

**SENATE BILL No. 338**

By KPERS Select Committee

1-25

1 AN ACT concerning retirement and pensions; enacting the Kansas public  
2 employees retirement system act of 2014; providing terms, conditions,  
3 benefits and requirements related thereto for certain new members and  
4 existing members; relating to benefits and contributions; election for  
5 certain existing members; elimination of cap on increase in employer  
6 contributions and service credit purchases; amending K.S.A. 2011  
7 Supp. 74-4914d and 74-4920 and repealing the existing sections; also  
8 repealing K.S.A. 74-4919a, 74-4919g, 74-4919i, 74-4919k, 74-4919n,  
9 74-4919p, 74-4919q, 74-4919r and 74-4919s and K.S.A. 2010 Supp.  
10 74-4914d, as amended by section 1 of chapter 98 of the 2011 Session  
11 Laws of Kansas and 74-4920, as amended by section 4 of chapter 98 of  
12 the 2011 Session Laws of Kansas and K.S.A. 2011 Supp. 74-4919h, 74-  
13 4919j, 74-4919l, 74-4919m, 74-4919o, 74-4919u and 74-4919v.

14

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

16 New Section 1. (a) The provisions of sections 1 through 19, and  
17 amendments thereto, shall be known and may be cited as the Kansas  
18 public employees retirement system act of 2014.

19 (b) This act applies to any individual who is:

20 (1) First hired on and after January 1, 2014, by a participating  
21 employer and who would otherwise qualify for membership in the Kansas  
22 public employees retirement system, K.S.A. 74-4901 *et seq.*, and  
23 amendments thereto;

24 (2) any active or inactive nonvested member of the Kansas public  
25 employees retirement system on January 1, 2014, including a member of  
26 the legislature. Such active nonvested members are required to become  
27 members of the plan established under section 3, and amendments thereto,  
28 and shall make an election as provided in section 17, and amendments  
29 thereto. Such inactive nonvested members are required to become  
30 members of the plan established under section 3, and amendments thereto,  
31 and shall make an election as provided in section 17, and amendments  
32 thereto, only after reemployment in a covered position;

33 (3) any individual:

34 (A) Who was a member of the Kansas public employees retirement  
35 system prior to January 1, 2014, but was not an active or inactive member  
36 of the Kansas public employees retirement system on January 1, 2014;

1 (B) who is hired on or after January 1, 2014, by a participating  
2 employer; and

3 (C) who would otherwise qualify for membership in the Kansas  
4 public employees retirement system, K.S.A. 74-4901 *et seq.*, and  
5 amendments thereto;

6 (4) (A) a vested member of the legislature who filed an election  
7 pursuant to the provisions of K.S.A. 74-4992, and amendments thereto,  
8 prior to July 1, 2013;

9 (B) a vested member of the legislature who failed to file an election  
10 pursuant to the provisions of K.S.A. 74-4992, and amendments thereto,  
11 prior to July 1, 2013; and

12 (C) a member of the legislature who first serves in such position on or  
13 after July 1, 2013.

14 (c) This act does not apply to members of the Kansas police and  
15 firemen's retirement system, K.S.A. 74-4951 *et seq.*, and amendments  
16 thereto, and the retirement system for judges, K.S.A. 20-2601 *et seq.*, and  
17 amendments thereto.

18 (d) A system member may not simultaneously be a member of the  
19 pre-2014 plan and the plan established pursuant to this act. A period of  
20 service may not be credited in more than one retirement plan within the  
21 system.

22 (e) The board of trustees of the Kansas public employees retirement  
23 system shall administer the provisions of this act in the same manner as the  
24 board administers the provisions of K.S.A. 74-4901 *et seq.*, and  
25 amendments thereto, except as specifically provided in this act.

26 (f) Unless specifically provided in this act, the provisions of K.S.A.  
27 74-4901 *et seq.*, and amendments thereto, shall be applicable to this act. In  
28 an event that a conflict exists between the provisions of this act and the  
29 provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, the  
30 provisions of this act shall control, and to that end, no legal or contractual  
31 rights shall inure to the benefit of members or participating employers  
32 under this act with regard to the provisions of K.S.A. 74-4901 *et seq.*, and  
33 amendments thereto, when the provisions of this act control.

34 (g) Each participating employer as provided in this act and each  
35 employee as defined by this act shall be subject to the provisions of this  
36 act as specified in this act and subject to the provisions of K.S.A. 74-4901  
37 *et seq.*, and amendments thereto, as appropriate as to terms, conditions and  
38 requirements not specifically covered in this act. The provisions of this act  
39 shall not apply to members of the Kansas public employees retirement  
40 system as provided in K.S.A. 74-4901 *et seq.*, and 74-49,201 *et seq.*, and  
41 amendments thereto, employed by a participating employer prior to  
42 January 1, 2014, unless otherwise provided in this act.

43 (h) The provisions of this act shall be part of and supplemental to the

1 provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, subject to  
2 the limitations contained in this act.

3 New Sec. 2. (a) Terms that are used in this act have the meanings set  
4 forth for them in K.S.A. 74-4902, and amendments thereto, unless  
5 otherwise provided or the context otherwise requires.

6 (b) As used in this act, unless otherwise provided or the context  
7 otherwise requires:

8 (1) "2012Act" means the Kansas public employees retirement system  
act  
9 of 2014, section 1 *et seq.*, and amendments thereto;

10 (2) "2012active member" means a member who is actively employed by  
a  
11 participating employer;

12 (3) "2012403(b) plan" means ~~an investment alternative~~ a  
retirement plan offered to  
13 qualifying public school, community college employees and other eligible  
14 employees as allowed under section 403(b) of the internal revenue code.  
15 The 403(b) plan shall be comprised of tax deferred annuities described in  
16 section 403(b) of the internal revenue code, including custodial accounts  
17 described in section 403(b)(7) of the internal revenue code;

18 (4) "2012employee directed account" means the account established for  
a  
19 member under section 3, and amendments thereto;

20 (5) "2012employer annuity account" means the account established for  
a  
21 member under section 3, and amendments thereto;

22 (6) "2012member" means an individual who is required by section 1,  
and  
23 amendments thereto, to be a member of the plan. The term also includes  
24 any survivor or beneficiary of such member;

25 (7) "2012normal retirement age" means the attainment of age 65,  
except  
26 that for security officers, normal retirement age means the attainment of  
27 age 55;

28 (8) "2012plan" means the plan established within the Kansas  
public  
29 employees retirement system by section 3, and amendments thereto;

30 (9) "2012pre-2014 plan" means the plan established pursuant to  
K.S.A.

31 74-4901 *et seq.*, and amendments thereto, and K.S.A. 74-49,201 *et seq.*,  
32 and amendments thereto; and

33 (10) "2012system" means the Kansas public employees retirement  
system.

34 New Sec. 3. (a) The board shall establish within the Kansas public  
35 employees retirement system a plan in accordance with the provisions of  
36 this act. In addition to other options provided under such plan, for  
37 qualifying public school employees, community college employees and

38 other eligible employees, the plan shall include all plan options as allowed  
39 under section 403(b) of the internal revenue code. For all other  
40 employees, the plan must be established as part of the pension plan  
41 pursuant to K.S.A. 74-4920, and amendments thereto, for the exclusive  
42 benefit of members and their beneficiaries, and as a qualified  
43 governmental plan pursuant to sections 401(a), 414(d), and 414(k) of the

1 federal internal revenue code and its implementing regulations. The plan is  
2 established in addition to any retirement, pension, deferred compensation  
3 or other benefit plan currently administered by the state or a political  
4 subdivision thereof. Assets of the plan must be held in the trust for the  
5 Kansas public employees retirement system, other than those assets held  
in the 403(b) Plan which may be held in annuities or custodial accounts  
as provided by section 403(b) of the federal internal revenue code and  
implementing regulations.

6 (b) (1) For members who are qualifying public school employees,  
7 community college employees and other eligible employees, the board  
8 shall establish separate accounts for employee contributions of each  
9 member. These separate accounts shall be administered as a defined  
10 contribution plan as provided by section 403(b) of the federal internal  
11 revenue code and implementing regulations.

12 (2) For all other members, the board shall establish separate accounts  
13 for the mandatory contributions of each member. These separate accounts  
14 shall be administered in the nature of a defined contribution plan as  
15 provided by section 414(k) of the federal internal revenue code and  
16 implementing regulations.

17 (3) Accounts described in both subsection (b)(1) and (b)(2) shall be  
18 referred to as the employee directed accounts.

19 (c) The board shall establish for each member an employer annuity  
20 account, which shall be credited with employer credits as provided  
21 pursuant to section 10, and amendments thereto, and interest credits on  
22 those employer contribution credits as determined by the board under  
23 section 11, and amendments thereto. The employer annuity account shall  
24 be used to determine a lump-sum distribution or an annuity for the  
25 member upon retirement as provided in section 13, and amendments  
26 thereto.

27 New Sec. 4. (a) The board has the powers and shall perform the  
28 duties regarding the plan as provided in K.S.A. 74-4909, and amendments  
29 thereto, as applicable. The board may exercise the powers and shall  
30 perform the duties provided in this act.

31 (b) The board may contract for any aspect of plan administration,  
subject to subsection (c) and  
32 must use a competitive proposal process when contracting for consulting,  
33 educational, investment, recordkeeping or other administrative services for  
34 the plan.

(c) The board shall administer the plan through a third party  
administer/recordkeeper selected by the board based on a competitive  
proposal process established by such specifications and considerations as  
are deemed appropriate by the board. The administrator/recordkeeper  
shall be independent of any of the retirement plan provider or investment  
providers selected by the board or by any participating employer.

35 New Sec. 5. (a) For participants in the 403(b) plan, up to the  
36 amount allowed by the internal revenue code, each participating employer  
37 shall make a mandatory contribution of 6% of an eligible employee's

38 compensation to the 403(b) plan for participants in such plan. Eligible  
39 employees for the 403(b) plan may contribute an additional, discretionary  
40 contribution through payroll deductions on a pre-tax or after-tax basis.  
41 The 403(b) plan shall comply with all applicable provisions of the internal  
42 revenue code.  
43 (b) For all other members, up to the amount allowed by the internal

1 revenue code, each active member shall make a mandatory contribution of  
 2 6% of the member's compensation to the member's employee directed  
 3 account in the 401(a) plan. These contributions shall be picked up by the  
 4 employer via a salary reduction as provided in section 414(h)(2) of the  
 5 federal internal revenue code. An employer may not pick up these  
 6 contributions without a corresponding salary reduction as provided in  
 7 section 414(h)(2) of the federal internal revenue code. A member under  
 8 this subsection may not make voluntary contributions to the plan. The  
 9 401(a) plan shall comply with all applicable provision of the internal  
 10 revenue code.

11 (c) A member's employee directed account includes the member's  
 12 mandatory contributions under this section, and the gains and losses on  
 13 those contributions. The member's employee directed account is vested  
 14 from the date the employee becomes a member of the plan.

15 New Sec. 6. (a) A wide range of investment alternatives shall be  
 16 established for the employee directed accounts. ~~For qualifying public~~  
 17 ~~school employees, community college employees and other eligible~~  
 18 ~~employees, such investment alternatives shall include, but not be limited~~  
 19 ~~to, investment alternatives as allowed under section 403(b) of the federal~~  
 20 ~~internal revenue code.~~ For all employees, there also shall be offered an  
 21 investment alternative that is similar to the investment portfolio of the  
 22 Kansas public employees retirement system.

(b) Each eligible employee in the 403(b) plan shall select one or  
 more investment options for the contributions made on his or her  
 behalf and may transfer his or her employee directed account plan  
 balance among those investments, as allowed under the Internal  
 Revenue Code and the rules, regulations and policies established by  
 the board, from among the section 403(b) annuities and section  
 403(b)(7) custodial accounts made available under the 403(b) plan:

- (1) By the board. The board shall make available section  
 403(b) options from no less than three annuity or  
 investment providers, reviewed and selected by the  
 board based on a competitive proposal process  
 established by such specifications and considerations  
 as are deemed appropriate by the board; and
- (2) By the employee's employer. In addition to the options  
 made available by the board, each participating  
 employer shall use all reasonable efforts to make  
 available to its eligible employees section 403(b)  
 options from no less than three annuity or investment  
 providers, reviewed and selected by the employer  
 based on a competitive proposal process established by  
 such specifications and considerations as are deemed  
 appropriate by the employer. The board shall establish  
 procedures for incorporating these options into the  
 operation and administration of the 403(b) plan.

All materials relating to the 403(b) plan that are provided by the

board to participating employers or eligible employees, or by a participating employer to its eligible employees, including but not limited to summaries of the 403(b) plan and plan marketing materials, shall not favor specific annuity or investment providers or products.

(c) The section 403(b) options selected by the board shall:

(1) Encompass a broad range of investment alternatives, including one or more alternatives that provide asset management, one or more alternatives that provide asset protection, and one or more alternatives that provide income guarantees;

(2) Include a low fee or self service alternative;

(3) Include an independent local financial advisor alternative; and provide eligible employees with a reasonable opportunity to materially affect the potential return on his or her retirement investment, to choose among diversified investments that in the aggregate minimize the risk of the employee's overall retirement investment, and to achieve a retirement investment portfolio with the varying risk and return characteristics in the aggregate that are normally appropriate for plan participants.

23 (d) The board shall from time to time review the suitability and  
 24 management of investment alternatives under the employee directed  
 25 accounts, including those 403(b) options chosen by the board, and may  
 26 change the alternatives to be offered. The board shall  
 27 notify affected members of potential changes before any changes become  
 28 effective, except if the board determines there is a compelling need to  
 29 change an alternative immediately.

(e) The default option for any member or beneficiary who does not  
 30 have an effective investment direction shall be the fund that is similar to  
 31 the investment portfolio of KPERS.

(f) Assets within each employee directed account must be invested as  
 32 directed by the member within the investment alternatives established by  
 33 the board, unless the board determines there is a compelling need to  
 34 remove assets from an investment alternative. In such a case, the asset will  
 35 be moved to the default alternative until the member elects another  
 36 investment alternative.

38 New Sec. 7. (a) With respect to the employee directed accounts, the  
 39 board may:

(1) Assess fees on member employee directed accounts to pay the  
 40 reasonable administrative costs of the accounts, which fees may be  
 41 reasonable or asset based fees, or both, as determined by the board;

(2) negotiate with a vendor or vendors for vendor reimbursement of  
 43



1 board administrative expenses for the accounts;

2 (3) assess fees on employers to pay reasonable administrative costs of  
3 the accounts; and

4 (4) assess specific fees on an individual member employee directed  
5 account to pay specific expenses attributable to that member.

6 (b) All fees assessed must be fully disclosed to members and treated  
7 as public information.

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

12 New Sec. 8. The board shall establish a rollover account for each  
13 member and shall accept the rollover of contributions and the income on  
14 those contributions from another eligible retirement plan to the member's  
15 rollover account only to the extent allowed under applicable federal law.  
16 The board shall establish policies with respect to the rollover accounts as  
17 to investments, distributions and other administrative matters.

18 New Sec. 9. (a) An employer credit shall be made to the member's  
19 employer annuity account at the end of each calendar quarter according to  
20 the following schedule:

21 (1) One percent of compensation for each member who has up to one  
22 year of service;

23 (2) one and one-half percent of compensation for each member who  
24 has one but less than two years of service;

25 (3) two percent of compensation for each member who has two but  
26 less than three years of service;

27 (4) two and one-half percent of compensation for each member who  
28 has three but less than four years of service;

29 (5) three percent of compensation for each member who has four but  
30 less than five years of service;

31 (6) three and one-half percent of compensation for each member who  
32 has five but less than six years of service;

33 (7) four percent of compensation for each member who has six but  
34 less than seven years of service;

35 (8) four and one-half percent of compensation for each member who  
36 has seven but less than eight years of service; and

37 (9) five percent of compensation for each member who has eight or  
38 more years of service.

39 (b) An active member's employer shall contribute a percentage of  
40 compensation, determined by the board, which must be allocated to the  
41 death and long-term disability plan under K.S.A. 74-4927, and  
42 amendments thereto.

43 (c) Any credited service accrued by a member under the provisions of

1 the pre-2014 plan shall be credited for the purpose of computing such  
2 member's years of service under this section.

3 New Sec. 10. (a) A member's employer annuity account is the sum of  
4 all employer credits to the account plus the interest credits on the account,  
5 which shall be determined at the end of each year. The interest credits shall  
6 be determined under section 11, and amendments thereto.

7 (b) If the member's employer annuity account is not vested upon the  
8 member's termination of plan membership, as provided in section 13, and  
9 amendments thereto, the employer credits and interest credits are forfeited  
10 as provided in section 13, and amendments thereto. If the member's  
11 employer annuity account is vested upon the member's termination of plan  
12 membership, as provided in section 13, and amendments thereto, but the  
13 member dies prior to attaining normal retirement age without a spouse  
14 eligible for the employer annuity account under section 13, and  
15 amendments thereto, the employer credits and interest credits are forfeited.  
16 Forfeitures may not be used to increase a member's account, but instead  
17 will be used to pay administrative expenses of the accounts or to reduce  
18 employer contributions.

19 New Sec. 11. At the end of each calendar year, the board shall credit  
20 each employer annuity account with a zero percent interest credit. At the  
21 end of each calendar year, the board shall also credit each employer  
22 annuity account with a supplemental interest credit rate, which will equal  
23 the net investment return on the KPERS portfolio, which may be negative  
24 or positive, in that particular calendar year. If the member retires in the  
25 middle of a calendar year, the board shall credit that member's employer  
26 annuity account with a supplemental interest credit rate that equals the net  
27 investment return on the KPERS portfolio, which may be negative or  
28 positive, for that portion of that calendar year. For the purposes of  
29 determining the member's annuity benefit amount pursuant to section 13,  
30 and amendments thereto, a member's employer annuity account shall not  
31 be less than the total amount of employer credits to the account.

32 New Sec. 12. (a) Any time after termination of service or death, a  
33 member or the member's beneficiary may file a written application with  
34 the board and take a distribution of the member's employee directed  
35 account from the plan through any combination of the following payout  
36 options, each of which is subject to the applicable provisions of the federal  
37 internal revenue code and the applicable regulations of the internal  
38 revenue service:

- 39 (1) A direct rollover to an eligible retirement plan;  
40 (2) a lump-sum distribution; or  
41 (3) an optional form of periodic distribution offered by the board by  
42 official action.

43 (b) The board by official action may specify minimum account

1 balances for purposes of allowing benefit payment options and rollovers in  
2 accordance with federal law.

3 New Sec. 13. (a) A member is vested, but subject to forfeiture, in the  
4 member's employer annuity account upon completion of five years of  
5 service. A member's benefit is nonforfeitable upon the attainment of  
6 normal retirement age and the completion of at least five years of service,  
7 whichever is later.

8 (b) Except as provided in subsection (d), a member who has a  
9 nonforfeitable interest in the member's employer annuity account, at any  
10 time after termination from service and the attainment of normal  
11 retirement age, shall receive an annuity that may be provided by employer  
12 credits and income credits in the employer annuity account, using factors  
13 established by the board by official action as of the member's annuity start  
14 date, and based on the pension benefits guaranty corporation distress  
15 termination interest rates. The normal form of benefit shall be a single life  
16 annuity with five-year certain. The member may elect any joint and  
17 survivor option described in K.S.A. 74-4918, and amendments thereto.

18 (c) Except as provided in subsection (d), in the case of an active or  
19 inactive member:

20 (1) Who is vested in the member's employer annuity account;

21 (2) who has 10 or more years of service at death; and

22 (3) who dies before attaining normal retirement age, with their spouse  
23 at time of death designated as their sole primary beneficiary, the member's  
24 surviving spouse on and after the date the member would have attained  
25 normal retirement age had they not died, shall receive an annuity that may  
26 be provided by employer credits and income credits in the employer  
27 annuity account, using factors established by the board by official action as  
28 of the beneficiary's annuity start date and taking into consideration the  
29 pension benefit guaranty corporation distress termination interest rates.  
30 The normal form of benefit shall be a single life annuity with five-year  
31 certain. The beneficiary may elect any joint and survivor option as  
32 described in K.S.A. 74-4918, and amendments thereto.

33 (d) If a member's vested employer annuity account is less than \$1,000  
34 upon separation from service, the account balance shall be mandatorily  
35 distributed to the member in accordance with section 401(a)(31)(B) of the  
36 federal internal revenue code. If the member does not elect to have such  
37 distribution paid directly to an eligible retirement plan specified by the  
38 participant in a direct rollover or to receive the distribution directly, then  
39 the board will pay the distribution to the member directly.

40 New Sec. 14. A member's beneficiary must be determined as  
41 provided in the pre-2014 plan regulations. Upon filing a written  
42 application with the board after the death of a member, the member's  
43 beneficiary is entitled to the member's employee directed account.

1 New Sec. 15. (a) Members of the retirement system under the  
2 Kansas public employees retirement system act of 2014 shall be covered in  
3 the death and disability plan in accordance with K.S.A. 74-4927, and  
4 amendments thereto, but subject to the provisions of this section.

5 (b) (1) In the event that a member becomes eligible for and begins  
6 receiving a long-term disability benefit under the plan, such member shall  
7 be given participating service credit for the entire period of such disability.  
8 Such member's employer annuity account shall be credited with the  
9 amount of credits and interest prescribed in this act for the entire period of  
10 such disability.

11 (2) The salary upon which credits to such member's employer annuity  
12 account are based shall be the employee's salary at the time of disability,  
13 which shall be adjusted once each year on January 1, but only after 5 years  
14 of disability, by the lesser of: (A) The percentage increase in the  
15 consumer price index for all urban consumers as published by the bureau  
16 of labor statistics of the United States department of labor measured in the  
17 prior November, minus 1%; or

18 (B) 4% per annum.

19 (3) All credits to the employer annuity account shall cease upon the  
20 earliest of: (A) Death; (B) attainment of normal retirement age; or  
21 (C) the date the member is no longer entitled to receive disability  
22 benefits pursuant to law.

23 New Sec. 16. The provisions of K.S.A. 74-49,122, 74-49,123 and 74-  
24 49,124, and amendments thereto, apply to this act, except the definitions of  
25 "actuarial equivalent" and "actuarial computation" are not applicable to  
26 this act.

27 New Sec. 17. (a) The election provisions of this section and any  
28 related provisions shall not be implemented until the board of trustees of  
29 the Kansas public employees retirement system has obtained approval for  
30 the election and related provisions specified in this section from the federal  
31 internal revenue service. The election provisions of this section and any  
32 related provisions are severable from the remainder of this act and shall be  
33 repealed if the federal internal revenue service refuses to grant such  
34 approval or issues an adverse decision.

35 (b) Except as otherwise provided in this act, a nonvested member of  
36 the system under the provisions of K.S.A. 74-4901 *et seq.*, and 74-49,201  
37 *et seq.*, and amendments thereto, on July 1, 2013, shall elect to transfer  
38 such member's employee contributions and interest earnings credited  
39 thereon to an: (1) Employee directed account; or (2) employer annuity  
40 account. As part of this election, a member may designate all or part of  
41 such member's employee contributions and interest earnings to be  
42 allocated to each account. Members shall make such election within a 90-  
43 day period established by the board. Elections made pursuant to this

1 section shall be made on a form and in a manner prescribed by the board.  
 2 An election under this section, including the provisions of subsection (c),  
 3 is a one-time irrevocable election.

4 (c) If a member fails to make an election pursuant to this section or if  
 5 the federal internal revenue service refuses to grant approval of such  
 6 election or issues an adverse decision, such member's employee  
 7 contributions and interest earnings shall be transferred to an employee  
 8 directed account.

9 New Sec. 18. (a) Any member of the legislature who has earned a  
 10 vested retirement benefit under the provisions of K.S.A. 74-4901 *et seq.*,  
 11 and amendments thereto, or K.S.A. 74-49,201 *et seq.*, and amendments  
 12 thereto, shall have the present value of such vested retirement benefit,  
 13 including all employee and employer contributions, earned before January  
 14 1, 2014, converted to a lump-sum amount and shall have such lump-sum  
 15 amount transferred to the employer annuity account of such member.

16 (b) On and after January 1, 2014, any benefit earned or accrued by a  
 17 member of the legislature under the provisions of this act shall be  
 18 calculated based only upon all compensation received: (1) As per diem  
 19 compensation for service during a regular or special session of the  
 20 legislature pursuant to subsection (a) of K.S.A. 46-137a, and amendments  
 21 thereto; (2) as per diem compensation for attendance at in-state or out-  
 22 of-state meetings pursuant to K.S.A. 75-3212, 75-3215, or 75-3223, in the  
 23 amount prescribed under subsection (a) of K.S.A. 46-137a, and  
 24 amendments thereto; (3) as additional compensation for legislative officers  
 25 as provided in K.S.A. 46-137b, and amendments thereto; and (4) as any  
 26 other additional compensation provided by law, excluding any allowances  
 27 or reimbursements for any expenses incurred.

28 New Sec. 19. The provisions of sections 1 through 16 and section 18  
 29 and 19 shall be effective on and after January 1, 2014.

30 Sec. 20. K.S.A. 2011 Supp. 74-4914d is hereby amended to read as  
 31 follows: 74-4914d. Any additional cost resulting from the normal  
 32 retirement date and retirement before such normal retirement date for  
 33 security officers as provided in K.S.A. 74-4914c, and amendments thereto,  
 34 and disability benefits as provided in K.S.A. 74-4914e, and amendments  
 35 thereto, shall be added to the employer rate of contribution for the  
 36 department of corrections as otherwise determined under K.S.A. 74-4920,

37 and amendments thereto, ~~except that the employer rate of contribution for~~  
 38 ~~the department of corrections including any such additional cost added to~~  
 39 ~~such employer rate of contribution pursuant to this section shall in no~~  
 40 ~~event exceed the employer rate of contribution for the department of~~  
 41 ~~corrections for the immediately preceding fiscal year by more than the~~  
 42 ~~following amount expressed as a percentage of compensation upon which~~  
 43 ~~security officers contribute during the period: (a) For the fiscal year~~

1 commencing in calendar year 2006, an amount not to exceed more than  
2 0.5% of the amount of the immediately preceding fiscal year; and (b) for  
3 the fiscal year commencing in calendar year 2007, and in each subsequent  
4 calendar year, an amount not to exceed more than 0.6% of the amount of  
5 the immediately preceding fiscal year.

6 Sec. 21. *K.S.A. 2011 Supp. 74-4920 is hereby amended to read as*  
7 *follows:* 74-4920. (1) (a) Upon the basis of each annual actuarial valuation  
8 and appraisal as provided for in subsection (3)(a) of K.S.A. 74-4908, and  
9 amendments thereto, the board shall certify, on or before July 15 of each  
10 year, to the division of the budget in the case of the state and to the agent  
11 for each other participating employer an actuarially determined estimate of  
12 the rate of contribution which will be required, together with all  
13 accumulated contributions and other assets of the system, to be paid by  
14 each such participating employer to pay all liabilities which shall exist or  
15 accrue under the system, including amortization of the actuarial accrued  
16 liability as determined by the board. The board shall determine the  
17 actuarial cost method to be used in annual actuarial valuations, to  
18 determine the employer contribution rates that shall be certified by the  
19 board. Such certified rate of contribution, amortization methods and  
20 periods and actuarial cost method shall be based on the standards set forth  
21 in subsection (3)(a) of K.S.A. 74-4908, and amendments thereto and shall  
22 not be based on any other purpose outside of the needs of the system.

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

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

1 liabilities for such prior service costs. Such rate shall be termed the  
2 employer's prior service contribution.

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

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

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

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

40 (b) (i) ~~Except as specifically provided in this section, for fiscal years~~  
41 ~~commencing in calendar year 1996 and in each subsequent calendar year,~~  
42 ~~the rate of contribution certified to the state of Kansas shall in no event~~  
43 ~~exceed the state's contribution rate for the immediately preceding fiscal~~

1 year by more than 0.2% of the amount of compensation upon which  
 2 members contributed during the period.

3 (ii) — Except as specifically provided in this subsection, for the fiscal  
 4 years commencing in the following calendar years, the rate of contribution  
 5 certified to the state of Kansas and to the participating employers under  
 6 K.S.A. 74-4931, and amendments thereto shall in no event exceed the  
 7 state's contribution rate for the immediately preceding fiscal year by more  
 8 than the following amounts expressed as a percentage of compensation  
 9 upon which members contributed during the period: (A) For the fiscal year  
 10 commencing in calendar year 2005, an amount not to exceed more than  
 11 0.4% of the amount of the immediately preceding fiscal year; (B) for the  
 12 fiscal year commencing in calendar year 2006, an amount not to exceed  
 13 more than 0.5% of the amount of the immediately preceding fiscal year;  
 14 and (C) for the fiscal year commencing in calendar year 2007 and in each  
 15 subsequent calendar year, an amount not to exceed more than 0.6% of the  
 16 amount of the immediately preceding fiscal year.

17 (iii) — Except as specifically provided in this section, for fiscal years  
 18 commencing in calendar year 1997 and in each subsequent calendar year,  
 19 the rate of contribution certified to participating employers other than the  
 20 state of Kansas shall in no event exceed such participating employer's  
 21 contribution rate for the immediately preceding fiscal year by more than  
 22 0.15% of the amount of compensation upon which members contribute  
 23 during the period.

24 (iv) — Except as specifically provided in this subsection, for the fiscal  
 25 years commencing in the following calendar years, the rate of contribution  
 26 certified to participating employers other than the state of Kansas shall in  
 27 no event exceed the contribution rate for such employers for the  
 28 immediately preceding fiscal year by more than the following amounts  
 29 expressed as a percentage of compensation upon which members  
 30 contribute during the period: (A) For the fiscal year commencing in  
 31 calendar year 2006, an amount not to exceed more than 0.4% of the  
 32 amount of the immediately preceding fiscal year; (B) for the fiscal year  
 33 commencing in calendar year 2007, an amount not to exceed more than  
 34 0.5% of the amount of the immediately preceding fiscal year; and (C) for  
 35 the fiscal year commencing in calendar year 2008 and in each subsequent  
 36 calendar year, an amount not to exceed more than 0.6% of the amount of  
 37 the immediately preceding fiscal year.

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



1 rate of contribution calculated for all other participating employers.

2 ~~(vi)~~(ii) There shall be a combined employer rate of contribution  
3 certified to the state of Kansas and participating employers under K.S.A.  
4 74-4931, and amendments thereto. There shall be a separate employer rate  
5 of contribution certified to all other participating employers.

6 ~~(vii)~~(iii) If the combined employer rate of contribution calculated for  
7 the state of Kansas and participating employers under K.S.A. 74-4931, and  
8 amendments thereto, is greater than the separate employer rate of  
9 contribution for the state of Kansas, the difference in the two rates applied  
10 to the actual payroll of the state of Kansas for the applicable fiscal year  
11 shall be calculated. This amount shall be certified by the board for deposit  
12 as additional employer contributions to the retirement benefit  
13 accumulation reserve for the participating employers under K.S.A. 74-  
14 4931, and amendments thereto.

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

18 (7) The actuarial cost of the provisions of K.S.A. 74-4950i, *and*  
19 *amendments thereto*, will be included in the June 30, 1998, actuarial  
20 valuation in determining contribution rates for participating employers.  
21 The actuarial accrued liability incurred for the provisions of K.S.A. 74-  
22 4950i, *and amendments thereto*, shall be amortized over 15 years.

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

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

34 (10) The cost of the postretirement benefit payment provided  
35 pursuant to the provisions of K.S.A. 2011 Supp. 74-49,114b, and  
36 amendments thereto, for retirants other than local retirants as described in  
37 subsection (11) or insured disability benefit recipients shall be paid in the  
38 fiscal year commencing on July 1, 2007.

39 (11) The actuarial accrued liability incurred for the provisions of  
40 K.S.A. 2011 Supp. 74-49,114b, and amendments thereto, for the KPERS  
41 local group and retirants who were employees of local employers which  
42 affiliated with the Kansas police and firemen's retirement system shall be  
43 amortized over 10 years.

1 (12) The cost of the postretirement benefit payment provided  
2 pursuant to the provisions of K.S.A. 2011 Supp. 74-49,114c, and  
3 amendments thereto, for retirants other than local retirants as described in  
4 subsection (13) or insured disability benefit recipients shall be paid in the  
5 fiscal year commencing on July 1, 2008.

6 (13) The actuarial accrued liability incurred for the provisions of  
7 K.S.A. 2011 Supp. 74-49,114c, and amendments thereto, for the KPERS  
8 local group and retirants who were employees of local employers which  
9 affiliated with the Kansas police and firemen's retirement system shall be  
10 amortized over 10 years.

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

16 (15) For employers affiliating on and after January 1, 1999, the rates  
17 of contribution certified to the participating employer as provided in this  
18 section shall apply during the fiscal year immediately following such  
19 certification, but the rate of contribution during the first year following the  
20 employer's entry date shall be equal to 7% of the amount of compensation  
21 on which members contribute during the year. Any amount of such first  
22 year's contribution which may be in excess of the necessary current service  
23 contribution shall be credited by the board to the respective employer's  
24 prior service liability.

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

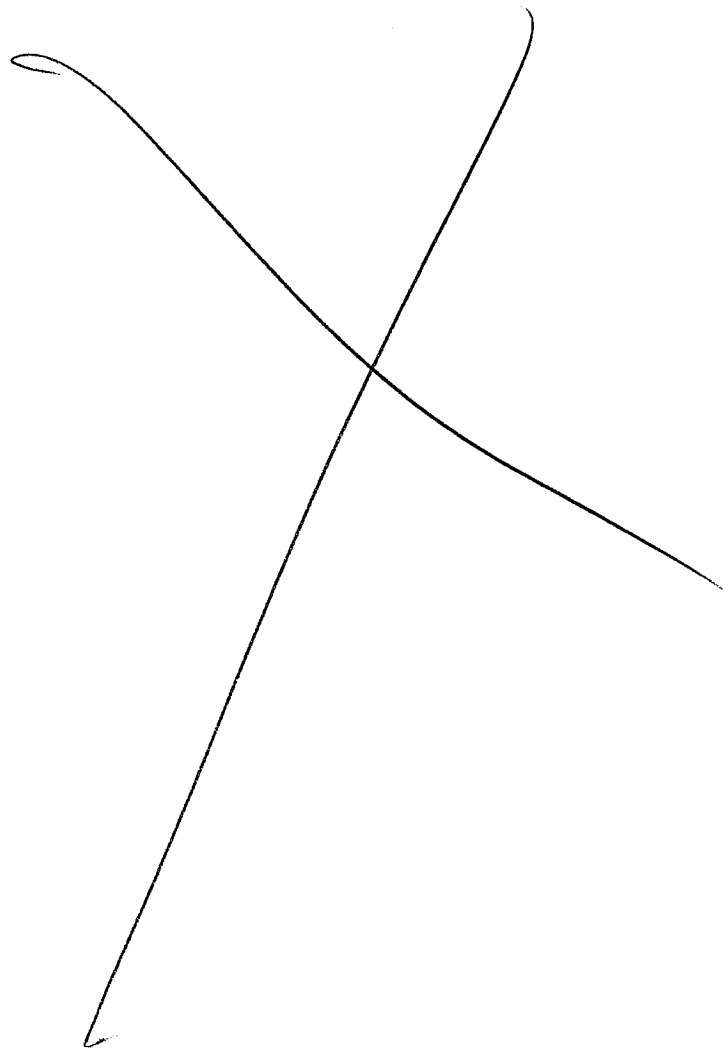
28 (17) Notwithstanding any provision of law to the contrary, each  
29 participating employer shall remit quarterly, or as the board may otherwise  
30 provide, all employee deductions and required employer contributions to  
31 the executive director for credit to the Kansas public employees retirement  
32 fund within three days after the end of the period covered by the  
33 remittance by electronic funds transfer. Remittances of such deductions  
34 and contributions received after such date are delinquent. Delinquent  
35 payments due under this subsection shall be subject to interest at the rate  
36 established for interest on judgments under subsection (a) of K.S.A. 16-  
37 204, and amendments thereto. At the request of the board, delinquent  
38 payments which are due or interest owed on such payments, or both, may  
39 be deducted from any other moneys payable to such employer by any  
40 department or agency of the state.

41 New Sec. 22. Any purchase of service credit which was commenced  
42 prior to July 1, 2013, is not subject to the provisions of this act.

43 Sec. 23. K.S.A. 74-4919a, 74-4919g, 74-4919i, 74-4919k, 74-4919n,

1 74-4919p, 74-4919q, 74-4919r and 74-4919s and K.S.A. 2010 Supp. 74-  
2 4919d, as amended by section 1 of chapter 98 of the 2011 Session Laws of  
3 Kansas and 74-4920, as amended by section 4 of chapter 98 of the 2011  
4 Session Laws of Kansas and K.S.A. 2011 Supp. 74-4914d, 74-4919h, 74-  
5 4919j, 74-4919l, 74-4919m, 74-4919o, 74-4919u, 74-4919v and 74-4920  
6 are hereby repealed.

7 Sec. 24. This act shall take effect and be in force from and after July 1,  
8 2013, and its publication in the statute book.

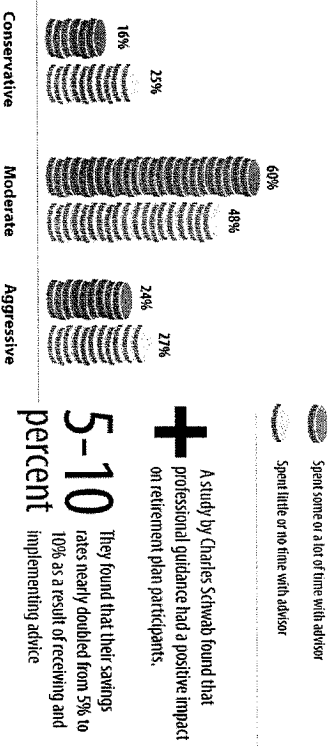


# TEACHERS WANT CHOICE

## Impact of Teacher Participation in 403(b) Plans

403(b) plans provide school district employees with an important means to save for retirement. However, state legislation is threatening to eliminate workers' retirement options, which would likely result in lower participation in 403(b) plans.

### EMPLOYEES PERFORM BETTER WITH FINANCIAL ASSISTANCE



- Spent some or a lot of time with advisor
- Spent little or no time with advisor

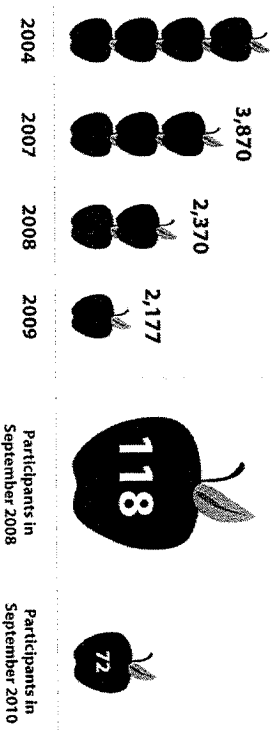
**+** A study by Charles Schwab found that professional guidance had a positive impact on retirement plan participants.

**5-10 percent** They found that their savings rates nearly doubled from 5% to 10% as a result of receiving and implementing advice

### SCHOOL DISTRICT EMPLOYEES PARTICIPATE LESS WHEN THE NUMBER OF PROVIDERS IS REDUCED

Participation in Colorado school districts' 403(b) plan dropped by 58% when they switched to a single investment provider

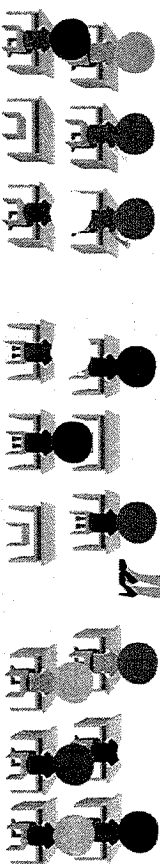
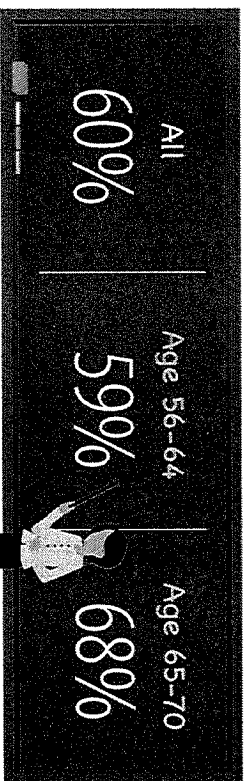
The number of participants in a Pennsylvania school districts' 403(b) plan declined by nearly 40% when they went to a single provider



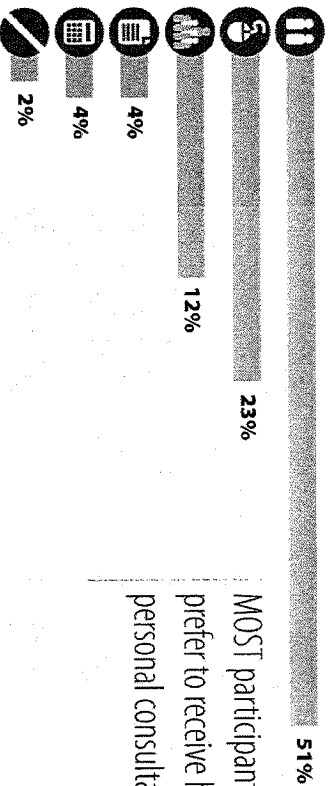
Source: Charles Schwab, Esq., LL.M., Dr. Stephen Miller, Ph.D., and Jodie Altko, Esq., MPA, Advisory Participation: The Impact of Reducing Choices on Participation by School District Employees in 403(b) Plans, KIPPE, Partner Education and Research Foundation, available at <http://www.kippe.org>

### TEACHERS WANT ADVICE

Study by TIAA-CREF showed that 60% of near-retirement higher education employees had consulted with a financial professional within the past two years regarding retirement.



### PARTICIPANTS HAVE VARIOUS PREFERENCES FOR HOW THEY RECEIVE HELP



Preferred Method of Receiving Retirement Planning and Investment Help

**MOST** participants would prefer to receive help via personal consultation

### NO CHOICE VS CHOICE



An analysis of employees in

# 55

school districts shows that

## over 50%

of workers stopped contributing to their 403(b) plans when their existing provider was no longer available



## **Additional Resources for Committee Members**

### **PROTECTING PARTICIPATION**

The Impact of Reduced Choice on Participation by School District Employees in 403(b) Plans

<http://savemy403b.org/wp-content/uploads/2011/10/ASPPAWhitePaper-ProtectingParticipation.pdf>

### **403(B) TASKFORCE ON FEE DISCLOSURE**

<http://savemy403b.org/news-releases/asbo-nea-ntsaa-form-joint-403b-taskforce-to-offer-fee-disclosure-solution>

### **STATE LEGISLATION TO CONSOLIDATE RETIREMENT PLANS MAY IMPACT TEACHERS' CHOICES**

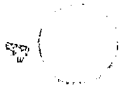
<http://savemy403b.org/wp-content/uploads/2011/09/StateLegislationConsolidation.pdf>

### **IRS PLAN FEATURE COMPARISON CHART**

<http://www.retirementplans.irs.gov/plan-comparison-table/>

### **THE VALUE OF THE 401(K) SYSTEM**

<http://www.asppa.org/document-vault/pdfs/mediaroomnlASPPAissueBrief401kSystemValue.aspx>



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