available to members of any  
19 standing committee of the legislature to which such bill has been assigned  
20 prior to such committee taking any action on such bill.

21 Sec. 2. K.S.A. 2011 Supp. 74-4920 is hereby amended to read as  
22 follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation  
23 and appraisal as provided for in subsection (3)(a) of K.S.A. 74-4908, and  
24 amendments thereto, the board shall certify, on or before July 15 of each  
25 year, to the division of the budget in the case of the state and to the agent  
26 for each other participating employer an actuarially determined estimate of  
27 the rate of contribution which will be required, together with all  
28 accumulated contributions and other assets of the system, to be paid by  
29 each such participating employer to pay all liabilities which shall exist or  
30 accrue under the system, including amortization of the actuarial accrued  
31 liability as determined by the board. The board shall determine the  
32 actuarial cost method to be used in annual actuarial valuations, to  
33 determine the employer contribution rates that shall be certified by the  
34 board. Such certified rate of contribution, amortization methods and  
35 periods and actuarial cost method shall be based on the standards set forth  
36 in subsection (3)(a) of K.S.A. 74-4908, and amendments thereto, and shall

1 not be based on any other purpose outside of the needs of the system.

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

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

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

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

33 (4) Each participating employer is hereby authorized to pay the  
34 employer's contribution from the same fund that the compensation for  
35 which such contribution is made is paid from or from any other funds  
36 available to it for such purpose. Each political subdivision, other than an  
37 instrumentality of the state, which is by law authorized to levy taxes for  
38 other purposes, may levy annually at the time of its levy of taxes, a tax  
39 which may be in addition to all other taxes authorized by law for the  
40 purpose of making its contributions under this act and, in the case of cities  
41 and counties, to pay a portion of the principal and interest on bonds issued  
42 under the authority of K.S.A. 12-1774, and amendments thereto, by cities  
43 located in the county, which tax, together with any other fund available,

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

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

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

25 (ii) Except as specifically provided in this subsection, for the fiscal  
26 years commencing in the following calendar years, the rate of contribution  
27 certified to the state of Kansas and to the participating employers under  
28 K.S.A. 74-4931, and amendments thereto, shall in no event exceed the  
29 state's contribution rate for the immediately preceding fiscal year by more  
30 than the following amounts expressed as a percentage of compensation  
31 upon which members contribute during the period: (A) For the fiscal year  
32 commencing in calendar year 2005, an amount not to exceed more than  
33 0.4% of the amount of the immediately preceding fiscal year; (B) for the  
34 fiscal year commencing in calendar year 2006, an amount not to exceed  
35 more than 0.5% of the amount of the immediately preceding fiscal year;  
36 and (C) for the fiscal year commencing in calendar year 2007 and in each  
37 subsequent calendar year, an amount not to exceed more than 0.6% of the  
38 amount of the immediately preceding fiscal year.

39 (iii) Except as specifically provided in this section, for fiscal years  
40 commencing in calendar year 1997 and in each subsequent calendar year,  
41 the rate of contribution certified to participating employers other than the  
42 state of Kansas shall in no event exceed such participating employer's  
43 contribution rate for the immediately preceding fiscal year by more than

1 0.15% of the amount of compensation upon which members contribute  
2 during the period.

3 (iv) Except as specifically provided in this subsection, for the fiscal  
4 years commencing in the following calendar years, the rate of contribution  
5 certified to participating employers other than the state of Kansas shall in  
6 no event exceed the contribution rate for such employers for the  
7 immediately preceding fiscal year by more than the following amounts  
8 expressed as a percentage of compensation upon which members  
9 contribute during the period: (A) For the fiscal year commencing in  
10 calendar year 2006, an amount not to exceed more than 0.4% of the  
11 amount of the immediately preceding fiscal year; (B) for the fiscal year  
12 commencing in calendar year 2007, an amount not to exceed more than  
13 0.5% of the amount of the immediately preceding fiscal year; and (C) for  
14 the fiscal year commencing in calendar year 2008 and in each subsequent  
15 calendar year, an amount not to exceed more than 0.6% of the amount of  
16 the immediately preceding fiscal year.

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

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

28 (vii) If the combined employer rate of contribution calculated for the  
29 state of Kansas and participating employers under K.S.A. 74-4931, and  
30 amendments thereto, is greater than the separate employer rate of  
31 contribution for the state of Kansas, the difference in the two rates applied  
32 to the actual payroll of the state of Kansas for the applicable fiscal year  
33 shall be calculated. This amount shall be certified by the board for deposit  
34 as additional employer contributions to the retirement benefit  
35 accumulation reserve for the participating employers under K.S.A. 74-  
36 4931, and amendments thereto.

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

40 (7) The actuarial cost of the provisions of K.S.A. 74-4950i, *and*  
41 *amendments thereto*, will be included in the June 30, 1998, actuarial  
42 valuation in determining contribution rates for participating employers.  
43 The actuarial accrued liability incurred for the provisions of K.S.A. 74-

1 4950i, *and amendments thereto*, shall be amortized over 15 years.

2 (8) Except as otherwise provided by law, the actuarial cost of any  
3 legislation enacted by the Kansas legislature, except the actuarial cost of  
4 K.S.A. 74-49,114a, and amendments thereto, shall be in addition to the  
5 employer contribution rates certified for the employer contribution rate in  
6 the fiscal year immediately following such enactment. *Such actuarial cost*  
7 *shall be conducted by the qualified actuary employed or retained by the*  
8 *system pursuant to K.S.A. 74-4908, and amendments thereto, and reported*  
9 *to the system and the joint committee on pensions, investments and*  
10 *benefits.*

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

17 (10) The cost of the postretirement benefit payment provided  
18 pursuant to the provisions of K.S.A. 2011 Supp. 74-49,114b, and  
19 amendments thereto, for retirants other than local retirants as described in  
20 subsection (11) or insured disability benefit recipients shall be paid in the  
21 fiscal year commencing on July 1, 2007.

22 (11) The actuarial accrued liability incurred for the provisions of  
23 K.S.A. 2011 Supp. 74-49,114b, and amendments thereto, for the KPERs  
24 local group and retirants who were employees of local employers which  
25 affiliated with the Kansas police and firemen's retirement system shall be  
26 amortized over 10 years.

27 (12) The cost of the postretirement benefit payment provided  
28 pursuant to the provisions of K.S.A. 2011 Supp. 74-49,114c, and  
29 amendments thereto, for retirants other than local retirants as described in  
30 subsection (13) or insured disability benefit recipients shall be paid in the  
31 fiscal year commencing on July 1, 2008.

32 (13) The actuarial accrued liability incurred for the provisions of  
33 K.S.A. 2011 Supp. 74-49,114c, and amendments thereto, for the KPERs  
34 local group and retirants who were employees of local employers which  
35 affiliated with the Kansas police and firemen's retirement system shall be  
36 amortized over 10 years.

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

42 (15) For employers affiliating on and after January 1, 1999, the rates  
43 of contribution certified to the participating employer as provided in this

1 section shall apply during the fiscal year immediately following such  
2 certification, but the rate of contribution during the first year following the  
3 employer's entry date shall be equal to 7% of the amount of compensation  
4 on which members contribute during the year. Any amount of such first  
5 year's contribution which may be in excess of the necessary current service  
6 contribution shall be credited by the board to the respective employer's  
7 prior service liability.

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

11 (17) Notwithstanding any provision of law to the contrary, each  
12 participating employer shall remit quarterly, or as the board may otherwise  
13 provide, all employee deductions and required employer contributions to  
14 the executive director for credit to the Kansas public employees retirement  
15 fund within three days after the end of the period covered by the  
16 remittance by electronic funds transfer. Remittances of such deductions  
17 and contributions received after such date are delinquent. Delinquent  
18 payments due under this subsection shall be subject to interest at the rate  
19 established for interest on judgments under subsection (a) of K.S.A. 16-  
20 204, and amendments thereto. At the request of the board, delinquent  
21 payments which are due or interest owed on such payments, or both, may  
22 be deducted from any other moneys payable to such employer by any  
23 department or agency of the state.

24 Sec. 3. K.S.A. 2011 Supp. 74-4920 is hereby repealed.

25 Sec. 4. This act shall take effect and be in force from and after its  
26 publication in the statute book.  
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