

HOUSE BILL No. 2399

By Committee on Appropriations

2-17

1 AN ACT concerning retirement and pensions; relating to the Kansas public
2 employees retirement system; amortizing a certain portion of the
3 unfunded actuarial liability of the system for a period of 24 years;
4 eliminating certain level-dollar employer contribution payments;
5 establishing procedures for lapsing and decreasing certain amounts of
6 employer contributions for state agencies for the fiscal year ending
7 June 30, 2022; amending K.S.A. 74-4920 and repealing the existing
8 section.
9

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

11 New Section 1. (a) If any legislation that authorizes the amortization
12 of the actuarial accrued liability for the state of Kansas, including the
13 department of corrections under K.S.A. 74-4914d, and amendments
14 thereto, and participating employers under K.S.A. 74-4931(1), (2) and (3),
15 and amendments thereto, in the Kansas public employees retirement
16 system over a period of 24 years commencing on December 31, 2018, is
17 passed by the legislature during the 2021 regular session and enacted into
18 law, then on July 1, 2021: (1) The amount in each account of the state
19 general fund of each state agency that is appropriated for the fiscal year
20 ending June 30, 2022, by an appropriation act of the 2021 regular session
21 of the legislature and that is equal to the difference between the amount
22 that is budgeted for payment to the Kansas public employees retirement
23 system for employer contributions and the amount required for employer
24 contributions under such amortization period, as certified by the director of
25 the budget to the director of accounts and reports for fiscal year 2022, is
26 hereby lapsed from each such account; and (2) the expenditure limitation
27 established for the fiscal year ending June 30, 2022, by an appropriation
28 act of the 2021 regular session of the legislature, or by the state finance
29 council, on each special revenue fund in the state treasury is hereby
30 decreased for fiscal year 2022 by the amount equal to the difference
31 between the amount that is budgeted for payment to the Kansas public
32 employees retirement system for employer contributions and the amount
33 required for employer contributions under such amortization period, as
34 certified by the director of the budget to the director of accounts and
35 reports for fiscal year 2022, from each such special revenue fund or
36 account thereof.

1 (b) The director of the budget shall transmit a copy of each such
2 certification made under this section to the director of legislative research.

3 Sec. 2. K.S.A. 74-4920 is hereby amended to read as follows: 74-
4 4920. (1) (a) Upon the basis of each annual actuarial valuation and
5 appraisal as provided for in K.S.A. 74-4908(3)(a), and amendments
6 thereto, the board shall certify, on or before July 15 of each year, to the
7 division of the budget in the case of the state and to the agent for each
8 other participating employer an actuarially determined estimate of the rate
9 of contribution which will be required, together with all accumulated
10 contributions and other assets of the system, to be paid by each such
11 participating employer to pay all liabilities which shall exist or accrue
12 under the system, including amortization of the actuarial accrued liability
13 as determined by the board. The board shall determine the actuarial cost
14 method to be used in annual actuarial valuations, to determine the
15 employer contribution rates that shall be certified by the board. Such
16 certified rate of contribution, amortization methods and periods and
17 actuarial cost method shall be based on the standards set forth in K.S.A.
18 74-4908(3)(a), and amendments thereto, and shall not be based on any
19 other purpose outside of the needs of the system, *except that for the state*
20 *of Kansas, including the department of corrections under K.S.A. 74-*
21 *4914d, and amendments thereto, and participating employers under K.S.A.*
22 *74-4931(1), (2) and (3), and amendments thereto, upon the basis of each*
23 *annual actuarial valuation and appraisal as provided for in K.S.A. 74-*
24 *4908(3)(a), and amendments thereto, the board shall certify, on or before*
25 *July 15 of each year, to the division of the budget in the case of the state*
26 *and to the agent for each other participating employer an actuarially*
27 *determined estimate of the rate of contribution that will be required,*
28 *together with all accumulated contributions and other assets of the system,*
29 *to be paid by each such participating employer to pay all liabilities that*
30 *shall exist or accrue under the system, including amortization of the*
31 *actuarial accrued liability for such participating employers over a period*
32 *of 24 years commencing December 31, 2018.*

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

1 participating employers described in this section, the board shall determine
2 the actuarial cost method to be used in annual actuarial valuations to
3 determine the employer contribution rates that shall be certified by the
4 board.

5 (ii) The board shall determine for each such employer separately an
6 amount sufficient to amortize all liabilities for prior service costs which
7 shall have accrued at the time of entry into the system. On the basis of
8 such determination the board shall annually certify to each such employer
9 separately an actuarially determined estimate of the rate of contribution
10 which shall be required to be paid by that employer to pay all of the
11 liabilities for such prior service costs. Such rate shall be termed the
12 employer's prior service contribution.

13 (2) The division of the budget and the governor shall include in the
14 budget and in the budget request for appropriations for personal services
15 the sum required to satisfy the state's obligation under this act as certified
16 by the board and shall present the same to the legislature for allowance and
17 appropriation.

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

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

1 fund available, shall be sufficient to enable the participating employer to
2 make the contributions required by this act.

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

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

13 (ii) Except as specifically provided in this subsection, for the fiscal
14 years commencing in the following calendar years, the rate of contribution
15 certified to the state of Kansas and to the participating employers under
16 K.S.A. 74-4931, and amendments thereto, shall in no event exceed the
17 state's contribution rate for the immediately preceding fiscal year by more
18 than the following amounts expressed as a percentage of compensation
19 upon which members contribute during the period: (A) For the fiscal year
20 commencing in calendar years 2010 through 2012, an amount not to
21 exceed more than 0.6% of the amount of the immediately preceding fiscal
22 year; (B) for the fiscal year commencing in calendar year 2013, an amount
23 not to exceed more than 0.9% of the amount of the immediately preceding
24 fiscal year; (C) for the fiscal year commencing in calendar year 2014, an
25 amount not to exceed more than 1% of the amount of the immediately
26 preceding fiscal year; (D) for the fiscal year commencing in calendar year
27 2015, the employer rate of contribution shall be 10.91%; (E) for the fiscal
28 year commencing in calendar year 2016, the employer rate of contribution
29 shall be 10.81%, except as provided by section 37(b) of chapter 54 of 2017
30 Session Laws of Kansas, and amendments thereto, for the participating
31 employers under K.S.A. 74-4931, and amendments thereto; (F) for the
32 fiscal year commencing in calendar year 2017, the employer rate of
33 contribution shall be 12.01% ~~and for participating employers under K.S.A.~~
34 ~~74-4931, and amendments thereto, an additional percentage of~~
35 ~~compensation corresponding to the level dollar repayment amount~~
36 ~~certified by the board pursuant to subsection (17); and (G) in each~~
37 ~~subsequent calendar year, an amount not to exceed more than 1.2% of the~~
38 ~~amount of the immediately preceding fiscal year and for participating~~
39 ~~employers under K.S.A. 74-4931, and amendments thereto, an additional~~
40 ~~percentage of compensation corresponding to the level dollar repayment~~
41 ~~amount certified by the board pursuant to subsections (17) and (18).~~

42 (iii) Except as specifically provided in this section, for fiscal years
43 commencing in calendar year 1997 and in each subsequent calendar year,

1 the rate of contribution certified to participating employers other than the
2 state of Kansas shall in no event exceed such participating employer's
3 contribution rate for the immediately preceding fiscal year by more than
4 0.15% of the amount of compensation upon which members contribute
5 during the period.

6 (iv) 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 participating employers other than the state of Kansas shall in
9 no event exceed the contribution rate for such employers for the
10 immediately preceding fiscal year by more than the following amounts
11 expressed as a percentage of compensation upon which members
12 contribute during the period: (A) For the fiscal year commencing in
13 calendar years 2010 through 2013, an amount not to exceed more than
14 0.6% of the amount of the immediately preceding fiscal year; (B) for the
15 fiscal year commencing in calendar year 2014, an amount not to exceed
16 more than 0.9% of the amount of the immediately preceding fiscal year;
17 (C) for the fiscal year commencing in calendar year 2015, an amount not
18 to exceed more than 1% of the amount of the immediately preceding fiscal
19 year; (D) for the fiscal year commencing in calendar year 2016, an amount
20 not to exceed more than 1.1% of the amount of the immediately preceding
21 fiscal year; and (E) for the fiscal year commencing in calendar year 2017,
22 and in each subsequent calendar year, an amount not to exceed more than
23 1.2% of the amount of the immediately preceding fiscal year.

24 (v) As part of the annual actuarial valuation, there shall be a separate
25 employer rate of contribution calculated for the state of Kansas, a separate
26 employer rate of contribution calculated for participating employers under
27 K.S.A. 74-4931, and amendments thereto, a combined employer rate of
28 contribution calculated for the state of Kansas and participating employers
29 under K.S.A. 74-4931, and amendments thereto, and a separate employer
30 rate of contribution calculated for all other participating employers.

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

35 (vii) If the combined employer rate of contribution calculated for the
36 state of Kansas and participating employers under K.S.A. 74-4931, and
37 amendments thereto, is greater than the separate employer rate of
38 contribution for the state of Kansas, the difference in the two rates applied
39 to the actual payroll of the state of Kansas for the applicable fiscal year
40 shall be calculated. This amount shall be certified by the board for deposit
41 as additional employer contributions to the retirement benefit
42 accumulation reserve for the participating employers under K.S.A. 74-
43 4931, and amendments thereto.

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

4 (7) The actuarial cost of the provisions of K.S.A. 74-4950i, and
5 amendments thereto, will be included in the June 30, 1998, actuarial
6 valuation in determining contribution rates for participating employers.
7 The actuarial accrued liability incurred for the provisions of K.S.A. 74-
8 4950i, and amendments thereto, shall be amortized over 15 years.

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

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

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

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

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

39 (13) The actuarial accrued liability incurred for the provisions of
40 K.S.A. 74-49,114c, and amendments thereto, for the KPERS local group
41 and retirants who were employees of local employers which affiliated with
42 the Kansas police and firemen's retirement system shall be amortized over
43 10 years.

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

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

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

22 ~~(17) The actuarial cost of the reduction of employer contributions for~~
23 ~~eligible employers as specified in K.S.A. 74-4931(1), (2) and (3), and~~
24 ~~amendments thereto, pursuant to the provisions of section 37 of chapter 54~~
25 ~~of the 2017 session laws of Kansas, and amendments thereto, shall be~~
26 ~~amortized over 20 years as a level dollar amount, as certified by the board~~
27 ~~upon recommendation of the consulting actuary, through an additional~~
28 ~~percentage of compensation for participating employers under K.S.A. 74-~~
29 ~~4931, and amendments thereto. This additional percentage of~~
30 ~~compensation shall first be reflected in employer contribution rates for~~
31 ~~participating employers under K.S.A. 74-4931, and amendments thereto,~~
32 ~~effective on the first day of the first payroll period for the fiscal year 2018.~~

33 ~~(18) The actuarial cost of \$194,022,683 shall be amortized over 20~~
34 ~~years as a level dollar amount, as certified by the board upon~~
35 ~~recommendation of the consulting actuary, through an additional~~
36 ~~percentage of compensation for participating employers under K.S.A. 74-~~
37 ~~4931, and amendments thereto. This additional percentage of~~
38 ~~compensation shall first be reflected in employer contribution rates for~~
39 ~~participating employers under K.S.A. 74-4931, and amendments thereto,~~
40 ~~effective on the first day of the first payroll period for the fiscal year 2020.~~

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

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