

HOUSE BILL No. 2786

By Committee on Appropriations

3-14

1 AN ACT concerning retirement and pensions; relating to the Kansas public
2 employees retirement system and systems thereunder; plan of death and
3 long-term disability benefits; employer contributions; amending K.S.A.
4 2011 Supp. 74-4927 and repealing the existing section.
5

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

7 Section 1. K.S.A. 2011 Supp. 74-4927 is hereby amended to read as
8 follows: 74-4927. (1) The board may establish a plan of death and long-
9 term disability benefits to be paid to the members of the retirement system
10 as provided by this section. The long-term disability benefit shall be
11 payable in accordance with the terms of such plan as established by the
12 board, except that for any member who is disabled prior to the effective
13 date of this act, the annual disability benefit amount shall be an amount
14 equal to 66²/₃% of the member's annual rate of compensation on the date
15 such disability commenced. Such plan shall provide that:

16 (A) For deaths occurring prior to January 1, 1987, the right to receive
17 such death benefit shall cease upon the member's attainment of age 70 or
18 date of retirement whichever first occurs. The right to receive such long-
19 term disability benefit shall cease (i) for a member who becomes eligible
20 for such benefit before attaining age 60, upon the date that such member
21 attains age 65 or the date of such member's retirement, whichever first
22 occurs, and (ii) for a member who becomes eligible for such benefit at or
23 after attaining age 60, the date that such member has received such benefit
24 for a period of five years, or upon the date of such member's retirement,
25 whichever first occurs.

26 (B) Long-term disability benefit payments shall be in lieu of any
27 accidental total disability benefit that a member may be eligible to receive
28 under subsection (3) of K.S.A. 74-4916, and amendments thereto. The
29 member must make an initial application for social security disability
30 benefits and, if denied such benefits, the member must pursue and exhaust
31 all administrative remedies of the social security administration which
32 include, but are not limited to, reconsideration and hearings. Such plan
33 may provide that any amount which a member receives as a social security
34 benefit or a disability benefit or compensation from any source by reason
35 of any employment including, but not limited to, workers compensation
36 benefits may be deducted from the amount of long-term disability benefit

1 payments under such plan. However, in no event shall the amount of long-
2 term disability benefit payments under such plan be reduced by any
3 amounts a member receives as a supplemental disability benefit or
4 compensation from any source by reason of the member's employment,
5 provided such supplemental disability benefit or compensation is based
6 solely upon the portion of the member's monthly compensation that
7 exceeds the maximum monthly compensation taken into account under
8 such plan. As used in this paragraph, "maximum monthly compensation"
9 means the dollar amount that results from dividing the maximum monthly
10 disability benefit payable under such plan by the percentage of
11 compensation that is used to calculate disability benefit payments under
12 such plan. During the period in which such member is pursuing such
13 administrative remedies prior to a final decision of the social security
14 administration, social security disability benefits may be estimated and
15 may be deducted from the amount of long-term disability benefit payments
16 under such plan. If the social security benefit, workers compensation
17 benefit, other income or wages or other disability benefit by reason of
18 employment other than a supplemental benefit based solely on
19 compensation in excess of the maximum monthly compensation taken into
20 account under such plan, or any part thereof, is paid in a lump-sum, the
21 amount of the reduction shall be calculated on a monthly basis over the
22 period of time for which the lump-sum is given. As used in this section,
23 "workers compensation benefits" means the total award of disability
24 benefit payments under the workers compensation act notwithstanding any
25 payment of attorney fees from such benefits as provided in the workers
26 compensation act.

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

36 (D) Any visually impaired person who is in training at and employed
37 by a sheltered workshop for the blind operated by the secretary of social
38 and rehabilitation services and who would otherwise be eligible for the
39 long-term disability benefit as described in this section shall not be eligible
40 to receive such benefit due to visual impairment as such impairment shall
41 be determined to be a preexisting condition.

42 (2) (A) In the event that a member becomes eligible for a long-term
43 disability benefit under the plan authorized by this section such member

1 shall be given participating service credit for the entire period of such
2 disability. Such member's final average salary shall be computed in
3 accordance with subsection (17) of K.S.A. 74-4902, and amendments
4 thereto, except that the years of participating service used in such
5 computation shall be the years of salaried participating service.

6 (B) In the event that a member eligible for a long-term disability
7 benefit under the plan authorized by this section shall be disabled for a
8 period of five years or more immediately preceding retirement, such
9 member's final average salary shall be adjusted upon retirement by the
10 actuarial salary assumption rates in existence during such period of
11 disability. Effective July 1, 1993, such member's final average salary shall
12 be adjusted upon retirement by 5% for each year of disability after July 1,
13 1993, but before July 1, 1998. Effective July 1, 1998, such member's final
14 average salary shall be adjusted upon retirement by an amount equal to the
15 lesser of: (i) The percentage increase in the consumer price index for all
16 urban consumers as published by the bureau of labor statistics of the
17 United States department of labor minus 1%; or (ii) four percent per
18 annum, measured from the member's last day on the payroll to the month
19 that is two months prior to the month of retirement, for each year of
20 disability after July 1, 1998.

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

35 (3) (A) To carry out the legislative intent to provide, within the funds
36 made available therefor, the broadest possible coverage for members who
37 are in active employment or involuntarily absent from such active
38 employment, the plan of death and long-term disability benefits shall be
39 subject to adjustment from time to time by the board within the limitations
40 of this section. The plan may include terms and provisions which are
41 consistent with the terms and provisions of group life and long-term
42 disability policies usually issued to those employers who employ a large
43 number of employees. The board shall have the authority to establish and

1 adjust from time to time the procedures for financing and administering
2 the plan of death and long-term disability benefits authorized by this
3 section. Either the insured death benefit or the insured disability benefit or
4 both such benefits may be financed directly by the system or by one or
5 more insurance companies authorized and licensed to transact group life
6 and group accident and health insurance in this state.

7 (B) The board may contract with one or more insurance companies,
8 which are authorized and licensed to transact group life and group accident
9 and health insurance in Kansas, to underwrite or to administer or to both
10 underwrite and administer either the insured death benefit or the long-term
11 disability benefit or both such benefits. Each such contract with an
12 insurance company under this subsection shall be entered into on the basis
13 of competitive bids solicited and administered by the board. Such
14 competitive bids shall be based on specifications prepared by the board.

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

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

35 (4) (A) There is hereby created in the state treasury the group
36 insurance reserve fund. Investment income of the fund shall be added or
37 credited to the fund as provided by law. The cost of the plan of death and
38 long-term disability benefits shall be paid from the group insurance
39 reserve fund, which shall be administered by the board. Except as
40 otherwise provided by this subsection, for the period commencing July 1,
41 2005, and ending June 30, 2006, each participating employer shall
42 appropriate and pay to the system in such manner as the board shall
43 prescribe in addition to the employee and employer retirement

1 contributions an amount equal to .8% of the amount of compensation on
2 which the members' contributions to the Kansas public employees
3 retirement system are based for deposit in the group insurance reserve
4 fund. For the period commencing July 1, 2006, and all periods thereafter,
5 each participating employer shall appropriate and pay to the system in
6 such manner as the board shall prescribe in addition to the employee and
7 employer retirement contributions an amount equal to 1.0% of the amount
8 of compensation on which the members' contributions to the Kansas public
9 employees retirement system are based for deposit in the group insurance
10 reserve fund. Notwithstanding the provisions of this subsection, no
11 participating employer shall appropriate and pay to the system any amount
12 provided for by this subsection for deposit in the group insurance reserve
13 fund for the period commencing on ~~April 1, 2010, and ending on June 30,~~
14 ~~2010, and the period commencing on April 1, 2011, and ending on June~~
15 ~~30, 2011~~ *April 1, 2012, and ending on June 30, 2012.*

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

21 (C) The provisions of subsection (4) of K.S.A. 74-4920, and
22 amendments thereto, shall apply for the purpose of providing the funds to
23 make the contributions to be deposited to the group insurance reserve
24 fund.

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

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

35 (6) The board is hereby authorized to establish an optional death
36 benefit plan for employees and spouses and dependents of employees.
37 Except as provided in subsection (7), such optional death benefit plan shall
38 be made available to all employees who are covered or may hereafter
39 become covered by the plan of death and long-term disability benefits
40 authorized by this section. The cost of the optional death benefit plan shall
41 be paid by the applicant either by means of a system of payroll deductions
42 or direct payment to the board. The board shall have the authority and
43 discretion to establish such terms, conditions, specifications and coverages

1 as it may deem to be in the best interest of the state of Kansas and its
2 employees which should include term death benefits for the person's
3 period of active state employment regardless of age, but in no case, shall
4 the maximum allowable coverage be less than \$200,000. The cost of the
5 optional death benefit plan shall not be established on such a basis as to
6 unreasonably discriminate against any particular age group. The board
7 shall have full administrative responsibility, discretion and authority to
8 establish and continue such optional death benefit plan and the director of
9 accounts and reports of the department of administration shall when
10 requested by the board and from funds appropriated or available for such
11 purpose establish a system to make periodic deductions from state payrolls
12 to cover the cost of the optional death benefit plan coverage under the
13 provisions of this subsection (6) and shall remit all deductions together
14 with appropriate accounting reports to the system. There is hereby created
15 in the state treasury the optional death benefit plan reserve fund.
16 Investment income of the fund shall be added or credited to the fund as
17 provided by law. All funds received by the board, whether in the form of
18 direct payments, payroll deductions or otherwise, shall be accounted for
19 separately from all other funds of the retirement system and shall be paid
20 into the optional death benefit plan reserve fund, from which the board is
21 authorized to make the appropriate payments and to pay the ongoing costs
22 of administration of such optional death benefit plan as may be incurred in
23 carrying out the provisions of this subsection (6).

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

30 (8) For purposes of the death benefit provided under the plan of death
31 and long-term disability benefits authorized by this section and the
32 optional death benefit plan authorized by subsection (6), commencing on
33 the effective date of this act, in the case of medical or financial hardship of
34 the member as determined by the executive director, or otherwise
35 commencing January 1, 2005, the member may name a beneficiary or
36 beneficiaries other than the beneficiary or beneficiaries named by the
37 member to receive other benefits as provided by the provisions of K.S.A.
38 74-4901 *et seq.*, and amendments thereto.

39 Sec. 2. K.S.A. 2011 Supp. 74-4927 is hereby repealed.

40 Sec. 3. This act shall take effect and be in force from and after its
41 publication in the Kansas register.

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