

Substitute for HOUSE BILL No. 2333

By Committee on Pensions and Benefits

3-18

1 AN ACT concerning retirement and benefits; relating to the Kansas public
2 employees retirement system and systems thereunder; **[enacting the**
3 **Kansas public employees retirement system defined contribution act,**
4 **terms, conditions and] [requirements, and benefits and contributions;**
5 **relating to]** employer contributions; benefits; sale of real estate of state
6 agencies, disposition of certain proceeds to Kansas public employees
7 retirement fund; amending K.S.A. 74-4915 and K.S.A. 2010 Supp. 74-
8 4914d, 74-4920, 74-49,205 and 75-6609 and repealing the existing
9 sections.

10
11 *Be it enacted by the Legislature of the State of Kansas:*

12 **[New Section 1. (a) The provisions of sections 1 through 18, and**
13 **amendments thereto, shall be known and may be cited as the Kansas**
14 **public employees retirement system defined contribution act, and shall be**
15 **effective on and after July 1, 2013.]**

16 **[(b) This act applies to any individual who is: (1) First hired on and**
17 **after July 1, 2013, by a participating employer and who would otherwise**
18 **qualify for membership in the Kansas public employees retirement**
19 **system, K.S.A. 74-4901 et seq., and amendments thereto; and (2) an**
20 **inactive non-vested member of the Kansas public employees retirement**
21 **system on June 30, 2013, and who returns to employment with a**
22 **participating employer on and after July 1, 2013, and who would**
23 **otherwise qualify for membership in the Kansas public employees**
24 **retirement system, K.S.A. 74-4901 et seq., and amendments thereto. The**
25 **individuals described in this subsection are required to become members**
26 **of the defined contribution plan established under section 3, and**
27 **amendments thereto.]**

28 **[(c) This act does not apply to members of the Kansas police and**
29 **firemen's retirement system, K.S.A. 74-4951 et seq., and amendments**
30 **thereto, and the retirement system for judges, K.S.A. 20-2601 et seq., and**
31 **amendments thereto.]**

32 **[New Sec. 2. Unless the context requires otherwise, terms that are**
33 **used in this act have the meanings set forth for them in K.S.A. 74-4902,**
34 **and amendments thereto, and the following definitions apply:]**

1 [(a) “Act” means the provisions of section 1 et seq., and amendments
2 thereto;]

3 [(b) “active DC plan member” means a DC plan member who is
4 actively employed by a participating employer;]

5 [(c) “defined benefit plan” means the defined benefit plan for the
6 Kansas public employees retirement system for KPERS;]

7 [(d) “DC plan member” means an individual who is required by
8 section 1, and amendments thereto, to be a member of the defined
9 contribution plan, and any individual who elects to transfer to the defined
10 contribution plan under section 8, and amendments thereto. The term also
11 includes any survivor or beneficiary of a DC plan member, who has a
12 retirement account in the defined contribution plan;]

13 [(e) “optional retirement program” means the retirement plan
14 established by the state board of regents under K.S.A. 74-4925, and
15 amendments thereto.]

16 [(f) “plan” or “defined contribution plan” means the defined
17 contribution retirement plan established by section 3, and amendments
18 thereto.]

19 [New Sec. 3. (a) The board shall establish within the Kansas public
20 employees retirement system a separate defined contribution plan in
21 accordance with the provisions of this act. The plan must be established as
22 a pension plan for the exclusive benefit of members and their beneficiaries
23 and as a “qualified governmental plan” pursuant to sections 401(a) and
24 414(d) of the federal internal revenue code and its implementing
25 regulations. Retirement accounts must be established for each DC plan
26 member. Assets of the plan must be held in trust. The plan is established
27 in addition to any retirement, pension, deferred compensation or other
28 benefit plan administered by the state or a political subdivision.]

29 [(b) The board may contract for plan administration and use a
30 competitive proposal process when contracting for consulting,
31 educational, investment, recordkeeping or other services for the plan.]

32 [New Sec. 4. (a) The board has the powers and shall perform the
33 duties regarding the defined contribution plan as provided in K.S.A. 74-
34 4909, and amendments thereto, as applicable. The board may also
35 exercise the powers and shall perform the duties provided in this act.]

36 [(b) The board shall adopt a plan document and reasonable and
37 necessary policies and procedures, without the need for corresponding
38 rules and regulations.]

39 [(c) The contract for administration of the defined contribution plan
40 shall be awarded through a competitive proposal process.]

41 [New Sec. 5. (a) The board may establish an account within the
42 defined contribution plan for paying the plan’s administrative expenses.]

43 [(b) The board may:]

1 [(1) Assess fees on DC plan member accounts to pay the reasonable
2 administrative costs of the plan; and]

3 [(2) negotiate with a vendor or vendors for vendor reimbursement of
4 board administrative expenses for the plan.]

5 [(c) All fees assessed must be fully disclosed to members and treated
6 as public information.]

7 [(d) Costs for the board to secure investment advice, recordkeeping,
8 contract oversight, educational materials for members, performance
9 evaluations and other appropriate information and services, are included
10 as part of the administrative expenses of the plan.]

11 [New Sec. 6. The statutory provisions governing the defined
12 contribution plan are subject to amendment by the legislature. The board
13 has the power to amend the plan document, policies and procedures,
14 consistent with the statutory provisions governing the defined
15 contribution plan at the time of the amendment.]

16 [New Sec. 7. (a) This section shall not be implemented until the board
17 has obtained approval from the federal internal revenue service. The
18 board may implement the remainder of this act prior to implementation
19 of this section. This section is severable from the remainder of this act and
20 shall be repealed if the federal internal revenue service refuses to grant
21 such approval or issues an adverse decision.]

22 [(b) Except as otherwise provided in this act, an active member of the
23 defined benefit plan of the system on July 1, 2013, may elect to become a
24 member of the defined contribution plan by making an election within a
25 90-day period established by the board.]

26 [(c) (1) Elections made pursuant to this section shall be made on a
27 form and in a manner prescribed by the board.]

28 [(2) A defined benefit plan member failing to make an election
29 prescribed by this section remains a member of the defined benefit plan.]

30 [(3) An election under this section, including the default election
31 pursuant to subsection (c)(2), is a one-time irrevocable election.]

32 [(4) A member who makes an election to transfer to the defined
33 contribution plan shall have such member's employee account balance as
34 of the date of the transfer directly transferred to the defined contribution
35 plan.]

36 [(5) A member who makes an election to transfer to the defined
37 contribution plan shall have no rights of any nature in the defined benefit
38 plan after the transfer.]

39 [(d) A member in either the defined benefit plan or the defined
40 contribution plan who becomes inactive after an election under this
41 section and who returns to active membership remains in the plan
42 previously elected.]

43 [(e) A system member may not simultaneously be a member of the

1 defined benefit plan and the defined contribution plan and shall be a
2 member of either the defined benefit plan or the defined contribution
3 plan. A period of service may not be credited in more than one retirement
4 plan within the system.]

5 [(f) A member of the defined benefit plan who is subject to a domestic
6 relations order or an execution or income-withholding order may not
7 transfer to the defined contribution plan unless the order is modified to
8 apply under the defined contribution plan.]

9 [(g) (1) A member of the defined benefit plan who is purchasing
10 service credit through installment payments, either made directly to the
11 board or pursuant to a payroll deduction agreement, may not transfer
12 membership to the defined contribution plan unless the member first
13 completes the contract for purchase of service credit.]

14 [(2) A member who files an election to transfer membership may
15 make a lump-sum payment for up to the balance of the service credit
16 remaining to be purchased prior to transferring, subject to the limitations
17 of section 415 of the federal internal revenue code. The lump-sum
18 payment, unless made by a rollover, shall be made with after-tax dollars.]

19 [(3) If a member who files an election to transfer membership fails to
20 complete the contract for purchase of service credit by the end of the
21 member's 90-day election window, the board shall terminate the service
22 purchase contract and credit the member with the prorated amount of
23 service credit purchased under the contract.]

24 [New Sec. 8. (a) If a member actively covered by the defined benefit
25 plan on July 1, 2013, is employed by the state board of regents and has
26 previously chosen under K.S.A. 74-4911, and amendments thereto, to be a
27 member of the defined benefit plan that member shall not be eligible to
28 elect the defined contribution plan pursuant to this section.]

29 [(b) If a member who is employed by the state board of regents and
30 who is covered by the defined benefit plan on July 1, 2011, elects to
31 remain in the defined benefit plan under section 7, and amendments
32 thereto, and subsequently becomes eligible to make a choice between the
33 defined benefit plan and the optional retirement plan under K.S.A. 74-
34 4911, and amendments thereto, the member may only elect to remain in
35 the defined benefit plan.]

36 [(c) If a member who is employed by the state board of regents who is
37 covered by the defined contribution plan becomes eligible to make a
38 choice between the defined contribution plan and the optional retirement
39 plan under K.S.A. 74-4911, and amendments thereto, the member may
40 elect to remain in the defined contribution plan or become a member of
41 the optional retirement plan.]

42 [(d) Elections made pursuant to this section must be made on a form
43 prescribed by the board and must be made within 90 days of the date of

1 employment.]

2 [(e) An election under this section is a one-time irrevocable election.]

3 [(f) A member in either the defined contribution plan or the optional
4 retirement program who becomes inactive after an election under this
5 section and who returns to active membership remains in the plan
6 previously elected.]

7 [(g) A regents employee in a position covered under the system may
8 not simultaneously be a member of more than one retirement plan under
9 this act, but must be a member of the defined benefit plan, the defined
10 contribution plan, or the optional retirement program. The same period
11 of service may not be credited in more than one retirement system or
12 plan.]

13 [(h) An election to become a member of the optional retirement
14 program pursuant to this section is a waiver of all rights and benefits
15 under the Kansas public employees retirement system.]

16 [New Sec. 9. The board shall accept the rollover of contributions and
17 the income on those contributions from another eligible retirement plan to
18 the member's rollover account only to the extent allowed under applicable
19 federal law.]

20 [New Sec. 10. (a) A DC plan member's mandatory contribution
21 account includes the DC plan member's contributions and the income on
22 those contributions and is vested from the date that the employee becomes
23 a member of the plan.]

24 [(b) A DC plan member's employer contribution account includes the
25 employer's contributions and the income on those contributions and is
26 vested only when the member has a total of five years of participating
27 service in the defined contribution plan.]

28 [(c) A DC plan member's rollover account includes the member's
29 rollovers of contributions made pursuant to section 9, and amendments
30 thereto, and income on those contributions and are vested from the date
31 that the contribution is credited to the account.]

32 [(d) If the DC plan member's employer contribution account is not
33 vested upon termination of plan membership, as provided in this section,
34 the employer contributions and income are forfeited as provided in
35 section 11, and amendments thereto.]

36 [New Sec. 11. (a) An active DC plan member shall contribute 6% of
37 compensation to the defined contribution plan. These contributions shall
38 be picked up by the employer via a salary reduction as provided in section
39 414 (h)(2) of the federal internal revenue code.]

40 [(b) A DC plan member may not make voluntary contributions to the
41 defined contribution plan.]

42 [(c) Subject to adjustment by the board as provided in section 12, and
43 amendments thereto, an active DC plan member's employer shall

1 contribute the following:]

2 [(1) Three percent of compensation to the active DC plan member's
3 employer contribution account;]

4 [(2) a percentage of compensation, determined by the board under
5 section 12, and amendments thereto, to the defined benefit plan as the
6 plan funding rate as described in section 12, and amendments thereto;]

7 [(3) a percentage of compensation, determined by the board, must be
8 allocated to the administrative account established by section 5, and
9 amendments thereto; and]

10 [(4) a percentage of compensation, determined by the board, must be
11 allocated to the death and long-term disability plan under K.S.A. 74-4927,
12 and amendments thereto.]

13 [(d) Forfeitures of employer contributions and investment income on
14 the employer contributions may not be used to increase a DC plan
15 member's retirement account. The board shall allocate the forfeitures
16 under section 10, and amendments thereto, to meet the plan's
17 administrative expenses, including startup expenses.]

18 [New Sec. 12. (a) The board shall periodically review the sufficiency
19 of the plan funding rate and shall adjust the amount of contributions
20 under section 11, and amendments thereto, as specified in this section. The
21 board shall collect and maintain the data necessary to comply with this
22 section. The plan funding rate set in section 11, and amendments thereto,
23 must be adjusted as provided in this section and the plan document to
24 actuarially fund the defined benefit plan's unfunded liabilities and the
25 change in the normal cost contribution rate that is the result of the DC
26 plan member participation in the defined contribution plan.]

27 [(b) If the board determines that the plan funding rate should be
28 increased or decreased, the plan funding rate under section 11, and
29 amendments thereto, must be increased or decreased accordingly.]

30 [New Sec. 13. (a) The investment alternatives under the defined
31 contribution plan may be the same as the investment alternatives under
32 the Kansas public employees deferred compensation plan.]

33 [(b) The board shall from time to time review the suitability and
34 management of investment alternatives and may change the alternatives
35 to be offered. The board shall notify affected DC plan members of
36 potential changes before any changes become effective.]

37 [(c) The board shall establish a default investment option for any DC
38 plan member who does not have an effective investment direction. The
39 board may utilize a balanced fund as the default investment fund.]

40 [(d) Assets within each member's accounts must be invested as
41 directed by the member. However, the non-vested portion of the DC plan
42 member's employer contribution account shall be invested in the board's
43 default investment fund.]

1 [New Sec. 14. Except as provided in section 18, and amendments
2 thereto, any time after termination of service, a DC plan member or the
3 DC plan member’s beneficiary may terminate plan membership by filing
4 a written application with the board and removing the DC plan member’s
5 vested account balance from the plan through any combination of the
6 following payout options, each of which is subject to the provisions of the
7 plan document and the federal internal revenue code and the applicable
8 regulations of the internal revenue service:]

9 [(a) A direct rollover to an eligible retirement plan;]

10 [(b) a regular rollover to an eligible retirement plan;]

11 [(c) a lump-sum distribution of the DC plan member’s vested account
12 balance; or]

13 [(d) an optional form of distribution offered by the board under
14 section 15, and amendments thereto.]

15 [New Sec. 15. (a) Subject to the provisions of the plan document, a
16 DC plan member, after termination of service, may leave the DC plan
17 member’s vested account balance in the plan, and the DC plan member is
18 eligible for a distribution as provided in this section.]

19 [(b) After termination of service and upon filing a written application
20 with the board, a DC plan member may select any distribution option
21 provided by the plan document.]

22 [(c) A DC plan member who is less than 70 ½ years of age who
23 returns to service may not continue to receive a distribution under this
24 section while actively employed in a covered position.]

25 [(d) The plan document shall provide that distributions must comply
26 with the minimum distribution requirements established in the federal
27 internal revenue code and applicable under K.S.A. 74-49,123, and
28 amendments thereto.]

29 [(e) The plan document may specify minimum account balances for
30 purposes of allowing benefit payment options and rollovers in accordance
31 with federal law.]

32 [New Sec. 16. A DC plan member’s beneficiary must be determined
33 as provided in the defined benefit plan regulations. Upon filing a written
34 application with the board after the death of a DC plan member, the DC
35 plan member’s beneficiary is entitled to the DC plan member’s vested
36 account balance.]

37 [New Sec. 17. Before termination of service, a DC plan member may
38 not receive a refund of any portion of the DC plan member’s vested
39 account balance.]

40 [New Sec. 18. (a) For the purposes of providing the “insured death
41 benefit” and “insured disability benefit” as prescribed in K.S.A. 74-4927,
42 and amendments thereto, the term “member” as used in K.S.A. 74-4927,
43 and amendments thereto, shall include those members of the Kansas

1 public employees retirement system’s defined contribution plan as defined
2 in section 2, and amendments thereto.]

3 [(b) Each participating employer shall pay to the Kansas public
4 employees retirement system in such manner as the board of trustees shall
5 prescribe each payroll period an amount sufficient to pay the employer’s
6 contribution to the group insurance reserve as provided in subsection (c)
7 (4) of section 11, and amendments thereto.]

8 [(c) Except as otherwise provided, in the event that a DC plan
9 member as defined in section 2, and amendments thereto, becomes eligible
10 for and begins to receive the insured disability benefit prescribed in
11 K.S.A. 74-4927, and amendments thereto, the member’s participating
12 employer shall continue to make the contributions on behalf of such
13 individual to the retirement plan as required under subsection (c)(1) of
14 section 11, and amendments thereto, and shall also contribute to the
15 retirement plan an amount equal to the individual’s contribution required
16 under subsection (a) of section 11, and amendments thereto, if the DC
17 plan member is permanently and totally disabled as defined in section
18 72(m) of the federal internal revenue code. Commencing on and after July
19 1, 2013, such contributions shall cease at the earlier of: (1) The date that
20 the individual is no longer entitled to an insured disability benefit under
21 K.S.A. 74-4927, and amendments thereto; or (2) the date that is five years
22 after the date the individual becomes eligible for and begins to receive the
23 insured disability benefit prescribed in K.S.A. 74-4927, and amendments
24 thereto. For purposes of applying this subsection, compensation under
25 section 11, and amendments thereto, means the individual’s compensation
26 at the time the individual became disabled as defined under the insured
27 disability program prescribed in K.S.A. 74-4927, and amendments
28 thereto.]

29 ~~Section 1.~~ [Sec.] [19] K.S.A. 2010 Supp. 74-4914d is hereby amended to
30 read as follows: 74-4914d. Any additional cost resulting from the normal
31 retirement date and retirement before such normal retirement date for security
32 officers as provided in K.S.A. 74-4914c, and amendments thereto, and
33 disability benefits as provided in K.S.A. 74-4914e, and amendments thereto,
34 shall be added to the employer rate of contribution for the department of
35 corrections as otherwise determined under K.S.A. 74-4920, and amendments
36 thereto, except that the employer rate of contribution for the department of
37 corrections including any such additional cost added to such employer rate of
38 contribution pursuant to this section shall in no event exceed the employer rate
39 of contribution for the department of corrections for the immediately
40 preceding fiscal year by more than the following amounts expressed as a
41 percentage of compensation upon which security officers contribute during the
42 period: (a) For the fiscal year commencing in calendar year 2006, an amount
43 not to exceed more than 0.5% of the amount of the immediately preceding

1 ~~fiscal year; and (b) for the fiscal year commencing in calendar year 2007, and~~
2 ~~in each subsequent calendar year years 2010 and 2011, an amount not to~~
3 ~~exceed more than 0.6% of the amount of the immediately preceding fiscal~~
4 ~~year; and (b) for the fiscal year commencing in calendar year 2012, and in~~
5 ~~each subsequent calendar year, an amount not to exceed more than 0.8% of~~
6 ~~the amount of the immediately preceding fiscal year.~~

7 Sec. 2. [20][.] K.S.A. 74-4915 is hereby amended to read as follows: 74-
8 4915. (1) Any member who retires on or after such member's normal
9 retirement date shall be entitled to receive an annual retirement benefit equal
10 to the sum obtained by adding an amount for participating service and an
11 amount for prior service determined as provided in this section. The amount
12 for prior service shall be equal to 1% of the member's prior service annual
13 salary multiplied by the number of years of prior service entitled to credit as
14 provided in K.S.A. 74-4913, and amendments thereto, except that for members
15 retiring on or after July 1, 1981, who were last employed by a participating
16 employer which had affiliated with the system under K.S.A. 74-4910, 74-
17 4912, 74-4929 or 74-4991, and amendments thereto, and for the period
18 commencing January 1, 1986, for members retiring before July 1, 1981, who
19 were last employed by a participating employer which had affiliated with the
20 system under K.S.A. 74-4910, 74-4912, 74-4929 or 74-4991, and amendments
21 thereto, except that any increase in benefits under this section shall be reduced
22 by any postretirement benefit adjustments received by such member prior to
23 July 2, 1985, the amount for prior service shall be calculated using final
24 average salary in lieu of prior service annual salary and, in the case of any
25 such member who became a member under subsection (3) of K.S.A. 74-4925,
26 and amendments thereto, and for whom a final average salary cannot be
27 otherwise determined, such member's final average salary shall be based on all
28 service for which such member received assistance in a plan under subsection
29 (2) of K.S.A. 74-4925, and amendments thereto, as certified by such employer
30 upon request of the board. For any member who retires on or after July 1,
31 1993, the amount for participating service shall be equal to the total of 1.75%
32 of the member's final average salary multiplied by the number of years of
33 participating service *earned prior to July 1, 2012, and 1.4% of the member's*
34 *final average salary multiplied by the number of years of participating service*
35 *earned on and after July 1, 2012.*

36 (2) (A) Any member who retires on or after July 1, 1993, but before the
37 normal retirement date and has attained age 60 but has not attained age 62 with
38 the completion of 10 years of credited service, shall receive an annual
39 retirement benefit equal to the annual retirement benefit payable had the
40 member retired on the normal retirement date but based upon the member's
41 final average salary and years of participating and prior service credited to the
42 date of actual retirement reduced by an amount equal to the product of (i) such
43 annual retirement benefit payable had the member retired on the normal

1 retirement date, multiplied by (ii) the product of .2% multiplied by the
2 number of months' difference, to the nearest whole month, between the
3 member's attained age at the time of retirement and age 62.

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

15 (ii) on and after July 1, 1993, the product of such annual retirement
16 benefit payable had the member retired on the normal retirement date,
17 multiplied by 4.8%.

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

22 (4) Such annual retirement benefits shall be paid in equal monthly
23 installments except; that the board may provide for the payment of retirement
24 benefits which total less than \$240 a year on other than a monthly basis.

25 (5) In the event that an application in such form as may be prescribed by
26 the board for any amount due under the provisions of this act, is not filed with
27 the office of the retirement system by the person entitled to same within five
28 years of the date such amount became due and payable, an amount equal to
29 same shall be transferred to the retirement benefit accumulation reserve and
30 such amount shall no longer be due and payable, except that if any such person
31 shall present evidence satisfactory to the board that such person's failure to file
32 such application within that time period was due to lack of knowledge or
33 incapacity on such person's part, the amount equal to the amount originally
34 due shall be transferred from the retirement benefit accumulation reserve to
35 the reserve or reserves from which such transfer was initially made and the
36 amount originally due shall be paid to such person.

37 (6) The participating employer, when an employee files an application for
38 retirement, shall certify to the system all member contributions of such
39 employee which have not been reported previously. In the event the amount
40 certified results in an overpayment of retirement benefits, the employer shall
41 be held responsible for the contribution amount previously certified from the
42 time of commencement of the overpayment of retirement benefits until the
43 time that such overpayment is discovered by the system. At the time that such

1 overpayment of retirement benefits is discovered by the system, the system
2 shall adjust the amount of retirement benefits paid to the employee to the
3 correct amount based on the participating employer's certification of member
4 contributions which had not been previously reported. The participating
5 employer of the employee who has had such member's retirement benefits
6 adjusted as provided in this subsection shall notify such employee of such
7 overpayment and such adjustment of retirement benefits. If the contributions
8 previously certified are lower than the actual amount reported, the employer
9 shall be responsible for remitting the correct amount and the member's
10 monthly benefit shall be recalculated based on the amount reported by the
11 employer. When an employee in school employment files such an application,
12 the participating employer responsible for any such amounts as provided in
13 this subsection shall be the employee's eligible employer as specified in
14 subsection (1), (2) or (3) of K.S.A. 74-4931, and amendments thereto, and
15 shall not be the state of Kansas. The provisions of law in effect on the
16 retirement date of a member under the system shall govern the retirement
17 benefit payable to the retirant, any joint annuitant and any beneficiary.

18 ~~Sec. 3.~~ [21].] K.S.A. 2010 Supp. 74-4920 is hereby amended to read as
19 follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation and
20 appraisal as provided for in subsection (3)(a) of K.S.A. 74-4908, and
21 amendments thereto, the board shall certify, on or before July 15 of each year,
22 to the division of the budget in the case of the state and to the agent for each
23 other participating employer an actuarially determined estimate of the rate of
24 contribution which will be required, together with all accumulated
25 contributions and other assets of the system, to be paid by each such
26 participating employer to pay all liabilities which shall exist or accrue under
27 the system, including amortization of the actuarial accrued liability as
28 determined by the board. The board shall determine the actuarial cost method
29 to be used in annual actuarial valuations, to determine the employer
30 contribution rates that shall be certified by the board. Such certified rate of
31 contribution, amortization methods and periods and actuarial cost method shall
32 be based on the standards set forth in subsection (3)(a) of K.S.A. 74-4908, and
33 amendments thereto, and shall not be based on any other purpose outside of
34 the needs of the system.

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

1 participating employers. Such additional liability shall be amortized as
2 determined by the board. For all participating employers described in this
3 section, the board shall determine the actuarial cost method to be used in
4 annual actuarial valuations to determine the employer contribution rates that
5 shall be certified by the board.

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

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

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

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

1 other fund available, shall be sufficient to enable the participating employer to
2 make the contributions required by this act.

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

7 (b) (i) Except as specifically provided in this section, for fiscal years
8 commencing in calendar year 1996 and in each subsequent calendar year, the
9 rate of contribution certified to the state of Kansas shall in no event exceed the
10 state's contribution rate for the immediately preceding fiscal year by more than
11 0.2% of the amount of compensation upon which members contribute during
12 the period.

13 (ii) Except as specifically provided in this subsection, for the fiscal years
14 commencing in the following calendar years, the rate of contribution certified
15 to the state of Kansas and to the participating employers under K.S.A. 74-
16 4931, and amendments thereto, shall in no event exceed the state's contribution
17 rate for the immediately preceding fiscal year by more than the following
18 amounts expressed as a percentage of compensation upon which members
19 contribute during the period: (A) For the fiscal year commencing in calendar
20 year 2005, ~~an amount not to exceed more than 0.4% of the amount of the~~
21 ~~immediately preceding fiscal year;~~ (B) for the fiscal year commencing in
22 ~~calendar year 2006, an amount not to exceed more than 0.5% of the amount of~~
23 ~~the immediately preceding fiscal year;~~ and (C) for the fiscal year commencing
24 ~~in calendar year 2007 and in each subsequent calendar year years 2010 and~~
25 ~~2011, an amount not to exceed more than 0.6% of the amount of the~~
26 ~~immediately preceding fiscal year; and (B) for the fiscal year commencing in~~
27 ~~calendar year 2012, and in each subsequent calendar year, an amount not to~~
28 ~~exceed more than 0.8% of the amount of the immediately preceding fiscal year.~~

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

35 (iv) Except as specifically provided in this subsection, for the fiscal years
36 commencing in the following calendar years, the rate of contribution certified
37 to participating employers other than the state of Kansas shall in no event
38 exceed the contribution rate for such employers for the immediately preceding
39 fiscal year by more than the following amounts expressed as a percentage of
40 compensation upon which members contribute during the period: (A) For the
41 fiscal year commencing in calendar year 2006, ~~an amount not to exceed more~~
42 ~~than 0.4% of the amount of the immediately preceding fiscal year;~~ (B) for the
43 ~~fiscal year commencing in calendar year 2007, an amount not to exceed more~~

1 ~~than 0.5% of the amount of the immediately preceding fiscal year; and (C) for~~
2 ~~the fiscal year commencing in calendar year 2008 and in each subsequent~~
3 ~~calendar year, years 2010 through 2012, an amount not to exceed more than~~
4 ~~0.6% of the amount of the immediately preceding fiscal year; and (B) for the~~
5 ~~fiscal year commencing in calendar year 2013, and in each subsequent~~
6 ~~calendar year, an amount not to exceed more than 0.8% of the amount of the~~
7 ~~immediately preceding fiscal year.~~

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

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

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

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

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

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

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

1 thereto, shall be amortized over 10 years.

2 (10) The cost of the postretirement benefit payment provided pursuant to
3 the provisions of K.S.A. 2010 Supp. 74-49,114b, and amendments thereto, for
4 retirants other than local retirants as described in subsection (11) or insured
5 disability benefit recipients shall be paid in the fiscal year commencing on July
6 1, 2007.

7 (11) The actuarial accrued liability incurred for the provisions of K.S.A.
8 2010 Supp. 74-49,114b, and amendments thereto, for the KPERS local group
9 and retirants who were employees of local employers which affiliated with the
10 Kansas police and firemen's retirement system shall be amortized over 10
11 years.

12 (12) The cost of the postretirement benefit payment provided pursuant to
13 the provisions of K.S.A. 2010 Supp. 74-49,114c, and amendments thereto, for
14 retirants other than local retirants as described in subsection (13) or insured
15 disability benefit recipients shall be paid in the fiscal year commencing on July
16 1, 2008.

17 (13) The actuarial accrued liability incurred for the provisions of K.S.A.
18 2010 Supp. 74-49,114c, and amendments thereto, for the KPERS local group
19 and retirants who were employees of local employers which affiliated with the
20 Kansas police and firemen's retirement system shall be amortized over 10
21 years.

22 (14) The board, with the advice of the actuary, may fix the contribution
23 rates for participating employers joining the system after one year from the
24 first entry date or for employers who exercise the option contained in K.S.A.
25 74-4912, and amendments thereto, at rates different from the rate fixed for
26 employers joining within one year of the first entry date.

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

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

38 (17) 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 the
41 executive director for credit to the Kansas public employees retirement fund
42 within three days after the end of the period covered by the remittance by
43 electronic funds transfer. Remittances of such deductions and contributions

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

7 Sec.-4. [22][.] K.S.A. 2010 Supp. 74-49,205 is hereby amended to read
8 as follows: 74-49,205. For any member who is first employed by a
9 participating employer on or after July 1, 2009, and who retires on or after
10 such member's normal retirement date, the amount for participating service
11 shall be equal to the total of 1.75% of the member's final average salary
12 multiplied by the number of years of participating service *earned prior to July*
13 *1, 2012*, to be used in determining such member's annual retirement benefit,
14 *and 1.4% of the member's final average salary multiplied by the number of*
15 *years of participating service earned on and after July 1, 2012, to be used in*
16 *determining such member's annual retirement benefit.*

17 Sec.-5. [23][.] K.S.A. 2010 Supp. 75-6609 is hereby amended to read as
18 follows: 75-6609. (a) When used in this section, "surplus real estate" means
19 real estate which is no longer needed by the state agency which owns such real
20 estate as determined in accordance with this section.

21 (b) (1) The secretary of administration shall develop criteria for the
22 identification of surplus real estate, including but not limited to, a review of
23 any legal restrictions associated with the real estate and the reasons for the
24 state agency to keep the real estate. In accordance with such criteria, the
25 secretary shall assist state agencies in the identification of surplus real estate.
26 The secretary of administration shall periodically review the status of all real
27 estate of state agencies subject to this section to determine if any of the real
28 estate owned by state agencies is potentially surplus real estate. If any real
29 estate owned by a state agency is determined by the secretary of
30 administration, in consultation with the head of the state agency, to be surplus
31 real estate in accordance with the criteria developed under subsection (a), then
32 the secretary of administration shall recommend to the governor that such real
33 estate be sold under the procedures prescribed by this section.

34 (2) The secretary of administration shall develop guidelines for the sale of
35 surplus real estate. In accordance with such guidelines and upon the approval
36 of the governor, after consultation with the head of the state agency which
37 owns such surplus real estate, after consultation with the joint committee on
38 state building construction and after approval by the state finance council
39 under subsection (c), the secretary may offer such property for sale by one of
40 the following means: (A) Public auction; (B) by listing the surplus property
41 with a licensed real estate broker or salesperson; or (C) by sealed bid. Subject
42 to the approval of the state finance council as required by subsection (c), the
43 secretary of administration may sell surplus real estate and any improvements

1 thereon on behalf of the state agency which owns such property.

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

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

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

22 (f) (1) Any proceeds from the sale of surplus real estate and any
23 improvements thereon, after deduction of the expenses of such sale and any
24 cost of appraisal of the surplus real estate, shall be deposited in the state
25 treasury as prescribed by this subsection, unless otherwise authorized by law.
26 ~~On and after the effective date of this act July 1, 2012,~~ 20% of the proceeds
27 from each such sale deposited in the state treasury shall be credited to the
28 surplus real estate fund or another appropriate special revenue fund of the state
29 agency which owned the surplus real estate, as is prescribed by law or as may
30 be determined by the state agency, unless otherwise required by state or federal
31 law or by the limitations or restrictions of the state's title to the real estate
32 being sold. In the case of proceeds from the sale of surplus real estate at a state
33 mental health institution or a state mental retardation institution, such portion
34 of the proceeds shall be credited to the client benefit fund of such institution or
35 to another special revenue fund of such institution for: (A) Rehabilitation and
36 repair or other capital improvements for such institution; ; or (B) one-time
37 expenditures for community mental health organizations if the real estate sold
38 was at a state mental health institution or for community developmental
39 disabilities organizations if the real estate sold was at a state mental retardation
40 institution, and, in any such case, shall be expended in accordance with the
41 provisions of appropriation acts. The remaining 80% of the proceeds from
42 each such sale deposited in the state treasury shall be credited to the ~~state~~
43 ~~general fund~~ *Kansas public employees retirement fund to be applied to the*

1 *payment, in full or in part, of the unfunded actuarial pension liability as*
2 *directed by the Kansas public employees retirement system. As used in this*
3 *section, "unfunded actuarial pension liability" means the unfunded actuarially*
4 *accrued liability of the state for the state of Kansas and participating*
5 *employers under K.S.A. 74-4931, and amendments thereto, portion of such*
6 *liability of the Kansas public employees retirement system, determined as of*
7 *the later of December 31, 2011, or the end of the most recent calendar year for*
8 *which an actuarial valuation report is available.*

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

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

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

25 (h) Sale of the Olathe travel information center shall not be subject to the
26 provisions of this section.

27 ~~Sec.-6. [24][.]~~ K.S.A. 74-4915 and K.S.A. 2010 Supp. 74-4914d, 74-
28 4920, 74-49,205 and 75-6609 are hereby repealed.

29 ~~Sec.-7. [25][.]~~ This act shall take effect and be in force from and after its
30 publication in the statute book.