

HOUSE BILL No. 2405

By Committee on Appropriations

2-18

1 AN ACT concerning retirement and pensions; relating to the Kansas public
2 employees retirement system; authorizing the issuance of revenue
3 bonds to finance the unfunded actuarial pension liability of KPERS;
4 providing requirements, limitations and procedures for the Kansas
5 development finance authority, department of administration and the
6 state finance council pertaining to such bonds.
7

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

9 Section 1. (a) **(1) Except as provided by paragraph (2),** for the
10 purpose of financing a portion of the unfunded actuarial pension liability
11 of the Kansas public employees retirement system, the Kansas
12 development finance authority is hereby authorized to issue one or more
13 series of revenue bonds under the Kansas development finance authority
14 act in an amount necessary to provide a deposit or deposits to the Kansas
15 public employees retirement system in a total amount not to exceed
16 \$1,000,000,000 plus all amounts required to pay the costs of issuance of
17 the bonds, including any credit enhancement, interest costs and to provide
18 any required reserves for the bonds. No bonds shall be issued until such
19 issuance has been approved by a resolution of the state finance council.
20 The principal amount, interest rates and final maturity of such revenue
21 bonds and any bonds issued to refund such bonds or parameters for such
22 principal amount, interest rates and final maturity shall be approved by a
23 resolution of the state finance council, except that, for any one or more
24 series of revenue bonds issued pursuant to this section, such interest rate,
25 all inclusive cost, shall not exceed 3.5%. **The bonds, and interest**
26 **thereon, issued pursuant to this section shall be payable from moneys**
27 **appropriated by the state for such purpose.** The bonds, and interest
28 thereon, issued pursuant to this section shall be obligations only of the
29 authority and in no event shall such bonds constitute an indebtedness or
30 obligation of the Kansas public employees retirement system or an
31 indebtedness or obligation for which the faith and credit or any assets of
32 the system are pledged. Neither the state nor the department of
33 administration shall have the power to pledge the full faith and credit or
34 taxing power of the state for debt service on any bonds issued pursuant to

1 this section, and any payment by the department for such purpose shall be
2 subject to and dependent on appropriations by the legislature. Any
3 obligation of the state or the department for payment of debt service on
4 bonds issued pursuant to this section shall not be considered a debt or
5 obligation of the state for the purpose of section 6 of article 11 of the
6 constitution of the state of Kansas.

7 **(2) If the interest rate, all inclusive cost, for any one or more**
8 **series of revenue bonds under paragraph (1) exceeds 3.5% but does**
9 **not exceed 3.75%, the Kansas development finance authority is hereby**
10 **authorized to issue one or more series of revenue bonds under the**
11 **Kansas development-finance {finance} act in an amount necessary to**
12 **provide a deposit or deposits to the Kansas public employees**
13 **retirement system in a total amount not to exceed \$500,000,000 plus**
14 **all amounts required to pay the cost of issuance of the bonds,**
15 **including any credit enhancement, interest costs and provide any**
16 **required reserves for the bonds. No bonds shall be issued until such**
17 **issuance has been approved by a resolution of the state finance**
18 **council. The principal amount, interest rates and final maturity of**
19 **such revenue bonds and any bonds issued to refund such bonds or**
20 **parameters for such principal amount, interest rates and final**
21 **maturity shall be approved by a resolution of the state finance council,**
22 **except that, for any one or more series of revenue bonds issued**
23 **pursuant to this section, such interest rate, all inclusive cost, shall not**
24 **exceed 3.75%. The bonds, and interest thereon, issued pursuant to this**
25 **section shall be payable from moneys appropriated by the state for**
26 **such purpose. The bonds, and interest thereon, issued pursuant to this**
27 **section shall be obligations only of the authority and in no event shall**
28 **such bonds constitute an indebtedness or obligation of the Kansas**
29 **public employees retirement system or an indebtedness or obligation**
30 **for which the faith and credit or any assets of the system are pledged.**
31 **Neither the state nor the department of administration shall have the**
32 **power to pledge the full faith and credit or taxing power of the state**
33 **for debt service on any bonds issued pursuant to this section, and any**
34 **payment by the department for such purpose shall be subject to and**
35 **dependent on appropriations by the legislature. Any obligation of the**
36 **state or the department for payment of debt service on bonds issued**
37 **pursuant to this section shall not be considered a debt or obligation of**
38 **the state for the purpose of section 6 of article 11 of the constitution of**
39 **the state of Kansas.**

40 (b) As used in this section, "unfunded actuarial pension liability"
41 means the unfunded actuarially accrued liability of the state for the state of
42 Kansas' and participating employers' under K.S.A. 74-4931, and
43 amendments thereto, portion of such liability of the Kansas public

1 employees retirement system, determined as of the later of December 31,
2 2019, or the end of the most recent calendar year for which an actuarial
3 valuation report is available and certified to the Kansas development
4 finance authority by the executive director of the Kansas public employees
5 retirement system.

6 (c) (1) The authority may pledge the contract or contracts authorized
7 in subsection (d), or any part thereof, for the payment or redemption of the
8 bonds, and covenant as to the use and disposition of moneys available to
9 the authority for payments of the bonds. The authority is authorized to
10 enter into any agreements necessary or desirable to effectuate the purposes
11 of this section.

12 (2) The proceeds from the sale of the bonds, other than refunding
13 bonds, issued pursuant to this section, after payment of any costs related to
14 the issuance of such bonds, shall be paid by the authority to the Kansas
15 public employees retirement system to be applied to the payment, in full or
16 in part, of the unfunded actuarial pension liability as directed by the
17 Kansas public employees retirement system.

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

35 (4) Revenue bonds may be issued pursuant to this section without
36 obtaining the consent of any department, division, commission, board or
37 agency of the state, other than the approvals of the state finance council
38 required by this section, and without any other proceedings or the
39 occurrence of any other conditions or things other than those proceedings,
40 conditions or things that are specifically required by the Kansas
41 development finance authority act.

42 (d) The department of administration and the authority are authorized
43 to enter into one or more contracts to implement the payment arrangement

1 that is provided for in this section. The contract or contracts shall provide
2 for payment of the amounts required to be paid pursuant to this section and
3 shall set forth the procedure for the transfer of moneys for the purpose of
4 paying such moneys. The contract or contracts shall contain such terms
5 and conditions, including principal amount, interest rates and final
6 maturity as shall be approved by resolution of the state finance council and
7 shall include, but not be limited to, terms and conditions necessary or
8 desirable to provide for the repayment of and to secure any bonds of the
9 authority issued pursuant to this section.

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

15 Sec. 2. This act shall take effect and be in force from and after its
16 publication in the statute book.