

**SENATE BILL No. 368**

By Senators Denning, Alley, Baumgardner, Berger, Billinger, Bowers, Braun, Doll, Estes, Givens, Goddard, Hilderbrand, Kerschen, Lynn, Masterson, Olson, Petersen, Rucker, Skubal, Suellentrop, Thompson, Wagle and Wilborn

2-6

1 AN ACT concerning the Kansas public employees retirement system;  
2 eliminating certain level-dollar employer contribution payments;  
3 making and concerning appropriations for the fiscal year ending June  
4 30, 2020; authorizing certain transfers from the state general fund to the  
5 Kansas public employees retirement fund; amending K.S.A. 74-4920  
6 and repealing the existing section.

7  
8 WHEREAS, The legislature hereby finds and declares that:

9 (1) The state general fund (SGF) has a sufficient ending balance to  
10 pay off the balance of FY 2017 state/school employer layered receivable  
11 debt in the amount of \$64 million;

12 (2) the SGF has a sufficient ending balance to pay off the balance of  
13 FY 2019 state/school employer layered receivable debt in the amount of  
14 \$204 million;

15 (3) by paying off the layered receivable debt in the amount of \$268  
16 million early, the Kansas taxpayers will save almost \$1 million monthly  
17 for a total of \$209 million in total interest saved from paying off the  
18 layered receivables debt early;

19 (4) KPERS will be able to invest the \$268 million now rather than  
20 later; and

21 (5) most importantly, once the funds are placed in the KPERS Trust  
22 Fund, they cannot be removed; and

23 WHEREAS, The people of the state of Kansas and the members of the  
24 KPERS retirement system would all benefit from the early pay off of the  
25 layered receivable debt.

26 Now, therefore:

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

28 Section 1.

29 KANSAS PUBLIC EMPLOYEES  
30 RETIREMENT SYSTEM

31 (a) On the effective date of this act, or as soon thereafter as moneys  
32 are available, the director of accounts and reports shall transfer  
33 \$268,412,000 from the state general fund to the Kansas public employees  
34 retirement fund (365-00-7002-7000) of the Kansas public employees

1 retirement system.

2 Sec. 2. K.S.A. 74-4920 is hereby amended to read as follows: 74-  
3 4920. (1) (a) Upon the basis of each annual actuarial valuation and  
4 appraisal as provided for in K.S.A. 74-4908(3)(a), and amendments  
5 thereto, the board shall certify, on or before July 15 of each year, to the  
6 division of the budget in the case of the state and to the agent for each  
7 other participating employer an actuarially determined estimate of the rate  
8 of contribution ~~which~~ *that* will be required, together with all accumulated  
9 contributions and other assets of the system, to be paid by each such  
10 participating employer to pay all liabilities ~~which~~ *that* shall exist or accrue  
11 under the system, including amortization of the actuarial accrued liability  
12 as determined by the board. The board shall determine the actuarial cost  
13 method to be used in annual actuarial valuations, to determine the  
14 employer contribution rates that shall be certified by the board. Such  
15 certified rate of contribution, amortization methods and periods and  
16 actuarial cost method shall be based on the standards set forth in K.S.A.  
17 74-4908(3)(a), and amendments thereto, and shall not be based on any  
18 other purpose outside of the needs of the system.

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

34 (ii) The board shall determine for each such employer separately an  
35 amount sufficient to amortize all liabilities for prior service costs ~~which~~  
36 *that* shall have accrued at the time of entry into the system. On the basis of  
37 such determination the board shall annually certify to each such employer  
38 separately an actuarially determined estimate of the rate of contribution  
39 ~~which~~ *that* shall be required to be paid by that employer to pay all of the  
40 liabilities for such prior service costs. Such rate shall be termed the  
41 employer's prior service contribution.

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

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

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

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

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

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

43 (ii) Except as specifically provided in this subsection, for the fiscal

1 years commencing in the following calendar years, the rate of contribution  
2 certified to the state of Kansas and to the participating employers under  
3 K.S.A. 74-4931, and amendments thereto, shall in no event exceed the  
4 state's contribution rate for the immediately preceding fiscal year by more  
5 than the following amounts expressed as a percentage of compensation  
6 upon which members contribute during the period: (A) For the fiscal year  
7 commencing in calendar years 2010 through 2012, an amount not to  
8 exceed more than 0.6% of the amount of the immediately preceding fiscal  
9 year; (B) for the fiscal year commencing in calendar year 2013, an amount  
10 not to exceed more than 0.9% of the amount of the immediately preceding  
11 fiscal year; (C) for the fiscal year commencing in calendar year 2014, an  
12 amount not to exceed more than 1% of the amount of the immediately  
13 preceding fiscal year; (D) for the fiscal year commencing in calendar year  
14 2015, the employer rate of contribution shall be 10.91%; (E) for the fiscal  
15 year commencing in calendar year 2016, the employer rate of contribution  
16 shall be 10.81%, except as provided by section 37(b) of chapter 54 of 2017  
17 Session Laws of Kansas, and amendments thereto, for the participating  
18 employers under K.S.A. 74-4931, and amendments thereto; (F) for the  
19 fiscal year commencing in calendar year 2017, the employer rate of  
20 contribution shall be 12.01% ~~and for participating employers under K.S.A.~~  
21 ~~74-4931, and amendments thereto, an additional percentage of~~  
22 ~~compensation corresponding to the level dollar repayment amount~~  
23 ~~certified by the board pursuant to subsection (17); and (G) in each~~  
24 ~~subsequent calendar year, an amount not to exceed more than 1.2% of the~~  
25 ~~amount of the immediately preceding fiscal year and for participating~~  
26 ~~employers under K.S.A. 74-4931, and amendments thereto, an additional~~  
27 ~~percentage of compensation corresponding to the level dollar repayment~~  
28 ~~amount certified by the board pursuant to subsections (17) and (18).~~

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

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

1 0.6% of the amount of the immediately preceding fiscal year; (B) for the  
2 fiscal year commencing in calendar year 2014, an amount not to exceed  
3 more than 0.9% of the amount of the immediately preceding fiscal year;  
4 (C) for the fiscal year commencing in calendar year 2015, an amount not  
5 to exceed more than 1% of the amount of the immediately preceding fiscal  
6 year; (D) for the fiscal year commencing in calendar year 2016, an amount  
7 not to exceed more than 1.1% of the amount of the immediately preceding  
8 fiscal year; and (E) for the fiscal year commencing in calendar year 2017,  
9 and in each subsequent calendar year, an amount not to exceed more than  
10 1.2% of the amount of the immediately preceding fiscal year.

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

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

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

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

34 (7) The actuarial cost of the provisions of K.S.A. 74-4950i, and  
35 amendments thereto, will be included in the June 30, 1998, actuarial  
36 valuation in determining contribution rates for participating employers.  
37 The actuarial accrued liability incurred for the provisions of K.S.A. 74-  
38 4950i, and amendments thereto, shall be amortized over 15 years.

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

1 shall be determined by the qualified actuary employed or retained by the  
2 system pursuant to K.S.A. 74-4908, and amendments thereto, and reported  
3 to the system and the joint committee on pensions, investments and  
4 benefits.

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

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

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

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

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

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

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

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

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

9 ~~(17) The actuarial cost of the reduction of employer contributions for~~  
10 ~~eligible employers as specified in K.S.A. 74-4931(1), (2) and (3), and~~  
11 ~~amendments thereto, pursuant to the provisions of section 37 of chapter 54~~  
12 ~~of the 2017 session laws of Kansas, and amendments thereto, shall be~~  
13 ~~amortized over 20 years as a level dollar amount, as certified by the board~~  
14 ~~upon recommendation of the consulting actuary, through an additional~~  
15 ~~percentage of compensation for participating employers under K.S.A. 74-~~  
16 ~~4931, and amendments thereto. This additional percentage of~~  
17 ~~compensation shall first be reflected in employer contribution rates for~~  
18 ~~participating employers under K.S.A. 74-4931, and amendments thereto,~~  
19 ~~effective on the first day of the first payroll period for the fiscal year 2018.~~

20 ~~(18) The actuarial cost of \$194,022,683 shall be amortized over 20~~  
21 ~~years as a level dollar amount, as certified by the board upon~~  
22 ~~recommendation of the consulting actuary, through an additional~~  
23 ~~percentage of compensation for participating employers under K.S.A. 74-~~  
24 ~~4931, and amendments thereto. This additional percentage of~~  
25 ~~compensation shall first be reflected in employer contribution rates for~~  
26 ~~participating employers under K.S.A. 74-4931, and amendments thereto,~~  
27 ~~effective on the first day of the first payroll period for the fiscal year 2020.~~

28 Sec. 3. K.S.A. 74-4920 is hereby repealed.

29 Sec. 4. This act shall take effect and be in force from and after its  
30 publication in the Kansas register.