HOUSE BILL No. 2503

By Committee on Appropriations

1-27

AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system; amortizing a certain portion of the unfunded actuarial liability of the system for a period of 25 years; eliminating certain level-dollar employer contribution payments; making and concerning appropriations for the fiscal year ending June 30, 2020; authorizing certain transfers from the state general fund to the Kansas public employees retirement fund; establishing procedures for lapsing and decreasing certain amounts of employer contributions for state agencies for the fiscal year ending June 30, 2021; amending K.S.A. 74-4920 and repealing the existing section.

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

Section 1.

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

(a) On the effective date of this act, the director of accounts and reports shall transfer $268,412,000 from the state general fund to the Kansas public employees retirement fund (365-00-7002-7000) of the Kansas public employees retirement system for payment of the remaining balance on delayed Kansas public employees retirement system's state and school employer contributions from fiscal year 2017 and fiscal year 2019 as of June 30, 2020.

New Sec. 2. (a) If any legislation that authorizes the amortization of the actuarial accrued liability for the state of Kansas, including the department of corrections under K.S.A. 74-4914d, and amendments thereto, and participating employers under K.S.A. 74-4931(1), (2) and (3), and amendments thereto, in the Kansas public employees retirement system over a period of 25 years commencing on December 31, 2017, is passed by the legislature during the 2020 regular session and enacted into law, then on July 1, 2020:

(1) The amount in each account of the state general fund of each state agency that is appropriated for the fiscal year ending June 30, 2021, by an appropriation act of the 2020 regular session of the legislature, that is equal to the difference between the amount that is budgeted for payment to the Kansas public employees retirement system for employer contributions and the amount required for employer contributions under such
amortization period, as certified by the director of the budget to the
director of accounts and reports for fiscal year 2021, is hereby lapsed from
each such account; and
(2) the expenditure limitation established for the fiscal year ending
June 30, 2021, by an appropriation act of the 2020 regular session of the
legislature, or by the state finance council, on each special revenue fund in
the state treasury is hereby decreased for fiscal year 2021 by the amount
equal to the difference between the amount that is budgeted for payment to
the Kansas public employees retirement system for employer contributions
and the amount required for employer contributions under such
amortization period, as certified by the director of the budget to the
director of accounts and reports for fiscal year 2021, from each such
special revenue fund, or account thereof.
(b) The director of the budget shall transmit a copy of each such
certification under this section to the director of legislative research.
Sec. 3. K.S.A. 74-4920 is hereby amended to read as follows: 74-
4920. (1) (a) Upon the basis of each annual actuarial valuation and
appraisal as provided for in K.S.A. 74-4908(3)(a), and amendments
thereto, the board shall certify, on or before July 15 of each year, to the
division of the budget in the case of the state and to the agent for each
other participating employer an actuarially determined estimate of the rate
of contribution which that will be required, together with all accumulated
contributions and other assets of the system, to be paid by each such
participating employer to pay all liabilities which that shall exist or accrue
under the system, including amortization of the actuarial accrued liability
as determined by the board. The board shall determine the actuarial cost
method to be used in annual actuarial valuations, to determine the
employer contribution rates that shall be certified by the board. Such
certified rate of contribution, amortization methods and periods and
actuarial cost method shall be based on the standards set forth in K.S.A.
74-4908(3)(a), and amendments thereto, and shall not be based on any
other purpose outside of the needs of the system, except that for the state
of Kansas, including the department of corrections under K.S.A. 74-
4914d, and amendments thereto, and participating employers under K.S.A.
74-4931(f), (2) and (3), and amendments thereto, upon the basis of each
annual actuarial valuation and appraisal as provided for in K.S.A. 74-
4908(3)(a), and amendments thereto, the board shall certify, on or before
July 15 of each year, to the division of the budget in the case of the state
and to the agent for each other participating employer, an actuarially
determined estimate of the rate of contribution that will be required,
together with all accumulated contributions and other assets of the system,
to be paid by each such participating employer to pay all unfunded
actuarial liabilities that existed under the system on December 31, 2015,
including amortization of the unfunded actuarial liability for such participating employers over a period of 25 years commencing on December 31, 2017.

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

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

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

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

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

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

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

(ii) Except as specifically provided in this subsection, for the fiscal years commencing in the following calendar years, the rate of contribution certified to the state of Kansas and to the participating employers under K.S.A. 74-4931, and amendments thereto, shall in no event exceed the state's contribution rate for the immediately preceding fiscal year by more than the following amounts expressed as a percentage of compensation upon which members contribute during the period: (A) For the fiscal year commencing in calendar years 2010 through 2012, an amount not to exceed more than 0.6% of the amount of the immediately preceding fiscal year; (B) for the fiscal year commencing in calendar year 2013, an amount not to exceed more than 0.9% of the amount of the immediately preceding fiscal year; (C) for the fiscal year commencing in calendar year 2014, an amount not to exceed more than 1% of the amount of the immediately preceding fiscal year; (D) for the fiscal year commencing in calendar year 2015, the employer rate of contribution shall be 10.91%; (E) for the fiscal year commencing in calendar year 2016, the employer rate of contribution shall be 10.81%, except as provided by section 37(b) of chapter 54 of 2017
Session Laws of Kansas, and amendments thereto, for the participating employers under K.S.A. 74-4931, and amendments thereto; (F) for the fiscal year commencing in calendar year 2017, the employer rate of contribution shall be 12.01% and for participating employers under K.S.A. 74-4931, and amendments thereto, an additional percentage of compensation corresponding to the level dollar repayment amount certified by the board pursuant to subsection (17); and (G) in each subsequent calendar year, an amount not to exceed more than 1.2% of the amount of the immediately preceding fiscal year and for participating employers under K.S.A. 74-4931, and amendments thereto, an additional percentage of compensation corresponding to the level dollar repayment amount certified by the board pursuant to subsections (17) and (18).

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

(iv) Except as specifically provided in this subsection, for the fiscal years commencing in the following calendar years, the rate of contribution certified to participating employers other than the state of Kansas shall in no event exceed the contribution rate for such employers for the immediately preceding fiscal year by more than the following amounts expressed as a percentage of compensation upon which members contribute during the period: (A) For the fiscal year commencing in calendar years 2010 through 2013, an amount not to exceed more than 0.6% of the amount of the immediately preceding fiscal year; (B) for the fiscal year commencing in calendar year 2014, an amount not to exceed more than 0.9% of the amount of the immediately preceding fiscal year; (C) for the fiscal year commencing in calendar year 2015, an amount not to exceed more than 1% of the amount of the immediately preceding fiscal year; (D) for the fiscal year commencing in calendar year 2016, an amount not to exceed more than 1.1% of the amount of the immediately preceding fiscal year; and (E) for the fiscal year commencing in calendar year 2017, and in each subsequent calendar year, an amount not to exceed more than 1.2% of the amount of the immediately preceding fiscal year.

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

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

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

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

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

(8) Except as otherwise provided by law, the actuarial cost of any legislation enacted by the Kansas legislature, except the actuarial cost of K.S.A. 74-49,114a, and amendments thereto, shall be in addition to the employer contribution rates certified for the employer contribution rate in the fiscal year immediately following such enactment. Such actuarial cost shall be determined by the qualified actuary employed or retained by the system pursuant to K.S.A. 74-4908, and amendments thereto, and reported to the system and the joint committee on pensions, investments and benefits.

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

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

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

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

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

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

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

(16) Notwithstanding any provision of law to the contrary, each
participating employer shall remit quarterly, or as the board may otherwise
provide, all employee deductions and required employer contributions to
the executive director for credit to the Kansas public employees retirement
fund within three days after the end of the period covered by the
remittance by electronic funds transfer. Remittances of such deductions
and contributions received after such date are delinquent. Delinquent
payments due under this subsection shall be subject to interest at the rate
established for interest on judgments under K.S.A. 16-204(a), and
amendments thereto. At the request of the board, delinquent payments
which that are due or interest owed on such payments, or both, may be
deducted from any other moneys payable to such employer by any
department or agency of the state.

(17) The actuarial cost of the reduction of employer contributions for
eligible employers as specified in K.S.A. 74-4931(1), (2) and (3), and
amendments thereto, pursuant to the provisions of section 37 of chapter 54
of the 2017 session laws of Kansas, and amendments thereto, shall be
amortized over 20 years as a level dollar amount, as certified by the board
upon recommendation of the consulting actuary, through an additional
percentage of compensation for participating employers under K.S.A. 74-
4931, and amendments thereto. This additional percentage of—
compensation shall first be reflected in employer contribution rates for participating employers under K.S.A. 74-4931, and amendments thereto, effective on the first day of the first payroll period for the fiscal year 2018.

(18) The actuarial cost of $194,022,683 shall be amortized over 20 years as a level dollar amount, as certified by the board upon recommendation of the consulting actuary, through an additional percentage of compensation for participating employers under K.S.A. 74-4931, and amendments thereto. This additional percentage of compensation shall first be reflected in employer contribution rates for participating employers under K.S.A. 74-4931, and amendments thereto, effective on the first day of the first payroll period for the fiscal year 2020.

Sec. 4. K.S.A. 74-4920 is hereby repealed.

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