

## HOUSE BILL No. 2797

By Representatives Toelkes, Ballard, Davis, Feuerborn, Flaharty, Flora, Gatewood, Gilbert, Grant, Henry, Humerickhouse, Kuether, Lane, M. Long, Showalter, Tapanelli, Thull, Vickrey, J. Williams and Wilson

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AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system and systems thereunder; postretirement benefit increase; amending K.S.A. 2003 Supp. 74-4920 and repealing the existing section.

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

New Section 1. (a) The retirement benefit, pension or annuity payments accruing after June 30, 2004, to each retirant and each local school annuitant shall be increased by an amount equal to 3.0% of the retirement benefit, pension or annuity payment in effect on July 1, 2004, from the retirant's retirement system and shall be paid by such retirement system to the retirant and the local school annuitant during such period.

(b) As used in this section:

(1) "Retirant" means (A) any person who is a member of a retirement system and who retired prior to July 1, 2003, (B) any person who is a special member of a retirement system and who retired prior to July 1, 2003, (C) any person who is a joint annuitant or beneficiary of any member described in clause (A) or any special member described in clause (B) and (D) any long-term disability benefit recipient.

(2) "Retirement system" means the Kansas public employees retirement system, the Kansas police and firemen's retirement system, the state school retirement system and the retirement system for judges.

(3) "Local school annuitant" means (A) any person who is an annuitant with 10 or more years of service, who is receiving an annuity, whose annuity is not included, in whole or in part, in payments made to such school district under K.S.A. 72-5512b and amendments thereto, and who is not a member of a group I or of group II as defined in K.S.A. 72-5518 and amendments thereto, and (B) any person who is receiving an annuity and who retired prior to September 1, 1981.

(4) "Long-term disability recipient" means any person receiving a long-term disability benefit under K.S.A. 74-4927 and amendments thereto prior to July 1, 2003.

Sec. 2. K.S.A. 2003 Supp. 74-4920 is hereby amended to read as

1 follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation  
2 and appraisal as provided for in subsection (3)(a) of K.S.A. 74-4908 and  
3 amendments thereto, the board shall certify, on or before July 15 of each  
4 year, to the division of the budget in the case of the state and to the agent  
5 for each other participating employer an actuarially determined estimate  
6 of the rate of contribution which will be required, together with all ac-  
7 cumulated contributions and other assets of the system, to be paid by  
8 each such participating employer to pay all liabilities which shall exist or  
9 accrue under the system, including amortization of the actuarial accrued  
10 liability over a period of 40 years commencing on July 1, 1993, and the  
11 actuarial accrued liability for members of the faculty and other persons  
12 who are employed by the state board of regents or by educational insti-  
13 tutions under its management assisted by the state board of regents in  
14 the purchase of retirement annuities as provided in K.S.A. 74-4925 and  
15 amendments thereto, as provided in this section. The actuarial accrued  
16 liability for all participating employers other than the state board of re-  
17 gents relating to members of the faculty and other persons described in  
18 this section, shall be amortized by annual payments that increase 4% for  
19 each year remaining in the amortization period. For all participating em-  
20 ployers other than the state board of regents relating to members of the  
21 faculty and other persons described in this section, the projected unit  
22 credit actuarial cost method shall be used in annual actuarial valuations,  
23 commencing with the 1993 valuation, to determine the employer contri-  
24 bution rates that shall be certified by the board. The actuarial accrued  
25 liability for members of the faculty and other persons described in this  
26 subsection assisted by the state board of regents in the purchase of re-  
27 tirement annuities as provided in K.S.A. 74-4925 and amendments  
28 thereto shall be amortized by annual level payments over a period of 11  
29 years commencing July 1, 1993. Such certified rate of contribution shall  
30 be based on the standards set forth in subsection (3)(a) of K.S.A. 74-4908  
31 and amendments thereto and shall not be based on any other purpose  
32 outside of the needs of the system.

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

1 mencing on July 1, 1999, by annual payments that increase 4% for each  
2 year remaining in the amortization period. For all participating employers  
3 described in this section, the projected unit credit actuarial cost method  
4 shall be used in annual actuarial valuations to determine the employer  
5 contribution rates that shall be certified by the board.

6 (ii) The board shall determine for each such employer separately an  
7 amount sufficient to amortize over a period of not to exceed 34 years  
8 commencing July 1, 1999, all liabilities for prior service costs which shall  
9 have accrued at the time of entry into the system. On the basis of such  
10 determination the board shall annually certify to each such employer sep-  
11 arately an actuarially determined estimate of the rate of contribution  
12 which shall be required to be paid by that employer to pay all of the  
13 liabilities for such prior service costs. Such rate shall be termed the em-  
14 ployer's prior service contribution.

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

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

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

1 is submitted for approval, may levy a tax sufficient to allow the partici-  
2 participating employer to make its contributions under this act, which tax, to-  
3 gether with any other fund available, shall be sufficient to enable the  
4 participating employer to make the contributions required by this act.

5 (5) The rate of contribution certified to a participating employer as  
6 provided in this section shall apply during the fiscal year of the partici-  
7 participating employer which begins in the second calendar year following the  
8 year of the actuarial valuation. For the fiscal year commencing in calendar  
9 year 1993, the employer rate of contribution for the state of Kansas and  
10 for participating employers under K.S.A. 74-4931 and amendments  
11 thereto shall be 3.1% of the amount of compensation upon which mem-  
12 bers contribute during the period. For the fiscal year commencing in  
13 calendar year 1994, the employer rate of contribution for the state of  
14 Kansas and for participating employers under K.S.A. 74-4931 and amend-  
15 ments thereto shall be 3.2% of the amount of compensation upon which  
16 members contribute during the period. For the fiscal year commencing  
17 in calendar year 1994, the employer rate of contribution for participating  
18 employers other than the state of Kansas shall be 2.2% of the amount of  
19 compensation upon which members contribute during the period. Except  
20 as specifically provided in this section, for the fiscal year commencing in  
21 calendar year 1995, the rate of contribution certified to a participating  
22 employer shall in no event exceed such participating employer's contri-  
23 bution rate for the immediately preceding fiscal year by more than 0.1%  
24 of the amount of compensation upon which members contribute during  
25 the period. Except as specifically provided in this section, for fiscal years  
26 commencing in calendar year 1996 and in each subsequent calendar year,  
27 the rate of contribution certified to the state of Kansas shall in no event  
28 exceed the state's contribution rate for the immediately preceding fiscal  
29 year by more than 0.2% of the amount of compensation upon which  
30 members contribute during the period. Except as specifically provided in  
31 this subsection, for the fiscal years commencing in the following calendar  
32 years, the rate of contribution certified to the state of Kansas shall in no  
33 event exceed the state's contribution rate for the immediately preceding  
34 fiscal year by more than the following amounts expressed as a percentage  
35 of compensation upon which members contribute during the period: (a)  
36 For the fiscal year commencing in calendar year 2005, an amount not to  
37 exceed more than 0.4% of the amount of the immediately preceding fiscal  
38 year; (b) for the fiscal year commencing in calendar year 2006, an amount  
39 not to exceed more than 0.5% of the amount of the immediately preced-  
40 ing fiscal year; and (c) for the fiscal year commencing in calendar year  
41 2007 and in each subsequent calendar year, an amount not to exceed  
42 more than 0.6% of the amount of the immediately preceding fiscal years.  
43 Except as specifically provided in this section, for fiscal years commencing

1 in calendar year 1997 and in each subsequent calendar year, the rate of  
2 contribution certified to participating employers other than the state of  
3 Kansas shall in no event exceed such participating employer's contribu-  
4 tion rate for the immediately preceding fiscal year by more than 0.15%  
5 of the amount of compensation upon which members contribute during  
6 the period. There shall be an employer rate of contribution certified to  
7 the state of Kansas and participating employers under K.S.A. 74-4931 and  
8 amendments thereto. There shall be a separate employer rate of contri-  
9 bution certified to all other participating employers other than the state  
10 of Kansas.

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

14 (7) The actuarial cost of the provisions of K.S.A. 74-4950i will be  
15 included in the June 30, 1998, actuarial valuation in determining contri-  
16 bution rates for participating employers. The actuarial accrued liability  
17 incurred for the provisions of K.S.A. 74-4950i shall be amortized over 15  
18 years.

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

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

30 (10) *The actuarial cost of the provisions of section 1, and amendments*  
31 *thereto, shall be included in the June 30, 2004, actuarial valuation in*  
32 *determining contribution rates for participating employers. The actuarial*  
33 *accrued liability incurred for the provisions of section 1, and amendments*  
34 *thereto, shall be amortized over 15 years.*

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

40 ~~(11)~~ (12) For employers affiliating on and after January 1, 1999, the  
41 rates of contribution certified to the participating employer as provided  
42 in this section shall apply during the fiscal year immediately following  
43 such certification, but the rate of contribution during the first year fol-

1   lowing the employer's entry date shall be equal to 7% of the amount of  
2   compensation on which members contribute during the year. Any amount  
3   of such first year's contribution which may be in excess of the necessary  
4   current service contribution shall be credited by the board to the respec-  
5   tive employer's prior service liability.

6   ~~(12)~~ (13) Employer contributions shall in no way be limited by any  
7   other act which now or in the future establishes or limits the compen-  
8   sation of any member.

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

22   Sec. 3. K.S.A. 2003 Supp. 74-4920 is hereby repealed.

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

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