

SENATE BILL No. 321

By Committee on Ways and Means

1-27

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 25 years;
4 eliminating certain level-dollar employer contribution payments;
5 making and concerning appropriations for the fiscal year ending June
6 30, 2020; authorizing certain transfers from the state general fund to the
7 Kansas public employees retirement fund; establishing procedures for
8 lapsing and decreasing certain amounts of employer contributions for
9 state agencies for the fiscal year ending June 30, 2021; amending
10 K.S.A. 74-4920 and repealing the existing section.

11
12 *Be it enacted by the Legislature of the State of Kansas:*

13 Section 1.

14 **KANSAS PUBLIC EMPLOYEES**
15 **RETIREMENT SYSTEM**

16 (a) On the effective date of this act, the director of accounts and
17 reports shall transfer \$268,412,000 from the state general fund to the
18 Kansas public employees retirement fund (365-00-7002-7000) of the
19 Kansas public employees retirement system for payment of the remaining
20 balance on delayed Kansas public employees retirement system's state and
21 school employer contributions from fiscal year 2017 and fiscal year 2019
22 as of June 30, 2020.

23 New Sec. 2. (a) If any legislation that authorizes the amortization of
24 the actuarial accrued liability for the state of Kansas, including the
25 department of corrections under K.S.A. 74-4914d, and amendments
26 thereto, and participating employers under K.S.A. 74-4931(1), (2) and (3),
27 and amendments thereto, in the Kansas public employees retirement
28 system over a period of 25 years commencing on December 31, 2017, is
29 passed by the legislature during the 2020 regular session and enacted into
30 law, then on July 1, 2020:

31 (1) The amount in each account of the state general fund of each state
32 agency that is appropriated for the fiscal year ending June 30, 2021, by an
33 appropriation act of the 2020 regular session of the legislature, that is
34 equal to the difference between the amount that is budgeted for payment to
35 the Kansas public employees retirement system for employer contributions
36 and the amount required for employer contributions under such

1 amortization period, as certified by the director of the budget to the
2 director of accounts and reports for fiscal year 2021, is hereby lapsed from
3 each such account; and

4 (2) the expenditure limitation established for the fiscal year ending
5 June 30, 2021, by an appropriation act of the 2020 regular session of the
6 legislature, or by the state finance council, on each special revenue fund in
7 the state treasury is hereby decreased for fiscal year 2021 by the amount
8 equal to the difference between the amount that is budgeted for payment to
9 the Kansas public employees retirement system for employer contributions
10 and the amount required for employer contributions under such
11 amortization period, as certified by the director of the budget to the
12 director of accounts and reports for fiscal year 2021, from each such
13 special revenue fund, or account thereof.

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

16 Sec. 3. K.S.A. 74-4920 is hereby amended to read as follows: 74-
17 4920. (1) (a) Upon the basis of each annual actuarial valuation and
18 appraisal as provided for in K.S.A. 74-4908(3)(a), and amendments
19 thereto, the board shall certify, on or before July 15 of each year, to the
20 division of the budget in the case of the state and to the agent for each
21 other participating employer an actuarially determined estimate of the rate of
22 contribution ~~which~~ *that* will be required, together with all accumulated
23 contributions and other assets of the system, to be paid by each such
24 participating employer to pay all liabilities ~~which~~ *that* shall exist or accrue
25 under the system, including amortization of the actuarial accrued liability
26 as determined by the board. The board shall determine the actuarial cost
27 method to be used in annual actuarial valuations, to determine the
28 employer contribution rates that shall be certified by the board. Such
29 certified rate of contribution, amortization methods and periods and
30 actuarial cost method shall be based on the standards set forth in K.S.A.
31 74-4908(3)(a), and amendments thereto, and shall not be based on any
32 other purpose outside of the needs of the system, *except that for the state
33 of Kansas, including the department of corrections under K.S.A. 74-
34 4914d, and amendments thereto, and participating employers under K.S.A.
35 74-4931(1), (2) and (3), and amendments thereto, upon the basis of each
36 annual actuarial valuation and appraisal as provided for in K.S.A. 74-
37 4908(3)(a), and amendments thereto, the board shall certify, on or before
38 July 15 of each year, to the division of the budget in the case of the state
39 and to the agent for each other participating employer, an actuarially
40 determined estimate of the rate of contribution that will be required,
41 together with all accumulated contributions and other assets of the system,
42 to be paid by each such participating employer to pay all unfunded
43 actuarial liabilities that existed under the system on December 31, 2015,*

1 *including amortization of the unfunded actuarial liability for such*
2 *participating employers over a period of 25 years commencing on*
3 *December 31, 2017.*

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

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

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

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

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

1 under the authority of K.S.A. 12-1774, and amendments thereto, by cities
2 located in the county, which tax, together with any other fund available,
3 shall be sufficient to enable it to make such contribution. In lieu of levying
4 the tax authorized in this subsection, any taxing subdivision may pay such
5 costs from any employee benefits contribution fund established pursuant to
6 K.S.A. 12-16,102, and amendments thereto. Each participating employer
7 ~~which that~~ is not by law authorized to levy taxes as described above, but
8 ~~which that~~ prepares a budget for its expenses for the ensuing year and
9 presents the same to a governing body ~~which that~~ is authorized by law to
10 levy taxes as described above, may include in its budget an amount
11 sufficient to make its contributions under this act which may be in addition
12 to all other taxes authorized by law. Such governing body to which the
13 budget is submitted for approval, may levy a tax sufficient to allow the
14 participating employer to make its contributions under this act, which tax,
15 together with any other fund available, shall be sufficient to enable the
16 participating employer to make the contributions required by this act.

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

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

27 (ii) Except as specifically provided in this subsection, for the fiscal
28 years commencing in the following calendar years, the rate of contribution
29 certified to the state of Kansas and to the participating employers under
30 K.S.A. 74-4931, and amendments thereto, shall in no event exceed the
31 state's contribution rate for the immediately preceding fiscal year by more
32 than the following amounts expressed as a percentage of compensation
33 upon which members contribute during the period: (A) For the fiscal year
34 commencing in calendar years 2010 through 2012, an amount not to
35 exceed more than 0.6% of the amount of the immediately preceding fiscal
36 year; (B) for the fiscal year commencing in calendar year 2013, an amount
37 not to exceed more than 0.9% of the amount of the immediately preceding
38 fiscal year; (C) for the fiscal year commencing in calendar year 2014, an
39 amount not to exceed more than 1% of the amount of the immediately
40 preceding fiscal year; (D) for the fiscal year commencing in calendar year
41 2015, the employer rate of contribution shall be 10.91%; (E) for the fiscal
42 year commencing in calendar year 2016, the employer rate of contribution
43 shall be 10.81%, except as provided by section 37(b) of chapter 54 of 2017

1 Session Laws of Kansas, and amendments thereto, for the participating
2 employers under K.S.A. 74-4931, and amendments thereto; (F) for the
3 fiscal year commencing in calendar year 2017, the employer rate of
4 contribution shall be 12.01% ~~and for participating employers under K.S.A.~~
5 ~~74-4931, and amendments thereto, an additional percentage of~~
6 ~~compensation corresponding to the level dollar repayment amount~~
7 ~~certified by the board pursuant to subsection (17); and (G) in each~~
8 ~~subsequent calendar year, an amount not to exceed more than 1.2% of the~~
9 ~~amount of the immediately preceding fiscal year and for participating~~
10 ~~employers under K.S.A. 74-4931, and amendments thereto, an additional~~
11 ~~percentage of compensation corresponding to the level dollar repayment~~
12 ~~amount certified by the board pursuant to subsections (17) and (18).~~

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

20 (iv) Except as specifically provided in this subsection, for the fiscal
21 years commencing in the following calendar years, the rate of contribution
22 certified to participating employers other than the state of Kansas shall in
23 no event exceed the contribution rate for such employers for the
24 immediately preceding fiscal year by more than the following amounts
25 expressed as a percentage of compensation upon which members
26 contribute during the period: (A) For the fiscal year commencing in
27 calendar years 2010 through 2013, an amount not to exceed more than
28 0.6% of the amount of the immediately preceding fiscal year; (B) for the
29 fiscal year commencing in calendar year 2014, an amount not to exceed
30 more than 0.9% of the amount of the immediately preceding fiscal year;
31 (C) for the fiscal year commencing in calendar year 2015, an amount not
32 to exceed more than 1% of the amount of the immediately preceding fiscal
33 year; (D) for the fiscal year commencing in calendar year 2016, an amount
34 not to exceed more than 1.1% of the amount of the immediately preceding
35 fiscal year; and (E) for the fiscal year commencing in calendar year 2017,
36 and in each subsequent calendar year, an amount not to exceed more than
37 1.2% of the amount of the immediately preceding fiscal year.

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

1 rate of contribution calculated for all other participating employers.

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

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

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

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

23 (8) Except as otherwise provided by law, the actuarial cost of any
24 legislation enacted by the Kansas legislature, except the actuarial cost of
25 K.S.A. 74-49,114a, and amendments thereto, shall be in addition to the
26 employer contribution rates certified for the employer contribution rate in
27 the fiscal year immediately following such enactment. Such actuarial cost
28 shall be determined by the qualified actuary employed or retained by the
29 system pursuant to K.S.A. 74-4908, and amendments thereto, and reported
30 to the system and the joint committee on pensions, investments and
31 benefits.

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

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

43 (11) The actuarial accrued liability incurred for the provisions of

1 K.S.A. 74-49,114b, and amendments thereto, for the KPERS local group
2 and retirants who were employees of local employers ~~which~~ *that* affiliated
3 with the Kansas police and firemen's retirement system shall be amortized
4 over 10 years.

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

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

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

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

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

36 ~~(17) The actuarial cost of the reduction of employer contributions for~~
37 ~~eligible employers as specified in K.S.A. 74-4931(1), (2) and (3), and~~
38 ~~amendments thereto, pursuant to the provisions of section 37 of chapter 54~~
39 ~~of the 2017 session laws of Kansas, and amendments thereto, shall be~~
40 ~~amortized over 20 years as a level dollar amount, as certified by the board~~
41 ~~upon recommendation of the consulting actuary, through an additional~~
42 ~~percentage of compensation for participating employers under K.S.A. 74-~~
43 ~~4931, and amendments thereto. This additional percentage of~~

1 compensation shall first be reflected in employer contribution rates for
2 participating employers under K.S.A. 74-4931, and amendments thereto,
3 effective on the first day of the first payroll period for the fiscal year 2018.

4 ~~(18) The actuarial cost of \$194,022,683 shall be amortized over 20~~
5 ~~years as a level dollar amount, as certified by the board upon~~
6 ~~recommendation of the consulting actuary, through an additional~~
7 ~~percentage of compensation for participating employers under K.S.A. 74-~~
8 ~~4931, and amendments thereto. This additional percentage of~~
9 ~~compensation shall first be reflected in employer contribution rates for~~
10 ~~participating employers under K.S.A. 74-4931, and amendments thereto,~~
11 ~~effective on the first day of the first payroll period for the fiscal year 2020.~~

12 Sec. 4. K.S.A. 74-4920 is hereby repealed.

13 Sec. 5. This act shall take effect and be in force from and after its
14 publication in the Kansas register.