

**Senate Substitute for
Substitute HOUSE BILL No. 2333**

By KPERS Select Committee

5-2

1 AN ACT concerning retirement and pensions; relating to the Kansas public
2 employees retirement system and systems thereunder; enacting the
3 Kansas public employees retirement system act of 2014; providing
4 terms, conditions, requirements, benefits and contributions related
5 thereto; relating to employer and employee contributions; member
6 election; employment after retirement; plan of death and long-term
7 disability benefits; members of legislature, rate of compensation;
8 amending K.S.A. 74-4915 and 74-4919 and K.S.A. 2011 Supp. 74-
9 4914d, 74-4920, as amended by section 2 of 2012 House Bill No. 2460,
10 74-4927, 74-4937, 74-4995, 74-49,205 and 74-49,213 and repealing the
11 existing sections.
12

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

14 New Section 1. (a) The provisions of sections 1 through 18, and
15 amendments thereto, shall be known and may be cited as the Kansas
16 public employees retirement system act of 2014.

17 (b) Any employee who is first employed by a participating employer
18 on or after July 1, 2014, shall be a member of the system under the
19 provisions of this act on the first day of employment of such employee
20 with such participating employer.

21 (c) This act does not apply to members of the Kansas police and
22 firemen's retirement system, K.S.A. 74-4951 *et seq.*, and amendments
23 thereto, and the retirement system for judges, K.S.A. 20-2601 *et seq.*, and
24 amendments thereto.

25 (d) A system member may not simultaneously be a member of the
26 pre-2014 plan and the plan established pursuant to this act. A period of
27 service may not be credited in more than one retirement plan within the
28 system.

29 (e) The board of trustees of the Kansas public employees retirement
30 system shall administer the provisions of this act in the same manner as the
31 board administers the provisions of K.S.A. 74-4901 *et seq.*, and
32 amendments thereto, except as specifically provided in this act.

33 (f) Unless specifically provided in this act, the provisions of K.S.A.
34 74-4901 *et seq.*, and amendments thereto, shall be applicable to this act. In
35 an event that a conflict exists between the provisions of this act and the

1 provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, the
2 provisions of this act shall control, and to that end, no legal or contractual
3 rights shall inure to the benefit of members or participating employers
4 under this act with regard to the provisions of K.S.A. 74-4901 *et seq.*, and
5 amendments thereto, when the provisions of this act control.

6 (g) Each participating employer as provided in this act and each
7 employee as defined by this act shall be subject to the provisions of this
8 act as specified in this act and subject to the provisions of K.S.A. 74-4901
9 *et seq.*, and amendments thereto, as appropriate as to terms, conditions and
10 requirements not specifically covered in this act. The provisions of this act
11 shall not apply to members of the Kansas public employees retirement
12 system as provided in K.S.A. 74-4901 *et seq.*, and 74-49,201 *et seq.*, and
13 amendments thereto, employed by a participating employer prior to July 1,
14 2014, unless otherwise provided in this act.

15 (h) The provisions of this act shall be part of and supplemental to the
16 provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, subject to
17 the limitations contained in this act.

18 New Sec. 2. (a) As used in this act, unless otherwise provided or the
19 context otherwise requires:

20 (1) "Act" means the Kansas public employees retirement system act
21 of 2014;

22 (2) "active member" means a member who is actively employed by a
23 participating employer;

24 (3) "annuity savings account" means the account maintained for
25 contributions of members under section 3, and amendments thereto;

26 (4) "covered position" means a position with an affiliated employer
27 that is eligible for membership in the Kansas public employees retirement
28 system pursuant to the provisions of K.S.A. 74-4901 *et seq.*, and
29 amendments thereto;

30 (5) "employee" means the same as such term is defined in K.S.A. 74-
31 4902, and amendments thereto, except that only employees who are first
32 employed by a participating employer on or after July 1, 2014, or
33 employees of a participating employer which affiliates on or after July 1,
34 2014, are subject to the provisions of this act. The term employee shall
35 include employees as provided in K.S.A. 74-4931 *et seq.*, and amendments
36 thereto, first employed by a participating employer on or after July 1,
37 2014, or such employees of a participating employer which affiliates on or
38 after July 1, 2014;

39 (6) "first employed" means an employee has not been an employee in
40 a covered position of any participating employer prior to July 1, 2014, and
41 is employed by a participating employer in a covered position on or after
42 July 1, 2014; an employee who is a former member of the system who
43 withdrew contribution accounts before July 1, 2014, and who is again

1 employed by a participating employer in a covered position on or after
2 July 1, 2014; or an employee who was an inactive non-vested member and
3 who is again employed by a participating employer in a covered position
4 on or after July 1, 2014;

5 (7) "inactive, non-vested member" means a member who has
6 terminated employment with a participating employer and who does not
7 have a vested retirement benefit in the system on July 1, 2014;

8 (8) "member" means an individual who is required by section 1, and
9 amendments thereto, to be a member of the plan;

10 (9) "normal retirement age" means the attainment of age 65 with
11 completion of five years of credited service, or 60 with the completion of
12 30 years of credited service, except that the normal retirement date for
13 security officers shall be the same as provided in K.S.A. 2011 Supp. 74-
14 49,207, and amendments thereto;

15 (10) "plan" means the plan established within the Kansas public
16 employees retirement system by section 3, and amendments thereto;

17 (11) "pre-2014 defined benefit plan" means the plan established
18 pursuant to K.S.A. 74-4901 *et seq.*, and amendments thereto, and K.S.A.
19 74-49,201 *et seq.*, and amendments thereto;

20 (12) "retirement annuity account" means the account established for
21 employer credits of members under section 3, and amendments thereto;
22 and

23 (13) "system" means the Kansas public employees retirement system.

24 (b) Unless specifically provided in this section or in this act, words
25 and phrases used in this act shall have the meanings ascribed to them as
26 provided under the provisions of K.S.A. 74-4901 *et seq.*, and amendments
27 thereto.

28 New Sec. 3. (a) The board shall establish within the Kansas public
29 employees retirement system a plan in accordance with the provisions of
30 this act. Such plan shall be established as part of the pension plan pursuant
31 to the provisions of K.S.A. 74-4920, and amendments thereto, for the
32 exclusive benefit of members and such member's beneficiaries and as a
33 qualified governmental plan pursuant to sections 401(a) and 414(d) of the
34 federal internal revenue code and its implementing regulations. Such plan
35 is established in addition to any retirement, pension, deferred
36 compensation or other benefit plan currently administered by the state or a
37 political subdivision. Assets of the plan shall be held in the trust for the
38 Kansas public employees retirement system.

39 (b) The board shall establish for each member under this plan a
40 retirement annuity account, which shall be credited with employer credits
41 and interest credits on those employer credits as determined by the board
42 under section 8, and amendments thereto. The retirement annuity account
43 shall be used to determine a lump-sum distribution or an annuity for a

1 vested member upon retirement as provided in section 13, and
2 amendments thereto.

3 (c) The board shall establish an annuity savings account for each
4 member, which shall be credited with employee contributions and interest
5 credits under section 6, and amendments thereto. For a vested member
6 under section 12, and amendments thereto, the annuity savings account
7 shall be used to fund the lump-sum or annuity benefits upon retirement as
8 provided in section 11, and amendments thereto.

9 New Sec. 4. The board has the powers and shall perform the duties
10 regarding the plan established under this act as provided in K.S.A. 74-
11 4909, and amendments thereto, as applicable. The board may also exercise
12 the powers and shall perform the duties provided in this act.

13 New Sec. 5. (a) An active member shall contribute 6% of
14 compensation to such member's annuity savings account. Such
15 contributions shall be picked up by the employer via a salary reduction as
16 provided in section 414(h)(2) of the federal internal revenue code. An
17 employer may not pick up these contributions without a corresponding
18 salary reduction as provided in section 414(h)(2) of the federal internal
19 revenue code.

20 (b) A member may not make voluntary contributions to the plan.

21 New Sec. 6. (a) A member's annuity savings account is the sum of the
22 member's mandatory contributions plus the interest credits on those
23 contributions, which shall be credited no less frequently than quarterly
24 based on the account balances as of the last day of the preceding quarter.
25 Effective July 1, 2014, the interest credits are 6% per annum, except that
26 the interest credits are 6.25% per annum for members with at least 20
27 years of service but less than 30 years of service, and 6.5% per annum for
28 members with 30 or more years of service. The legislature may from time
29 to time prospectively change the interest credits, and expressly reserves the
30 right to do so.

31 (b) The board may, in the board's discretion, from time to time
32 provide for an additional interest credit, subject to the following
33 conditions: (1) The additional interest credit may not exceed 4% per
34 annum;

35 (2) the member shall have 10 or more years of service; and

36 (3) the board shall consider the funding of the system, market
37 conditions, investment returns and other related factors specified by the
38 board.

39 (c) The member's annuity savings account is vested from the date that
40 the employee becomes a member of the plan.

41 (d) Interest credits shall not be granted on the member's annuity
42 savings account following the end of the fifth plan year following the
43 member's termination of employment under the plan without vesting in the

1 retirement annuity account as provided in section 12, and amendments
2 thereto.

3 (e) For a member to be eligible for an additional interest credit, the
4 member shall have an account balance at the time the interest credit is paid
5 out.

6 New Sec. 7. (a) A participating employer shall credit, on a quarterly
7 basis, 4% of compensation to each member's retirement annuity account.

8 (b) An active member's employer shall contribute a percentage of
9 compensation, determined by the board, which must be allocated to the
10 death and long-term disability plan under K.S.A. 74-4927, and
11 amendments thereto.

12 (c) The legislature may from time to time prospectively change
13 employer credits provided in this section, and expressly reserves the right
14 to do so.

15 New Sec. 8. (a) A member's retirement annuity account is the sum of
16 all employer credits to the account plus the interest credits on the account,
17 which shall be credited no less frequently than quarterly, based on the
18 account balances as of the last day of the preceding quarter. Effective July
19 1, 2014, the interest credits are 6% per annum, except that the interest
20 credits are 6.25% per annum for members with at least 20 years of service
21 but less than 30 years of service, and 6.5% per annum for members with
22 30 or more years of service. The legislature may from time to time
23 prospectively change the interest credits, and expressly reserves the right
24 to do so.

25 (b) The board may, in the board's discretion, from time to time
26 provide for an additional interest credit, subject to the following
27 conditions: (1) The additional interest credit may not exceed 4% per
28 annum;

29 (2) the member shall have 10 or more years of service; and

30 (3) the board shall consider the funding of the system, market
31 conditions, investment returns and other related factors specified by the
32 board.

33 (c) For a member to be eligible for an additional interest credit, the
34 member shall have an account balance at the time the interest credit is paid
35 out.

36 (d) Interest credits shall not be granted on the member's non-vested
37 retirement annuity account following the end of the fifth plan year
38 following the member's termination of employment covered under the
39 plan.

40 New Sec. 9. If the member's retirement annuity account is not vested
41 upon the member's termination of plan membership, as provided in section
42 12, and amendments thereto, the employer credits and interest credits are
43 forfeited as provided in section 12, and amendments thereto. If the

1 member's retirement annuity account is vested upon the member's
2 termination of plan membership, as provided in section 12, and
3 amendments thereto, but the member dies prior to attaining normal
4 retirement age without a spouse eligible for the retirement annuity account
5 under section 13, and amendments thereto, the employer credits and
6 interest credits are forfeited. Forfeitures may not be used to increase a
7 member's account, but instead shall be used to pay administrative expenses
8 of the accounts or to reduce employer contributions.

9 New Sec. 10. (a) Any time after termination of service or death, a
10 member who is not vested or the beneficiary of such a member may
11 terminate plan membership by filing a written application with the board
12 and taking a distribution of the member's annuity savings account from the
13 plan through any combination of the following payout options, each of
14 which is subject to the applicable provisions of the federal internal revenue
15 code and the applicable regulations of the internal revenue service:

16 (1) A direct rollover to an eligible retirement plan; or

17 (2) a lump-sum distribution.

18 (b) The board by official action may specify minimum account
19 balances for purposes of allowing benefit payment options and rollovers in
20 accordance with federal law.

21 New Sec. 11. (a) A member who is eligible for a benefit under
22 subsection (a) of section 13, and amendments thereto, shall be entitled to a
23 distribution of such member's annuity savings account. Such distribution
24 may be made in any of the annuity options described in subsection (b) of
25 section 13, and amendments thereto. In lieu of an annuity, a member
26 entitled to a benefit under subsection (a) of section 13, and amendments
27 thereto, may elect to receive a lump-sum of such member's annuity savings
28 account in 10% increments, but in no event may the lump-sum option
29 elected under this section and the lump-sum option elected under
30 subsection (b) of section 13, and amendments thereto, exceed 30% of the
31 total value of such member's annuity savings account and retirement
32 annuity account.

33 (b) A member who is not eligible for a benefit under subsection (a) of
34 section 13, and amendments thereto, but who terminates employment in
35 any covered position under the system, may elect to take a distribution of
36 such member's entire annuity savings account balance, but the member
37 shall then forfeit the entire balance in the member's retirement annuity
38 account.

39 (c) In the case of an active or inactive member:

40 (1) Who is vested in the member's annuity savings account;

41 (2) who has five or more years of service at death; and

42 (3) who dies before attaining normal retirement age, with such
43 member's spouse at time of death designated as such member's sole

1 primary beneficiary, the member's surviving spouse on and after the date
2 the member would have attained normal retirement age had such member
3 not died, shall receive an annuity based upon such member's contributions
4 and interest credits in the annuity savings account, using factors
5 established by the board by official action as of the beneficiary's annuity
6 start date. The normal form of benefit shall be a single life annuity with
7 five-year certain.

8 New Sec. 12. (a) A member is vested, but subject to forfeiture, in the
9 member's retirement annuity account upon completion of five years of
10 service. A member's benefit is nonforfeitable upon the attainment of
11 normal retirement age and the completion of at least five years of service,
12 whichever is later.

13 (b) If a member who is not vested in the member's retirement annuity
14 account at termination of employment, has not withdrawn such member's
15 annuity savings account and returns to active employment and
16 membership in the plan within five years of such member's termination,
17 such member's prior years of service shall be restored upon such return to
18 employment and membership.

19 New Sec. 13. (a) Except as provided in subsection (d), a member who
20 has a nonforfeitable interest in the member's retirement annuity account, at
21 any time after termination from service and the attainment of normal
22 retirement age, shall receive an annuity based upon the balance in such
23 member's retirement annuity account, using mortality rates established by
24 the board by official action as of the member's annuity start date and
25 interest rates established by the legislature as of the member's annuity start
26 date, and such interest rate shall initially be 6%. The legislature may from
27 time to time prospectively change the interest rate and the board may from
28 time to time prospectively change the mortality rate, and the legislature
29 expressly reserves such rights to do so.

30 (b) The normal form of benefit payable under subsection (a) shall be
31 a single life annuity with five-year certain. The member may elect any
32 option described in K.S.A. 74-4918, and amendments thereto, except the
33 partial lump-sum option, subject to actuarial adjustment factors established
34 by the board from time to time. The benefit option selected may include a
35 self-funded cost-of-living adjustment feature, in which the account value is
36 converted to a benefit amount that increases by a fixed percentage over
37 time. One or more fixed percentages shall be established by the board,
38 which may be changed from time to time. In lieu of a part of an annuity,
39 for a member entitled to a benefit under subsection (a), the member may
40 elect to receive a lump-sum of such member's retirement annuity account
41 in 10% increments, but in no event may the lump-sum option elected
42 under this section and the lump-sum option elected under subsection (a) of
43 section 11, and amendments thereto, exceed 30% of the total value of such

1 member's annuity savings account and retirement annuity account.

2 (c) Except as provided in subsection (d), in the case of an active or
3 inactive member:

4 (1) Who is vested in the member's retirement annuity account;

5 (2) who has five or more years of service at death; and

6 (3) who dies before attaining normal retirement age, with such
7 member's spouse at time of death designated as such member's sole
8 primary beneficiary, the member's surviving spouse on and after the date
9 the member would have attained normal retirement age had such member
10 not died, shall receive an annuity based upon employer credits and interest
11 credits in the retirement annuity account, using factors established by the
12 board by official action as of the beneficiary's annuity start date. The
13 normal form of benefit shall be a single life annuity with five-year certain.

14 (d) If a member's vested retirement annuity account is less than
15 \$1,000 upon separation from service, the account balance shall be
16 mandatorily distributed to the member in accordance with section 401(a)
17 (31)(B) of the federal internal revenue code. If the member does not elect
18 to have such distribution paid directly to an eligible retirement plan
19 specified by the participant in a direct rollover or to receive the
20 distribution directly, then the board will pay the distribution to the member
21 directly.

22 New Sec. 14. All benefit payments under the plan established
23 pursuant to this act are subject to the requirements imposed under federal
24 internal revenue code 401(a)(9).

25 New Sec. 15. A member's beneficiary shall be determined as
26 provided in the pre-2014 plan. Upon filing a written application with the
27 board after the death of a member receiving a benefit under subsection (a)
28 of section 13, and amendments thereto, the member's beneficiary is
29 entitled to a \$4,000 death benefit as provided in K.S.A. 74-4989, and
30 amendments thereto.

31 New Sec. 16. (a) Members of the retirement system under the Kansas
32 public employees retirement system act of 2014 shall be covered in the
33 death and disability plan in accordance with K.S.A. 74-4927, and
34 amendments thereto, but subject to the provisions of this section.

35 (b) (1) In the event that a member becomes eligible for and begins
36 receiving a long-term disability benefit under the plan, such member shall
37 be given participating service credit for the entire period of such disability.
38 Such member's annuity savings account and retirement annuity account
39 shall be credited with the amount of employee contributions and employer
40 credits and interest credits prescribed in this act for the entire period of
41 such disability, but no later than the time prescribed by subsection (3).

42 (2) The salary upon which credits to such member's annuity savings
43 account and retirement annuity account are based shall be the employee's

1 salary at the time of disability, which shall be adjusted once each year on
2 January 1, but only after five years of disability, by the lesser of: (A) The
3 percentage increase in the consumer price index for all urban consumers as
4 published by the bureau of labor statistics of the United States department
5 of labor measured in the prior November, minus 1%; or (B) 4% per
6 annum.

7 (3) All credits to the annuity savings account and the retirement
8 annuity account shall cease upon the earliest of: (A) Death;

9 (B) attainment of normal retirement age; or

10 (C) the date the member is no longer entitled to receive disability
11 benefits pursuant to law.

12 New Sec. 17. The provisions of K.S.A. 74-49,122, 74-49,123 and 74-
13 49,124, and amendments thereto, shall apply to this act. However, the
14 definitions of "actuarial equivalent" or "actuarial computation" shall not
15 apply to this act.

16 New Sec. 18. (a) All electronic and written account statements
17 provided to the members, or accessible to the members through electronic
18 account access, shall include:

19 (1) The anticipated monthly benefit from the account based on a
20 retirement age of 65;

21 (2) the anticipated percentage of income replacement provided by the
22 plan based upon a retirement age of 65; and

23 (3) the hypothetical or notional account balance.

24 (b) All electronic and written account statements provided to the
25 members, or accessible to the members through electronic account access,
26 shall clearly state that additional personal savings in programs like an
27 internal revenue code section 403(b) plan or a 457 plan will likely be
28 necessary to insure adequate retirement savings and to address cost-of-
29 living increases.

30 (c) The board shall develop and make available to all members an
31 electronic benefits estimate calculator for the plan established pursuant to
32 this act.

33 Sec. 19. K.S.A. 2011 Supp. 74-4914d is hereby amended to read as
34 follows: 74-4914d. Any additional cost resulting from the normal
35 retirement date and retirement before such normal retirement date for
36 security officers as provided in K.S.A. 74-4914c, and amendments thereto,
37 and disability benefits as provided in K.S.A. 74-4914e, and amendments
38 thereto, shall be added to the employer rate of contribution for the
39 department of corrections as otherwise determined under K.S.A. 74-4920,
40 and amendments thereto, except that the employer rate of contribution for
41 the department of corrections including any such additional cost added to
42 such employer rate of contribution pursuant to this section shall in no
43 event exceed the employer rate of contribution for the department of

1 corrections for the immediately preceding fiscal year by more than the
2 following amounts expressed as a percentage of compensation upon which
3 security officers contribute during the period: (a) For the fiscal year
4 commencing in calendar year 2006, ~~an amount not to exceed more than~~
5 ~~0.5% of the amount of the immediately preceding fiscal year;~~ and (b) for
6 ~~the fiscal year commencing in calendar year 2007, and in each subsequent~~
7 ~~calendar year years 2010 through 2012,~~ an amount not to exceed more
8 than 0.6% of the amount of the immediately preceding fiscal year; (b) for
9 the fiscal year commencing in calendar year 2013, an amount not to
10 exceed more than 0.9% of the amount of the immediately preceding fiscal
11 year; (c) for the fiscal year commencing in calendar year 2014, an amount
12 not to exceed more than 1% of the amount of the immediately preceding
13 fiscal year; (d) for the fiscal year commencing in calendar year 2015, an
14 amount not to exceed more than 1.1% of the amount of the immediately
15 preceding fiscal year; and (e) for the fiscal year commencing in calendar
16 year 2016, and in each subsequent calendar year, an amount not to exceed
17 more than 1.2% of the amount of the immediately preceding fiscal year.

18 Sec. 20. K.S.A. 74-4915 is hereby amended to read as follows: 74-
19 4915. (1) Any member who retires on or after such member's normal
20 retirement date shall be entitled to receive an annual retirement benefit
21 equal to the sum obtained by adding an amount for participating service
22 and an amount for prior service determined as provided in this section. The
23 amount for prior service shall be equal to 1% of the member's prior service
24 annual salary multiplied by the number of years of prior service entitled to
25 credit as provided in K.S.A. 74-4913, and amendments thereto, except that
26 for members retiring on or after July 1, 1981, who were last employed by a
27 participating employer which had affiliated with the system under K.S.A.
28 74-4910, 74-4912, 74-4929 or 74-4991, and amendments thereto, and for
29 the period commencing January 1, 1986, for members retiring before July
30 1, 1981, who were last employed by a participating employer which had
31 affiliated with the system under K.S.A. 74-4910, 74-4912, 74-4929 or 74-
32 4991, and amendments thereto, except that any increase in benefits under
33 this section shall be reduced by any postretirement benefit adjustments
34 received by such member prior to July 2, 1985, the amount for prior
35 service shall be calculated using final average salary in lieu of prior
36 service annual salary and, in the case of any such member who became a
37 member under subsection (3) of K.S.A. 74-4925, and amendments thereto,
38 and for whom a final average salary cannot be otherwise determined, such
39 member's final average salary shall be based on all service for which such
40 member received assistance in a plan under subsection (2) of K.S.A. 74-
41 4925, and amendments thereto, as certified by such employer upon request
42 of the board. For any member who retires on or after July 1, 1993, the
43 amount for participating service shall be equal to the total of 1.75% of the

1 member's final average salary multiplied by the number of years of
2 participating service *earned prior to January 1, 2014, and, subject to any*
3 *election made pursuant to the provisions of section 24, and amendments*
4 *thereto, 1.4% or 1.85% of the member's final average salary multiplied by*
5 *the number of years of participating service earned on and after January*
6 *1, 2014. If the federal internal revenue service fails to grant an approval*
7 *or issues an adverse decision as described in section 24, and amendments*
8 *thereto, the amount for participating service earned on and after January*
9 *1, 2014, shall be 1.85% of the member's final average salary multiplied by*
10 *the number of years of participating service earned on and after January*
11 *1, 2014. Notwithstanding any provision of law to the contrary, in no event*
12 *shall service that is purchased under the provisions of K.S.A. 74-4919a et*
13 *seq., and amendments thereto, be credited at a rate that exceeds 1.75% of*
14 *the purchasing member's final average salary.*

15 (2) (A) Any member who retires on or after July 1, 1993, but before
16 the normal retirement date and has attained age 60 but has not attained age
17 62 with the completion of 10 years of credited service, shall receive an
18 annual retirement benefit equal to the annual retirement benefit payable
19 had the member retired on the normal retirement date but based upon the
20 member's final average salary and years of participating and prior service
21 credited to the date of actual retirement reduced by an amount equal to the
22 product of (i) such annual retirement benefit payable had the member
23 retired on the normal retirement date, multiplied by (ii) the product of .
24 2% multiplied by the number of months' difference, to the nearest whole
25 month, between the member's attained age at the time of retirement and
26 age 62.

27 (B) Any member who retires on or after July 1, 1993, but before the
28 normal retirement date and has attained age 55 but has not attained age 60
29 with the completion of 10 years of credited service, shall receive an annual
30 retirement benefit equal to the annual retirement benefit payable had the
31 member retired on the normal retirement date but based upon the member's
32 final average salary and years of participating and prior service credited to
33 the date of actual retirement reduced by an amount equal to the total of: (i)
34 (a) The product of such annual retirement benefit payable had the member
35 retired on the normal retirement date, multiplied by (b) the product of .6%
36 multiplied by the number of months' difference, to the nearest whole
37 month, between the member's attained age at the time of retirement and
38 age 60; and

39 (ii) on and after July 1, 1993, the product of such annual retirement
40 benefit payable had the member retired on the normal retirement date,
41 multiplied by 4.8%.

42 (3) Upon death of a retirant, there shall be paid to such retirant's
43 beneficiary an amount equal to the excess, if any, of such retirant's

1 accumulated contributions over the sum of all retirement benefit payments
2 made.

3 (4) Such annual retirement benefits shall be paid in equal monthly
4 installments, except; that the board may provide for the payment of
5 retirement benefits which total less than \$240 a year on other than a
6 monthly basis.

7 (5) In the event that an application in such form as may be prescribed
8 by the board for any amount due under the provisions of this act, is not
9 filed with the office of the retirement system by the person entitled to same
10 within five years of the date such amount became due and payable, an
11 amount equal to same shall be transferred to the retirement benefit
12 accumulation reserve and such amount shall no longer be due and payable,
13 except that if any such person shall present evidence satisfactory to the
14 board that such person's failure to file such application within that time
15 period was due to lack of knowledge or incapacity on such person's part,
16 the amount equal to the amount originally due shall be transferred from the
17 retirement benefit accumulation reserve to the reserve or reserves from
18 which such transfer was initially made and the amount originally due shall
19 be paid to such person.

20 (6) The participating employer, when an employee files an
21 application for retirement, shall certify to the system all member
22 contributions of such employee which have not been reported previously.
23 In the event the amount certified results in an overpayment of retirement
24 benefits, the employer shall be held responsible for the contribution
25 amount previously certified from the time of commencement of the
26 overpayment of retirement benefits until the time that such overpayment is
27 discovered by the system. At the time that such overpayment of retirement
28 benefits is discovered by the system, the system shall adjust the amount of
29 retirement benefits paid to the employee to the correct amount based on
30 the participating employer's certification of member contributions which
31 had not been previously reported. The participating employer of the
32 employee who has had such member's retirement benefits adjusted as
33 provided in this subsection shall notify such employee of such
34 overpayment and such adjustment of retirement benefits. If the
35 contributions previously certified are lower than the actual amount
36 reported, the employer shall be responsible for remitting the correct
37 amount and the member's monthly benefit shall be recalculated based on
38 the amount reported by the employer. When an employee in school
39 employment files such an application, the participating employer
40 responsible for any such amounts as provided in this subsection shall be
41 the employee's eligible employer as specified in subsection (1), (2) or (3)
42 of K.S.A. 74-4931, and amendments thereto, and shall not be the state of
43 Kansas. The provisions of law in effect on the retirement date of a member

1 under the system shall govern the retirement benefit payable to the retirant,
2 any joint annuitant and any beneficiary.

3 Sec. 21. K.S.A. 74-4919 is hereby amended to read as follows: 74-
4 4919. (1) *Except as otherwise provided*, each participating employer,
5 beginning with the first payroll for services performed after the entry date,
6 shall deduct from the compensation of each member 4% of such member's
7 compensation as employee contributions. *Subject to any election made*
8 *pursuant to the provisions of section 24, and amendments thereto, each*
9 *participating employer, for services performed by an employee first*
10 *employed prior to July 1, 2009, shall deduct from the compensation of*
11 *each member, the following amounts expressed as a percentage of*
12 *compensation during the following periods: (a) Commencing January 1,*
13 *2014, for members who elected to receive an amount for participating*
14 *service equal to the total of 1.4% of such member's final average salary,*
15 *4% of such member's compensation as employee contributions, and (b)*
16 *commencing January 1, 2014, for members who elected to receive an*
17 *amount for participating service equal to the total of 1.85% of such*
18 *member's final average salary, who did not make an election pursuant to*
19 *section 24, and amendments thereto, or if the federal internal revenue*
20 *service fails to grant an approval or issues an adverse decision as*
21 *described in section 24, and amendments thereto, 5% of such member's*
22 *compensation as employee contributions, and commencing January 1,*
23 *2015, and in each subsequent calendar year, 6% of such member's*
24 *compensation as employee contributions. Such deductions shall be*
25 *remitted quarterly, or as the board may otherwise provide, to the executive*
26 *director for deposit in the Kansas public employees retirement fund. Such*
27 *deductions shall be credited to the members' individual accounts and*
28 *interest shall be added annually to such accounts.*

29 (2) (a) Subject to the provisions of K.S.A. 74-49,123, and
30 amendments thereto, each participating employer, pursuant to the
31 provisions of section 414(h)(2) of the federal internal revenue code, shall
32 pick up and pay the contributions which would otherwise be payable by
33 members as prescribed in subsection (1) commencing with the third
34 quarter of 1984. The contributions so picked up shall be treated as
35 employer contributions for purposes of determining the amounts of federal
36 income taxes to withhold from the member's compensation.

37 (b) Member contributions picked up by the employer shall be paid
38 from the same source of funds used for the payment of compensation to a
39 member. A deduction shall be made from each member's compensation
40 equal to the amount of the member's contributions picked up by the
41 employer, provided that such deduction shall not reduce the member's
42 compensation for purposes of computing benefits under the system.

43 (c) Member contributions picked up by the employer shall be

1 remitted quarterly, or as the board may otherwise provide, to the executive
2 director for credit to the Kansas public employees retirement fund. Such
3 contributions shall be credited to a separate account within the member's
4 individual account so that amounts contributed by the member
5 commencing with the third quarter of 1984 may be distinguished from the
6 member contributions picked up by the employer. Interest shall be added
7 annually to members' individual accounts.

8 Sec. 22. K.S.A. 2011 Supp. 74-4920, as amended by section 2 of
9 2012 House Bill No. 2460, is hereby amended to read as follows: 74-4920.

10 (1) (a) Upon the basis of each annual actuarial valuation and appraisal as
11 provided for in subsection (3)(a) of K.S.A. 74-4908, and amendments
12 thereto, the board shall certify, on or before July 15 of each year, to the
13 division of the budget in the case of the state and to the agent for each
14 other participating employer an actuarially determined estimate of the rate
15 of contribution which will be required, together with all accumulated
16 contributions and other assets of the system, to be paid by each such
17 participating employer to pay all liabilities which shall exist or accrue
18 under the system, including amortization of the actuarial accrued liability
19 as determined by the board. The board shall determine the actuarial cost
20 method to be used in annual actuarial valuations, to determine the
21 employer contribution rates that shall be certified by the board. Such
22 certified rate of contribution, amortization methods and periods and
23 actuarial cost method shall be based on the standards set forth in
24 subsection (3)(a) of K.S.A. 74-4908, and amendments thereto, and shall
25 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 year 2005, an amount not to exceed more than
14 0.4% of the amount of the immediately preceding fiscal year; (B) for the
15 fiscal year commencing in calendar year 2006, an amount not to exceed
16 more than 0.5% of the amount of the immediately preceding fiscal year;
17 and (C) for the fiscal year commencing in calendar year 2007 and in each
18 subsequent calendar year years 2010 through 2012, an amount not to
19 exceed more than 0.6% of the amount of the immediately preceding fiscal
20 year; (B) for the fiscal year commencing in calendar year 2013, an
21 amount not to exceed more than 0.9% of the amount of the immediately
22 preceding fiscal year; (C) for the fiscal year commencing in calendar year
23 2014, an amount not to exceed more than 1% of the amount of the
24 immediately preceding fiscal year; (D) for the fiscal year commencing in
25 calendar year 2015, an amount not to exceed more than 1.1% of the
26 amount of the immediately preceding fiscal year; and (E) for the fiscal
27 year commencing in calendar year 2016, and in each subsequent calendar
28 year, an amount not to exceed more than 1.2% of the amount of the
29 immediately preceding fiscal year.

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

37 (iv) Except as specifically provided in this subsection, for the fiscal
38 years commencing in the following calendar years, the rate of contribution
39 certified to participating employers other than the state of Kansas shall in
40 no event exceed the contribution rate for such employers for the
41 immediately preceding fiscal year by more than the following amounts
42 expressed as a percentage of compensation upon which members
43 contribute during the period: (A) For the fiscal year commencing in

1 ~~calendar year 2006, an amount not to exceed more than 0.4% of the~~
2 ~~amount of the immediately preceding fiscal year; (B) for the fiscal year~~
3 ~~commencing in calendar year 2007, an amount not to exceed more than~~
4 ~~0.5% of the amount of the immediately preceding fiscal year; and (C) for~~
5 ~~the fiscal year commencing in calendar year 2008 and in each subsequent~~
6 ~~calendar year years 2010 through 2013, an amount not to exceed more~~
7 ~~than 0.6% of the amount of the immediately preceding fiscal year; (B) for~~
8 ~~the fiscal year commencing in calendar year 2014, an amount not to~~
9 ~~exceed more than 0.9% of the amount of the immediately preceding fiscal~~
10 ~~year; (C) for the fiscal year commencing in calendar year 2015, an~~
11 ~~amount not to exceed more than 1% of the amount of the immediately~~
12 ~~preceding fiscal year; (D) for the fiscal year commencing in calendar year~~
13 ~~2016, an amount not to exceed more than 1.1% of the amount of the~~
14 ~~immediately preceding fiscal year; and (E) for the fiscal year commencing~~
15 ~~in calendar year 2017, and in each subsequent calendar year, an amount~~
16 ~~not to exceed more than 1.2% of the amount of the immediately preceding~~
17 ~~fiscal year.~~

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

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

29 (vii) If the combined employer rate of contribution calculated for the
30 state of Kansas and participating employers under K.S.A. 74-4931, and
31 amendments thereto, is greater than the separate employer rate of
32 contribution for the state of Kansas, the difference in the two rates applied
33 to the actual payroll of the state of Kansas for the applicable fiscal year
34 shall be calculated. This amount shall be certified by the board for deposit
35 as additional employer contributions to the retirement benefit
36 accumulation reserve for the participating employers under K.S.A. 74-
37 4931, and amendments thereto.

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

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

1 The actuarial accrued liability incurred for the provisions of K.S.A. 74-
2 4950i, and amendments thereto, shall be amortized over 15 years.

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

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

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

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

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

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

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

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

42 (16) Notwithstanding any provision of law to the contrary, each
43 participating employer shall remit quarterly, or as the board may otherwise

1 provide, all employee deductions and required employer contributions to
2 the executive director for credit to the Kansas public employees retirement
3 fund within three days after the end of the period covered by the
4 remittance by electronic funds transfer. Remittances of such deductions
5 and contributions received after such date are delinquent. Delinquent
6 payments due under this subsection shall be subject to interest at the rate
7 established for interest on judgments under subsection (a) of K.S.A. 16-
8 204, and amendments thereto. At the request of the board, delinquent
9 payments which are due or interest owed on such payments, or both, may
10 be deducted from any other moneys payable to such employer by any
11 department or agency of the state.

12 Sec. 23. K.S.A. 2011 Supp. 74-49,205 is hereby amended to read as
13 follows: 74-49,205. For any member who is first employed by a
14 participating employer on or after July 1, 2009, and who retires on or after
15 such member's normal retirement date, *subject to any election made*
16 *pursuant to the provisions of section 24, and amendments thereto*, the
17 amount for participating service shall be equal to the total of 1.75% of the
18 member's final average salary multiplied by the number of years of
19 participating service *earned prior to January 1, 2014*, to be used in
20 determining such member's annual retirement benefit, *and, subject to any*
21 *election made pursuant to the provisions of section 24, and amendments*
22 *thereto, 1.4% of the member's final average salary multiplied by the*
23 *number of years of participating service earned on and after January 1,*
24 *2014, to be used in determining such member's annual retirement benefit,*
25 *except that if the federal internal revenue service fails to grant an*
26 *approval or issues an adverse decision as described in section 24, and*
27 *amendments thereto, the amount for participating service earned on and*
28 *after January 1, 2014, shall be 1.75% of the member's final average*
29 *salary multiplied by the number of years of participating service earned*
30 *on and after January 1, 2014.*

31 Sec. 24. K.S.A. 2011 Supp. 74-49,213 is hereby amended to read as
32 follows: 74-49,213. (a) Beginning on July 1, 2010, and on each July 1
33 thereafter, the retirement benefit, pension or annuity payments to each
34 retirant who retires under this act shall be increased by an annual cost-of-
35 living adjustment in an amount equal to 2.0% multiplied by the retirement
36 benefit, pension or annuity payment in effect on that date and shall be paid
37 by the system to the retirant during each such period. The first increase for
38 such a retirant shall be on the second July 1 following such retirant's
39 retirement date. Subsequent increases shall occur on each July 1 thereafter.

40 (b) As used in this section, "retirant" means: (A) Any person who is a
41 member of the Kansas public employees retirement system pursuant to this
42 act *and who made an election pursuant to section 24, and amendments*
43 *thereto, to receive an annual cost-of-living adjustment*, who is retired

1 under the provisions of this act, and who is at least 65 years of age; and
2 (B) any person who is a joint annuitant or beneficiary of any member
3 described in clause (A).

4 New Sec. 25. (a) The provisions of this section and any related
5 provisions shall not be implemented until the board of trustees of the
6 Kansas public employees retirement system has obtained approval for the
7 election and related provisions specified in this section from the federal
8 internal revenue service. The board may implement the remainder of this
9 act prior to implementation of this section. To that end, this section and
10 provisions related thereto are severable from the remainder of this act and
11 shall be repealed if the federal internal revenue service refuses to grant
12 such approval or issues an adverse decision.

13 (b) Except as otherwise provided in this act, a member of the system
14 under the provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto,
15 on July 1, 2013, may elect to: (1) Contribute, commencing January 1,
16 2014, 5% of such member's compensation as employee contributions, and
17 commencing January 1, 2015, and in each subsequent calendar year, 6% of
18 such member's compensation as employee contributions, and to receive an
19 amount for participating service equal to the total of 1.85% of such
20 member's final average salary; or (2) continue to contribute 4% of such
21 member's compensation as employee contributions, and to receive an
22 amount for participating service equal to the total of 1.4% of such
23 member's final average salary. Members shall make such election within a
24 90-day period established by the board.

25 (c) Except as otherwise provided in this act, a member of the system
26 under the provisions of the Kansas public employees retirement act of
27 2009, on July 1, 2013, may elect to: (1) Continue to contribute,
28 commencing January 1, 2014, 6% of such member's compensation as
29 employee contributions pursuant to K.S.A. 74-49,210, and amendments
30 thereto, receive an annual cost-of-living adjustment pursuant to K.S.A.
31 2011 Supp. 74-49,213, and amendments thereto, and receive an amount for
32 participating service equal to the total of 1.4% of the member's final
33 average salary; or (2) continue to contribute 6% of such member's
34 compensation as employee contributions and not be eligible to receive an
35 annual cost-of-living adjustment pursuant to K.S.A. 2011 Supp. 74-49,213,
36 and amendments thereto. Members who make this election to contribute at
37 the 6% amount pursuant to this subsection and not be eligible to receive an
38 annual cost-of-living adjustment shall receive an amount for participating
39 service equal to the total of 1.75% of the member's final average salary.
40 Members shall make such election within a 90-day period established by
41 the board.

42 (d) (1) Elections made pursuant to this section shall be made on a
43 form and in a manner prescribed by the board.

1 (2) A member failing to make an election pursuant to subsection (b)
2 shall contribute 6% of such member's compensation as employee
3 contributions, and shall receive an amount for participating service equal
4 to the total of 1.85% of the member's final average salary.

5 (3) A member failing to make an election pursuant to subsection (c)
6 shall contribute 6% of such member's compensation as employee
7 ~~contribution~~ contributions, shall not receive an annual cost-of-living
8 adjustment pursuant to K.S.A. 2011 Supp. 74-49,213, and amendments
9 thereto, and shall receive an amount for participating service equal to the
10 total of 1.75% of the member's final average salary.

11 (4) An election under this section, including the default election
12 pursuant to subsection (d)(2) or (d)(3), is a one-time irrevocable election.

13 Sec. 26. K.S.A. 2011 Supp. 74-4937 is hereby amended to read as
14 follows: 74-4937. (1) The normal retirement date of a member of the
15 system who is in school employment and who is subject to K.S.A. 74-
16 4940, and amendments thereto, shall be the first day of the month
17 coinciding with or following termination of employment not followed by
18 employment with any participating employer within 60 days and the
19 attainment of age 65 or, commencing July 1, 1986, age 65 or age 60 with
20 the completion of 35 years of credited service or at any age with the
21 completion of 40 years of credited service, or commencing July 1, 1993,
22 any alternative normal retirement date already prescribed by law or age 62
23 with the completion of 10 years of credited service or the first day of the
24 month coinciding with or following the date that the total of the number of
25 years of credited service and the number of years of attained age of the
26 member is equal to or more than 85. Each member upon giving prior
27 notice to the appointing authority and the retirement system may retire on
28 the normal retirement date or the first day of any month thereafter.

29 (2) Any member who is in school employment and who is subject to
30 K.S.A. 74-4940, and amendments thereto, may retire before such
31 member's normal retirement date on the first day of the month coinciding
32 with or following termination of employment not followed by employment
33 with any participating employer within 60 days and the attainment of age
34 55 with the completion of 10 years of credited service, upon the filing with
35 the office of the retirement system of an application for retirement in such
36 form and manner as the board shall prescribe.

37 (3) Commencing July 1, 2009, the provisions of subsection (5) of
38 K.S.A. 74-4914, and amendments thereto, which relate to an earnings
39 limitation which when met or exceeded requires that the retirant not
40 receive a retirement benefit for any month for which such retirant serves in
41 a position as described herein shall not apply to retirants who either retired
42 under the provisions of subsection (l) of K.S.A. 74-4914, and amendments
43 thereto, related to normal retirement, or, if they retired under the

1 provisions of subsection (4) of K.S.A. 74-4914, and amendments thereto,
2 related to early retirement, were retired more than 60 days prior to the
3 effective date of this act, and are subsequently hired in a position that
4 requires a license under K.S.A. 72-1388, and amendments thereto, or other
5 provision of law. The provisions of this subsection do not apply to retirants
6 who retired under subsection (4) of K.S.A. 74-4914, and amendments
7 thereto, which relates to early retirement prior to age 62. Except as
8 otherwise provided, when a retirant is employed by the same school
9 district or a different school district with which such retirant was employed
10 during the final two years of such retirant's participation or employed by a
11 third-party entity who contracts services with a school district to fill a
12 position as described in this subsection, the participating employer of such
13 retirant shall pay to the system the actuarially determined employer
14 contribution based on the retirant's compensation during any such period
15 of employment plus 8%. The provisions of this subsection shall not apply
16 to retirants employed as substitute teachers. The provisions of subsection
17 (5) of K.S.A. 74-4914, and amendments thereto, shall be applicable to
18 retirants employed as described in this subsection, except as specifically
19 provided in this subsection. Nothing in this subsection shall be construed
20 to create any right, or to authorize the creation of any right, which is not
21 subject to amendment or nullification by act of the legislature. The
22 provisions of this subsection shall expire on July 1, ~~2012~~ 2015. After such
23 date the Kansas public employees retirement system and its actuary shall
24 report the experience to the joint committee on pensions, investments and
25 benefits.

26 Sec. 27. K.S.A. 2011 Supp. 74-4927 is hereby amended to read as
27 follows: 74-4927. (1) The board may establish a plan of death and long-
28 term disability benefits to be paid to the members of the retirement system
29 as provided by this section. The long-term disability benefit shall be
30 payable in accordance with the terms of such plan as established by the
31 board, except that for any member who is disabled prior to the effective
32 date of this act, the annual disability benefit amount shall be an amount
33 equal to $66\frac{2}{3}\%$ of the member's annual rate of compensation on the date
34 such disability commenced. Such plan shall provide that:

35 (A) For deaths occurring prior to January 1, 1987, the right to receive
36 such death benefit shall cease upon the member's attainment of age 70 or
37 date of retirement whichever first occurs. The right to receive such long-
38 term disability benefit shall cease (i) for a member who becomes eligible
39 for such benefit before attaining age 60, upon the date that such member
40 attains age 65 or the date of such member's retirement, whichever first
41 occurs, and (ii) for a member who becomes eligible for such benefit at or
42 after attaining age 60, the date that such member has received such benefit
43 for a period of five years, or upon the date of such member's retirement,

1 whichever first occurs.

2 (B) Long-term disability benefit payments shall be in lieu of any
3 accidental total disability benefit that a member may be eligible to receive
4 under subsection (3) of K.S.A. 74-4916, and amendments thereto. The
5 member must make an initial application for social security disability
6 benefits and, if denied such benefits, the member must pursue and exhaust
7 all administrative remedies of the social security administration which
8 include, but are not limited to, reconsideration and hearings. Such plan
9 may provide that any amount which a member receives as a social security
10 benefit or a disability benefit or compensation from any source by reason
11 of any employment including, but not limited to, workers compensation
12 benefits may be deducted from the amount of long-term disability benefit
13 payments under such plan. However, in no event shall the amount of long-
14 term disability benefit payments under such plan be reduced by any
15 amounts a member receives as a supplemental disability benefit or
16 compensation from any source by reason of the member's employment,
17 provided such supplemental disability benefit or compensation is based
18 solely upon the portion of the member's monthly compensation that
19 exceeds the maximum monthly compensation taken into account under
20 such plan. As used in this paragraph, "maximum monthly compensation"
21 means the dollar amount that results from dividing the maximum monthly
22 disability benefit payable under such plan by the percentage of
23 compensation that is used to calculate disability benefit payments under
24 such plan. During the period in which such member is pursuing such
25 administrative remedies prior to a final decision of the social security
26 administration, social security disability benefits may be estimated and
27 may be deducted from the amount of long-term disability benefit payments
28 under such plan. If the social security benefit, workers compensation
29 benefit, other income or wages or other disability benefit by reason of
30 employment other than a supplemental benefit based solely on
31 compensation in excess of the maximum monthly compensation taken into
32 account under such plan, or any part thereof, is paid in a lump-sum, the
33 amount of the reduction shall be calculated on a monthly basis over the
34 period of time for which the lump-sum is given. As used in this section,
35 "workers compensation benefits" means the total award of disability
36 benefit payments under the workers compensation act notwithstanding any
37 payment of attorney fees from such benefits as provided in the workers
38 compensation act.

39 (C) The plan may include other provisions relating to qualifications
40 for benefits; schedules and graduation of benefits; limitations of eligibility
41 for benefits by reason of termination of employment or membership;
42 conversion privileges; limitations of eligibility for benefits by reason of
43 leaves of absence, military service or other interruptions in service;

1 limitations on the condition of long-term disability benefit payment by
2 reason of improved health; requirements for medical examinations or
3 reports; or any other reasonable provisions as established by rule and
4 regulation of uniform application adopted by the board.

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

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

18 (B) In the event that a member eligible for a long-term disability
19 benefit under the plan authorized by this section shall be disabled for a
20 period of five years or more immediately preceding retirement, such
21 member's final average salary shall be adjusted upon retirement by the
22 actuarial salary assumption rates in existence during such period of
23 disability. Effective July 1, 1993, such member's final average salary shall
24 be adjusted upon retirement by 5% for each year of disability after July 1,
25 1993, but before July 1, 1998. Effective July 1, 1998, such member's final
26 average salary shall be adjusted upon retirement by an amount equal to the
27 lesser of: (i) The percentage increase in the consumer price index for all
28 urban consumers as published by the bureau of labor statistics of the
29 United States department of labor minus 1%; or (ii) four percent per
30 annum, measured from the member's last day on the payroll to the month
31 that is two months prior to the month of retirement, for each year of
32 disability after July 1, 1998.

33 (C) In the event that a member eligible for a long-term disability
34 benefit under the plan authorized by this section shall be disabled for a
35 period of five years or more immediately preceding death, such member's
36 current annual rate shall be adjusted by the actuarial salary assumption
37 rates in existence during such period of disability. Effective July 1, 1993,
38 such member's current annual rate shall be adjusted upon death by 5% for
39 each year of disability after July 1, 1993, but before July 1, 1998. Effective
40 July 1, 1998, such member's current annual rate shall be adjusted upon
41 death by an amount equal to the lesser of: (i) The percentage increase in
42 the consumer price index for all urban consumers published by the bureau
43 of labor statistics of the United States department of labor minus 1%; or

1 (ii) four percent per annum, measured from the member's last day on the
2 payroll to the month that is two months prior to the month of death, for
3 each year of disability after July 1, 1998.

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

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

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

36 (ii) In addition, the board shall have the authority to cancel any policy
37 or policies of group life and long-term disability insurance in existence on
38 the effective date of this act and, notwithstanding any other provision of
39 law, to release each company which issued any such canceled policy from
40 any liability for future benefits under any such policy and to have the
41 reserves established by such company under any such canceled policy
42 returned to the system for deposit in the group insurance reserve of the
43 fund. Notwithstanding any other provision of law, no premium tax shall be

1 due or payable by any such company or companies on any such policy or
2 policies purchased by the board nor shall any brokerage fees or
3 commissions be paid thereon.

4 (4) (A) There is hereby created in the state treasury the group
5 insurance reserve fund. Investment income of the fund shall be added or
6 credited to the fund as provided by law. The cost of the plan of death and
7 long-term disability benefits shall be paid from the group insurance
8 reserve fund, which shall be administered by the board. Except as
9 otherwise provided by this subsection, for the period commencing July 1,
10 2005, and ending June 30, 2006, each participating employer shall
11 appropriate and pay to the system in such manner as the board shall
12 prescribe in addition to the employee and employer retirement
13 contributions an amount equal to .8% of the amount of compensation on
14 which the members' contributions to the Kansas public employees
15 retirement system are based for deposit in the group insurance reserve
16 fund. For the period commencing July 1, 2006, and all periods thereafter,
17 each participating employer shall appropriate and pay to the system in
18 such manner as the board shall prescribe in addition to the employee and
19 employer retirement contributions an amount equal to 1.0% of the amount
20 of compensation on which the members' contributions to the Kansas public
21 employees retirement system are based for deposit in the group insurance
22 reserve fund. Notwithstanding the provisions of this subsection, no
23 participating employer shall appropriate and pay to the system any amount
24 provided for by this subsection for deposit in the group insurance reserve
25 fund for the period commencing on ~~April 1, 2010, and ending on June 30,~~
26 ~~2010, and the period commencing on April 1, 2011, and ending on June~~
27 ~~30, 2011~~ *April 1, 2012, and ending on June 30, 2012.*

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

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

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

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

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

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

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

42 (8) For purposes of the death benefit provided under the plan of death
43 and long-term disability benefits authorized by this section and the

1 optional death benefit plan authorized by subsection (6), commencing on
2 the effective date of this act, in the case of medical or financial hardship of
3 the member as determined by the executive director, or otherwise
4 commencing January 1, 2005, the member may name a beneficiary or
5 beneficiaries other than the beneficiary or beneficiaries named by the
6 member to receive other benefits as provided by the provisions of K.S.A.
7 74-4901 *et seq.*, and amendments thereto.

8 Sec. 28. K.S.A. 2011 Supp. 74-4995 is hereby amended to read as
9 follows: 74-4995. (a) Employer and employee contributions shall be
10 governed by the provisions of K.S.A. 74-4919 and 74-4920, and
11 amendments thereto. For purposes of contributions to and benefits under
12 the Kansas public employees retirement system, compensation of a
13 member of the legislature under this act shall be a monthly amount equal
14 to: (1) The compensation to which the member was entitled for services as
15 a member of the legislature during the ~~period January 15 to February 14,~~
16 ~~inclusive, first 30 calendar days~~ of the most recent session in which the
17 member has served; and (2) any amount to which the member makes an
18 election pursuant to this subsection. *In addition to the provisions of*
19 *subsection (a)(1) and any election made pursuant to this subsection, the*
20 *compensation of a member shall include an additional five days of*
21 *compensation to which such member was entitled for services as a*
22 *member of the legislature of the most recent session in which the member*
23 *has served beyond the days provided for in subsection (a)(1).* In addition
24 to the provisions of subsection (a)(1), a member of the legislature may
25 elect to participate with a rate of compensation that includes: (A) For
26 service as a member after July 18, 1982, a monthly amount equal to $\frac{1}{12}$
27 of the annualized amount received for monthly allowance under subsection
28 (c) of K.S.A. 46-137a, and amendments thereto; (B) a monthly amount
29 equal to $\frac{1}{12}$ of the annualized amount received for expenses allowance
30 under subsection (b) of K.S.A. 46-137a, and amendments thereto; or (C)
31 an amount equal to the combined amounts provided for in subsections (2)
32 (A) and (2)(B). A member of the legislature who has filed an election to
33 become a member of the system pursuant to the provisions of K.S.A. 74-
34 4992, and amendments thereto, prior to July 1, 2006, shall file an election
35 with the system to include any amounts specified in subsection (2)(A), (2)
36 (B) or (2)(C) prior to August 1, 2006, except that nothing contained in this
37 act shall be construed to permit a member of the legislature who has made
38 an election pursuant to this section prior to the effective date of this act to
39 revoke any such election previously made by such member. In the event
40 that any such member fails to file such election prior to August 1, 2006, it
41 shall be presumed that such member has elected to not include any
42 amounts specified in subsection (2)(A), (2)(B) or (2)(C), and participate at
43 a rate of compensation that includes only the amount provided in

1 subsection (a)(1). A member of the legislature who files an election to
2 become a member of the system pursuant to the provisions of K.S.A. 74-
3 4992, and amendments thereto, on and after July 1, 2006, shall file an
4 election with the system to include any amounts specified in subsection (2)
5 (A), (2)(B) or (2)(C) at the same time that such member files the election
6 to become a member of the system. In the event that any such member
7 fails to file such election, it shall be presumed that such member has
8 elected to not include any amounts specified in subsection (2)(A), (2)(B)
9 or (2)(C), and participate at a rate of compensation that includes only the
10 amount provided in subsection (a)(1).

11 (b) The employee rate of contribution shall be applied to any amounts
12 to which a member has elected pursuant to the provisions of subsection (a)
13 (2). The employee and employer contributions shall be remitted to the
14 system quarterly with a report of such contributions as may be required by
15 the board. Any changes in a member's rate of compensation and
16 contributions as a result of any election mandated by this section for a
17 member of the legislature who had filed an election to become a member
18 of the system prior to July 1, 2006, shall be effective on October 1, 2006.
19 All such elections pursuant to this section shall be in the form and manner
20 prescribed by the board of trustees.

21 (c) *Any member of the legislature making the election pursuant to*
22 *subsection (a)(2) may not revoke such election while they remain a*
23 *participating employee for service as a member of the legislature.*

24 Sec. 29. K.S.A. 74-4915 and 74-4919 and K.S.A. 2011 Supp. 74-
25 4914d, 74-4920, as amended by section 2 of 2012 House Bill No. 2460,
26 74-4927, 74-4937, 74-4995, 74-49,205 and 74-49,213 are hereby repealed.

27 Sec. 30. This act shall take effect and be in force from and after its
28 publication in the statute book.