

HOUSE BILL No. 2545

By Committee on Pensions and Benefits

1-25

1 AN ACT concerning retirement and pensions; enacting the Kansas public
2 employees retirement system act of 2014; providing terms, conditions,
3 benefits and requirements related thereto for certain new members and
4 existing members; relating to benefits and contributions; election for
5 certain existing members; elimination of cap on increase in employer
6 contributions and service credit purchases; amending K.S.A. 2011
7 Supp. 74-4914d and 74-4920 and repealing the existing sections; also
8 repealing K.S.A. 74-4919a, 74-4919g, 74-4919i, 74-4919k, 74-4919n,
9 74-4919p, 74-4919q, 74-4919r and 74-4919s and K.S.A. 2010 Supp.
10 74-4914d, as amended by section 1 of chapter 98 of the 2011 Session
11 Laws of Kansas and 74-4920, as amended by section 4 of chapter 98 of
12 the 2011 Session Laws of Kansas and K.S.A. 2011 Supp. 74-4919h, 74-
13 4919j, 74-4919l, 74-4919m, 74-4919o, 74-4919u and 74-4919v.
14

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

16 New Section 1. (a) The provisions of sections 1 through 19, and
17 amendments thereto, shall be known and may be cited as the Kansas
18 public employees retirement system act of 2014.

19 (b) This act applies to any individual who is:

20 (1) First hired on and after January 1, 2014, by a participating
21 employer and who would otherwise qualify for membership in the Kansas
22 public employees retirement system, K.S.A. 74-4901 *et seq.*, and
23 amendments thereto;

24 (2) any active or inactive nonvested member of the Kansas public
25 employees retirement system on January 1, 2014, including a member of
26 the legislature. Such active nonvested members are required to become
27 members of the plan established under section 3, and amendments thereto,
28 and shall make an election as provided in section 17, and amendments
29 thereto. Such inactive nonvested members are required to become
30 members of the plan established under section 3, and amendments thereto,
31 and shall make an election as provided in section 17, and amendments
32 thereto, only after reemployment in a covered position;

33 (3) any individual:

34 (A) Who was a member of the Kansas public employees retirement
35 system prior to January 1, 2014, but was not an active or inactive member
36 of the Kansas public employees retirement system on January 1, 2014;

1 (B) who is hired on or after January 1, 2014, by a participating
2 employer; and

3 (C) who would otherwise qualify for membership in the Kansas
4 public employees retirement system, K.S.A. 74-4901 *et seq.*, and
5 amendments thereto;

6 (4) (A) a vested member of the legislature who filed an election
7 pursuant to the provisions of K.S.A. 74-4992, and amendments thereto,
8 prior to July 1, 2013;

9 (B) a vested member of the legislature who failed to file an election
10 pursuant to the provisions of K.S.A. 74-4992, and amendments thereto,
11 prior to July 1, 2013; and

12 (C) a member of the legislature who first serves in such position on or
13 after July 1, 2013.

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

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

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

26 (f) Unless specifically provided in this act, the provisions of K.S.A.
27 74-4901 *et seq.*, and amendments thereto, shall be applicable to this act. In
28 an event that a conflict exists between the provisions of this act and the
29 provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, the
30 provisions of this act shall control, and to that end, no legal or contractual
31 rights shall inure to the benefit of members or participating employers
32 under this act with regard to the provisions of K.S.A. 74-4901 *et seq.*, and
33 amendments thereto, when the provisions of this act control.

34 (g) Each participating employer as provided in this act and each
35 employee as defined by this act shall be subject to the provisions of this
36 act as specified in this act and subject to the provisions of K.S.A. 74-4901
37 *et seq.*, and amendments thereto, as appropriate as to terms, conditions and
38 requirements not specifically covered in this act. The provisions of this act
39 shall not apply to members of the Kansas public employees retirement
40 system as provided in K.S.A. 74-4901 *et seq.*, and 74-49,201 *et seq.*, and
41 amendments thereto, employed by a participating employer prior to
42 January 1, 2014, unless otherwise provided in this act.

43 (h) The provisions of this act shall be part of and supplemental to the

1 provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, subject to
2 the limitations contained in this act.

3 New Sec. 2. (a) Terms that are used in this act have the meanings set
4 forth for them in K.S.A. 74-4902, and amendments thereto, unless
5 otherwise provided or the context otherwise requires.

6 (b) As used in this act, unless otherwise provided or the context
7 otherwise requires:

8 (1) "Act" means the Kansas public employees retirement system act
9 of 2014, section 1 *et seq.*, and amendments thereto;

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

12 (3) "403(b) plan" means an investment alternative offered to
13 qualifying public school, community college employees and other
14 eligible employees as allowed under section 403(b) of the internal revenue
15 code. The 403(b) plan shall be comprised of tax deferred annuities
16 described in section 403(b) of the internal revenue code, including
17 custodial accounts described in section 403(b)(7) of the internal revenue
18 code;

19 (4) "employee directed account" means the account established for a
20 member under section 3, and amendments thereto;

21 (5) "employer annuity account" means the account established for a
22 member under section 3, and amendments thereto;

23 (6) "member" means an individual who is required by section 1, and
24 amendments thereto, to be a member of the plan. The term also includes
25 any survivor or beneficiary of such member;

26 (7) "normal retirement age" means the attainment of age 65, except
27 that for security officers, normal retirement age means the attainment of
28 age 55;

29 (8) "plan" means the plan established within the Kansas public
30 employees retirement system by section 3, and amendments thereto;

31 (9) "pre-2014 plan" means the plan established pursuant to K.S.A.
32 74-4901 *et seq.*, and amendments thereto, and K.S.A. 74-49,201 *et seq.*,
33 and amendments thereto; and

34 (10) "system" means the Kansas public employees retirement system.

35 New Sec. 3. (a) The board shall establish within the Kansas public
36 employees retirement system a plan in accordance with the provisions of
37 this act. In addition to other options provided under such plan, for
38 qualifying public school employees, community college employees and
39 other eligible employees, the plan shall include all plan options as allowed
40 under section 403(b) of the internal revenue code. For all other
41 employees, the plan must be established as part of the pension plan
42 pursuant to K.S.A. 74-4920, and amendments thereto, for the exclusive
43 benefit of members and their beneficiaries, and as a qualified

1 governmental plan pursuant to sections 401(a), 414(d), and 414(k) of the
2 federal internal revenue code and its implementing regulations. The plan is
3 established in addition to any retirement, pension, deferred compensation
4 or other benefit plan currently administered by the state or a political
5 subdivision thereof. Assets of the plan must be held in the trust for the
6 Kansas public employees retirement system.

7 (b) (1) For members who are qualifying public school employees,
8 community college employees and other eligible employees, the board
9 shall establish separate accounts for employee contributions of each
10 member. These separate accounts shall be administered as a defined
11 contribution plan as provided by section 403(b) of the federal internal
12 revenue code and implementing regulations.

13 (2) For all other members, the board shall establish separate accounts
14 for the mandatory contributions of each member. These separate accounts
15 shall be administered in the nature of a defined contribution plan as
16 provided by section 414(k) of the federal internal revenue code and
17 implementing regulations.

18 (3) Accounts described in both subsection (b)(1) and (b)(2) shall be
19 referred to as the employee directed accounts.

20 (c) The board shall establish for each member an employer annuity
21 account, which shall be credited with employer credits as provided
22 pursuant to section 10, and amendments thereto, and interest credits on
23 those employer contribution credits as determined by the board under
24 section 11, and amendments thereto. The employer annuity account shall
25 be used to determine a lump-sum distribution or an annuity for the
26 member upon retirement as provided in section 13, and amendments
27 thereto.

28 New Sec. 4. (a) The board has the powers and shall perform the
29 duties regarding the plan as provided in K.S.A. 74-4909, and amendments
30 thereto, as applicable. The board may exercise the powers and shall
31 perform the duties provided in this act.

32 (b) The board may contract for any aspect of plan administration and
33 must use a competitive proposal process when contracting for consulting,
34 educational, investment, recordkeeping or other administrative services for
35 the plan.

36 New Sec. 5. (a) For participants in the 403(b) plan, up to the
37 amount allowed by the internal revenue code, each participating employer
38 shall make a mandatory contribution of 6% of an eligible employee's
39 compensation to the 403(b) plan for participants in such plan. Eligible
40 employees for the 403(b) plan may contribute an additional, discretionary
41 contribution through payroll deductions on a pre-tax or after-tax basis.
42 The 403(b) plan shall comply with all applicable provisions of the internal
43 revenue code.

1 (b) For all other members, up to the amount allowed by the internal
2 revenue code, each active member shall make a mandatory contribution of
3 6% of the member's compensation to the member's employee directed
4 account in the 401(a) plan. These contributions shall be picked up by the
5 employer via a salary reduction as provided in section 414(h)(2) of the
6 federal internal revenue code. An employer may not pick up these
7 contributions without a corresponding salary reduction as provided in
8 section 414(h)(2) of the federal internal revenue code. A member under
9 this subsection may not make voluntary contributions to the plan. The
10 401(a) plan shall comply with all applicable provision of the internal
11 revenue code.

12 (c) A member's employee directed account includes the member's
13 mandatory contributions under this section, and the gains and losses on
14 those contributions. The member's employee directed account is vested
15 from the date the employee becomes a member of the plan.

16 New Sec. 6. (a) A wide range of investment alternatives shall be
17 established for the employee directed accounts. For qualifying public
18 school employees, community college employees and other eligible
19 employees, such investment alternatives shall include, but not be limited
20 to, investment alternatives as allowed under section 403(b) of the federal
21 internal revenue code. For all employees, there also shall be offered an
22 investment alternative that is similar to the investment portfolio of the
23 Kansas public employees retirement system.

24 (b) The board shall from time to time review the suitability and
25 management of investment alternatives under the employee directed
26 accounts and may change the alternatives to be offered. The board shall
27 notify affected members of potential changes before any changes become
28 effective, except if the board determines there is a compelling need to
29 change an alternative immediately.

30 (c) The default option for any member or beneficiary who does not
31 have an effective investment direction shall be the fund that is similar to
32 the investment portfolio of KPERs.

33 (d) Assets within each employee directed account must be invested as
34 directed by the member within the investment alternatives established by
35 the board, unless the board determines there is a compelling need to
36 remove assets from an investment alternative. In such a case, the asset will
37 be moved to the default alternative until the member elects another
38 investment alternative.

39 New Sec. 7. (a) With respect to the employee directed accounts, the
40 board may:

41 (1) Assess fees on member employee directed accounts to pay the
42 reasonable administrative costs of the accounts, which fees may be
43 reasonable or asset based fees, or both, as determined by the board;

1 (2) negotiate with a vendor or vendors for vendor reimbursement of
2 board administrative expenses for the accounts;

3 (3) assess fees on employers to pay reasonable administrative costs of
4 the accounts; and

5 (4) assess specific fees on an individual member employee directed
6 account to pay specific expenses attributable to that member.

7 (b) All fees assessed must be fully disclosed to members and treated
8 as public information.

9 (c) Costs for the board to secure investment advice, recordkeeping,
10 contract oversight, educational materials for members, performance
11 evaluations and other appropriate information and services are included as
12 part of the administrative expenses of the plan.

13 New Sec. 8. The board shall establish a rollover account for each
14 member and shall accept the rollover of contributions and the income on
15 those contributions from another eligible retirement plan to the member's
16 rollover account only to the extent allowed under applicable federal law.
17 The board shall establish policies with respect to the rollover accounts as
18 to investments, distributions and other administrative matters.

19 New Sec. 9. (a) An employer credit shall be made to the member's
20 employer annuity account at the end of each calendar quarter according to
21 the following schedule:

22 (1) One percent of compensation for each member who has up to one
23 year of service;

24 (2) one and one-half percent of compensation for each member who
25 has one but less than two years of service;

26 (3) two percent of compensation for each member who has two but
27 less than three years of service;

28 (4) two and one-half percent of compensation for each member who
29 has three but less than four years of service;

30 (5) three percent of compensation for each member who has four but
31 less than five years of service;

32 (6) three and one-half percent of compensation for each member who
33 has five but less than six years of service;

34 (7) four percent of compensation for each member who has six but
35 less than seven years of service;

36 (8) four and one-half percent of compensation for each member who
37 has seven but less than eight years of service; and

38 (9) five percent of compensation for each member who has eight or
39 more years of service.

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

1 (c) Any credited service accrued by a member under the provisions of
2 the pre-2014 plan shall be credited for the purpose of computing such
3 member's years of service under this section.

4 New Sec. 10. (a) A member's employer annuity account is the sum of
5 all employer credits to the account plus the interest credits on the account,
6 which shall be determined at the end of each year. The interest credits shall
7 be determined under section 11, and amendments thereto.

8 (b) If the member's employer annuity account is not vested upon the
9 member's termination of plan membership, as provided in section 13, and
10 amendments thereto, the employer credits and interest credits are forfeited
11 as provided in section 13, and amendments thereto. If the member's
12 employer annuity account is vested upon the member's termination of plan
13 membership, as provided in section 13, and amendments thereto, but the
14 member dies prior to attaining normal retirement age without a spouse
15 eligible for the employer annuity account under section 13, and
16 amendments thereto, the employer credits and interest credits are forfeited.
17 Forfeitures may not be used to increase a member's account, but instead
18 will be used to pay administrative expenses of the accounts or to reduce
19 employer contributions.

20 New Sec. 11. At the end of each calendar year, the board shall credit
21 each employer annuity account with a zero percent interest credit. At the
22 end of each calendar year, the board shall also credit each employer
23 annuity account with a supplemental interest credit rate, which will equal
24 the net investment return on the KPERs portfolio, which may be negative
25 or positive, in that particular calendar year. If the member retires in the
26 middle of a calendar year, the board shall credit that member's employer
27 annuity account with a supplemental interest credit rate that equals the net
28 investment return on the KPERs portfolio, which may be negative or
29 positive, for that portion of that calendar year. For the purposes of
30 determining the member's annuity benefit amount pursuant to section 13,
31 and amendments thereto, a member's employer annuity account shall not
32 be less than the total amount of employer credits to the account.

33 New Sec. 12. (a) Any time after termination of service or death, a
34 member or the member's beneficiary may file a written application with
35 the board and take a distribution of the member's employee directed
36 account from the plan through any combination of the following payout
37 options, each of which is subject to the applicable provisions of the federal
38 internal revenue code and the applicable regulations of the internal
39 revenue service:

- 40 (1) A direct rollover to an eligible retirement plan;
- 41 (2) a lump-sum distribution; or
- 42 (3) an optional form of periodic distribution offered by the board by
43 official action.

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

4 New Sec. 13. (a) A member is vested, but subject to forfeiture, in the
5 member's employer annuity account upon completion of five years of
6 service. A member's benefit is nonforfeitable upon the attainment of
7 normal retirement age and the completion of at least five years of service,
8 whichever is later.

9 (b) Except as provided in subsection (d), a member who has a
10 nonforfeitable interest in the member's employer annuity account, at any
11 time after termination from service and the attainment of normal
12 retirement age, shall receive an annuity that may be provided by employer
13 credits and income credits in the employer annuity account, using factors
14 established by the board by official action as of the member's annuity start
15 date, and based on the pension benefits guaranty corporation distress
16 termination interest rates. The normal form of benefit shall be a single life
17 annuity with five-year certain. The member may elect any joint and
18 survivor option described in K.S.A. 74-4918, and amendments thereto.

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

21 (1) Who is vested in the member's employer annuity account;

22 (2) who has 10 or more years of service at death; and

23 (3) who dies before attaining normal retirement age, with their spouse
24 at time of death designated as their sole primary beneficiary, the member's
25 surviving spouse on and after the date the member would have attained
26 normal retirement age had they not died, shall receive an annuity that may
27 be provided by employer credits and income credits in the employer
28 annuity account, using factors established by the board by official action as
29 of the beneficiary's annuity start date and taking into consideration the
30 pension benefit guaranty corporation distress termination interest rates.
31 The normal form of benefit shall be a single life annuity with five-year
32 certain. The beneficiary may elect any joint and survivor option as
33 described in K.S.A. 74-4918, and amendments thereto.

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

41 New Sec. 14. A member's beneficiary must be determined as
42 provided in the pre-2014 plan regulations. Upon filing a written
43 application with the board after the death of a member, the member's

1 beneficiary is entitled to the member's employee directed account.

2 New Sec. 15. (a) Members of the retirement system under the
3 Kansas public employees retirement system act of 2014 shall be covered in
4 the death and disability plan in accordance with K.S.A. 74-4927, and
5 amendments thereto, but subject to the provisions of this section.

6 (b) (1) In the event that a member becomes eligible for and begins
7 receiving a long-term disability benefit under the plan, such member shall
8 be given participating service credit for the entire period of such disability.
9 Such member's employer annuity account shall be credited with the
10 amount of credits and interest prescribed in this act for the entire period of
11 such disability.

12 (2) The salary upon which credits to such member's employer annuity
13 account are based shall be the employee's salary at the time of disability,
14 which shall be adjusted once each year on January 1, but only after 5 years
15 of disability, by the lesser of: (A) The percentage increase in the
16 consumer price index for all urban consumers as published by the bureau
17 of labor statistics of the United States department of labor measured in the
18 prior November, minus 1%; or

19 (B) 4% per annum.

20 (3) All credits to the employer annuity account shall cease upon the
21 earliest of: (A) Death; (B) attainment of normal retirement age; or
22 (C) the date the member is no longer entitled to receive disability
23 benefits pursuant to law.

24 New Sec. 16. The provisions of K.S.A. 74-49,122, 74-49,123 and 74-
25 49,124, and amendments thereto, apply to this act, except the definitions of
26 "actuarial equivalent" and "actuarial computation" are not applicable to
27 this act.

28 New Sec. 17. (a) The election provisions of this section and any
29 related provisions shall not be implemented until the board of trustees of
30 the Kansas public employees retirement system has obtained approval for
31 the election and related provisions specified in this section from the federal
32 internal revenue service. The election provisions of this section and any
33 related provisions are severable from the remainder of this act and shall be
34 repealed if the federal internal revenue service refuses to grant such
35 approval or issues an adverse decision.

36 (b) Except as otherwise provided in this act, a nonvested member of
37 the system under the provisions of K.S.A. 74-4901 *et seq.*, and 74-49,201
38 *et seq.*, and amendments thereto, on July 1, 2013, shall elect to transfer
39 such member's employee contributions and interest earnings credited
40 thereon to an: (1) Employee directed account; or (2) employer annuity
41 account. As part of this election, a member may designate all or part of
42 such member's employee contributions and interest earnings to be
43 allocated to each account. Members shall make such election within a 90-

1 day period established by the board. Elections made pursuant to this
2 section shall be made on a form and in a manner prescribed by the board.
3 An election under this section, including the provisions of subsection (c),
4 is a one-time irrevocable election.

5 (c) If a member fails to make an election pursuant to this section or if
6 the federal internal revenue service refuses to grant approval of such
7 election or issues an adverse decision, such member's employee
8 contributions and interest earnings shall be transferred to an employee
9 directed account.

10 New Sec. 18. (a) Any member of the legislature who has earned a
11 vested retirement benefit under the provisions of K.S.A. 74-4901 *et seq.*,
12 and amendments thereto, or K.S.A. 74-49,201 *et seq.*, and amendments
13 thereto, shall have the present value of such vested retirement benefit,
14 including all employee and employer contributions, earned before January
15 1, 2014, converted to a lump-sum amount and shall have such lump-sum
16 amount transferred to the employer annuity account of such member.

17 (b) On and after January 1, 2014, any benefit earned or accrued by a
18 member of the legislature under the provisions of this act shall be
19 calculated based only upon all compensation received: (1) As per diem
20 compensation for service during a regular or special session of the
21 legislature pursuant to subsection (a) of K.S.A. 46-137a, and amendments
22 thereto; (2) as per diem compensation for attendance at in-state or out-
23 of-state meetings pursuant to K.S.A. 75-3212, 75-3215, or 75-3223, in the
24 amount prescribed under subsection (a) of K.S.A. 46-137a, and
25 amendments thereto; (3) as additional compensation for legislative officers
26 as provided in K.S.A. 46-137b, and amendments thereto; and (4) as any
27 other additional compensation provided by law, excluding any allowances
28 or reimbursements for any expenses incurred.

29 New Sec. 19. The provisions of sections 1 through 16 and section 18
30 and 19 shall be effective on and after January 1, 2014.

31 Sec. 20. K.S.A. 2011 Supp. 74-4914d is hereby amended to read as
32 follows: 74-4914d. Any additional cost resulting from the normal
33 retirement date and retirement before such normal retirement date for
34 security officers as provided in K.S.A. 74-4914c, and amendments thereto,
35 and disability benefits as provided in K.S.A. 74-4914e, and amendments
36 thereto, shall be added to the employer rate of contribution for the
37 department of corrections as otherwise determined under K.S.A. 74-4920,
38 and amendments thereto, ~~except that the employer rate of contribution for~~
39 ~~the department of corrections including any such additional cost added to~~
40 ~~such employer rate of contribution pursuant to this section shall in no~~
41 ~~event exceed the employer rate of contribution for the department of~~
42 ~~corrections for the immediately preceding fiscal year by more than the~~
43 ~~following amounts expressed as a percentage of compensation upon which~~

1 ~~security officers contribute during the period: (a) For the fiscal year~~
2 ~~commencing in calendar year 2006, an amount not to exceed more than~~
3 ~~0.5% of the amount of the immediately preceding fiscal year; and (b) for~~
4 ~~the fiscal year commencing in calendar year 2007, and in each subsequent~~
5 ~~calendar year, an amount not to exceed more than 0.6% of the amount of~~
6 ~~the immediately preceding fiscal year.~~

7 Sec. 21. K.S.A. 2011 Supp. 74-4920 is hereby amended to read as
8 follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation
9 and appraisal as provided for in subsection (3)(a) of K.S.A. 74-4908, and
10 amendments thereto, the board shall certify, on or before July 15 of each
11 year, to the division of the budget in the case of the state and to the agent
12 for each other participating employer an actuarially determined estimate of
13 the rate of contribution which will be required, together with all
14 accumulated contributions and other assets of the system, to be paid by
15 each such participating employer to pay all liabilities which shall exist or
16 accrue under the system, including amortization of the actuarial accrued
17 liability as determined by the board. The board shall determine the
18 actuarial cost method to be used in annual actuarial valuations, to
19 determine the employer contribution rates that shall be certified by the
20 board. Such certified rate of contribution, amortization methods and
21 periods and actuarial cost method shall be based on the standards set forth
22 in subsection (3)(a) of K.S.A. 74-4908, and amendments thereto and shall
23 not be based on any other purpose outside of the needs of the system.

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

39 (ii) The board shall determine for each such employer separately an
40 amount sufficient to amortize all liabilities for prior service costs which
41 shall have accrued at the time of entry into the system. On the basis of
42 such determination the board shall annually certify to each such employer
43 separately an actuarially determined estimate of the rate of contribution

1 which shall be required to be paid by that employer to pay all of the
2 liabilities for such prior service costs. Such rate shall be termed the
3 employer's prior service contribution.

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

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

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

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

41 (b) (i) ~~Except as specifically provided in this section, for fiscal years~~
42 ~~commencing in calendar year 1996 and in each subsequent calendar year,~~
43 ~~the rate of contribution certified to the state of Kansas shall in no event~~

1 exceed the state's contribution rate for the immediately preceding fiscal
2 year by more than 0.2% of the amount of compensation upon which
3 members contribute during the period.

4 (ii) ~~Except as specifically provided in this subsection, for the fiscal~~
5 ~~years commencing in the following calendar years, the rate of contribution~~
6 ~~certified to the state of Kansas and to the participating employers under~~
7 ~~K.S.A. 74-4931, and amendments thereto shall in no event exceed the~~
8 ~~state's contribution rate for the immediately preceding fiscal year by more~~
9 ~~than the following amounts expressed as a percentage of compensation~~
10 ~~upon which members contribute during the period: (A) For the fiscal year~~
11 ~~commencing in calendar year 2005, an amount not to exceed more than~~
12 ~~0.4% of the amount of the immediately preceding fiscal year; (B) for the~~
13 ~~fiscal year commencing in calendar year 2006, an amount not to exceed~~
14 ~~more than 0.5% of the amount of the immediately preceding fiscal year;~~
15 ~~and (C) for the fiscal year commencing in calendar year 2007 and in each~~
16 ~~subsequent calendar year, an amount not to exceed more than 0.6% of the~~
17 ~~amount of the immediately preceding fiscal year.~~

18 (iii) ~~Except as specifically provided in this section, for fiscal years~~
19 ~~commencing in calendar year 1997 and in each subsequent calendar year,~~
20 ~~the rate of contribution certified to participating employers other than the~~
21 ~~state of Kansas shall in no event exceed such participating employer's~~
22 ~~contribution rate for the immediately preceding fiscal year by more than~~
23 ~~0.15% of the amount of compensation upon which members contribute~~
24 ~~during the period.~~

25 (iv) ~~Except as specifically provided in this subsection, for the fiscal~~
26 ~~years commencing in the following calendar years, the rate of contribution~~
27 ~~certified to participating employers other than the state of Kansas shall in~~
28 ~~no event exceed the contribution rate for such employers for the~~
29 ~~immediately preceding fiscal year by more than the following amounts~~
30 ~~expressed as a percentage of compensation upon which members~~
31 ~~contribute during the period: (A) For the fiscal year commencing in~~
32 ~~calendar year 2006, an amount not to exceed more than 0.4% of the~~
33 ~~amount of the immediately preceding fiscal year; (B) for the fiscal year~~
34 ~~commencing in calendar year 2007, an amount not to exceed more than~~
35 ~~0.5% of the amount of the immediately preceding fiscal year; and (C) for~~
36 ~~the fiscal year commencing in calendar year 2008 and in each subsequent~~
37 ~~calendar year, an amount not to exceed more than 0.6% of the amount of~~
38 ~~the immediately preceding fiscal year.~~

39 (v) As part of the annual actuarial valuation, there shall be a separate
40 employer rate of contribution calculated for the state of Kansas, a separate
41 employer rate of contribution calculated for participating employers under
42 K.S.A. 74-4931, and amendments thereto, a combined employer rate of
43 contribution calculated for the state of Kansas and participating employers

1 under K.S.A. 74-4931, and amendments thereto, and a separate employer
2 rate of contribution calculated for all other participating employers.

3 ~~(vi)~~(ii) There shall be a combined employer rate of contribution
4 certified to the state of Kansas and participating employers under K.S.A.
5 74-4931, and amendments thereto. There shall be a separate employer rate
6 of contribution certified to all other participating employers.

7 ~~(vii)~~(iii) If the combined employer rate of contribution calculated for
8 the state of Kansas and participating employers under K.S.A. 74-4931, and
9 amendments thereto, is greater than the separate employer rate of
10 contribution for the state of Kansas, the difference in the two rates applied
11 to the actual payroll of the state of Kansas for the applicable fiscal year
12 shall be calculated. This amount shall be certified by the board for deposit
13 as additional employer contributions to the retirement benefit
14 accumulation reserve for the participating employers under K.S.A. 74-
15 4931, and amendments thereto.

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

19 (7) The actuarial cost of the provisions of K.S.A. 74-4950i, *and*
20 *amendments thereto*, will be included in the June 30, 1998, actuarial
21 valuation in determining contribution rates for participating employers.
22 The actuarial accrued liability incurred for the provisions of K.S.A. 74-
23 4950i, *and amendments thereto*, shall be amortized over 15 years.

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

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

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

40 (11) The actuarial accrued liability incurred for the provisions of
41 K.S.A. 2011 Supp. 74-49,114b, and amendments thereto, for the KPERS
42 local group and retirants who were employees of local employers which
43 affiliated with the Kansas police and firemen's retirement system shall be

1 amortized over 10 years.

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

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

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

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

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

29 (17) Notwithstanding any provision of law to the contrary, each
30 participating employer shall remit quarterly, or as the board may otherwise
31 provide, all employee deductions and required employer contributions to
32 the executive director for credit to the Kansas public employees retirement
33 fund within three days after the end of the period covered by the
34 remittance by electronic funds transfer. Remittances of such deductions
35 and contributions received after such date are delinquent. Delinquent
36 payments due under this subsection shall be subject to interest at the rate
37 established for interest on judgments under subsection (a) of K.S.A. 16-
38 204, and amendments thereto. At the request of the board, delinquent
39 payments which are due or interest owed on such payments, or both, may
40 be deducted from any other moneys payable to such employer by any
41 department or agency of the state.

42 New Sec. 22. Any purchase of service credit which was commenced
43 prior to July 1, 2013, is not subject to the provisions of this act.

1 Sec. 23. K.S.A. 74-4919a, 74-4919g, 74-4919i, 74-4919k, 74-4919n,
2 74-4919p, 74-4919q, 74-4919r and 74-4919s and K.S.A. 2010 Supp. 74-
3 4919d, as amended by section 1 of chapter 98 of the 2011 Session Laws of
4 Kansas and 74-4920, as amended by section 4 of chapter 98 of the 2011
5 Session Laws of Kansas and K.S.A. 2011 Supp. 74-4914d, 74-4919h, 74-
6 4919j, 74-4919l, 74-4919m, 74-4919o, 74-4919u, 74-4919v and 74-4920
7 are hereby repealed.

8 Sec. 24. This act shall take effect and be in force from and after July
9 1, 2013, and its publication in the statute book.