

House Substitute for SENATE BILL No. 259

By Committee on Pensions and Benefits

3-15

1 AN ACT concerning retirement and pensions; relating to the Kansas public
2 employees retirement system and systems thereunder; enacting the
3 Kansas public employees retirement system act of 2014; providing
4 terms, conditions, requirements, benefits and contributions related
5 thereto; relating to fiscal notes on bills that provide retirement benefit
6 enhancements, actuarial cost; employer and employee contributions;
7 sale of real estate of state agencies, disposition of proceeds to Kansas
8 public employees retirement system fund; employment after retirement
9 for certain school employees; amending K.S.A. 74-4915 and 74-4919
10 and K.S.A. 2011 Supp. 74-4914d, 74-4920, 74-4937, 74-49,205 and
11 75-6609 and repealing the existing sections; also repealing K.S.A. 2011
12 Supp. 74-49,213.

13

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

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

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

22 (c) This act does not apply to members of the Kansas police and
23 firemen's retirement system, K.S.A. 74-4951 *et seq.*, and amendments
24 thereto, the retirement system for judges, K.S.A. 20-2601 *et seq.*, and
25 amendments thereto, and security officers as provided in K.S.A. 74-4914a,
26 and amendments thereto.

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

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

35 (f) Unless specifically provided in this act, the provisions of K.S.A.
36 74-4901 *et seq.*, and amendments thereto, shall be applicable to this act. In

1 an event that a conflict exists between the provisions of this act and the
2 provisions of K.S.A. 74-4901 *et seq.*, and amendments thereto, the
3 provisions of this act shall control, and to that end, no legal or contractual
4 rights shall inure to the benefit of members or participating employers
5 under this act with regard to the provisions of K.S.A. 74-4901 *et seq.*, and
6 amendments thereto, when the provisions of this act control.

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

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

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

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

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

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

27 (4) "covered position" means a position with an affiliated employer
28 that is eligible for membership in the Kansas public employees retirement
29 system pursuant to the provisions of K.S.A. 74-4901 *et seq.*, and
30 amendments thereto;

31 (5) "employee" means the same as such term is defined in K.S.A. 74-
32 4902, and amendments thereto, except that only employees who are first
33 employed by a participating employer on or after January 1, 2014, or
34 employees of a participating employer which affiliates on or after January
35 1, 2014, are subject to the provisions of this act. The term employee shall
36 include employees as provided in K.S.A. 74-4931 *et seq.*, and amendments
37 thereto, first employed by a participating employer on or after January 1,
38 2014, or such employees of a participating employer which affiliates on or
39 after January 1, 2014;

40 (6) "first employed" means an employee has not been an employee in
41 a covered position of any participating employer prior to January 1, 2014,
42 and is employed by a participating employer in a covered position on or
43 after January 1, 2014; an employee who is a former member of the system

1 who withdrew contribution accounts before January 1, 2014, and who is
2 again employed by a participating employer in a covered position on or
3 after January 1, 2014; or an employee who was an inactive non-vested
4 member and who is again employed by a participating employer in a
5 covered position on or after January 1, 2014;

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

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

11 (9) "normal retirement age" means the attainment of age 65, or 60
12 with the completion of 30 years of credited service;

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

15 (11) "pre-2014 defined benefit plan" means the plan established
16 pursuant to K.S.A. 74-4901 *et seq.*, and amendments thereto, and K.S.A.
17 74-49,201 *et seq.*, and amendments thereto;

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

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

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

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

37 (b) The board shall establish for each member under this plan a
38 retirement annuity account, which shall be credited with employer credits
39 and interest credits on those employer credits as determined by the board
40 under section 8, and amendments thereto. The retirement annuity account
41 shall be used to determine a lump-sum distribution or an annuity for a
42 vested member upon retirement as provided in section 13, and
43 amendments thereto.

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

7 New Sec. 4. The board has the powers and shall perform the duties
8 regarding the plan established under this act as provided in K.S.A. 74-
9 4909, and amendments thereto, as applicable. The board may also exercise
10 the powers and shall perform the duties provided in this act.

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

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

19 New Sec. 6. (a) A member's annuity savings account is the sum of the
20 member's mandatory contributions plus the interest credits on those
21 contributions, which shall be credited no less frequently than quarterly
22 based on the account balances as of the last day of the preceding quarter.
23 Effective January 1, 2014, the interest credits are 5% *per annum*. The
24 legislature may from time to time prospectively change the interest credits,
25 and expressly reserves the right to do so.

26 (b) The board may, in the board's discretion, from time to time
27 provide for an additional interest credit, subject to the following
28 conditions: (1) The additional interest credit may not exceed the lesser of
29 2% or 50% of the rate of return on the system's assets that is above 8% for
30 a fiscal year; and

31 (2) the additional interest rate for a fiscal year shall not be granted
32 unless the rate of return on the system's assets is at least 10% for that fiscal
33 year.

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

36 (d) Interest credits shall not be granted on the member's annuity
37 savings account following the end of the second plan year following the
38 member's termination of employment under the plan.

39 New Sec. 7. (a) A participating employer shall credit the following:

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

42 (2) two percent of compensation for each member who has one but
43 less than two years of service;

1 (3) three percent of compensation for each member who has two but
2 less than three years of service; and

3 (4) four percent of compensation for each member who has three or
4 more years of service.

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

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

12 New Sec. 8. (a) A member's retirement annuity account is the sum of
13 all employer credits to the account plus the interest credits on the account,
14 which shall be credited no less frequently than quarterly, based on the
15 account balances as of the last day of the preceding quarter. Effective
16 January 1, 2014, the interest credits are 5% *per annum*. The legislature
17 may from time to time prospectively change the interest credits, and
18 expressly reserves the right to do so.

19 (b) The board may, in the board's discretion, from time to time
20 provide for an additional interest credit, subject to the following
21 conditions: (1) The additional interest credit may not exceed the lesser of
22 2% or 50% of the rate of return on the system's portfolio that is above 8%
23 for a fiscal year; and

24 (2) the additional interest rate for a fiscal year shall not be granted
25 unless the rate of return on the system's portfolio is at least 10% for that
26 fiscal year.

27 (c) For a member to be eligible for an additional interest credit, the
28 member must be employed by a participating employer both at the time
29 when the system earned the interest and when the interest credit is paid
30 out.

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

35 New Sec. 9. If the member's retirement annuity account is not vested
36 upon the member's termination of plan membership, as provided in section
37 12, and amendments thereto, the employer credits and interest credits are
38 forfeited as provided in section 12, and amendments thereto. If the
39 member's retirement annuity account is vested upon the member's
40 termination of plan membership, as provided in section 12, and
41 amendments thereto, but the member dies prior to attaining normal
42 retirement age without a spouse eligible for the retirement annuity account
43 under section 13, and amendments thereto, the employer credits and

1 interest credits are forfeited. Forfeitures may not be used to increase a
2 member's account, but instead shall be used to pay administrative expenses
3 of the accounts or to reduce employer contributions.

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

11 (1) A direct rollover to an eligible retirement plan; or

12 (2) a lump-sum distribution.

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

16 New Sec. 11. (a) A member who is eligible for a benefit under
17 subsection (a) or (b) of section 13, and amendments thereto, shall be
18 entitled to a distribution of such member's annuity savings account. Such
19 distribution may be made in any of the annuity options described in
20 subsection (c) of section 13, and amendments thereto. In lieu of an annuity,
21 a member entitled to a benefit under subsection (b) of section 13, and
22 amendments thereto, may elect to receive a lump-sum of such member's
23 annuity savings account of any fixed dollar amount or percent, but in no
24 event may the lump-sum option elected under this section and the lump-
25 sum option elected under subsection (c) of section 13, and amendments
26 thereto, exceed 30% of the total value of such member's annuity savings
27 account and retirement annuity account.

28 (b) A member who is not eligible for a benefit under subsection (a) or
29 (b) of section 13, and amendments thereto, but who terminates
30 employment in any covered position under the system, may elect to take a
31 distribution of such member's entire annuity savings account balance, but
32 the member shall then forfeit the entire balance in the member's retirement
33 annuity account.

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

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

1 employment and membership.

2 New Sec. 13. (a) Except as provided in subsection (e), a member who
3 has a nonforfeitable interest in the member's retirement annuity account, at
4 any time after termination from service and the attainment of normal
5 retirement age, shall receive an annuity based upon the balance in such
6 member's retirement annuity account, using mortality rates established by
7 the board by official action as of the member's annuity start date and
8 interest rates established by the legislature as of the member's annuity start
9 date, and such interest rate shall initially be 5%. The legislature may from
10 time to time prospectively change the interest rate and the board may from
11 time to time prospectively change the mortality rate, and the legislature
12 expressly reserves such rights to do so.

13 (b) Except as provided in subsection (e), a member who has a vested
14 interest in the member's retirement annuity account, who terminates after
15 attainment of age 55 with the completion of at least 10 years of service,
16 shall receive an annuity based upon employer credits and interest credits in
17 such member's retirement annuity account, using mortality rates
18 established by the board by official action as of the member's annuity start
19 date and an interest rate established by the legislature as of the member's
20 annuity start date, and such interest rate shall initially be 5%. The
21 legislature may from time to time prospectively change the interest rate
22 and the board may from time to time prospectively change the mortality
23 rate, and the legislature expressly reserves such rights to do so.

24 (c) The normal form of benefit payable under subsection (a) or (b)
25 shall be a single life annuity with 15-year certain. The member may elect
26 any option described in K.S.A. 74-4918, and amendments thereto, except
27 the partial lump-sum option, subject to actuarial adjustment factors
28 established by the board from time to time. The benefit option selected
29 may include a self-funded cost-of-living adjustment feature, in which the
30 account value is converted to a benefit amount that increases by a fixed
31 percentage over time. One or more fixed percentages shall be established
32 by the board, which may be changed from time to time. In lieu of a part of
33 an annuity, for a member entitled to a benefit under subsection (a), the
34 member may elect to receive a lump-sum of such member's retirement
35 annuity account of any fixed dollar amount or percent, but in no event may
36 the lump-sum option elected under this section and the lump-sum option
37 elected under subsection (a) of section 11, and amendments thereto,
38 exceed 30% of the total value of such member's annuity savings account
39 and retirement annuity account.

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

- 42 (1) Who is vested in the member's retirement annuity account;
- 43 (2) who has 10 or more years of service at death; and

1 (3) who dies before attaining normal retirement age, with such
2 member's spouse at time of death designated as such member's sole
3 primary beneficiary, the member's surviving spouse on and after the date
4 the member would have attained normal retirement age had such member
5 not died, shall receive an annuity based upon employer credits and interest
6 credits in the retirement annuity account, using factors established by the
7 board by official action as of the beneficiary's annuity start date. The
8 normal form of benefit shall be a single life annuity with 15-year certain.

9 (e) If a member's vested retirement annuity account is less than
10 \$1,000 upon separation from service, the account balance shall be
11 mandatorily distributed to the member in accordance with section 401(a)
12 (31)(B) of the federal internal revenue code. If the member does not elect
13 to have such distribution paid directly to an eligible retirement plan
14 specified by the participant in a direct rollover or to receive the
15 distribution directly, then the board will pay the distribution to the member
16 directly.

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

20 New Sec. 15. A member's beneficiary shall be determined as
21 provided in the pre-2014 plan. Upon filing a written application with the
22 board after the death of a member receiving a benefit under subsection (a)
23 or (b) of section 12, and amendments thereto, the member's beneficiary is
24 entitled to a \$4,000 death benefit as provided in K.S.A. 74-4989, and
25 amendments thereto.

26 New Sec. 16. (a) Members of the retirement system under the Kansas
27 public employees retirement system act of 2014 shall be covered in the
28 death and disability plan in accordance with K.S.A. 74-4927, and
29 amendments thereto, but subject to the provisions of this section.

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

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

1 *annum.*

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

4 (B) attainment of normal retirement age; or

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

7 New Sec. 17. The provisions of K.S.A. 74-49,122, 74-49,123 and 74-
8 49,124, and amendments thereto, shall apply to this act. However, the
9 definitions of "actuarial equivalent" or "actuarial computation" shall not
10 apply to this act.

11 New Sec. 18. (a) All electronic and written account statements
12 provided to the members, or accessible to the members through electronic
13 account access, shall include:

14 (1) The anticipated monthly benefit from the account based on a
15 retirement age of 65;

16 (2) the anticipated percentage of income replacement provided by the
17 plan based upon a retirement age of 65; and

18 (3) the hypothetical or notional account balance.

19 (b) All electronic and written account statements provided to the
20 members, or accessible to the members through electronic account access,
21 shall clearly state that additional personal savings in programs like an
22 internal revenue code section 403 (b) plan or a 457 plan will likely be
23 necessary to insure adequate retirement savings and to address cost-of-
24 living increases.

25 (c) The board shall develop and make available to all members an
26 electronic benefits estimate calculator for the plan established pursuant to
27 this act.

28 New Sec. 19. (a) In accordance with the provisions of this section, the
29 legislature may make adjustments to the benefits provided for in this act, if
30 the employer's normal cost of the plan is 6% or greater; and:

31 (1) The board recommends specific adjustments to the legislature in
32 accordance with subsection (b); or

33 (2) an actuarial study that conforms with generally accepted actuarial
34 principles and practices and with the actuarial standards of practice issued
35 by the actuarial standards board and requested or commissioned by the
36 board or the legislature concludes:

37 (A) There is a significant likelihood that contribution rates will
38 continue to rise; and

39 (B) that participating employers are liable for normal costs of the plan
40 which are 6% or greater.

41 (b) If the conditions under subsection (a)(1) or (a)(2) are met, the
42 legislature may adjust benefits under this act for future years of service
43 including:

1 (1) The guaranteed minimum interest credit provided under sections 6
2 and 8, and amendments thereto;

3 (2) the settlement rate used to guarantee retirement benefits under
4 section 13, and amendments thereto; and

5 (3) other provisions of this act.

6 (c) (1) Notwithstanding the provisions of subsections (a) and (b) the
7 legislature may make adjustments to the benefits provided for under this
8 act if an actuarial study described under subsection (a)(2) concludes, due
9 to current and projected economic conditions, member participation levels
10 and system structure, that the system:

11 (A) Cannot reasonably be sustained under its current provisions;

12 (B) is critically underfunded; and

13 (C) has become unstable and is in risk of collapse.

14 (2) Subject to federal law, the adjustments under subsection (c)(1)
15 may include:

16 (A) Conversion to a different type of retirement plan;

17 (B) equitable distribution of system assets to retirees and members;
18 and

19 (C) a closure of the system.

20 New Sec. 20. In addition to all requirements for fiscal notes pursuant
21 to law, fiscal notes for bills which provide a new benefit, an increase in
22 existing benefits or any other type of benefit enhancement for members of
23 the Kansas public employees retirement system and systems thereunder,
24 including a cost-of-living adjustment or postretirement benefit increase,
25 shall include an actuarial valuation and appraisal of the liability to the
26 system and the required contributions necessary to discharge such liability
27 and maintain the system on an actuarial reserve basis created by such
28 benefit enhancement to be conducted by the qualified actuary employed or
29 retained by the system pursuant to K.S.A. 79-4908, and amendments
30 thereto. Such fiscal note shall be available to members of any standing
31 committee of the legislature to which such bill has been assigned prior to
32 such committee taking any action on such bill.

33 Sec. 21. K.S.A. 2011 Supp. 74-4914d is hereby amended to read as
34 follows: 74-4914d. Any additional cost resulting from the normal
35 retirement date and retirement before such normal retirement date for
36 security officers as provided in K.S.A. 74-4914c, and amendments thereto,
37 and disability benefits as provided in K.S.A. 74-4914e, and amendments
38 thereto, shall be added to the employer rate of contribution for the
39 department of corrections as otherwise determined under K.S.A. 74-4920,
40 and amendments thereto, except that the employer rate of contribution for
41 the department of corrections including any such additional cost added to
42 such employer rate of contribution pursuant to this section shall in no
43 event exceed the employer rate of contribution for the department of

1 corrections for the immediately preceding fiscal year by more than the
2 following amounts expressed as a percentage of compensation upon which
3 security officers contribute during the period: (a) For the fiscal year
4 commencing in calendar year 2006, ~~an amount not to exceed more than~~
5 ~~0.5% of the amount of the immediately preceding fiscal year;~~ and (b) for
6 ~~the fiscal year commencing in calendar year 2007, and in each subsequent~~
7 ~~calendar year years 2010 through 2012,~~ an amount not to exceed more
8 than 0.6% of the amount of the immediately preceding fiscal year; (b) for
9 the fiscal year commencing in calendar year 2013, an amount not to
10 exceed more than 0.9% of the amount of the immediately preceding fiscal
11 year; (c) for the fiscal year commencing in calendar year 2014, an amount
12 not to exceed more than 1% of the amount of the immediately preceding
13 fiscal year; (d) for the fiscal year commencing in calendar year 2015, an
14 amount not to exceed more than 1.1% of the amount of the immediately
15 preceding fiscal year; and (e) for the fiscal year commencing in calendar
16 year 2016, and in each subsequent calendar year, an amount not to exceed
17 more than 1.2% of the amount of the immediately preceding fiscal year.

18 Sec. 22. K.S.A. 74-4915 is hereby amended to read as follows: 74-
19 4915. (1) Any member who retires on or after such member's normal
20 retirement date shall be entitled to receive an annual retirement benefit
21 equal to the sum obtained by adding an amount for participating service
22 and an amount for prior service determined as provided in this section. The
23 amount for prior service shall be equal to 1% of the member's prior service
24 annual salary multiplied by the number of years of prior service entitled to
25 credit as provided in K.S.A. 74-4913, and amendments thereto, except that
26 for members retiring on or after July 1, 1981, who were last employed by a
27 participating employer which had affiliated with the system under K.S.A.
28 74-4910, 74-4912, 74-4929 or 74-4991, and amendments thereto, and for
29 the period commencing January 1, 1986, for members retiring before July
30 1, 1981, who were last employed by a participating employer which had
31 affiliated with the system under K.S.A. 74-4910, 74-4912, 74-4929 or 74-
32 4991, and amendments thereto, except that any increase in benefits under
33 this section shall be reduced by any postretirement benefit adjustments
34 received by such member prior to July 2, 1985, the amount for prior
35 service shall be calculated using final average salary in lieu of prior
36 service annual salary and, in the case of any such member who became a
37 member under subsection (3) of K.S.A. 74-4925, and amendments thereto,
38 and for whom a final average salary cannot be otherwise determined, such
39 member's final average salary shall be based on all service for which such
40 member received assistance in a plan under subsection (2) of K.S.A. 74-
41 4925, and amendments thereto, as certified by such employer upon request
42 of the board. For any member who retires on or after July 1, 1993, the
43 amount for participating service shall be equal to the total of 1.75% of the

1 member's final average salary multiplied by the number of years of
2 participating service *earned prior to January 1, 2014, and 1.85% of the*
3 *member's final average salary multiplied by the number of years of*
4 *participating service earned on and after January 1, 2014.*
5 *Notwithstanding any provision of law to the contrary, in no event shall*
6 *service that is purchased under the provisions of K.S.A. 74-4919a et seq.,*
7 *and amendments thereto, be credited at a rate that exceeds 1.75% of the*
8 *purchasing member's final average salary.*

9 (2) (A) Any member who retires on or after July 1, 1993, but before
10 the normal retirement date and has attained age 60 but has not attained age
11 62 with the completion of 10 years of credited service, shall receive an
12 annual retirement benefit equal to the annual retirement benefit payable
13 had the member retired on the normal retirement date but based upon the
14 member's final average salary and years of participating and prior service
15 credited to the date of actual retirement reduced by an amount equal to the
16 product of (i) such annual retirement benefit payable had the member
17 retired on the normal retirement date, multiplied by (ii) the product of .2%
18 multiplied by the number of months' difference, to the nearest whole
19 month, between the member's attained age at the time of retirement and
20 age 62.

21 (B) Any member who retires on or after July 1, 1993, but before the
22 normal retirement date and has attained age 55 but has not attained age 60
23 with the completion of 10 years of credited service, shall receive an annual
24 retirement benefit equal to the annual retirement benefit payable had the
25 member retired on the normal retirement date but based upon the member's
26 final average salary and years of participating and prior service credited to
27 the date of actual retirement reduced by an amount equal to the total of: (i)
28 (a) The product of such annual retirement benefit payable had the member
29 retired on the normal retirement date, multiplied by (b) the product of .6%
30 multiplied by the number of months' difference, to the nearest whole
31 month, between the member's attained age at the time of retirement and
32 age 60; and

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

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

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

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

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

40 Sec. 23. K.S.A. 74-4919 is hereby amended to read as follows: 74-
41 4919. (1) *Except as otherwise provided*, each participating employer,
42 beginning with the first payroll for services performed after the entry date,
43 shall deduct from the compensation of each member 4% of such member's

1 compensation as employee contributions. *Each participating employer, for*
2 *services performed by an employee first employed prior to July 1, 2009,*
3 *shall deduct from the compensation of each member, commencing January*
4 *1, 2014, 5% of such member's compensation as employee contributions,*
5 *and, commencing January 1, 2015, and in each subsequent calendar year,*
6 *6% of such member's compensation as employee contributions.* Such
7 deductions shall be remitted quarterly, or as the board may otherwise
8 provide, to the executive director for deposit in the Kansas public
9 employees retirement fund. Such deductions shall be credited to the
10 members' individual accounts and interest shall be added annually to such
11 accounts.

12 (2) (a) Subject to the provisions of K.S.A. 74-49,123, and
13 amendments thereto, each participating employer, pursuant to the
14 provisions of section 414(h)(2) of the federal internal revenue code, shall
15 pick up and pay the contributions which would otherwise be payable by
16 members as prescribed in subsection (1) commencing with the third
17 quarter of 1984. The contributions so picked up shall be treated as
18 employer contributions for purposes of determining the amounts of federal
19 income taxes to withhold from the member's compensation.

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

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

34 Sec. 24. K.S.A. 2011 Supp. 74-4920 is hereby amended to read as
35 follows: 74-4920. (1) (a) Upon the basis of each annual actuarial valuation
36 and appraisal as provided for in subsection (3)(a) of K.S.A. 74-4908, and
37 amendments thereto, the board shall certify, on or before July 15 of each
38 year, to the division of the budget in the case of the state and to the agent
39 for each other participating employer an actuarially determined estimate of
40 the rate of contribution which will be required, together with all
41 accumulated contributions and other assets of the system, to be paid by
42 each such participating employer to pay all liabilities which shall exist or
43 accrue under the system, including amortization of the actuarial accrued

1 liability as determined by the board. The board shall determine the
2 actuarial cost method to be used in annual actuarial valuations, to
3 determine the employer contribution rates that shall be certified by the
4 board. Such certified rate of contribution, amortization methods and
5 periods and actuarial cost method shall be based on the standards set forth
6 in subsection (3)(a) of K.S.A. 74-4908, and amendments thereto, and shall
7 not be based on any other purpose outside of the needs of the system.

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

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

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

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

39 (4) Each participating employer is hereby authorized to pay the
40 employer's contribution from the same fund that the compensation for
41 which such contribution is made is paid from or from any other funds
42 available to it for such purpose. Each political subdivision, other than an
43 instrumentality of the state, which is by law authorized to levy taxes for

1 other purposes, may levy annually at the time of its levy of taxes, a tax
2 which may be in addition to all other taxes authorized by law for the
3 purpose of making its contributions under this act and, in the case of cities
4 and counties, to pay a portion of the principal and interest on bonds issued
5 under the authority of K.S.A. 12-1774, and amendments thereto, by cities
6 located in the county, which tax, together with any other fund available,
7 shall be sufficient to enable it to make such contribution. In lieu of levying
8 the tax authorized in this subsection, any taxing subdivision may pay such
9 costs from any employee benefits contribution fund established pursuant to
10 K.S.A. 12-16,102, and amendments thereto. Each participating employer
11 which is not by law authorized to levy taxes as described above, but which
12 prepares a budget for its expenses for the ensuing year and presents the
13 same to a governing body which is authorized by law to levy taxes as
14 described above, may include in its budget an amount sufficient to make
15 its contributions under this act which may be in addition to all other taxes
16 authorized by law. Such governing body to which the budget is submitted
17 for approval, may levy a tax sufficient to allow the participating employer
18 to make its contributions under this act, which tax, together with any other
19 fund available, shall be sufficient to enable the participating employer to
20 make the contributions required by this act.

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

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

31 (ii) Except as specifically provided in this subsection, for the fiscal
32 years commencing in the following calendar years, the rate of contribution
33 certified to the state of Kansas and to the participating employers under
34 K.S.A. 74-4931, and amendments thereto, shall in no event exceed the
35 state's contribution rate for the immediately preceding fiscal year by more
36 than the following amounts expressed as a percentage of compensation
37 upon which members contribute during the period: (A) For the fiscal year
38 commencing in calendar year 2005, an amount not to exceed more than
39 0.4% of the amount of the immediately preceding fiscal year; (B) for the
40 fiscal year commencing in calendar year 2006, an amount not to exceed
41 more than 0.5% of the amount of the immediately preceding fiscal year;
42 and (C) for the fiscal year commencing in calendar year 2007 and in each
43 subsequent calendar year years 2010 through 2012, an amount not to

1 exceed more than 0.6% of the amount of the immediately preceding fiscal
2 year; (B) for the fiscal year commencing in calendar year 2013, an
3 amount not to exceed more than 0.9% of the amount of the immediately
4 preceding fiscal year; (C) for the fiscal year commencing in calendar year
5 2014, an amount not to exceed more than 1% of the amount of the
6 immediately preceding fiscal year; (D) for the fiscal year commencing in
7 calendar year 2015, an amount not to exceed more than 1.1% of the
8 amount of the immediately preceding fiscal year; and (E) for the fiscal
9 year commencing in calendar year 2016, and in each subsequent calendar
10 year, an amount not to exceed more than 1.2% of the amount of the
11 immediately preceding fiscal year.

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

19 (iv) Except as specifically provided in this subsection, for the fiscal
20 years commencing in the following calendar years, the rate of contribution
21 certified to participating employers other than the state of Kansas shall in
22 no event exceed the contribution rate for such employers for the
23 immediately preceding fiscal year by more than the following amounts
24 expressed as a percentage of compensation upon which members
25 contribute during the period: (A) For the fiscal year commencing in
26 calendar year 2006, an amount not to exceed more than 0.4% of the
27 amount of the immediately preceding fiscal year; (B) for the fiscal year
28 commencing in calendar year 2007, an amount not to exceed more than
29 0.5% of the amount of the immediately preceding fiscal year; and (C) for
30 the fiscal year commencing in calendar year 2008 and in each subsequent
31 calendar year years 2010 through 2013, an amount not to exceed more
32 than 0.6% of the amount of the immediately preceding fiscal year; (B) for
33 the fiscal year commencing in calendar year 2014, an amount not to
34 exceed more than 0.9% of the amount of the immediately preceding fiscal
35 year; (C) for the fiscal year commencing in calendar year 2015, an
36 amount not to exceed more than 1% of the amount of the immediately
37 preceding fiscal year; (D) for the fiscal year commencing in calendar year
38 2016, an amount not to exceed more than 1.1% of the amount of the
39 immediately preceding fiscal year; and (E) for the fiscal year commencing
40 in calendar year 2017, and in each subsequent calendar year, an amount
41 not to exceed more than 1.2% of the amount of the immediately preceding
42 fiscal year.

43 (v) As part of the annual actuarial valuation, there shall be a separate

1 employer rate of contribution calculated for the state of Kansas, a separate
2 employer rate of contribution calculated for participating employers under
3 K.S.A. 74-4931, and amendments thereto, a combined employer rate of
4 contribution calculated for the state of Kansas and participating employers
5 under K.S.A. 74-4931, and amendments thereto, and a separate employer
6 rate of contribution calculated for all other participating employers.

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

11 (vii) If the combined employer rate of contribution calculated for the
12 state of Kansas and participating employers under K.S.A. 74-4931, and
13 amendments thereto, is greater than the separate employer rate of
14 contribution for the state of Kansas, the difference in the two rates applied
15 to the actual payroll of the state of Kansas for the applicable fiscal year
16 shall be calculated. This amount shall be certified by the board for deposit
17 as additional employer contributions to the retirement benefit
18 accumulation reserve for the participating employers under K.S.A. 74-
19 4931, and amendments thereto.

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

23 (7) The actuarial cost of the provisions of K.S.A. 74-4950i, *and*
24 *amendments thereto*, will be included in the June 30, 1998, actuarial
25 valuation in determining contribution rates for participating employers.
26 The actuarial accrued liability incurred for the provisions of K.S.A. 74-
27 4950i, *and amendments thereto*, shall be amortized over 15 years.

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

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

43 (10) The cost of the postretirement benefit payment provided

1 pursuant to the provisions of K.S.A. 2011 Supp. 74-49,114b, and
2 amendments thereto, for retirants other than local retirants as described in
3 subsection (11) or insured disability benefit recipients shall be paid in the
4 fiscal year commencing on July 1, 2007.

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

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

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

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

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

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

37 (17) Notwithstanding any provision of law to the contrary, each
38 participating employer shall remit quarterly, or as the board may otherwise
39 provide, all employee deductions and required employer contributions to
40 the executive director for credit to the Kansas public employees retirement
41 fund within three days after the end of the period covered by the
42 remittance by electronic funds transfer. Remittances of such deductions
43 and contributions received after such date are delinquent. Delinquent

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

7 Sec. 25. K.S.A. 2011 Supp. 74-4937 is hereby amended to read as
8 follows: 74-4937. (1) The normal retirement date of a member of the
9 system who is in school employment and who is subject to K.S.A. 74-
10 4940, and amendments thereto, shall be the first day of the month
11 coinciding with or following termination of employment not followed by
12 employment with any participating employer within 60 days and the
13 attainment of age 65 or, commencing July 1, 1986, age 65 or age 60 with
14 the completion of 35 years of credited service or at any age with the
15 completion of 40 years of credited service, or commencing July 1, 1993,
16 any alternative normal retirement date already prescribed by law or age 62
17 with the completion of 10 years of credited service or the first day of the
18 month coinciding with or following the date that the total of the number of
19 years of credited service and the number of years of attained age of the
20 member is equal to or more than 85. Each member upon giving prior
21 notice to the appointing authority and the retirement system may retire on
22 the normal retirement date or the first day of any month thereafter.

23 (2) Any member who is in school employment and who is subject to
24 K.S.A. 74-4940, and amendments thereto, may retire before such
25 member's normal retirement date on the first day of the month coinciding
26 with or following termination of employment not followed by employment
27 with any participating employer within 60 days and the attainment of age
28 55 with the completion of 10 years of credited service, upon the filing with
29 the office of the retirement system of an application for retirement in such
30 form and manner as the board shall prescribe.

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

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

20 Sec. 26. K.S.A. 2011 Supp. 74-49,205 is hereby amended to read as
21 follows: 74-49,205. For any member who is first employed by a
22 participating employer on or after July 1, 2009, and who retires on or after
23 such member's normal retirement date, *but not prior to January 1, 2014*,
24 the amount for participating service shall be equal to the total of ~~4.75%~~
25 *1.85%* of the member's final average salary multiplied by the number of
26 years of participating service to be used in determining such member's
27 annual retirement benefit.

28 Sec. 27. K.S.A. 2011 Supp. 75-6609 is hereby amended to read as
29 follows: 75-6609. (a) When used in this section, "surplus real estate"
30 means real estate which is no longer needed by the state agency which
31 owns such real estate as determined in accordance with this section.

32 (b) (1) The secretary of administration shall develop criteria for the
33 identification of surplus real estate, including, but not limited to, a review
34 of any legal restrictions associated with the real estate and the reasons for
35 the state agency to keep the real estate. In accordance with such criteria,
36 the secretary shall assist state agencies in the identification of surplus real
37 estate. The secretary of administration shall periodically review the status
38 of all real estate of state agencies subject to this section to determine if any
39 of the real estate owned by state agencies is potentially surplus real estate.
40 If any real estate owned by a state agency is determined by the secretary of
41 administration, in consultation with the head of the state agency, to be
42 surplus real estate in accordance with the criteria developed under
43 subsection (a), then the secretary of administration shall recommend to the

1 governor that such real estate be sold under the procedures prescribed by
2 this section.

3 (2) The secretary of administration shall develop guidelines for the
4 sale of surplus real estate. In accordance with such guidelines and upon the
5 approval of the governor, after consultation with the head of the state
6 agency which owns such surplus real estate, after consultation with the
7 joint committee on state building construction and after approval by the
8 state finance council under subsection (c), the secretary may offer such
9 property for sale by one of the following means: (A) Public auction; (B) by
10 listing the surplus property with a licensed real estate broker or
11 salesperson; or (C) by sealed bid. Subject to the approval of the state
12 finance council as required by subsection (c), the secretary of
13 administration may sell surplus real estate and any improvements thereon
14 on behalf of the state agency which owns such property.

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

22 (d) Prior to offering any real estate for sale, such property shall be
23 appraised pursuant to K.S.A. 75-3043a, and amendments thereto, unless
24 the appraisal is waived as provided in this subsection. The secretary of
25 administration may waive the requirement for appraisal for any parcel of
26 surplus real estate that is to be sold at public auction under this section if
27 the secretary of administration determines that it is in the best interests of
28 the state to waive the requirement for appraisal for such parcel of surplus
29 real estate. The costs of any such appraisal may be paid from the proceeds
30 of the sale.

31 (e) Conveyance of title in surplus real estate offered for sale by the
32 secretary of administration shall be executed on behalf of the state agency
33 by the secretary of administration. The deed for the conveyance may be by
34 warranty deed or by quitclaim deed as determined to be in the best
35 interests of the state by the secretary of administration in consultation with
36 the head of the state agency which owns the surplus real estate.

37 (f) (1) Any proceeds from the sale of surplus real estate and any
38 improvements thereon, after deduction of the expenses of such sale and
39 any cost of appraisal of the surplus real estate, shall be deposited in the
40 state treasury as prescribed by this subsection, unless otherwise authorized
41 by law. On and after ~~the effective date of this act~~ *July 1, 2012*, 20% of the
42 proceeds from each such sale deposited in the state treasury shall be
43 credited to the surplus real estate fund or another appropriate special

1 revenue fund of the state agency which owned the surplus real estate, as is
2 prescribed by law or as may be determined by the state agency, unless
3 otherwise required by state or federal law or by the limitations or
4 restrictions of the state's title to the real estate being sold. In the case of
5 proceeds from the sale of surplus real estate at a state mental health
6 institution or a state mental retardation institution, such portion of the
7 proceeds shall be credited to the client benefit fund of such institution or to
8 another special revenue fund of such institution for: (A) Rehabilitation and
9 repair or other capital improvements for such institution; or (B) one-time
10 expenditures for community mental health organizations if the real estate
11 sold was at a state mental health institution or for community
12 developmental disabilities organizations if the real estate sold was at a
13 state mental retardation institution, and, in any such case, shall be
14 expended in accordance with the provisions of appropriation acts. The
15 remaining 80% of the proceeds from each such sale deposited in the state
16 treasury shall be credited to the ~~state general fund~~ *Kansas public*
17 *employees retirement fund to be applied to the payment, in full or in part,*
18 *of the unfunded actuarial pension liability as directed by the Kansas*
19 *public employees retirement system. As used in this section, "unfunded*
20 *actuarial pension liability" means the unfunded actuarially accrued*
21 *liability of the state for the state of Kansas and participating employers*
22 *under K.S.A. 74-4931, and amendments thereto, portion of such liability of*
23 *the Kansas public employees retirement system, determined as of the later*
24 *of December 31, 2011, or the end of the most recent calendar year for*
25 *which an actuarial valuation report is available.*

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

31 (3) Any state agency owning real estate may apply to the director of
32 accounts and reports to establish a surplus real estate special revenue fund
33 in the state treasury. Subject to the provisions of appropriation acts,
34 moneys in a surplus real estate special revenue fund may be expended for
35 the operating expenditures of the state agency.

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

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

1 New Sec. 28. Nothing in this act shall effect any cost-of-living
2 adjustment earned by a retirant pursuant to the provisions of K.S.A 74-
3 49,213, and amendments thereto, prior to July 1, 2012.

4 Sec. 29. K.S.A. 74-4915 and 74-4919 and K.S.A. 2011 Supp. 74-
5 4914d, 74-4920, 74-4937, 74-49,205, 74-49,213 and 75-6609 are hereby
6 repealed.

7 Sec. 30. This act shall take effect and be in force from and after its
8 publication in the statute book.

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