

## PROPOSED SENATE BILL NO. \_\_\_\_\_

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AN ACT concerning retirement and pensions; relating to the Kansas public employees retirement system and systems thereunder; enacting the Kansas public employees retirement system act of 2014; providing terms, conditions, requirements, benefits and contributions related thereto; employer and employee contributions; member election; employment after retirement; plan of death and long-term disability benefits; members of legislature, rate of compensation; amending K.S.A. 74-4915 and 74-4919 and K.S.A. 2011 Supp. 74-4914d, 74-4920, 74-4927, 74-4937, 74-4995, 74-49,205 and 74-49,213 and repealing the existing sections.

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

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

(b) Any employee who is first employed by a participating employer on or after July 1, 2014, shall be a member of the system under the provisions of this act on the first day of employment of such employee with such participating employer.

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

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

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

(f) Unless specifically provided in this act, the provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, shall be applicable to this act. In an event that a conflict exists between

the provisions of this act and the provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, the provisions of this act shall control, and to that end, no legal or contractual rights shall inure to the benefit of members or participating employers under this act with regard to the provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, when the provisions of this act control.

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

(h) The provisions of this act shall be part of and supplemental to the provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, subject to the limitations contained in this act.

New Sec. 2. (a) As used in this act, unless otherwise provided or the context otherwise requires:

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

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

(3) "annuity savings account" means the account maintained for contributions of members under section 3, and amendments thereto;

(4) "covered position" means a position with an affiliated employer that is eligible for

membership in the Kansas public employees retirement system pursuant to the provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto;

(5) "employee" means the same as such term is defined in K.S.A. 74-4902, and amendments thereto, except that only employees who are first employed by a participating employer on or after July 1, 2014, or employees of a participating employer which affiliates on or after July 1, 2014, are subject to the provisions of this act. The term employee shall include employees as provided in K.S.A. 74-4931 *et seq.*, and amendments thereto, first employed by a participating employer on or after July 1, 2014, or such employees of a participating employer which affiliates on or after July 1, 2014;

(6) "first employed" means an employee has not been an employee in a covered position of any participating employer prior to July 1, 2014, and is employed by a participating employer in a covered position on or after July 1, 2014; an employee who is a former member of the system who withdrew contribution accounts before July 1, 2014, and who is again employed by a participating employer in a covered position on or after July 1, 2014; or an employee who was an inactive non-vested member and who is again employed by a participating employer in a covered position on or after July 1, 2014;

(7) "inactive, non-vested member" means a member who has terminated employment with a participating employer and who does not have a vested retirement benefit in the system on July 1, 2014;

(8) "member" means an individual who is required by section 1, and amendments thereto, to be a member of the plan;

(9) "normal retirement age" means the attainment of age 65 with completion of five

years of credited service, or 60 with the completion of 30 years of credited service;

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

(11) "pre-2014 defined benefit plan" means the plan established pursuant to K.S.A. 74-4901 *et seq.*, and amendments thereto, and K.S.A. 74-49,201 *et seq.*, and amendments thereto;

(12) "retirement annuity account" means the account established for employer credits of members under section 3, and amendments thereto; and

(13) "system" means the Kansas public employees retirement system.

(b) Unless specifically provided in this section or in this act, words and phrases used in this act shall have the meanings ascribed to them as provided under the provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto.

New Sec. 3. (a) The board shall establish within the Kansas public employees retirement system a plan in accordance with the provisions of this act. Such plan shall be established as part of the pension plan pursuant to the provisions of K.S.A. 74-4920, and amendments thereto, for the exclusive benefit of members and such member's beneficiaries and as a qualified governmental plan pursuant to sections 401(a) and 414(d) of the federal internal revenue code and its implementing regulations. Such plan is established in addition to any retirement, pension, deferred compensation or other benefit plan currently administered by the state or a political subdivision. Assets of the plan shall be held in the trust for the Kansas public employees retirement system.

(b) The board shall establish for each member under this plan a retirement annuity account, which shall be credited with employer credits and interest credits on those employer

credits as determined by the board under section 8, and amendments thereto. The retirement annuity account shall be used to determine a lump-sum distribution or an annuity for a vested member upon retirement as provided in section 13, and amendments thereto.

(c) The board shall establish an annuity savings account for each member, which shall be credited with employee contributions and interest credits under section 6, and amendments thereto. For a vested member under section 12, and amendments thereto, the annuity savings account shall be used to fund the lump-sum or annuity benefits upon retirement as provided in section 11, and amendments thereto.

New Sec. 4. The board has the powers and shall perform the duties regarding the plan established under this act as provided in K.S.A. 74-4909, and amendments thereto, as applicable. The board may also exercise the powers and shall perform the duties provided in this act.

New Sec. 5. (a) An active member shall contribute 6% of compensation to such member's annuity savings account. Such contributions shall be picked up by the employer via a salary reduction as provided in section 414(h)(2) of the federal internal revenue code. An employer may not pick up these contributions without a corresponding salary reduction as provided in section 414(h)(2) of the federal internal revenue code.

(b) A member may not make voluntary contributions to the plan.

New Sec. 6. (a) A member's annuity savings account is the sum of the member's mandatory contributions plus the interest credits on those contributions, which shall be credited no less frequently than quarterly based on the account balances as of the last day of the preceding quarter. Effective July 1, 2014, the interest credits are 6% per annum. The legislature may from time to time prospectively change the interest credits, and expressly reserves the right to do so.

(b) The board may, in the board's discretion, from time to time provide for an additional interest credit, subject to the following conditions: (1) The additional interest credit may not exceed 4% per annum;

(2) the member shall have 10 or more years of service; and

(3) the board shall consider funding of the system, market conditions, investment returns and other related factors specified by the board.

(c) The member's annuity savings account is vested from the date that the employee becomes a member of the plan.

(d) Interest credits shall not be granted on the member's annuity savings account following the end of the fifth plan year following the member's termination of employment under the plan without vesting in the retirement annuity account as provided in section 12, and amendments thereto.

(e) For a member to be eligible for an additional interest credit, the member shall have an account balance at the time the interest credit is paid out.

New Sec. 7. (a) A participating employer shall credit, on a quarterly basis, 4% of compensation to each member's retirement annuity account:

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

(c) The legislature may from time to time prospectively change employer credits provided in this section, and expressly reserves the right to do so.

New Sec. 8. (a) A member's retirement annuity account is the sum of all employer

credits to the account plus the interest credits on the account, which shall be credited no less frequently than quarterly, based on the account balances as of the last day of the preceding quarter. Effective July 1, 2014, the interest credits are 6% per annum. The legislature may from time to time prospectively change the interest credits, and expressly reserves the right to do so.

(b) The board may, in the board's discretion, from time to time provide for an additional interest credit, subject to the following conditions: (1) The additional interest credit may not exceed 4% per annum;

(2) the member shall have 10 or more years of service; and

(3) the board shall consider funding of the system, market conditions, investment returns and other related factors specified by the board.

(c) For a member to be eligible for an additional interest credit, the member shall have an account balance at the time the interest credit is paid out.

(d) Interest credits shall not be granted on the member's non-vested retirement annuity account following the end of the fifth plan year following the member's termination of employment covered under the plan.

New Sec. 9. If the member's retirement annuity account is not vested upon the member's termination of plan membership, as provided in section 12, and amendments thereto, the employer credits and interest credits are forfeited as provided in section 12, and amendments thereto. If the member's retirement annuity account is vested upon the member's termination of plan membership, as provided in section 12, and amendments thereto, but the member dies prior to attaining normal retirement age without a spouse eligible for the retirement annuity account under section 13, and amendments thereto, the employer credits and interest credits are forfeited.

Forfeitures may not be used to increase a member's account, but instead shall be used to pay administrative expenses of the accounts or to reduce employer contributions.

New Sec. 10. (a) Any time after termination of service or death, a member who is not vested or the beneficiary of such a member may terminate plan membership by filing a written application with the board and taking a distribution of the member's annuity savings account from the plan through any combination of the following payout options, each of which is subject to the applicable provisions of the federal internal revenue code and the applicable regulations of the internal revenue service:

- (1) A direct rollover to an eligible retirement plan; or
- (2) a lump-sum distribution.

(b) The board by official action may specify minimum account balances for purposes of allowing benefit payment options and rollovers in accordance with federal law.

New Sec. 11. (a) A member who is eligible for a benefit under subsection (a) of section 13, and amendments thereto, shall be entitled to a distribution of such member's annuity savings account. Such distribution may be made in any of the annuity options described in subsection (b) of section 13, and amendments thereto. In lieu of an annuity, a member entitled to a benefit under subsection (a) of section 13, and amendments thereto, may elect to receive a lump-sum of such member's annuity savings account in 10% increments, but in no event may the lump-sum option elected under this section and the lump-sum option elected under subsection (b) of section 13, and amendments thereto, exceed 30% of the total value of such member's annuity savings account and retirement annuity account.

(b) A member who is not eligible for a benefit under subsection (a) of section 13, and



amendments thereto, but who terminates employment in any covered position under the system, may elect to take a distribution of such member's entire annuity savings account balance, but the member shall then forfeit the entire balance in the member's retirement annuity account.

(c) In the case of an active or inactive member:

- (1) Who is vested in the member's annuity savings account;
- (2) who has five or more years of service at death; and

(3) who dies before attaining normal retirement age, with such member's spouse at time of death designated as such member's sole primary beneficiary, the member's surviving spouse on and after the date the member would have attained normal retirement age had such member not died, shall receive an annuity based upon such member's contributions and interest credits in the annuity savings account, using factors established by the board by official action as of the beneficiary's annuity start date. The normal form of benefit shall be a single life annuity with five-year certain.

New Sec. 12. (a) A member is vested, but subject to forfeiture, in the member's retirement annuity account upon completion of five years of service. A member's benefit is nonforfeitable upon the attainment of normal retirement age and the completion of at least five years of service, whichever is later.

(b) If a member who is not vested in the member's retirement annuity account at termination of employment, has not withdrawn such member's annuity savings account and returns to active employment and membership in the plan within five years of such member's termination, such member's prior years of service shall be restored upon such return to employment and membership.

New Sec. 13. (a) Except as provided in subsection (d), a member who has a nonforfeitable interest in the member's retirement annuity account, at any time after termination from service and the attainment of normal retirement age, shall receive an annuity based upon the balance in such member's retirement annuity account, using mortality rates established by the board by official action as of the member's annuity start date and interest rates established by the legislature as of the member's annuity start date, and such interest rate shall initially be 6%. The legislature may from time to time prospectively change the interest rate and the board may from time to time prospectively change the mortality rate, and the legislature expressly reserves such rights to do so.

(b) The normal form of benefit payable under subsection (a) shall be a single life annuity with five-year certain. The member may elect any option described in K.S.A. 74-4918, and amendments thereto, except the partial lump-sum option, subject to actuarial adjustment factors established by the board from time to time. The benefit option selected may include a self-funded cost-of-living adjustment feature, in which the account value is converted to a benefit amount that increases by a fixed percentage over time. One or more fixed percentages shall be established by the board, which may be changed from time to time. In lieu of a part of an annuity, for a member entitled to a benefit under subsection (a), the member may elect to receive a lump-sum of such member's retirement annuity account in 10% increments, but in no event may the lump-sum option elected under this section and the lump-sum option elected under subsection (a) of section 11, and amendments thereto, exceed 30% of the total value of such member's annuity savings account and retirement annuity account.

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

- (1) Who is vested in the member's retirement annuity account;
- (2) who has five or more years of service at death; and
- (3) who dies before attaining normal retirement age, with such member's spouse at time of death designated as such member's sole primary beneficiary, the member's surviving spouse on and after the date the member would have attained normal retirement age had such member not died, shall receive an annuity based upon employer credits and interest credits in the retirement annuity account, using factors established by the board by official action as of the beneficiary's annuity start date. The normal form of benefit shall be a single life annuity with five-year certain.

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

New Sec. 14. All benefit payments under the plan established pursuant to this act are subject to the requirements imposed under federal internal revenue code 401(a)(9).

New Sec. 15. A member's beneficiary shall be determined as provided in the pre-2014 plan. Upon filing a written application with the board after the death of a member receiving a benefit under subsection (a) of section 13, and amendments thereto, the member's beneficiary is entitled to a \$4,000 death benefit as provided in K.S.A. 74-4989, and amendments thereto.

New Sec. 16. (a) Members of the retirement system under the Kansas public employees

retirement system act of 2014 shall be covered in the death and disability plan in accordance with K.S.A. 74-4927, and amendments thereto, but subject to the provisions of this section.

(b) (1) In the event that a member becomes eligible for and begins receiving a long-term disability benefit under the plan, such member shall be given participating service credit for the entire period of such disability. Such member's annuity savings account and retirement annuity account shall be credited with the amount of employee contributions and employer credits and interest credits prescribed in this act for the entire period of such disability, but no later than the time prescribed by subsection (3).

(2) The salary upon which credits to such member's annuity savings account and retirement annuity account are based shall be the employee's salary at the time of disability, which shall be adjusted once each year on January 1, but only after five years of disability, by the lesser of: (A) The percentage increase in the consumer price index for all urban consumers as published by the bureau of labor statistics of the United States department of labor measured in the prior November, minus 1%; or (B) 4% per annum.

(3) All credits to the annuity savings account and the retirement annuity account shall cease upon the earliest of: (A) Death;

(B) attainment of normal retirement age; or

(C) the date the member is no longer entitled to receive disability benefits pursuant to law.

New Sec. 17. The provisions of K.S.A. 74-49,122, 74-49,123 and 74-49,124, and amendments thereto, shall apply to this act. However, the definitions of "actuarial equivalent" or "actuarial computation" shall not apply to this act.

Sec. 18. K.S.A. 2011 Supp. 74-4914d is hereby amended to read as follows: 74-4914d. Any additional cost resulting from the normal retirement date and retirement before such normal retirement date for security officers as provided in K.S.A. 74-4914c, and amendments thereto, and disability benefits as provided in K.S.A. 74-4914e, and amendments thereto, shall be added to the employer rate of contribution for the department of corrections as otherwise determined under K.S.A. 74-4920, and amendments thereto, except that the employer rate of contribution for the department of corrections including any such additional cost added to such employer rate of contribution pursuant to this section shall in no event exceed the employer rate of contribution for the department of corrections for the immediately preceding fiscal year by more than the following amounts expressed as a percentage of compensation upon which security officers contribute during the period: (a) For the fiscal year commencing in calendar year ~~2006~~, ~~an amount not to exceed more than 0.5% of the amount of the immediately preceding fiscal year;~~ and (b) ~~for the fiscal year commencing in calendar year 2007, and in each subsequent calendar year~~ 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, 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 2016, and in each subsequent calendar year, an amount not to exceed more than 1.2% of the amount of the immediately preceding fiscal year.

Sec. 19. K.S.A. 74-4915 is hereby amended to read as follows: 74-4915. (1) Any member who retires on or after such member's normal retirement date shall be entitled to receive an annual retirement benefit equal to the sum obtained by adding an amount for participating service and an amount for prior service determined as provided in this section. The amount for prior service shall be equal to 1% of the member's prior service annual salary multiplied by the number of years of prior service entitled to credit as provided in K.S.A. 74-4913, and amendments thereto, except that for members retiring on or after July 1, 1981, who were last employed by a participating employer which had affiliated with the system under K.S.A. 74-4910, 74-4912, 74-4929 or 74-4991, and amendments thereto, and for the period commencing January 1, 1986, for members retiring before July 1, 1981, who were last employed by a participating employer which had affiliated with the system under K.S.A. 74-4910, 74-4912, 74-4929 or 74-4991, and amendments thereto, except that any increase in benefits under this section shall be reduced by any postretirement benefit adjustments received by such member prior to July 2, 1985, the amount for prior service shall be calculated using final average salary in lieu of prior service annual salary and, in the case of any such member who became a member under subsection (3) of K.S.A. 74-4925, and amendments thereto, and for whom a final average salary cannot be otherwise determined, such member's final average salary shall be based on all service for which such member received assistance in a plan under subsection (2) of K.S.A. 74-4925, and amendments thereto, as certified by such employer upon request of the board. For any member who retires on or after July 1, 1993, the amount for participating service shall be equal to the total of 1.75% of the member's final average salary multiplied by the number of years of participating service earned prior to January 1, 2014, and, subject to any election made pursuant

to the provisions of section 24, and amendments thereto, 1.4% or 1.85% of the member's final average salary multiplied by the number of years of participating service earned on and after January 1, 2014. If the federal internal revenue service refuses to grant an approval or issues an adverse decision as described in section 24, and amendments thereto, the amount for participating service earned on and after January 1, 2014, shall be 1.85% of the member's final average salary multiplied by the number of years of participating service earned on and after January 1, 2014. Notwithstanding any provision of law to the contrary, in no event shall service that is purchased under the provisions of K.S.A. 74-4919a et seq., and amendments thereto, be credited at a rate that exceeds 1.75% of the purchasing member's final average salary.

(2) (A) Any member who retires on or after July 1, 1993, but before the normal retirement date and has attained age 60 but has not attained age 62 with the completion of 10 years of credited service, shall receive an annual retirement benefit equal to the annual retirement benefit payable had the member retired on the normal retirement date but based upon the member's final average salary and years of participating and prior service credited to the date of actual retirement reduced by an amount equal to the product of (i) such annual retirement benefit payable had the member retired on the normal retirement date, multiplied by (ii) the product of .2% multiplied by the number of months' difference, to the nearest whole month, between the member's attained age at the time of retirement and age 62.

(B) Any member who retires on or after July 1, 1993, but before the normal retirement date and has attained age 55 but has not attained age 60 with the completion of 10 years of credited service, shall receive an annual retirement benefit equal to the annual retirement benefit payable had the member retired on the normal retirement date but based upon the member's final

average salary and years of participating and prior service credited to the date of actual retirement reduced by an amount equal to the total of: (i) (a) The product of such annual retirement benefit payable had the member retired on the normal retirement date, multiplied by (b) the product of .6% multiplied by the number of months' difference, to the nearest whole month, between the member's attained age at the time of retirement and age 60; and

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

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

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

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



originally due shall be paid to such person.

(6) The participating employer, when an employee files an application for retirement, shall certify to the system all member contributions of such employee which have not been reported previously. In the event the amount certified results in an overpayment of retirement benefits, the employer shall be held responsible for the contribution amount previously certified from the time of commencement of the overpayment of retirement benefits until the time that such overpayment is discovered by the system. At the time that such overpayment of retirement benefits is discovered by the system, the system shall adjust the amount of retirement benefits paid to the employee to the correct amount based on the participating employer's certification of member contributions which had not been previously reported. The participating employer of the employee who has had such member's retirement benefits adjusted as provided in this subsection shall notify such employee of such overpayment and such adjustment of retirement benefits. If the contributions previously certified are lower than the actual amount reported, the employer shall be responsible for remitting the correct amount and the member's monthly benefit shall be recalculated based on the amount reported by the employer. When an employee in school employment files such an application, the participating employer responsible for any such amounts as provided in this subsection shall be the employee's eligible employer as specified in subsection (1), (2) or (3) of K.S.A. 74-4931, and amendments thereto, and shall not be the state of Kansas. The provisions of law in effect on the retirement date of a member under the system shall govern the retirement benefit payable to the retirant, any joint annuitant and any beneficiary.

Sec. 20. K.S.A. 74-4919 is hereby amended to read as follows: 74-4919. (1) Except as

otherwise provided, each participating employer, beginning with the first payroll for services performed after the entry date, shall deduct from the compensation of each member 4% of such member's compensation as employee contributions. Subject to any election made pursuant to the provisions of section 24, and amendments thereto, each participating employer, for services performed by an employee first employed prior to July 1, 2009, shall deduct from the compensation of each member, the following amounts expressed as a percentage of compensation during the following periods: (a) Commencing January 1, 2014, for members who elected to receive an amount for participating service equal to the total of 1.4% of such member's final average salary, 4% of such member's compensation as employee contributions, and (b) commencing January 1, 2014, for members who elected to receive an amount for participating service equal to the total of 1.85% of such member's final average salary, who did not make an election pursuant to section 24, and amendments thereto, or if the federal internal revenue service refuses to grant an approval or issues an adverse decision as described in section 24, and amendments thereto, 5% of such member's compensation as employee contributions, and commencing January 1, 2015, and in each subsequent calendar year, 6% of such member's compensation as employee contributions. Such deductions shall be remitted quarterly, or as the board may otherwise provide, to the executive director for deposit in the Kansas public employees retirement fund. Such deductions shall be credited to the members' individual accounts and interest shall be added annually to such accounts.

(2) (a) Subject to the provisions of K.S.A. 74-49,123, and amendments thereto, each participating employer, pursuant to the provisions of section 414(h)(2) of the federal internal revenue code, shall pick up and pay the contributions which would otherwise be payable by

members as prescribed in subsection (1) commencing with the third quarter of 1984. The contributions so picked up shall be treated as employer contributions for purposes of determining the amounts of federal income taxes to withhold from the member's compensation.

(b) Member contributions picked up by the employer shall be paid from the same source of funds used for the payment of compensation to a member. A deduction shall be made from each member's compensation equal to the amount of the member's contributions picked up by the employer, provided that such deduction shall not reduce the member's compensation for purposes of computing benefits under the system.

(c) Member contributions picked up by the employer shall be remitted quarterly, or as the board may otherwise provide, to the executive director for credit to the Kansas public employees retirement fund. Such contributions shall be credited to a separate account within the member's individual account so that amounts contributed by the member commencing with the third quarter of 1984 may be distinguished from the member contributions picked up by the employer. Interest shall be added annually to members' individual accounts.

Sec. 21. K.S.A. 2011 Supp. 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 subsection (3)(a) of K.S.A. 74-4908, 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 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 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 subsection (3)(a) of K.S.A. 74-4908, and amendments thereto and shall not be based on any other purpose outside of the needs of the system.

(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 is not by law authorized to levy taxes as described above, but which prepares a budget for its expenses for the ensuing year and presents the same to a governing body which 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 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 year 2005, an amount not to exceed more than 0.4% of the amount of the immediately preceding fiscal year; (B) for the fiscal year commencing in calendar year 2006, an amount not to exceed more than 0.5% of the amount of the immediately preceding fiscal year; and (C) for the fiscal year commencing in calendar year 2007 and in each subsequent calendar year 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, 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 2016, and in each subsequent calendar year, an amount not to exceed more than 1.2% of the amount of the immediately preceding fiscal year.

(iii) Except as specifically provided in this section, for fiscal years commencing 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 year 2006, ~~an amount not to exceed more than 0.4% of the amount of the immediately preceding fiscal year;~~ (B) ~~for the fiscal year commencing in calendar year 2007, an amount not to exceed more than 0.5% of the amount of the immediately preceding fiscal year;~~ and (C) ~~for the fiscal year commencing in calendar year 2008 and in each subsequent calendar year 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 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 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.

(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. 2011 Supp. 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. 2011 Supp. 74-49,114b, and amendments thereto, for the KPERS local group and retirants who were employees of local employers which 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. 2011 Supp. 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. 2011 Supp. 74-49,114c, and amendments thereto, for the KPERS local group and retirants who were employees of local employers which 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) For employers affiliating on and after January 1, 1999, the rates of contribution certified to the participating employer as provided in this section shall apply during the fiscal year immediately following such certification, but the rate of contribution during the first year following the employer's entry date shall be equal to 7% of the amount of compensation on which members contribute during the year. Any amount of such first year's contribution which may be in excess of the necessary current service contribution shall be credited by the board to

the respective employer's prior service liability.

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

(17) 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 subsection (a) of K.S.A. 16-204, and amendments thereto. At the request of the board, delinquent payments which 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.

Sec. 22. K.S.A. 2011 Supp. 74-49,205 is hereby amended to read as follows: 74-49,205. For any member who is first employed by a participating employer on or after July 1, 2009, and who retires on or after such member's normal retirement date, subject to any election made pursuant to the provisions of section 24, and amendments thereto, the amount for participating service shall be equal to the total of 1.75% of the member's final average salary multiplied by the number of years of participating service earned prior to January 1, 2014, to be used in determining such member's annual retirement benefit, and, subject to any election made pursuant to the provisions of section 24, and amendments thereto, 1.4% of the member's final average salary multiplied by the number of years of participating service earned on and after January 1,

2014, to be used in determining such member's annual retirement benefit, except that if the federal internal revenue service refuses to grant an approval or issues an adverse decision as described in section 24, and amendments thereto, the amount for participating service earned on and after January 1, 2014, shall be 1.75% of the member's final average salary multiplied by the number of years of participating service earned on and after January 1, 2014.

Sec. 23. K.S.A. 2011 Supp. 74-49,213 is hereby amended to read as follows: 74-49,213.

(a) Beginning on July 1, 2010, and on each July 1 thereafter, the retirement benefit, pension or annuity payments to each retirant who retires under this act shall be increased by an annual cost-of-living adjustment in an amount equal to 2.0% multiplied by the retirement benefit, pension or annuity payment in effect on that date and shall be paid by the system to the retirant during each such period. The first increase for such a retirant shall be on the second July 1 following such retirant's retirement date. Subsequent increases shall occur on each July 1 thereafter.

(b) As used in this section, "retirant" means: (A) Any person who is a member of the Kansas public employees retirement system pursuant to this act and who made an election pursuant to section 24, and amendments thereto, to receive an annual cost-of-living adjustment, who is retired under the provisions of this act, and who is at least 65 years of age; and (B) any person who is a joint annuitant or beneficiary of any member described in clause (A).

New Sec. 24. (a) The provisions of this section and any related provisions shall not be implemented until the board of trustees of the Kansas public employees retirement system has obtained approval for the election and related provisions specified in this section from the federal internal revenue service. The board may implement the remainder of this act prior to implementation of this section. To that end, this section and provisions related thereto are

severable from the remainder of this act and shall be repealed if the federal internal revenue service refuses to grant such approval or issues an adverse decision.

(b) Except as otherwise provided in this act, a member of the system under the provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, on July 1, 2013, may elect to: (1) Contribute, commencing January 1, 2014, 5% of such member's compensation as employee contributions, and commencing January 1, 2015, and in each subsequent calendar year, 6% of such member's compensation as employee contributions, and to receive an amount for participating service equal to the total of 1.85% of such member's final average salary; or (2) continue to contribute 4% of such member's compensation as employee contributions, and to receive an amount for participating service equal to the total of 1.4% of such member's final average salary. Members shall make such election within a 90-day period established by the board.

(c) Except as otherwise provided in this act, a member of the system under the provisions of the Kansas public employees retirement act of 2009, on July 1, 2013, may elect to: (1) Continue to contribute, commencing January 1, 2014, 6% of such member's compensation as employee contributions pursuant to K.S.A. 74-49,210, and amendments thereto, receive an annual cost-of-living adjustment pursuant to K.S.A. 2011 Supp. 74-49,213, and amendments thereto, and receive an amount for participating service equal to the total of 1.4% of the member's final average salary; or (2) continue to contribute 6% of such member's compensation as employee contributions and not be eligible to receive an annual cost-of-living adjustment pursuant to K.S.A. 2011 Supp. 74-49,213, and amendments thereto. Members who make this election to contribute at the 6% amount pursuant to this subsection and not be eligible to receive

an annual cost-of-living adjustment shall receive an amount for participating service equal to the total of 1.75% of the member's final average salary. Members shall make such election within a 90-day period established by the board.

(d) (1) Elections made pursuant to this section shall be made on a form and in a manner prescribed by the board.

(2) A member failing to make an election pursuant to subsection (b) shall contribute 6% of such member's compensation as employee contributions, and shall receive an amount for participating service equal to the total of 1.85% of the member's final average salary.

(3) A member failing to make an election pursuant to subsection (c) shall contribute 6% of such member's compensation as employee contribution, shall not receive an annual cost-of-living adjustment pursuant to K.S.A. 2011 Supp. 74-49,213, and amendments thereto, and shall receive an amount for participating service equal to the total of 1.75% of the member's final average salary.

(4) An election under this section, including the default election pursuant to subsection (d)(2) or (d)(3), is a one-time irrevocable election.

Sec. 25. K.S.A. 2011 Supp. 74-4937 is hereby amended to read as follows: 74-4937. (1) The normal retirement date of a member of the system who is in school employment and who is subject to K.S.A. 74-4940, and amendments thereto, shall be the first day of the month coinciding with or following termination of employment not followed by employment with any participating employer within 60 days and the attainment of age 65 or, commencing July 1, 1986, age 65 or age 60 with the completion of 35 years of credited service or at any age with the completion of 40 years of credited service, or commencing July 1, 1993, any alternative normal

retirement date already prescribed by law or age 62 with the completion of 10 years of credited service or the first day of the month coinciding with or following the date that the total of the number of years of credited service and the number of years of attained age of the member is equal to or more than 85. Each member upon giving prior notice to the appointing authority and the retirement system may retire on the normal retirement date or the first day of any month thereafter.

(2) Any member who is in school employment and who is subject to K.S.A. 74-4940, and amendments thereto, may retire before such member's normal retirement date on the first day of the month coinciding with or following termination of employment not followed by employment with any participating employer within 60 days and the attainment of age 55 with the completion of 10 years of credited service, upon the filing with the office of the retirement system of an application for retirement in such form and manner as the board shall prescribe.

(3) Commencing July 1, 2009, the provisions of subsection (5) of K.S.A. 74-4914, and amendments thereto, which relate to an earnings limitation which when met or exceeded requires that the retirant not receive a retirement benefit for any month for which such retirant serves in a position as described herein shall not apply to retirants who either retired under the provisions of subsection (1) of K.S.A. 74-4914, and amendments thereto, related to normal retirement, or, if they retired under the provisions of subsection (4) of K.S.A. 74-4914, and amendments thereto, related to early retirement, were retired more than 60 days prior to the effective date of this act, and are subsequently hired in a position that requires a license under K.S.A. 72-1388, and amendments thereto, or other provision of law. The provisions of this subsection do not apply to retirants who retired under subsection (4) of K.S.A. 74-4914, and amendments thereto, which

relates to early retirement prior to age 62. Except as otherwise provided, when a retirant is employed by the same school district or a different school district with which such retirant was employed during the final two years of such retirant's participation or employed by a third-party entity who contracts services with a school district to fill a position as described in this subsection, the participating employer of such retirant shall pay to the system the actuarially determined employer contribution based on the retirant's compensation during any such period of employment plus 8%. The provisions of this subsection shall not apply to retirants employed as substitute teachers. The provisions of subsection (5) of K.S.A. 74-4914, and amendments thereto, shall be applicable to retirants employed as described in this subsection, except as specifically provided in this subsection. Nothing in this subsection shall be construed to create any right, or to authorize the creation of any right, which is not subject to amendment or nullification by act of the legislature. The provisions of this subsection shall expire on July 1, ~~2012~~ 2015. After such date the Kansas public employees retirement system and its actuary shall report the experience to the joint committee on pensions, investments and benefits.

Sec. 26. K.S.A. 2011 Supp. 74-4927 is hereby amended to read as follows: 74-4927. (1) The board may establish a plan of death and long-term disability benefits to be paid to the members of the retirement system as provided by this section. The long-term disability benefit shall be payable in accordance with the terms of such plan as established by the board, except that for any member who is disabled prior to the effective date of this act, the annual disability benefit amount shall be an amount equal to  $66\frac{2}{3}\%$  of the member's annual rate of compensation on the date such disability commenced. Such plan shall provide that:

(A) For deaths occurring prior to January 1, 1987, the right to receive such death



benefit shall cease upon the member's attainment of age 70 or date of retirement whichever first occurs. The right to receive such long-term disability benefit shall cease (i) for a member who becomes eligible for such benefit before attaining age 60, upon the date that such member attains age 65 or the date of such member's retirement, whichever first occurs, and (ii) for a member who becomes eligible for such benefit at or after attaining age 60, the date that such member has received such benefit for a period of five years, or upon the date of such member's retirement, whichever first occurs.

(B) Long-term disability benefit payments shall be in lieu of any accidental total disability benefit that a member may be eligible to receive under subsection (3) of K.S.A. 74-4916, and amendments thereto. The member must make an initial application for social security disability benefits and, if denied such benefits, the member must pursue and exhaust all administrative remedies of the social security administration which include, but are not limited to, reconsideration and hearings. Such plan may provide that any amount which a member receives as a social security benefit or a disability benefit or compensation from any source by reason of any employment including, but not limited to, workers compensation benefits may be deducted from the amount of long-term disability benefit payments under such plan. However, in no event shall the amount of long-term disability benefit payments under such plan be reduced by any amounts a member receives as a supplemental disability benefit or compensation from any source by reason of the member's employment, provided such supplemental disability benefit or compensation is based solely upon the portion of the member's monthly compensation that exceeds the maximum monthly compensation taken into account under such plan. As used in this paragraph, "maximum monthly compensation" means the dollar amount that results from

dividing the maximum monthly disability benefit payable under such plan by the percentage of compensation that is used to calculate disability benefit payments under such plan. During the period in which such member is pursuing such administrative remedies prior to a final decision of the social security administration, social security disability benefits may be estimated and may be deducted from the amount of long-term disability benefit payments under such plan. If the social security benefit, workers compensation benefit, other income or wages or other disability benefit by reason of employment other than a supplemental benefit based solely on compensation in excess of the maximum monthly compensation taken into account under such plan, or any part thereof, is paid in a lump-sum, the amount of the reduction shall be calculated on a monthly basis over the period of time for which the lump-sum is given. As used in this section, "workers compensation benefits" means the total award of disability benefit payments under the workers compensation act notwithstanding any payment of attorney fees from such benefits as provided in the workers compensation act.

(C) The plan may include other provisions relating to qualifications for benefits; schedules and graduation of benefits; limitations of eligibility for benefits by reason of termination of employment or membership; conversion privileges; limitations of eligibility for benefits by reason of leaves of absence, military service or other interruptions in service; limitations on the condition of long-term disability benefit payment by reason of improved health; requirements for medical examinations or reports; or any other reasonable provisions as established by rule and regulation of uniform application adopted by the board.

(D) Any visually impaired person who is in training at and employed by a sheltered workshop for the blind operated by the secretary of social and rehabilitation services and who

would otherwise be eligible for the long-term disability benefit as described in this section shall not be eligible to receive such benefit due to visual impairment as such impairment shall be determined to be a preexisting condition.

(2) (A) In the event that a member becomes eligible for a long-term disability benefit under the plan authorized by this section such member shall be given participating service credit for the entire period of such disability. Such member's final average salary shall be computed in accordance with subsection (17) of K.S.A. 74-4902, and amendments thereto, except that the years of participating service used in such computation shall be the years of salaried participating service.

(B) In the event that a member eligible for a long-term disability benefit under the plan authorized by this section shall be disabled for a period of five years or more immediately preceding retirement, such member's final average salary shall be adjusted upon retirement by the actuarial salary assumption rates in existence during such period of disability. Effective July 1, 1993, such member's final average salary shall be adjusted upon retirement by 5% for each year of disability after July 1, 1993, but before July 1, 1998. Effective July 1, 1998, such member's final average salary shall be adjusted upon retirement by an amount equal to the lesser of: (i) The percentage increase in the consumer price index for all urban consumers as published by the bureau of labor statistics of the United States department of labor minus 1%; or (ii) four percent per annum, measured from the member's last day on the payroll to the month that is two months prior to the month of retirement, for each year of disability after July 1, 1998.

(C) In the event that a member eligible for a long-term disability benefit under the plan authorized by this section shall be disabled for a period of five years or more immediately

preceding death, such member's current annual rate shall be adjusted by the actuarial salary assumption rates in existence during such period of disability. Effective July 1, 1993, such member's current annual rate shall be adjusted upon death by 5% for each year of disability after July 1, 1993, but before July 1, 1998. Effective July 1, 1998, such member's current annual rate shall be adjusted upon death by an amount equal to the lesser of: (i) The percentage increase in the consumer price index for all urban consumers published by the bureau of labor statistics of the United States department of labor minus 1%; or (ii) four percent per annum, measured from the member's last day on the payroll to the month that is two months prior to the month of death, for each year of disability after July 1, 1998.

(3) (A) To carry out the legislative intent to provide, within the funds made available therefor, the broadest possible coverage for members who are in active employment or involuntarily absent from such active employment, the plan of death and long-term disability benefits shall be subject to adjustment from time to time by the board within the limitations of this section. The plan may include terms and provisions which are consistent with the terms and provisions of group life and long-term disability policies usually issued to those employers who employ a large number of employees. The board shall have the authority to establish and adjust from time to time the procedures for financing and administering the plan of death and long-term disability benefits authorized by this section. Either the insured death benefit or the insured disability benefit or both such benefits may be financed directly by the system or by one or more insurance companies authorized and licensed to transact group life and group accident and health insurance in this state.

(B) The board may contract with one or more insurance companies, which are

authorized and licensed to transact group life and group accident and health insurance in Kansas, to underwrite or to administer or to both underwrite and administer either the insured death benefit or the long-term disability benefit or both such benefits. Each such contract with an insurance company under this subsection shall be entered into on the basis of competitive bids solicited and administered by the board. Such competitive bids shall be based on specifications prepared by the board.

(i) In the event the board purchases one or more policies of group insurance from such company or companies to provide either the insured death benefit or the long-term disability benefit or both such benefits, the board shall have the authority to subsequently cancel one or more of such policies and, notwithstanding any other provision of law, to release each company which issued any such canceled policy from any liability for future benefits under any such policy and to have the reserves established by such company under any such canceled policy returned to the system for deposit in the group insurance reserve of the fund.

(ii) In addition, the board shall have the authority to cancel any policy or policies of group life and long-term disability insurance in existence on the effective date of this act and, notwithstanding any other provision of law, to release each company which issued any such canceled policy from any liability for future benefits under any such policy and to have the reserves established by such company under any such canceled policy returned to the system for deposit in the group insurance reserve of the fund. Notwithstanding any other provision of law, no premium tax shall be due or payable by any such company or companies on any such policy or policies purchased by the board nor shall any brokerage fees or commissions be paid thereon.

(4) (A) There is hereby created in the state treasury the group insurance reserve fund.

Investment income of the fund shall be added or credited to the fund as provided by law. The cost of the plan of death and long-term disability benefits shall be paid from the group insurance reserve fund, which shall be administered by the board. Except as otherwise provided by this subsection, for the period commencing July 1, 2005, and ending June 30, 2006, each participating employer shall appropriate and pay to the system in such manner as the board shall prescribe in addition to the employee and employer retirement contributions an amount equal to . 8% of the amount of compensation on which the members' contributions to the Kansas public employees retirement system are based for deposit in the group insurance reserve fund. For the period commencing July 1, 2006, and all periods thereafter, each participating employer shall appropriate and pay to the system in such manner as the board shall prescribe in addition to the employee and employer retirement contributions an amount equal to 1.0% of the amount of compensation on which the members' contributions to the Kansas public employees retirement system are based for deposit in the group insurance reserve fund. Notwithstanding the provisions of this subsection, no participating employer shall appropriate and pay to the system any amount provided for by this subsection for deposit in the group insurance reserve fund for the period commencing on ~~April 1, 2010, and ending on June 30, 2010, and the period commencing on April 1, 2011, and ending on June 30, 2011~~ April 1, 2012, and ending on June 30, 2102.

(B) The director of the budget and the governor shall include in the budget and in the budget request for appropriations for personal services a sum to pay the state's contribution to the group insurance reserve fund as provided by this section and shall present the same to the legislature for allowances and appropriation.

(C) The provisions of subsection (4) of K.S.A. 74-4920, and amendments thereto, shall

apply for the purpose of providing the funds to make the contributions to be deposited to the group insurance reserve fund.

(D) Any dividend or retrospective rate credit allowed by an insurance company or companies shall be credited to the group insurance reserve fund and the board may take such amounts into consideration in determining the amounts of the benefits under the plan authorized by this section.

(5) The death benefit provided under the plan of death and long-term disability benefits authorized by this section shall be known and referred to as insured death benefit. The long-term disability benefit provided under the plan of death and long-term disability benefits authorized by this section shall be known and referred to as long-term disability benefit.

(6) The board is hereby authorized to establish an optional death benefit plan for employees and spouses and dependents of employees. Except as provided in subsection (7), such optional death benefit plan shall be made available to all employees who are covered or may hereafter become covered by the plan of death and long-term disability benefits authorized by this section. The cost of the optional death benefit plan shall be paid by the applicant either by means of a system of payroll deductions or direct payment to the board. The board shall have the authority and discretion to establish such terms, conditions, specifications and coverages as it may deem to be in the best interest of the state of Kansas and its employees which should include term death benefits for the person's period of active state employment regardless of age, but in no case, shall the maximum allowable coverage be less than \$200,000. The cost of the optional death benefit plan shall not be established on such a basis as to unreasonably discriminate against any particular age group. The board shall have full administrative responsibility, discretion and

authority to establish and continue such optional death benefit plan and the director of accounts and reports of the department of administration shall when requested by the board and from funds appropriated or available for such purpose establish a system to make periodic deductions from state payrolls to cover the cost of the optional death benefit plan coverage under the provisions of this subsection (6) and shall remit all deductions together with appropriate accounting reports to the system. There is hereby created in the state treasury the optional death benefit plan reserve fund. Investment income of the fund shall be added or credited to the fund as provided by law. All funds received by the board, whether in the form of direct payments, payroll deductions or otherwise, shall be accounted for separately from all other funds of the retirement system and shall be paid into the optional death benefit plan reserve fund, from which the board is authorized to make the appropriate payments and to pay the ongoing costs of administration of such optional death benefit plan as may be incurred in carrying out the provisions of this subsection (6).

(7) Any employer other than the state of Kansas which is currently a participating employer of the Kansas public employees retirement system or is in the process of affiliating with the Kansas public employees retirement system may also elect to affiliate for the purposes of subsection (6). All such employers shall make application for affiliation with such system, to be effective on January 1 or July 1 next following application.

(8) For purposes of the death benefit provided under the plan of death and long-term disability benefits authorized by this section and the optional death benefit plan authorized by subsection (6), commencing on the effective date of this act, in the case of medical or financial hardship of the member as determined by the executive director, or otherwise commencing



January 1, 2005, the member may name a beneficiary or beneficiaries other than the beneficiary or beneficiaries named by the member to receive other benefits as provided by the provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto.

Sec. 27. K.S.A. 2011 Supp. 74-4995 is hereby amended to read as follows: 74-4995. (a) Employer and employee contributions shall be governed by the provisions of K.S.A. 74-4919 and 74-4920, and amendments thereto. For purposes of contributions to and benefits under the Kansas public employees retirement system, compensation of a member of the legislature under this act shall be a monthly amount equal to: (1) The compensation to which the member was entitled for services as a member of the legislature during the ~~period January 15 to February 14, inclusive,~~ first 30 calendar days of the most recent session in which the member has served; and (2) any amount to which the member makes an election pursuant to this subsection. In addition to the provisions of subsection (a)(1) and any election made pursuant to this subsection, the compensation of a member shall include an additional five days of compensation to which such member was entitled for services as a member of the legislature of the most recent session in which the member has served beyond the days provided for in subsection (a)(1). In addition to the provisions of subsection (a)(1), a member of the legislature may elect to participate with a rate of compensation that includes: (A) For service as a member after July 18, 1982, a monthly amount equal to  $\frac{1}{12}$  of the annualized amount received for monthly allowance under subsection (c) of K.S.A. 46-137a, and amendments thereto; (B) a monthly amount equal to  $\frac{1}{12}$  of the annualized amount received for expenses allowance under subsection (b) of K.S.A. 46-137a, and amendments thereto; or (C) an amount equal to the combined amounts provided for in subsections (2)(A) and (2)(B). A member of the legislature who has filed an election to become a

member of the system pursuant to the provisions of K.S.A. 74-4992, and amendments thereto, prior to July 1, 2006, shall file an election with the system to include any amounts specified in subsection (2)(A), (2)(B) or (2)(C) prior to August 1, 2006, except that nothing contained in this act shall be construed to permit a member of the legislature who has made an election pursuant to this section prior to the effective date of this act to revoke any such election previously made by such member. In the event that any such member fails to file such election prior to August 1, 2006, it shall be presumed that such member has elected to not include any amounts specified in subsection (2)(A), (2)(B) or (2)(C), and participate at a rate of compensation that includes only the amount provided in subsection (a)(1). A member of the legislature who files an election to become a member of the system pursuant to the provisions of K.S.A. 74-4992, and amendments thereto, on and after July 1, 2006, shall file an election with the system to include any amounts specified in subsection (2)(A), (2)(B) or (2)(C) at the same time that such member files the election to become a member of the system. In the event that any such member fails to file such election, it shall be presumed that such member has elected to not include any amounts specified in subsection (2)(A), (2)(B) or (2)(C), and participate at a rate of compensation that includes only the amount provided in subsection (a)(1).

(b) The employee rate of contribution shall be applied to any amounts to which a member has elected pursuant to the provisions of subsection (a)(2). The employee and employer contributions shall be remitted to the system quarterly with a report of such contributions as may be required by the board. Any changes in a member's rate of compensation and contributions as a result of any election mandated by this section for a member of the legislature who had filed an election to become a member of the system prior to July 1, 2006, shall be effective on October 1,

2006. All such elections pursuant to this section shall be in the form and manner prescribed by the board of trustees.

(c) Any member of the legislature making the election pursuant to subsection (a)(2) may not revoke such election while they remain a participating employee for service as a member of the legislature.

Sec. 28. K.S.A. 74-4915 and 74-4919 and K.S.A. 2011 Supp. 74-4914d, 74-4920, 74-4927, 74-4937, 74-4995, 74-49,205 and 74-49,213 are hereby repealed.

Sec. 29. This act shall take effect and be in force from and after its publication in the statute book.

