AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system and systems thereunder; enacting the Kansas public employees retirement system act of 2014; providing terms, conditions, requirements, benefits and contributions related thereto; relating to fiscal notes on bills that provide retirement benefit enhancements, actuarial cost; employer and employee contributions; sale of real estate of state agencies, disposition of proceeds to Kansas public employees retirement system fund; employment after retirement for certain school employees; amending K.S.A. 74-4915 and 74-4919 and K.S.A. 2011 Supp. 74-4914d, 74-4920, 74-4937, 74-49,205 and 75-6609 and repealing the existing sections; also repealing K.S.A. 2011 Supp. 74-49,213.

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

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

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

(c) This act does not apply to members of the Kansas police and firemen's retirement system, K.S.A. 74-4951 et seq., and amendments thereto, the retirement system for judges, K.S.A. 20-2601 et seq., and amendments thereto, and security officers as provided in K.S.A. 74-4914a, and amendments thereto.

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

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

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

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

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

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

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

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

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

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

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

(6) "first employed" means an employee has not been an employee in
a covered position of any participating employer prior to January 1, 2014,
and is employed by a participating employer in a covered position on or
after January 1, 2014; an employee who is a former member of the system
who withdrew contribution accounts before January 1, 2014, and who is
again employed by a participating employer in a covered position on or
after January 1, 2014; or an employee who was an inactive non-vested
member and who is again employed by a participating employer in a
covered position on or after January 1, 2014;
(7) "inactive, non-vested member" means a member who has
terminated employment with a participating employer and who does not
have a vested retirement benefit in the system on January 1, 2014;
(8) "member" means an individual who is required by section 1, and
amendments thereto, to be a member of the plan;
(9) "normal retirement age" means the attainment of age 65, or 60
with the completion of 30 years of credited service;
(10) "plan" means the plan established within the Kansas public
employees retirement system by section 3, and amendments thereto;
(11) "pre-2014 defined benefit plan" means the plan established
pursuant to K.S.A. 74-4901 et seq., and amendments thereto, and K.S.A.
74-49,201 et seq., and amendments thereto;
(12) "retirement annuity account" means the account established for
employer credits of members under section 3, and amendments thereto;
and
(13) "system" means the Kansas public employees retirement system.
(b) Unless specifically provided in this section or in this act, words
and phrases used in this act shall have the meanings ascribed to them as
provided under the provisions of K.S.A. 74-4901 et seq., and amendments
thereto.

New Sec. 3. (a) The board shall establish within the Kansas public
employees retirement system a plan in accordance with the provisions of
this act. Such plan shall be established as part of the pension plan pursuant
to the provisions of K.S.A. 74-4920, and amendments thereto, for the
exclusive benefit of members and such member's beneficiaries and as a
qualified governmental plan pursuant to sections 401(a) and 414(d) of the
federal internal revenue code and its implementing regulations. Such plan
is established in addition to any retirement, pension, deferred
compensation or other benefit plan currently administered by the state or a
political subdivision. Assets of the plan shall be held in the trust for the
Kansas public employees retirement system.
(b) The board shall establish for each member under this plan a
retirement annuity account, which shall be credited with employer credits
and interest credits on those employer credits as determined by the board
under section 8, and amendments thereto. The retirement annuity account
shall be used to determine a lump-sum distribution or an annuity for a
vested member upon retirement as provided in section 13, and
amendments thereto.
The board shall establish an annuity savings account for each member, which shall be credited with employee contributions and interest credits under section 6, and amendments thereto. For a vested member, the annuity savings account shall be used to fund the lump-sum or annuity benefits upon retirement as provided in section 11, and amendments thereto.

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

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

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

New Sec. 6. (a) A member's annuity savings account is the sum of the member's mandatory contributions plus the interest credits on those contributions, which shall be credited no less frequently than quarterly based on the account balances as of the last day of the preceding quarter. Effective January 1, 2014, the interest credits are 5% per annum. The legislature may from time to time prospectively change the interest credits, and expressly reserves the right to do so.

(b) The board may, in the board's discretion, from time to time provide for an additional interest credit, subject to the following conditions: (1) The additional interest credit may not exceed the lesser of 2% or 50% of the rate of return on the system's assets that is above 8% for a fiscal year; and

(2) the additional interest rate for a fiscal year shall not be granted unless the rate of return on the system's assets is at least 10% for that fiscal year.

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

(d) Interest credits shall not be granted on the member's annuity savings account following the end of the second plan year following the member's termination of employment under the plan.

New Sec. 7. (a) A participating employer shall credit the following:

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

(2) two percent of compensation for each member who has one but less than two years of service;
(3) three percent of compensation for each member who has two but less than three years of service; and
(4) four percent of compensation for each member who has three or more years of service.
(b) An active member's employer shall contribute a percentage of compensation, determined by the board, which must be allocated to the death and long-term disability plan under K.S.A. 74-4927, and amendments thereto.
(c) The legislature may from time to time prospectively change employer credits provided in this section, and expressly reserves the right to do so.
New Sec. 8. (a) A member's retirement annuity account is the sum of all employer credits to the account plus the interest credits on the account, which shall be credited no less frequently than quarterly, based on the account balances as of the last day of the preceding quarter. Effective January 1, 2014, the interest credits are 5% per annum. The legislature may from time to time prospectively change the interest credits, and expressly reserves the right to do so.
(b) The board may, in the board's discretion, from time to time provide for an additional interest credit, subject to the following conditions: (1) The additional interest credit may not exceed the lesser of 2% or 50% of the rate of return on the system's portfolio that is above 8% for a fiscal year; and
(2) the additional interest rate for a fiscal year shall not be granted unless the rate of return on the system's portfolio is at least 10% for that fiscal year.
(c) For a member to be eligible for an additional interest credit, the member must be employed by a participating employer both at the time when the system earned the interest and when the interest credit is paid out.
(d) Interest credits shall not be granted on the member's non-vested retirement annuity account following the end of the second plan year following the member's termination of employment covered under the plan.
New Sec. 9. If the member's retirement annuity account is not vested upon the member's termination of plan membership, as provided in section 12, and amendments thereto, the employer credits and interest credits are forfeited as provided in section 12, and amendments thereto. If the member's retirement annuity account is vested upon the member's termination of plan membership, as provided in section 12, and amendments thereto, but the member dies prior to attaining normal retirement age without a spouse eligible for the retirement annuity account under section 13, and amendments thereto, the employer credits and
interest credits are forfeited. Forfeitures may not be used to increase a member's account, but instead shall be used to pay administrative expenses of the accounts or to reduce employer contributions.

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

   (1) A direct rollover to an eligible retirement plan; or
   (2) a lump-sum distribution.

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

New Sec. 11. (a) A member who is eligible for a benefit under subsection (a) or (b) of section 13, and amendments thereto, shall be entitled to a distribution of such member's annuity savings account. Such distribution may be made in any of the annuity options described in subsection (c) of section 13, and amendments thereto. In lieu of an annuity, a member entitled to a benefit under subsection (b) of section 13, and amendments thereto, may elect to receive a lump-sum of such member's annuity savings account of any fixed dollar amount or percent, but in no event may the lump-sum option elected under this section and the lump-sum option elected under subsection (c) of section 13, and amendments thereto, exceed 30% of the total value of such member's annuity savings account and retirement annuity account.

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

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

(b) If a member who is not vested in the member's retirement annuity account at termination of employment, has not withdrawn such member's annuity savings account and returns to active employment and membership in the plan within two years of such member's termination, such member's prior years of service shall be restored upon such return to
New Sec. 13. (a) Except as provided in subsection (e), a member who has a nonforfeitable interest in the member's retirement annuity account, at any time after termination from service and the attainment of normal retirement age, shall receive an annuity based upon the balance in such member's retirement annuity account, using mortality rates established by the board by official action as of the member's annuity start date and interest rates established by the legislature as of the member's annuity start date, and such interest rate shall initially be 5%. The legislature may from time to time prospectively change the interest rate and the board may from time to time prospectively change the mortality rate, and the legislature expressly reserves such rights to do so.

(b) Except as provided in subsection (e), a member who has a vested interest in the member's retirement annuity account, who terminates after attainment of age 55 with the completion of at least 10 years of service, shall receive an annuity based upon employer credits and interest credits in such member's retirement annuity account, using mortality rates established by the board by official action as of the member's annuity start date and an interest rate established by the legislature as of the member's annuity start date, and such interest rate shall initially be 5%. The legislature may from time to time prospectively change the interest rate and the board may from time to time prospectively change the mortality rate, and the legislature expressly reserves such rights to do so.

(c) The normal form of benefit payable under subsection (a) or (b) shall be a single life annuity with 15-year certain. The member may elect any option described in K.S.A. 74-4918, and amendments thereto, except the partial lump-sum option, subject to actuarial adjustment factors established by the board from time to time. The benefit option selected may include a self-funded cost-of-living adjustment feature, in which the account value is converted to a benefit amount that increases by a fixed percentage over time. One or more fixed percentages shall be established by the board, which may be changed from time to time. In lieu of a part of an annuity, for a member entitled to a benefit under subsection (a), the member may elect to receive a lump-sum of such member's retirement annuity account of any fixed dollar amount or percent, but in no event may the lump-sum option elected under this section and the lump-sum option elected under subsection (a) of section 11, and amendments thereto, exceed 30% of the total value of such member's annuity savings account and retirement annuity account.

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

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

(2) who has 10 or more years of service at death; and
(3) who dies before attaining normal retirement age, with such member's spouse at time of death designated as such member's sole primary beneficiary, the member's surviving spouse on and after the date the member would have attained normal retirement age had such member not died, shall receive an annuity based upon employer credits and interest credits in the retirement annuity account, using factors established by the board by official action as of the beneficiary's annuity start date. The normal form of benefit shall be a single life annuity with 15-year certain.

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

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

New Sec. 15. A member's beneficiary shall be determined as provided in the pre-2014 plan. Upon filing a written application with the board after the death of a member receiving a benefit under subsection (a) or (b) of section 12, and amendments thereto, the member's beneficiary is entitled to a $4,000 death benefit as provided in K.S.A. 74-4989, and amendments thereto.

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

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

(2) The salary upon which credits to such member's annuity savings account and retirement annuity account are based shall be the employee's salary at the time of disability, which shall be adjusted once each year on January 1, but only after five years of disability, by the lesser of: (A) The percentage increase in the consumer price index for all urban consumers as published by the bureau of labor statistics of the United States department of labor measured in the prior November, minus 1%; or (B) 4% per
annum.

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

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

New Sec. 18. (a) All electronic and written account statements provided to the members, or accessible to the members through electronic account access, shall include:
(1) The anticipated monthly benefit from the account based on a retirement age of 65;
(2) the anticipated percentage of income replacement provided by the plan based upon a retirement age of 65; and
(3) the hypothetical or notional account balance.
(b) All electronic and written account statements provided to the members, or accessible to the members through electronic account access, shall clearly state that additional personal savings in programs like an internal revenue code section 403 (b) plan or a 457 plan will likely be necessary to insure adequate retirement savings and to address cost-of-living increases.
(c) The board shall develop and make available to all members an electronic benefits estimate calculator for the plan established pursuant to this act.

New Sec. 19. (a) In accordance with the provisions of this section, the legislature may make adjustments to the benefits provided for in this act, if the employer's normal cost of the plan is 6% or greater; and:
(1) The board recommends specific adjustments to the legislature in accordance with subsection (b); or
(2) an actuarial study that conforms with generally accepted actuarial principles and practices and with the actuarial standards of practice issued by the actuarial standards board and requested or commissioned by the board or the legislature concludes:
(A) There is a significant likelihood that contribution rates will continue to rise; and
(B) that participating employers are liable for normal costs of the plan which are 6% or greater.
(b) If the conditions under subsection (a)(1) or (a)(2) are met, the legislature may adjust benefits under this act for future years of service including:
(1) The guaranteed minimum interest credit provided under sections 6 and 8, and amendments thereto;

(2) the settlement rate used to guarantee retirement benefits under section 13, and amendments thereto; and

(3) other provisions of this act.

(c) (1) Notwithstanding the provisions of subsections (a) and (b) the legislature may make adjustments to the benefits provided for under this act if an actuarial study described under subsection (a)(2) concludes, due to current and projected economic conditions, member participation levels and system structure, that the system:

(A) Cannot reasonably be sustained under its current provisions;

(B) is critically underfunded; and

(C) has become unstable and is in risk of collapse.

(2) Subject to federal law, the adjustments under subsection (c)(1) may include:

(A) Conversion to a different type of retirement plan;

(B) equitable distribution of system assets to retirees and members;

and

(C) a closure of the system.

New Sec. 20. In addition to all requirements for fiscal notes pursuant to law, fiscal notes for bills which provide a new benefit, an increase in existing benefits or any other type of benefit enhancement for members of the Kansas public employees retirement system and systems thereunder, including a cost-of-living adjustment or postretirement benefit increase, shall include an actuarial valuation and appraisal of the liability to the system and the required contributions necessary to discharge such liability and maintain the system on an actuarial reserve basis created by such benefit enhancement to be conducted by the qualified actuary employed or retained by the system pursuant to K.S.A. 79-4908, and amendments thereto. Such fiscal note shall be available to members of any standing committee of the legislature to which such bill has been assigned prior to such committee taking any action on such bill.

Sec. 21. K.S.A. 2011 Supp. 74-4914d is hereby amended to read as follows: 74-4914d. Any additional cost resulting from the normal retirement date and retirement before such normal retirement date for security officers as provided in K.S.A. 74-4914c, and amendments thereto, and disability benefits as provided in K.S.A. 74-4914e, and amendments thereto, shall be added to the employer rate of contribution for the department of corrections as otherwise determined under K.S.A. 74-4920, and amendments thereto, except that the employer rate of contribution for the department of corrections including any such additional cost added to such employer rate of contribution pursuant to this section shall in no event exceed the employer rate of contribution for the department of
corrections for the immediately preceding fiscal year by more than the following amounts expressed as a percentage of compensation upon which security officers contribute during the period: (a) For the fiscal year commencing in calendar year 2006, an amount not to exceed more than 0.5% of the amount of the immediately preceding fiscal year; and (b) for the fiscal year commencing in calendar year 2007, and in each subsequent calendar year years 2010 through 2012, an amount not to exceed more than 0.6% of the amount of the immediately preceding fiscal year; (b) for the fiscal year commencing in calendar year 2013, an amount not to exceed more than 0.9% of the amount of the immediately preceding fiscal year; (c) for the fiscal year commencing in calendar year 2014, an amount not to exceed more than 1% of the amount of the immediately preceding fiscal year; (d) for the fiscal year commencing in calendar year 2015, an amount not to exceed more than 1.1% of the amount of the immediately preceding fiscal year; and (e) for the fiscal year commencing in calendar year 2016, and in each subsequent calendar year, an amount not to exceed more than 1.2% of the amount of the immediately preceding fiscal year.

Sec. 22. K.S.A. 74-4915 is hereby amended to read as follows: 74-4915. (1) Any member who retires on or after such member's normal retirement date shall be entitled to receive an annual retirement benefit equal to the sum obtained by adding an amount for participating service and an amount for prior service determined as provided in this section. The amount for prior service shall be equal to 1% of the member's prior service annual salary multiplied by the number of years of prior service entitled to credit as provided in K.S.A. 74-4913, and amendments thereto, except that for members retiring on or after July 1, 1981, who were last employed by a participating employer which had affiliated with the system under K.S.A. 74-4910, 74-4912, 74-4929 or 74-4991, and amendments thereto, and for the period commencing January 1, 1986, for members retiring before July 1, 1981, who were last employed by a participating employer which had affiliated with the system under K.S.A. 74-4910, 74-4912, 74-4929 or 74-4991, and amendments thereto, and for any member who retired on or after July 1, 1993, the amount for prior service shall be equal to the total of 1.75% of the

member's final average salary multiplied by the number of years of participating service earned prior to January 1, 2014, and 1.85% of the member's final average salary multiplied by the number of years of participating service earned on and after January 1, 2014. Notwithstanding any provision of law to the contrary, in no event shall service that is purchased under the provisions of K.S.A. 74-4919a et seq., and amendments thereto, be credited at a rate that exceeds 1.75% of the purchasing member's final average salary.

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

(B) Any member who retires on or after July 1, 1993, but before the normal retirement date and has attained age 55 but has not attained age 60 with the completion of 10 years of credited service, shall receive an annual retirement benefit equal to the annual retirement benefit payable had the member retired on the normal retirement date but based upon the member's final average salary and years of participating and prior service credited to the date of actual retirement reduced by an amount equal to the total of: (i) The product of such annual retirement benefit payable had the member retired on the normal retirement date, multiplied by (b) the product of .6% multiplied by the number of months' difference, to the nearest whole month, between the member's attained age at the time of retirement and age 60; and (ii) on and after July 1, 1993, the product of such annual retirement benefit payable had the member retired on the normal retirement date, multiplied by 4.8%.

(3) Upon death of a retirant, there shall be paid to such retirant's beneficiary an amount equal to the excess, if any, of such retirant's accumulated contributions over the sum of all retirement benefit payments made.

(4) Such annual retirement benefits shall be paid in equal monthly installments except, that the board may provide for the payment of retirement benefits which total less than $240 a year on other than a monthly basis.
(5) In the event that an application in such form as may be prescribed by the board for any amount due under the provisions of this act, is not filed with the office of the retirement system by the person entitled to same within five years of the date such amount became due and payable, an amount equal to same shall be transferred to the retirement benefit accumulation reserve and such amount shall no longer be due and payable, except that if any such person shall present evidence satisfactory to the board that such person's failure to file such application within that time period was due to lack of knowledge or incapacity on such person's part, the amount equal to the amount originally due shall be transferred from the retirement benefit accumulation reserve to the reserve or reserves from which such transfer was initially made and the amount originally due shall be paid to such person.

(6) The participating employer, when an employee files an application for retirement, shall certify to the system all member contributions of such employee which have not been reported previously. In the event the amount certified results in an overpayment of retirement benefits, the employer shall be held responsible for the contribution amount previously certified from the time of commencement of the overpayment of retirement benefits until the time that such overpayment is discovered by the system. At the time that such overpayment of retirement benefits is discovered by the system, the system shall adjust the amount of retirement benefits paid to the employee to the correct amount based on the participating employer's certification of member contributions which had not been previously reported. The participating employer of the employee who has had such member's retirement benefits adjusted as provided in this subsection shall notify such employee of such overpayment and such adjustment of retirement benefits. If the contributions previously certified are lower than the actual amount reported, the employer shall be responsible for remitting the correct amount and the member's monthly benefit shall be recalculated based on the amount reported by the employer. When an employee in school employment files such an application, the participating employer responsible for any such amounts as provided in this subsection shall be the employee's eligible employer as specified in subsection (1), (2) or (3) of K.S.A. 74-4931, and amendments thereto, and shall not be the state of Kansas. The provisions of law in effect on the retirement date of a member under the system shall govern the retirement benefit payable to the retirant, any joint annuitant and any beneficiary.

Sec. 23. K.S.A. 74-4919 is hereby amended to read as follows: 74-4919. (1) Except as otherwise provided, each participating employer, beginning with the first payroll for services performed after the entry date, shall deduct from the compensation of each member 4% of such member's
compensation as employee contributions. Each participating employer, for services performed by an employee first employed prior to July 1, 2009, shall deduct from the compensation of each member, commencing January 1, 2014, 5% of such member's compensation as employee contributions, and, commencing January 1, 2015, and in each subsequent calendar year, 6% of such member's compensation as employee contributions. Such deductions shall be remitted quarterly, or as the board may otherwise provide, to the executive director for deposit in the Kansas public employees retirement fund. Such deductions shall be credited to the members' individual accounts and interest shall be added annually to such accounts.

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

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

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

Sec. 24. K.S.A. 2011 Supp. 74-4920 is hereby amended to read as follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation and appraisal as provided for in subsection (3)(a) of K.S.A. 74-4908, and amendments thereto, the board shall certify, on or before July 15 of each year, to the division of the budget in the case of the state and to the agent for each other participating employer an actuarially determined estimate of the rate of contribution which will be required, together with all accumulated contributions and other assets of the system, to be paid by each such participating employer to pay all liabilities which shall exist or accrue under the system, including amortization of the actuarial accrued
liability as determined by the board. The board shall determine the actuarial cost method to be used in annual actuarial valuations, to determine the employer contribution rates that shall be certified by the board. Such certified rate of contribution, amortization methods and periods and actuarial cost method shall be based on the standards set forth in subsection (3)(a) of K.S.A. 74-4908, and amendments thereto, and shall not be based on any other purpose outside of the needs of the system.

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

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

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

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

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

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

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

(ii) Except as specifically provided in this subsection, for the fiscal years commencing in the following calendar years, the rate of contribution certified to the state of Kansas and to the participating employers under K.S.A. 74-4931, and amendments thereto, shall in no event exceed the state's contribution rate for the immediately preceding fiscal year by more than the following amounts expressed as a percentage of compensation upon which members contribute during the period: (A) For the fiscal year commencing in calendar year 2005, an amount not to exceed more than 0.4% of the amount of the immediately preceding fiscal year; (B) for the fiscal year commencing in calendar year 2006, an amount not to exceed more than 0.5% of the amount of the immediately preceding fiscal year; and (C) for the fiscal year commencing in calendar year 2007 and in each subsequent calendar year years 2010 through 2012, an amount not to
exceed more than 0.6% of the amount of the immediately preceding fiscal year; (B) for the fiscal year commencing in calendar year 2013, an amount not to exceed more than 0.9% of the amount of the immediately preceding fiscal year; (C) for the fiscal year commencing in calendar year 2014, an amount not to exceed more than 1% of the amount of the immediately preceding fiscal year; (D) for the fiscal year commencing in calendar year 2015, an amount not to exceed more than 1.1% of the amount of the immediately preceding fiscal year; and (E) for the fiscal year commencing in calendar year 2016, and in each subsequent calendar year, an amount not to exceed more than 1.2% of the amount of the immediately preceding fiscal year.

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

(iv) Except as specifically provided in this subsection, for the fiscal years commencing in the following calendar years, the rate of contribution certified to participating employers other than the state of Kansas shall in no event exceed the contribution rate for such employers for the immediately preceding fiscal year by more than the following amounts expressed as a percentage of compensation upon which members contribute during the period: (A) For the fiscal year commencing in calendar year 2006, an amount not to exceed more than 0.4% of the amount of the immediately preceding fiscal year; (B) for the fiscal year commencing in calendar year 2007, an amount not to exceed more than 0.5% of the amount of the immediately preceding fiscal year; (C) for the fiscal year commencing in calendar year 2008 and in each subsequent calendar year 2010 through 2013, an amount not to exceed more than 0.6% of the amount of the immediately preceding fiscal year; (B) for the fiscal year commencing in calendar year 2014, an amount not to exceed more than 0.9% of the amount of the immediately preceding fiscal year; (C) for the fiscal year commencing in calendar year 2015, an amount not to exceed more than 1% of the amount of the immediately preceding fiscal year; (D) for the fiscal year commencing in calendar year 2016, an amount not to exceed more than 1.1% of the amount of the immediately preceding fiscal year; and (E) for the fiscal year commencing in calendar year 2017, and in each subsequent calendar year, an amount not to exceed more than 1.2% of the amount of the immediately preceding fiscal year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Commencing July 1, 2009, the provisions of subsection (5) of
K.S.A. 74-4914, and amendments thereto, which relate to an earnings
limitation which when met or exceeded requires that the retirant not
receive a retirement benefit for any month for which such retirant serves in
a position as described herein shall not apply to retirants who either retired
under the provisions of subsection (1) of K.S.A. 74-4914, and amendments
thereto, related to normal retirement, or, if they retired under the
provisions of subsection (4) of K.S.A. 74-4914, and amendments thereto,
related to early retirement, were retired more than 60 days prior to the
effective date of this act, and are subsequently hired in a position that
requires a license under K.S.A. 72-1388, and amendments thereto, or other
provision of law. The provisions of this subsection do not apply to retirants
who retired under subsection (4) of K.S.A. 74-4914, and amendments
thereto, which relates to early retirement prior to age 62. Except as otherwise provided, when a retirant is employed by the same school district or a different school district with which such retirant was employed during the final two years of such retirant's participation or employed by a third-party entity who contracts services with a school district to fill a position as described in this subsection, the participating employer of such retirant shall pay to the system the actuarially determined employer contribution based on the retirant's compensation during any such period of employment plus 8%. The provisions of this subsection shall not apply to retirants employed as substitute teachers. The provisions of subsection (5) of K.S.A. 74-4914, and amendments thereto, shall be applicable to retirants employed as described in this subsection, except as specifically provided in this subsection. Nothing in this subsection shall be construed to create any right, or to authorize the creation of any right, which is not subject to amendment or nullification by act of the legislature. The provisions of this subsection shall expire on July 1, 2015. After such date, the Kansas public employees retirement system and its actuary shall report the experience to the joint committee on pensions, investments and benefits.

Sec. 26. K.S.A. 2011 Supp. 74-49,205 is hereby amended to read as follows: 74-49,205. For any member who is first employed by a participating employer on or after July 1, 2009, and who retires on or after such member's normal retirement date, but not prior to January 1, 2014, the amount for participating service shall be equal to the total of 1.75% of the member's final average salary multiplied by the number of years of participating service to be used in determining such member's annual retirement benefit.

Sec. 27. K.S.A. 2011 Supp. 75-6609 is hereby amended to read as follows: 75-6609. (a) When used in this section, "surplus real estate" means real estate which is no longer needed by the state agency which owns such real estate as determined in accordance with this section.

(b) (1) The secretary of administration shall develop criteria for the identification of surplus real estate, including, but not limited to, a review of any legal restrictions associated with the real estate and the reasons for the state agency to keep the real estate. In accordance with such criteria, the secretary shall assist state agencies in the identification of surplus real estate. The secretary of administration shall periodically review the status of all real estate of state agencies subject to this section to determine if any of the real estate owned by state agencies is potentially surplus real estate. If any real estate owned by a state agency is determined by the secretary of administration, in consultation with the head of the state agency, to be surplus real estate in accordance with the criteria developed under subsection (a), then the secretary of administration shall recommend to the
(2) The secretary of administration shall develop guidelines for the sale of surplus real estate. In accordance with such guidelines and upon the approval of the governor, after consultation with the head of the state agency which owns such surplus real estate, after consultation with the joint committee on state building construction and after approval by the state finance council under subsection (c), the secretary may offer such property for sale by one of the following means: (A) Public auction; (B) by listing the surplus property with a licensed real estate broker or salesperson; or (C) by sealed bid. Subject to the approval of the state finance council as required by subsection (c), the secretary of administration may sell surplus real estate and any improvements thereon on behalf of the state agency which owns such property.

(c) Prior to the sale of any surplus real estate under subsection (b), the state finance council shall approve the sale, which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711, and amendments thereto. The matter may be submitted to the state finance council for approval at any time, including periods of time during which the legislature is in session.

(d) Prior to offering any real estate for sale, such property shall be appraised pursuant to K.S.A. 75-3043a, and amendments thereto, unless the appraisal is waived as provided in this subsection. The secretary of administration may waive the requirement for appraisal for any parcel of surplus real estate that is to be sold at public auction under this section if the secretary of administration determines that it is in the best interests of the state to waive the requirement for appraisal for such parcel of surplus real estate. The costs of any such appraisal may be paid from the proceeds of the sale.

(e) Conveyance of title in surplus real estate offered for sale by the secretary of administration shall be executed on behalf of the state agency by the secretary of administration. The deed for the conveyance may be by warranty deed or by quitclaim deed as determined to be in the best interests of the state by the secretary of administration in consultation with the head of the state agency which owns the surplus real estate.

(f)(1) Any proceeds from the sale of surplus real estate and any improvements thereon, after deduction of the expenses of such sale and any cost of appraisal of the surplus real estate, shall be deposited in the state treasury as prescribed by this subsection, unless otherwise authorized by law. On and after the effective date of this act July 1, 2012, 20% of the proceeds from each such sale deposited in the state treasury shall be credited to the surplus real estate fund or another appropriate special
revenue fund of the state agency which owned the surplus real estate, as is
prescribed by law or as may be determined by the state agency, unless
otherwise required by state or federal law or by the limitations or
restrictions of the state's title to the real estate being sold. In the case of
proceeds from the sale of surplus real estate at a state mental health
institution or a state mental retardation institution, such portion of the
proceeds shall be credited to the client benefit fund of such institution or to
another special revenue fund of such institution for: (A) Rehabilitation and
repair or other capital improvements for such institution; or (B) one-time
expenditures for community mental health organizations if the real estate
sold was at a state mental health institution or for community
developmental disabilities organizations if the real estate sold was at a
state mental retardation institution, and, in any such case, shall be
expended in accordance with the provisions of appropriation acts. The
remaining 80% of the proceeds from each such sale deposited in the state
treasury shall be credited to the state general fund Kansas public
employees retirement fund to be applied to the payment, in full or in part,
of the unfunded actuarial pension liability as directed by the Kansas
public employees retirement system. As used in this section, "unfunded
actuarial pension liability" means the unfunded actuarially accrued
liability of the state for the state of Kansas and participating employers
under K.S.A. 74-4931, and amendments thereto, portion of such liability of
the Kansas public employees retirement system, determined as of the later
of December 31, 2011, or the end of the most recent calendar year for
which an actuarial valuation report is available.

(2) The amount of expenses and the cost of appraisal for each sale of
surplus real estate pursuant to this section shall be transferred and credited
to the property contingency fund created under K.S.A. 75-3652, and
amendments thereto, and may be expended for any operations of the
department of administration.

(3) Any state agency owning real estate may apply to the director of
accounts and reports to establish a surplus real estate special revenue fund
in the state treasury. Subject to the provisions of appropriation acts,
moneys in a surplus real estate special revenue fund may be expended for
the operating expenditures of the state agency.

(g) Any sale of property by the secretary of transportation pursuant to
K.S.A. 68-413, and amendments thereto, shall not be subject to the
provisions of this section. The provisions of this section shall not be
applicable to real estate given as an endowment, bequest, or gift to a state
educational institution as defined in K.S.A. 72-4412, and amendments
thereto, or to the university of Kansas medical center.

(h) Sale of the Olathe travel information center shall not be subject to
the provisions of this section.
New Sec. 28. Nothing in this act shall effect any cost-of-living
adjustment earned by a retirant pursuant to the provisions of K.S.A 74-
49,213, and amendments thereto, prior to July 1, 2012.

Sec. 29. K.S.A. 74-4915 and 74-4919 and K.S.A. 2011 Supp. 74-
4914d, 74-4920, 74-4937, 74-49,205, 74-49,213 and 75-6609 are hereby
repealed.

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