

As Amended by House Committee

Session of 2015

HOUSE BILL No. 2095

By Committee on Pensions and Benefits

1-23

1 AN ACT concerning retirement and pensions; relating to the Kansas public  
2 employees retirement system and systems thereunder; revenue bonds to  
3 finance a portion of unfunded actuarial liability of KPERS;  
4 requirements and procedures; employer contribution rates; amending  
5 K.S.A. 2014 Supp. 74-4914d and 74-4920 and repealing the existing  
6 sections.

7

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

9 New Section 1. (a) For the purpose of financing a portion of the  
10 unfunded actuarial pension liability of the Kansas public employees  
11 retirement system, the Kansas development finance authority is hereby  
12 authorized to issue one or more series of revenue bonds under the Kansas  
13 development finance authority act in an amount necessary to provide a  
14 deposit or deposits to the Kansas public employees retirement system in a  
15 total amount not to exceed \$1,500,000,000 plus all amounts required to  
16 pay the costs of issuance of the bonds, including any credit enhancement,  
17 interest costs and to provide any required reserves for the bonds. No bonds  
18 shall be issued until such issuance has been approved by a resolution of the  
19 state finance council. The principal amount, interest rates and final  
20 maturity of such revenue bonds and any bonds issued to refund such bonds  
21 or parameters for such principal amount, interest rates and final maturity  
22 shall be approved by a resolution of the state finance council, except that  
23 **for any one or more series of revenue bonds issued pursuant to this**  
24 **section, such interest rate, all inclusive cost, shall not exceed 5%.** The  
25 bonds, and interest thereon, issued pursuant to this section shall be payable  
26 from moneys appropriated by the state for such purpose. The bonds, and  
27 interest thereon, issued pursuant to this section shall be obligations only of  
28 the authority and in no event shall such bonds constitute an indebtedness  
29 or obligation of the Kansas public employees retirement system or an  
30 indebtedness or obligation for which the faith and credit or any assets of  
31 the system are pledged. Neither the state nor the department of  
32 administration shall have the power to pledge the full faith and credit or  
33 taxing power of the state for debt service on any bonds issued pursuant to  
34 this section, and any payment by the department for such purpose shall be  
35 subject to and dependent on appropriations by the legislature. Any  
36 obligation of the state or the department for payment of debt service on

1 bonds issued pursuant to this section shall not be considered a debt or  
2 obligation of the state for the purpose of section 6 of article 11 of the ~~state~~  
3 constitution **of the state of Kansas**.

4 (b) As used in this section, "unfunded actuarial pension liability"  
5 means the unfunded actuarially accrued liability of the state for the state of  
6 Kansas' and participating employers', under K.S.A. 74-4931, and  
7 amendments thereto, portion of such liability of the Kansas public  
8 employees retirement system, determined as of the later of December 31,  
9 2013, or the end of the most recent calendar year for which an actuarial  
10 valuation report is available and certified to the Kansas development  
11 finance authority by the executive director of the Kansas public employees  
12 retirement system.

13 (c) (1) The authority may pledge the contract or contracts authorized  
14 in subsection (d), or any part thereof, for the payment or redemption of the  
15 bonds, and covenant as to the use and disposition of moneys available to  
16 the authority for payments of the bonds. The authority is authorized to  
17 enter into any agreements necessary or desirable to effectuate the purposes  
18 of this section.

19 (2) The proceeds from the sale of the bonds, other than refunding  
20 bonds, issued pursuant to this section, after payment of any costs related to  
21 the issuance of such bonds, shall be paid by the authority to the Kansas  
22 public employees retirement system to be applied to the payment, in full or  
23 in part, of the unfunded accrued pension liability as directed by the Kansas  
24 public employees retirement system.

25 (3) The state hereby pledges and covenants with the holders of any  
26 bonds issued pursuant to the provisions of this section that it will not limit  
27 or alter the rights or powers vested in the authority by this section, nor  
28 limit or alter the rights or powers of the authority, the department of  
29 administration or the Kansas public employees retirement system, in any  
30 manner which would jeopardize the interest of the holders or any trustee of  
31 such holders or inhibit or prevent performance or fulfillment by the  
32 authority, the department of administration or the Kansas public employees  
33 retirement system with respect to the terms of any agreement made with  
34 the holders of the bonds or agreements made pursuant to this section,  
35 except that the failure of the legislature to appropriate moneys for any  
36 purpose shall not be deemed a violation of this pledge and covenant. The  
37 department of administration is hereby specifically authorized to include  
38 this pledge and covenant in any agreement with the authority. The  
39 authority is hereby specifically authorized to include this pledge and  
40 covenant in any bond resolution, trust indenture or agreement for the  
41 benefit of holders of the bonds.

42 (4) Revenue bonds may be issued pursuant to this section without  
43 obtaining the consent of any department, division, commission, board or

1 agency of the state, other than the approvals of the state finance council  
2 required by this section, and without any other proceedings or the  
3 occurrence of any other conditions or other things other than those  
4 proceedings, conditions or things which are specifically required by the  
5 Kansas development finance authority act.

6 (d) The department of administration and the authority are authorized  
7 to enter into one or more contracts to implement the payment arrangement  
8 that is provided for in this section. The contract or contracts shall provide  
9 for payment of the amounts required to be paid pursuant to this section and  
10 shall set forth the procedure for the transfer of moneys for the purpose of  
11 paying such moneys. The contract or contracts shall contain such terms  
12 and conditions, including principal amount, interest rates and final  
13 maturity, as shall be approved by resolution of the state finance council  
14 and shall include, but not be limited to, terms and conditions necessary or  
15 desirable to provide for repayment of and to secure any bonds of the  
16 authority issued pursuant to this section.

17 (e) The approvals by the state finance council required by subsections  
18 (a) and (d) are hereby characterized as matters of legislative delegation and  
19 subject to the guidelines prescribed in K.S.A. 75-3711c(c), and  
20 amendments thereto. Such approvals may be given by the state finance  
21 council when the legislature is in session.

22 Sec. 2. K.S.A. 2014 Supp. 74-4914d is hereby amended to read as  
23 follows: 74-4914d. Any additional cost resulting from the normal  
24 retirement date and retirement before such normal retirement date for  
25 security officers as provided in K.S.A. 74-4914c, and amendments thereto,  
26 and disability benefits as provided in K.S.A. 74-4914e, and amendments  
27 thereto, shall be added to the employer rate of contribution for the  
28 department of corrections as otherwise determined under K.S.A. 74-4920,  
29 and amendments thereto, except that the employer rate of contribution for  
30 the department of corrections including any such additional cost added to  
31 such employer rate of contribution pursuant to this section shall in no  
32 event exceed the employer rate of contribution for the department of  
33 corrections for the immediately preceding fiscal year by more than the  
34 following amounts expressed as a percentage of compensation upon which  
35 security officers contribute during the period: (a) For the fiscal year  
36 commencing in calendar years 2010 through 2012, an amount not to  
37 exceed more than 0.6% of the amount of the immediately preceding fiscal  
38 year; (b) for the fiscal year commencing in calendar year 2013, an amount  
39 not to exceed more than 0.9% of the amount of the immediately preceding  
40 fiscal year; (c) for the fiscal year commencing in calendar year 2014, an  
41 amount not to exceed more than 1% of the amount of the immediately  
42 preceding fiscal year; (d) for the fiscal year commencing in calendar year  
43 2015, an amount not to exceed more than 1.1% of the amount of the

1 immediately preceding fiscal year; and (e) for the fiscal year commencing  
2 in calendar year 2016, and in each subsequent calendar year, an amount  
3 not to exceed more than 1.2% of the amount of the immediately preceding  
4 fiscal year. *For the fiscal year commencing in calendar year 2016, the*  
5 *contribution rate provided by this section shall be reduced in the amount*  
6 *of the debt service payment allocated to the department of corrections for*  
7 *bonds issued pursuant to section 1, and amendments thereto, as certified*  
8 *by the board.*

9 Sec. 3. K.S.A. 2014 Supp. 74-4920 is hereby amended to read as  
10 follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation  
11 and appraisal as provided for in ~~subsection (3)(a)~~ of K.S.A. 74-4908(3)(a),  
12 and amendments thereto, the board shall certify, on or before July 15 of  
13 each year, to the division of the budget in the case of the state and to the  
14 agent for each other participating employer an actuarially determined  
15 estimate of the rate of contribution which will be required, together with  
16 all accumulated contributions and other assets of the system, to be paid by  
17 each such participating employer to pay all liabilities which shall exist or  
18 accrue under the system, including amortization of the actuarial accrued  
19 liability as determined by the board. The board shall determine the  
20 actuarial cost method to be used in annual actuarial valuations, to  
21 determine the employer contribution rates that shall be certified by the  
22 board. Such certified rate of contribution, amortization methods and  
23 periods and actuarial cost method shall be based on the standards set forth  
24 in ~~subsection (3)(a)~~ of K.S.A. 74-4908(3)(a), and amendments thereto, and  
25 shall not be based on any other purpose outside of the needs of the system.

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

41 (ii) The board shall determine for each such employer separately an  
42 amount sufficient to amortize all liabilities for prior service costs which  
43 shall have accrued at the time of entry into the system. On the basis of

1 such determination the board shall annually certify to each such employer  
2 separately an actuarially determined estimate of the rate of contribution  
3 which shall be required to be paid by that employer to pay all of the  
4 liabilities for such prior service costs. Such rate shall be termed the  
5 employer's prior service contribution.

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

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

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

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

43 (b) (i) Except as specifically provided in this section, for fiscal years

1 commencing in calendar year 1996 and in each subsequent calendar year,  
2 the rate of contribution certified to the state of Kansas shall in no event  
3 exceed the state's contribution rate for the immediately preceding fiscal  
4 year by more than 0.2% of the amount of compensation upon which  
5 members contribute during the period.

6 (ii) Except as specifically provided in this subsection, for the fiscal  
7 years commencing in the following calendar years, the rate of contribution  
8 certified to the state of Kansas and to the participating employers under  
9 K.S.A. 74-4931, and amendments thereto, shall in no event exceed the  
10 state's contribution rate for the immediately preceding fiscal year by more  
11 than the following amounts expressed as a percentage of compensation  
12 upon which members contribute during the period: (A) For the fiscal year  
13 commencing in calendar years 2010 through 2012, an amount not to  
14 exceed more than 0.6% of the amount of the immediately preceding fiscal  
15 year; (B) for the fiscal year commencing in calendar year 2013, an amount  
16 not to exceed more than 0.9% of the amount of the immediately preceding  
17 fiscal year; (C) for the fiscal year commencing in calendar year 2014, an  
18 amount not to exceed more than 1% of the amount of the immediately  
19 preceding fiscal year; (D) for the fiscal year commencing in calendar year  
20 2015, an amount not to exceed more than 1.1% of the amount of the  
21 immediately preceding fiscal year; and (E) for the fiscal year commencing  
22 in calendar year 2016, and in each subsequent calendar year, an amount  
23 not to exceed more than 1.2% of the amount of the immediately preceding  
24 fiscal year. *For the fiscal year commencing in calendar year 2016, the*  
25 *contribution rate provided by this subsection shall be reduced in the*  
26 *amount of the debt service payment for bonds issued pursuant to section 1,*  
27 *and amendments thereto, as certified by the board.*

28 (iii) Except as specifically provided in this section, for fiscal years  
29 commencing in calendar year 1997 and in each subsequent calendar year,  
30 the rate of contribution certified to participating employers other than the  
31 state of Kansas shall in no event exceed such participating employer's  
32 contribution rate for the immediately preceding fiscal year by more than  
33 0.15% of the amount of compensation upon which members contribute  
34 during the period.

35 (iv) Except as specifically provided in this subsection, for the fiscal  
36 years commencing in the following calendar years, the rate of contribution  
37 certified to participating employers other than the state of Kansas shall in  
38 no event exceed the contribution rate for such employers for the  
39 immediately preceding fiscal year by more than the following amounts  
40 expressed as a percentage of compensation upon which members  
41 contribute during the period: (A) For the fiscal year commencing in  
42 calendar years 2010 through 2013, an amount not to exceed more than  
43 0.6% of the amount of the immediately preceding fiscal year; (B) for the

1 fiscal year commencing in calendar year 2014, an amount not to exceed  
2 more than 0.9% of the amount of the immediately preceding fiscal year;  
3 (C) for the fiscal year commencing in calendar year 2015, an amount not  
4 to exceed more than 1% of the amount of the immediately preceding fiscal  
5 year; (D) for the fiscal year commencing in calendar year 2016, an amount  
6 not to exceed more than 1.1% of the amount of the immediately preceding  
7 fiscal year; and (E) for the fiscal year commencing in calendar year 2017,  
8 and in each subsequent calendar year, an amount not to exceed more than  
9 1.2% of the amount of the immediately preceding fiscal year.

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

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

21 (vii) If the combined employer rate of contribution calculated for the  
22 state of Kansas and participating employers under K.S.A. 74-4931, and  
23 amendments thereto, is greater than the separate employer rate of  
24 contribution for the state of Kansas, the difference in the two rates applied  
25 to the actual payroll of the state of Kansas for the applicable fiscal year  
26 shall be calculated. This amount shall be certified by the board for deposit  
27 as additional employer contributions to the retirement benefit  
28 accumulation reserve for the participating employers under K.S.A. 74-  
29 4931, and amendments thereto.

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

33 (7) The actuarial cost of the provisions of K.S.A. 74-4950i, and  
34 amendments thereto, will be included in the June 30, 1998, actuarial  
35 valuation in determining contribution rates for participating employers.  
36 The actuarial accrued liability incurred for the provisions of K.S.A. 74-  
37 4950i, and amendments thereto, shall be amortized over 15 years.

38 (8) Except as otherwise provided by law, the actuarial cost of any  
39 legislation enacted by the Kansas legislature, except the actuarial cost of  
40 K.S.A. 74-49,114a, and amendments thereto, shall be in addition to the  
41 employer contribution rates certified for the employer contribution rate in  
42 the fiscal year immediately following such enactment. Such actuarial cost  
43 shall be determined by the qualified actuary employed or retained by the

1 system pursuant to K.S.A. 74-4908, and amendments thereto, and reported  
2 to the system and the joint committee on pensions, investments and  
3 benefits.

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

10 (10) The cost of the postretirement benefit payment provided  
11 pursuant to the provisions of K.S.A. 2014 Supp. 74-49,114b, and  
12 amendments thereto, for retirants other than local retirants as described in  
13 subsection (11) or insured disability benefit recipients shall be paid in the  
14 fiscal year commencing on July 1, 2007.

15 (11) The actuarial accrued liability incurred for the provisions of  
16 K.S.A. 2014 Supp. 74-49,114b, and amendments thereto, for the KPERs  
17 local group and retirants who were employees of local employers which  
18 affiliated with the Kansas police and firemen's retirement system shall be  
19 amortized over 10 years.

20 (12) The cost of the postretirement benefit payment provided  
21 pursuant to the provisions of K.S.A. 2014 Supp. 74-49,114c, and  
22 amendments thereto, for retirants other than local retirants as described in  
23 subsection (13) or insured disability benefit recipients shall be paid in the  
24 fiscal year commencing on July 1, 2008.

25 (13) The actuarial accrued liability incurred for the provisions of  
26 K.S.A. 2014 Supp. 74-49,114c, and amendments thereto, for the KPERs  
27 local group and retirants who were employees of local employers which  
28 affiliated with the Kansas police and firemen's retirement system shall be  
29 amortized over 10 years.

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

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

38 (16) Notwithstanding any provision of law to the contrary, each  
39 participating employer shall remit quarterly, or as the board may otherwise  
40 provide, all employee deductions and required employer contributions to  
41 the executive director for credit to the Kansas public employees retirement  
42 fund within three days after the end of the period covered by the  
43 remittance by electronic funds transfer. Remittances of such deductions



1 and contributions received after such date are delinquent. Delinquent  
2 payments due under this subsection shall be subject to interest at the rate  
3 established for interest on judgments under ~~subsection (a)~~ of K.S.A. 16-  
4 204(a), and amendments thereto. At the request of the board, delinquent  
5 payments which are due or interest owed on such payments, or both, may  
6 be deducted from any other moneys payable to such employer by any  
7 department or agency of the state.

8 Sec. 4. K.S.A. 2014 Supp. 74-4914d and 74-4920 are hereby  
9 repealed.

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