

## HOUSE BILL No. 2540

By Committee on Appropriations

2-21

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AN ACT concerning retirement; relating to employees of the state board of regents; tax sheltered annuities; amending K.S.A. 2000 Supp. 74-4925 and 74-4925e and repealing the existing sections.

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

Section 1. K.S.A. 2000 Supp. 74-4925 is hereby amended to read as follows: 74-4925. (1) The state board of regents shall:

(a) Assist all those members of the faculty and other persons who are employed by the state board of regents or by educational institutions under its management and who are in the unclassified service under the Kansas civil service act as provided in subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, except health care employees, as defined by subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, in the purchase of retirement annuities for their service rendered after December 31, 1961. Effective on the first day of the first payroll period commencing with or following July 1, 1994, county extension agents employed by Kansas state university under K.S.A. 2-615 and amendments thereto shall be eligible for assistance by the state board of regents in the purchase of retirement annuities under this section. *Effective on the first day of the first payroll period commencing with or following July 1, 2001, county extension agents, extension specialists and extension administrators employed by the Kansas state university extension and research program with benefits provided by the civil service retirement system, shall be eligible for assistance by the state board of regents in the purchase of retirement annuities under this section.* The state board of regents shall not assist any such person who is employed after December 31, 1961, until such person has been employed for a waiting period of at least one year except that (i) the state board of regents may assist any newly employed person immediately if at the time of the commencement of employment the person is covered by a valid retirement annuity contract issued by a company described in subsection (2) which was entered into pursuant to a retirement pension plan adopted for faculty members or other persons, or both, employed by an institution of higher education and to which such person or such person's employer on such person's behalf has been making contributions for at least one year, and (ii) all

1 periods of employment with (A) participating employers under the Kansas  
2 public employees retirement system, for which employment participating  
3 service credit accrued, or (B) institutions of higher education in other  
4 states for which employment retirement benefits accrued under a retire-  
5 ment system or plan provided for such employment, shall be credited  
6 toward satisfaction of such one-year waiting period if served, in either  
7 case, during the five years immediately preceding employment with the  
8 state board of regents or with an educational institution under its man-  
9 agement in the unclassified service under the Kansas civil service act as  
10 provided in subsection (1)(f) of K.S.A. 75-2935 and amendments thereto,  
11 in addition to such employment with the state board of regents or with  
12 an educational institution under its management; no period of employ-  
13 ment as a student employee, as a seasonal or temporary employee or as  
14 a part-time employee, whose employment requires less than 1,000 hours  
15 of work per year, shall be credited toward the one-year waiting period  
16 under subsection (1)(a); this act shall not apply to persons employed in  
17 such temporary and part-time positions designated by the state board of  
18 regents as exceptions hereto;

19 (b) (i) *except as provided in subsection (b)(ii), require such members*  
20 *of the faculty and others described in subsection (1)(a) who are so assisted*  
21 *by the state board of regents to contribute an amount toward the purchase*  
22 *of such retirement annuities of 5.5% of their salaries, such contributions*  
23 *to be made through payroll deductions and on a pretax basis; and*

24 (ii) *require county extension agents, extension specialists and exten-*  
25 *sion administrators with benefits provided by the civil service retirement*  
26 *system as described in subsection (1)(a) who are assisted by the state*  
27 *board of regents to contribute an amount toward the purchase of such*  
28 *retirement annuities of 4% of their salaries, such contributions to be made*  
29 *through payroll deductions and on a pretax basis;*

30 (c) (i) *except as provided in subsection (c)(ii), contribute an amount*  
31 *toward the purchase of such retirement annuities equal to the percentage*  
32 *amount, as prescribed by K.S.A. 74-4925e and amendments thereto, of*  
33 *the total amount of the salaries on which such members of the faculty*  
34 *and others described in subsection (1)(a) contribute during such period*  
35 *for which the contribution of the state board of regents is made; and*

36 (ii) *contribute an amount toward the purchase of such retirement*  
37 *annuities equal to the percentage amount, as prescribed by section 2, and*  
38 *amendments thereto, of the total amount of the salaries on which such*  
39 *county extension agents, extension specialists and extension administra-*  
40 *tors with benefits provided by the civil service retirement system as de-*  
41 *scribed in subsection (1)(a) contribute during such period for which the*  
42 *contribution of the state board of regents is made;*

43 (d) provide, under such rules and regulations as the state board of

1 regents may adopt, for the retirement of any such member of the faculty  
2 or other person described in subsection (1)(a) on account of age or con-  
3 dition of health, retirement of such member of the faculty or other person  
4 described in subsection (1)(a) on account of age to be not earlier than the  
5 55th birthday and prior to January 1, 1994, not later than the end of the  
6 academic year following the 70th year. On and after January 1, 1994, there  
7 shall be no mandatory retirement on account of age. Any person who  
8 retires under this section and who receives benefits from the Kansas pub-  
9 lic employees retirement system for prior service credit shall have such  
10 benefits calculated in accordance with the applicable provisions of K.S.A.  
11 74-4914 and 74-4915 and amendments thereto.

12 (2) For the purposes of this section the state board of regents may  
13 contract with:

14 (a) Any life insurance company authorized to do business in this state;  
15 or

16 (b) any life insurance company organized and operated without profit  
17 to any private shareholder or individual exclusively for the purpose of  
18 aiding and strengthening educational institutions by issuing insurance and  
19 annuity contracts only to or for the benefit of such institution and indi-  
20 viduals engaged in the services of such institutions, whether or not such  
21 company is authorized to do business in Kansas. No premium tax or in-  
22 come tax shall be due or payable on such annuity contract or contracts  
23 for such retirement programs issued by a company described in this sub-  
24 section (2)(b), except that neither the purchase nor the issuance of such  
25 retirement annuities from or by a company described in this subsection  
26 (2)(b) shall constitute the effecting of a contract of insurance.

27 (3) (a) Such member of the faculty or other person described in sub-  
28 section (1)(a) shall also be a member of the Kansas public employees  
29 retirement system, but only for the purpose of granting retirement ben-  
30 efits based on prior service only which was rendered prior to January 1,  
31 1962, which shall be credited to the member as provided in subsection  
32 (1) of K.S.A. 74-4913 and amendments thereto, except that such member  
33 of the faculty or other person described in subsection (1)(a) who was  
34 employed prior to July 1, 1962, who has not yet retired and who is em-  
35 ployed on July 1, 1988, on an academic year contract, shall receive credit  
36 for 12 months of prior service for each nine months of prior service for  
37 which such member or person was employed on an academic year con-  
38 tract prior to July 1, 1962. For the purpose of determining eligibility for  
39 a vested benefit, service by such a member of the faculty or other person  
40 after December 31, 1961, shall be construed to be credited service under  
41 subsection (2) of K.S.A. 74-4917 and amendments thereto.

42 (b) Any member of the faculty or other person described in subsec-  
43 tion (1)(a) who retires after 10 years of continuous service immediately

1 preceding retirement shall be granted a retirement benefit based on prior  
2 service only which was rendered prior to January 1, 1962. Application for  
3 such benefit shall be in such form and manner as the board shall  
4 prescribe.

5 (4) For the purpose of establishing a procedure whereby the state  
6 board of regents and any member of the faculty or other person described  
7 in subsection (1)(a), subject to rules and regulations of the state board of  
8 regents, may take advantage of section 403(a) or (b) of the federal internal  
9 revenue code of 1986 or any other section of the federal internal revenue  
10 code of 1986 which defers or excludes amounts from inclusion in income,  
11 any member of the faculty or any other person described in subsection  
12 (1)(a), whether or not such person has satisfied the one-year waiting pe-  
13 riod requirement under subsection (1)(a), may request in writing that the  
14 state board of regents reduce such person's annual salary, as fixed by the  
15 board, in an amount equal to not less than 5% nor more than the per-  
16 centage allowed under section 403(b) of the federal internal revenue code  
17 of 1986, as designated by such member of the faculty or other person  
18 described in subsection (1)(a), of the gross amount of such annual salary.  
19 In the event of such request by a faculty member or other person who is  
20 required to make the contribution as provided in subsection (1)(b)(i) or  
21 (1)(b)(ii), such person shall not be required to make such contribution  
22 and the state board of regents shall provide a sum equal to the percentage  
23 amount, as prescribed by K.S.A. 74-4925e or section 2, and amendments  
24 thereto, of the gross annual salary of the member of the faculty or other  
25 person and shall purchase for and on behalf of each such person whose  
26 salary has been so reduced a retirement annuity contract or contracts, the  
27 annual premiums for which shall be equal to the sum of the amount of  
28 the salary reduction of the member of the faculty or other person and  
29 the amount paid by the state board of regents. In the event of such re-  
30 quest by a faculty member or other person who is serving the one-year  
31 waiting period pursuant to subsection (1)(a) who is not required to make  
32 the contribution as provided in subsection (1)(b)(i) or (1)(b)(ii), the state  
33 board of regents shall purchase for and on behalf of each such person  
34 whose salary has been so reduced a retirement annuity contract or con-  
35 tracts, the annual premiums for which shall be equal to the sum of the  
36 amount of the salary reduction of the member of the faculty or other  
37 person, but the state board of regents shall not provide the sum equal to  
38 the percentage amount, as prescribed by K.S.A. 74-4925e and section 2,  
39 and amendments thereto, of the gross annual salary of such person as  
40 provided for such person who is required to make the contribution as  
41 provided in subsection (1)(b)(i) or (1)(b)(ii). Such retirement annuity con-  
42 tracts may be purchased by the state board of regents from companies  
43 described in subsection (2)(a) and subsection (2)(b) or from noninsurance

1 companies who offer retirement plans that meet the requirements of  
2 section 403(b) of the federal internal revenue code of 1986, except that  
3 the state board of regents may require that the first 5% of the gross  
4 amount of such person's annual salary which is reduced under this sub-  
5 section (4) and the amount equal to the percentage amount, as prescribed  
6 by K.S.A. 74-4925e and amendments thereto, of the gross amount of such  
7 person's annual salary which is provided by the state board of regents for  
8 the purchase of retirement annuity contracts under this subsection (4), if  
9 required to be provided under this subsection (4), shall be used to pur-  
10 chase such retirement annuity contracts from such company or companies  
11 as may be designated by the state board of regents for such purposes.  
12 The director of accounts and reports is authorized to draw warrants on  
13 the state treasurer upon the filing with the director of proper vouchers  
14 for the amount of the premium on the retirement annuity contract to be  
15 paid pursuant to the terms of such contracts and this act.

16 (5) All employees who are described in subsection (1)(a) and who  
17 commence such employment on and after July 1, 1976, shall receive as-  
18 sistance under subsection (1) and shall be covered by a valid retirement  
19 annuity contract issued by a company described in subsection (2).

20 (6) Any employee of the state board of regents or of an educational  
21 institution under its management, other than an elected official, who is  
22 receiving or is eligible for assistance by the state board of regents in the  
23 purchase of a retirement annuity under this section and who becomes  
24 ineligible for such assistance because such employee's position is reclas-  
25 sified to a position in the classified service under the Kansas civil service  
26 act or who becomes ineligible for such assistance because such employee  
27 transfers to a position in the classified service under the Kansas civil serv-  
28 ice act with the state board of regents or an educational institution under  
29 its management, shall become a member of the Kansas public employees  
30 retirement system in accordance with the provisions of subsection (5) of  
31 K.S.A. 74-4911 and amendments thereto, unless such employee files a  
32 written election in the office of the Kansas public employees retirement  
33 system, in the form and manner prescribed by the board of trustees  
34 thereof, to remain eligible for assistance by the state board of regents  
35 under this section prior to the first day of the first complete payroll period  
36 occurring after the effective date of such reclassification or transfer. Fail-  
37 ure to file such written election shall be presumed to be an election not  
38 to remain eligible for assistance by the state board of regents under this  
39 section and to become a member of the Kansas public employees retire-  
40 ment system under subsection (5) of K.S.A. 74-4911 and amendments  
41 thereto. Such election, whether to remain eligible for such assistance or  
42 to become a member of such system, shall be effective as of the effective  
43 date of such reclassification or transfer and shall be irrevocable.

1 (7) The state board of regents shall adopt uniform policies applicable  
2 to members of the faculty and other persons, who are employed by the  
3 state board of regents or by any educational institution under its man-  
4 agement and who are in the unclassified service under the Kansas civil  
5 service act as provided in subsection (1)(f) of K.S.A. 75-2935 and amend-  
6 ments thereto, except health care employees, as defined by subsection  
7 (1)(f) of K.S.A. 75-2935 and amendments thereto, for the purposes of  
8 administering the provisions of this section and the provision of retire-  
9 ment annuities and other benefits hereunder. All assistance provided by  
10 the state board of regents for such persons, and agreements entered into  
11 therefor, pursuant to this section prior to the effective date are hereby  
12 authorized, confirmed and validated.

13 (8) Any employee described in subsection (1)(a) who is on leave of  
14 absence and who accepts a position in the executive branch of govern-  
15 ment may file a written election in the office of the Kansas public em-  
16 ployees retirement system, in the form and manner prescribed by the  
17 board, to remain eligible for assistance by the state board of regents under  
18 this section prior to the first day of the first complete payroll period  
19 occurring after the commencement of such service in the executive  
20 branch of government. Failure to file such written election shall be pre-  
21 sumed to be an election not to remain eligible for assistance by the state  
22 board of regents. The state board of regents shall contribute an amount  
23 toward the purchase of retirement annuities on behalf of such employee  
24 equal to the sum of the amounts provided in subsection (1)(c).

25 New Sec. 2. On or after July 1, 2001, the percentage amount to be  
26 contributed or provided by the state board of regents under subsection  
27 (1)(c)(ii) or subsection (4) of K.S.A. 74-4925, and amendments thereto,  
28 shall be computed on the basis of 4%.

29 Sec. 3. K.S.A. 2000 Supp. 74-4925e is hereby amended to read as  
30 follows: 74-4925e. ~~On and after the effective date of this act,~~ The per-  
31 centage amount to be contributed or provided by the state board of re-  
32 gents under subsection (1)(c)(i) or subsection (4) of K.S.A. 74-4925 and  
33 amendments thereto shall be computed on the basis of 8.5% ~~for payroll~~  
34 ~~periods chargeable to the fiscal year ending June 30, 1994.~~

35 Sec. 4. K.S.A. 2000 Supp. 74-4925 and 74-4925e are hereby  
36 repealed.

37 Sec. 5. This act shall take effect and be in force from and after its  
38 publication in the statute book.

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